

Quarterly Report

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

Fiscal Year	From July 1, 2022
(The 3 rd Quarter of the 65 th Term)	To September 30, 2022

Coca-Cola Bottlers Japan Holdings Inc.

(E00417)

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This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended September 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.

【Cover Page】

[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]	November 11, 2022
[Fiscal year]	65 th fiscal term (from July 1, 2022, to September 30, 2022)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
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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.

Part I Corporate information

Section 1. Corporate overview

1. Summary of business results

Issuance	The 64 th Term Consolidated Cumulative Third Quarter	The 65 th Term Consolidated Cumulative Third Quarter	The 64 th Term
Accounting period	From January 1, 2021 to September 30, 2021	From January 1, 2022 to September 30, 2022	From January 1, 2021 to December 31, 2021
Revenue [Current Third quarter] (Millions of yen)	589,531 [220,222]	612,321 [236,373]	785,837
Income (Loss) before income tax (Millions of yen)	(20,395)	(7,947)	(21,683)
Net income (loss) for the period attributable to owners of the parent (Millions of yen)	(1,535) [(1,181)]	(5,194) [4,705]	(2,503)
Comprehensive income (loss) attributable to owners of the parent (Millions of yen)	2,445	(3,150)	780
Equity attributable to owners of the parent (Millions of yen)	494,503	478,559	492,320
Total Assets (Millions of yen)	866,711	831,736	867,111
Basic earnings (loss) per share (Yen)	(8.56) [(6.58)]	(28.96) [26.24]	(13.96)
Diluted earnings per share (Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	57.1	57.5	56.8
Cash flows from operating activities (Millions of yen)	23,199	32,651	35,982
Cash flows from investing activities (Millions of yen)	11,346	(18,514)	15,271
Cash flows from financing activities (Millions of yen)	(65,386)	(44,642)	(67,134)
Cash and cash equivalents at the end of the period (Millions of yen)	95,538	79,991	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 business that the Group (the Company and its subsidiaries) was engaged in during the nine months ended September 30, 2022.

Section 2. Business situations

1. Risk of business

During the third quarter of the current fiscal year (July 1, 2022, to September 30, 2022, hereinafter referred to as the "third quarter"), coronavirus infections in Japan reached record numbers. However, the government did not impose any restrictions on activities and a certain level of people's activities were maintained which assisted in mitigating the impact.

During the third quarter the various global events reported in the second quarter, such as inflation trends and commodity availability have caused commodity prices to rise and has seen Japan experience a significant depreciation of the yen. These changes in the macro risk environment have contributed to a rise in costs which is impacting consumer sentiment.

Our ongoing reviews of our risk environment indicates that there were no significant changes to our 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 fourth quarter (October 1, 2022, to December 31, 2022), we will continue to actively monitor our overall risk environment.

2. Management's analysis of financial conditions, operation results, 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 third quarter Consolidated Financial Results

In this year-to-date third quarter period (January 1, 2022 to September 30, 2022), the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume is estimated to have grown by 5% to the same period of the previous fiscal year. This was due to continued recovery in the number of people returning to the streets of Japan since the lifting of restrictions on activities due to COVID and the heat wave contributing to volume growth. On the other hand, the business environment remained uncertain and challenging, as the severe competitive environment continued, and rising commodity prices as well as the rapid acceleration of the yen's depreciation impacted businesses and consumer behavior.

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. In commercial activities, we worked to grow sales volume and sales revenue by introducing new products, responding to diversifying consumer needs, and executing effective campaigns to capture opportunities for the recovery in traffic. In addition, as part of our profitability focused pricing strategy, we implemented price revisions for large PET in May and engaged in negotiations with customers on price revisions for small packages to be implemented from October 1. In manufacturing and supply chain fields, while faced with rising commodity prices, we have been building a supply chain that can flexibly respond to sudden changes in demand by revamping our Sales and Operations Planning process and leveraging our Saitama and Akashi Mega Distribution Centers, two of the largest automated distribution centers in Japan by storage and shipping capacities. Despite the sharp increases in demand with the recovery in traffic and the heat wave, these efforts have resulted in a stable supply of our products.

We are realizing ESG targets that are based on creating shared value with society. In the third quarter, we were awarded a Silver rating by the globally recognized EcoVadis sustainability survey for the second consecutive year. Moreover, aiming for greater sustainable materials used in PET bottles to realize a World Without Waste, we have been working on the design aspects of product packaging, and establishing a solid bottle collection and recycling scheme in collaboration with local governments and partner companies. In other areas, we are conserving water sources, donating our products to food banks and placing vending machines to support local communities.

Details for the year-to-date third quarter earnings are as follows.

Summary of Consolidated Financial Results

(Millions of yen, excluding sales volume)

Year-to-date Q3 (January 1 to September 30)

	2021	2022	Change (%)
Revenue	589,531	612,321	3.9
Sales volume (million cases)	351	367	5
Gross Profit	260,823	267,317	2.5
Selling, General & Administrative Expenses	273,868	278,322	1.6
Other income (Recurring)	650	694	6.7
Other expenses (Recurring)	1,507	942	(37.5)
Investment income (loss) on equity method	(121)	57	—
Business Income (Loss)	(14,023)	(11,196)	—
Other income (Non-recurring)	5,584	7,438	33.2
Other expenses (Non-recurring)	11,539	3,295	(71.4)
Operating Income (Loss)	(19,978)	(7,053)	—
Net Income (Loss) Attributable to Owners of the Parent	(1,535)	(5,194)	—

(Millions of yen, excluding sales volume)

(For reference) Q3 (July 1 to September 30)

	2021	2022	Change (%)
Revenue	220,222	236,373	7.3
Sales volume (million cases)	134	143	7
Gross Profit	97,554	104,179	6.8
Selling, General & Administrative Expenses	96,574	97,047	0.5
Other income (Recurring)	235	173	(26.4)
Other expenses (Recurring)	452	276	(38.9)
Investment income on equity method	12	(4)	—
Business Income (Loss)	776	7,025	805.6
Other income (Non-recurring)	982	780	(20.6)
Other expenses (Non-recurring)	3,486	426	(87.8)
Operating Income (Loss)	(1,728)	7,379	—
Net Income (Loss) Attributable to Owners of the Parent	(1,181)	4,705	—

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 612,321 million yen (3.9% increase of 22,790 million yen from the same period in the prior year). Although the negative impact on sales volume immediately after the price revisions of large PET in May was significant, sales volume increased by 5% versus the same period of the previous year. This was due to the introduction of new products and channel-specific efforts to meet diversifying consumer needs, which were supported by a recovery in traffic and increased demand due to the heat wave. Volume growth in the profitable immediate consumption channels and an improving trend in wholesale revenue per case through price revisions, channel-specific efforts to improve profitability contributed to the increase in revenue. In the third quarter (July 1, 2022 to September 30, 2022), revenue growth outpaced volume growth.

Consolidated business loss was 11,196 million yen (14,023 million yen loss in prior year period). Despite higher commodity prices and the yen depreciation, and the cycling of temporary cost savings implemented in the same period of the previous year, business income increased (loss decreased). This was achieved through volume growth, improved package mix, profit contribution from improving wholesale revenue per case since the second quarter, and cost savings through improved manufacturing, logistics efficiency, and transformation.

Consolidated operating loss was 7,053 million yen (19,978 million yen loss in prior year period). Addition to business income increasing versus the same period of the previous year, operating income increased versus the same period of the previous year due to gains on sales of fixed assets and a decrease in the temporary paid leave expenses. Other income (non-recurring) for the year-to-date third quarter includes, gain on sales of fixed assets of 4,060 million yen and 3,329 million yen in government subsidies for employment adjustment. Other expenses (non-recurring) include 2,168 million yen in temporary leave expenses and 517 million yen in special retirement allowances related to the voluntary employee retirement programs.

Net income attributable to owners of the parent for the year-to-date third quarter was a loss of 5,194 million yen (1,535 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)

Year-to-date third quarter period sales volume increased by 5%. The third quarter period sales volume increased by 7%, despite the continued negative volume impact from the large PET price revisions, demand increased with the continued recovery trends in consumer traffic and the heat wave. By channel, supermarkets, drugstores and discounters were impacted by the decline in large PET volume due to price revisions and from the severe competition, despite the small PET showing growth trends with the execution of campaigns to capture traffic recovery and effective introduction of new products. As a result, sales volume at supermarkets declined by 4% for the year-to-date third quarter, while sales volume at drugstores and discounters increased by 2%, partly due to an easing trend in the impact of volume declines of large PET. Vending continued to grow steadily, leveraging the market share base built to date, capturing the traffic recovery and demand from favorable weather. Strengthened product lineups, stepped-up vending machine placement activities, and campaigns through the Coke ON smartphone app, which has reached 40 million downloads, contributed to an 8% increase in volume in the third quarter and a 5% increase for the year-to-date period. Especially, the volume of vending machines located indoors, such as offices, schools, and leisure facilities, has been at the heart of volume recovery. In addition, wholesale revenue per case improved from the same period of the previous year with the appropriate pricing strategies. In CVS, volume increased by 2%, despite being impacted by the challenging competitive environment, mainly through campaigns and activities in collaboration with customers. In retail & food, volume increased by 25% with the recovery in customer traffic returning to dine at restaurants. In online, volume grew by 33%, supported by growth in all categories, achieved even during the period of traffic recovery by capturing demand for at-home consumption with the high convenience it offers. Offerings of label-less products, tie-up promotions with major online customers, and the acquisition of subscription type consumers also supported growth.

By beverage category performance, sparkling sales volume grew by 2%, despite the negative volume impact from the large PET price revisions, contributions from volume growth at vending and restaurants with traffic recovery, and new products such as Fanta Premier Lemon contributed. Sales volume of tea products increased by 1%, while there were contributions from Yakan no Mugicha from Hajime which continues to enjoy steady sales growth since its launch in the previous year and new product such as Ayataka Cafe Hojicha Latte, large PET declined due to the impact of price revisions. Coffee sales volume increased by 4%, supported by strengthening of the Costa Coffee lineup and new products such as Georgia Black. Sports grew by 10%, both small and large PETs grew with restrictions being lifted on events and other activities, also benefiting from the heat wave. Water sales volume grew by 10% with the increase in small PET mainly in immediate consumption channels as traffic recovered and with the heat wave, as well as an increase in large PET by capturing at-home consumption demand.

In the alcohol category, sales volume decreased by 17%. Despite the contributions from new products such as Lemon-dou Uchiwari Lemon, offerings of 350ml can multi-packs, 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. The non-alcoholic beverage Yowanai Lemon-dou, launched this year continued to do well.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 831,736 million yen, a decrease of 35,375 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”

Liabilities at the end of the quarter were 353,042 million yen, a decrease of 21,618 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 478,694 million yen, a decrease of 13,758 million yen from the end of the prior year period. This is mainly due to a decrease in “Retained earnings” as a result of dividend payments.

(3) Cash flows

The cash flow conditions for Year-to-date third quarter period of the current year are as follows:

<Cash Flows from Operating Activities>

Net cash generated from operating activities was 32,651 million yen (23,199 million net cash generated from operations in the prior year period). This results mainly from the 7,947 million yen net loss before tax, “Depreciation and amortization”, “Increase in trade and other payables”, etc., alongside “Increase in inventories” etc.

<Cash Flows from Investing Activities>

Net cash used for investing activities was 18,514 million yen (11,346 million yen outflow in the prior 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 44,642 million yen (65,386 million yen net cash used for financing activities in the prior year period), driven by “Payments for bond redemption” and “Dividends paid”.

As a result of these activities, cash and cash equivalents at the end of the fiscal year were 79,991 million yen, a decrease of 30,506 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 Year-to-date third quarter period.

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 nine months ended September 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	9,352	September 2022
Coca-Cola Bottlers Japan Inc.	Akashi Mega DC / (Akashi-shi, Hyogo Prefecture)	Beverage business	Logistics equipment	13,703	June 2022

3. Significant management contracts

Not applicable.

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 3 rd Quarter (September 30,2022)	No. of issued shares as of filing date (November 11, 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)
July 1, 2022 – September 30,2022	—	206,269	—	15,232	—	108,167

(5) Major shareholder status

Not applicable as this is the third quarter of the current year.

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(6) Status of voting rights

① Issued shares

As of September 30,2022

Class	Number of shares	Number of votes	Details
Non-voting shares	—	—	—
Shares with restricted voting rights (Treasury Shares)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury Shares)	Common shares 26,927,400	—	—
Shares with full voting rights (Others)	Common shares 178,555,200	1,785,552	—
Odd lot shares	Common shares 785,993	—	—
Total number of issued shares	206,268,593	—	-
Voting rights of all shareholders	—	1,785,552	-

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

② Treasury Shares

As of September 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	26,927,400	—	26,927,400	13.05
Total	—	26,927,400	—	26,927,400	13.05

2. Status of Officers

Not applicable.

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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 third quarter of the current year (July 1, 2022 to September 30, 2022) and the Nine-months ended September 30, 2022 (January 1, 2022, to September 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

	Notes	As of December 31, 2021	(Millions of yen) As of September 30,2022
Assets			
Current assets:			
Cash and cash equivalents		110,497	79,991
Trade and other receivables		105,320	103,825
Inventories		67,583	73,481
Other financial assets	11	1,320	1,641
Other current assets		16,275	15,824
Total current assets		300,995	274,762
Non-current assets:			
Property, plant and equipment		434,994	427,177
Right-of-use assets		25,144	21,055
Intangible assets		66,219	65,826
Investments accounted for using the equity method		281	333
Other financial assets	11	19,511	19,210
Deferred tax assets		13,960	18,226
Other non-current assets		6,006	5,147
Total non-current assets		566,116	556,973
Total assets		867,111	831,736

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		As of December 31, 2021	(Millions of yen) As of September 30,2022
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		103,260	110,794
Bonds and debts	6,11	30,990	1,000
Lease liabilities		4,050	4,861
Other financial liabilities	11	—	658
Income taxes payable		1,139	203
Provisions		9	—
Other current liabilities		16,085	20,405
Total current liabilities		<u>155,535</u>	<u>137,921</u>
Non-current liabilities:			
Bonds and debts	11	156,622	155,681
Lease liabilities		22,462	17,693
Net defined benefit liabilities		17,605	19,495
Provisions		2,137	1,679
Deferred tax liabilities		17,379	17,532
Other non-current liabilities		2,920	3,041
Total non-current liabilities		<u>219,125</u>	<u>215,121</u>
Total liabilities		<u>374,660</u>	<u>353,042</u>
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,832	451,203
Retained earnings	8	109,273	95,107
Treasury shares		(85,661)	(85,665)
Accumulated other comprehensive income (loss)		2,644	2,683
Equity attributable to owners of parent		<u>492,320</u>	<u>478,559</u>
Non-controlling interests		131	134
Total equity		<u>492,451</u>	<u>478,694</u>
Total liabilities and equity		<u>867,111</u>	<u>831,736</u>

(2) Condensed Quarterly Consolidated Statements of Income
 【The nine-months ended September 30,2022】

	Notes	Nine months ended September 30, 2021	Nine months ended September 30,2022
(Millions of yen)			
Continuing operations			
Revenue	9	589,531	612,321
Cost of sales		328,708	345,004
Gross profit		260,823	267,317
Selling and general administrative expenses		273,868	278,322
Other income	10	6,234	8,132
Other expenses	10	13,046	4,237
Investment income (loss) on equity method		(121)	57
Operating Income (loss)		(19,978)	(7,053)
Financial revenue		309	179
Financial expenses		726	1,073
Income (Loss) for the period before income taxes		(20,395)	(7,947)
Income tax benefit		(6,338)	(2,756)
Net income (loss) for the period from continuing operations		(14,057)	(5,191)
Discontinued operations			
Net income for the period from discontinued operations	7	12,505	—
Net income (loss) for the period		(1,552)	(5,191)
Net income (loss) for the period attributable to			
Owners of parent			
Income (Loss) from continuing operations attributable to owners of parent		(14,040)	(5,194)
Income from discontinued operations attributable to owners of parent		12,505	—
Non-controlling interests		(17)	3
Earnings (Loss) per share (yen)			
Continuing operations		(78.28)	(28.96)
Discontinued operations		69.72	—
Earnings (Loss) per share	12	(8.56)	(28.96)

【Third quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended September 30, 2021	Three months ended September 30, 2022
Continuing operations			
Revenue		220,222	236,373
Cost of sales		122,668	132,194
Gross profit		97,554	104,179
Selling and general administrative expenses		96,574	97,047
Other income		1,218	953
Other expenses		3,938	702
Investment income (loss) on equity method		12	(4)
Operating income (loss)		(1,728)	7,379
Financial revenue		38	17
Financial expenses		230	221
Income (Loss) for the period before income taxes		(1,920)	7,174
Income tax expenses (benefit)		(735)	2,468
Net income (loss) for the period		(1,185)	4,706
Discontinued operations			
Net income for the period from discontinued operations		—	—
Net income (loss) for the period		(1,185)	4,706
Net income (loss) for the period attributable to			
Owners of parent:		(1,181)	4,705
Income from discontinued operations attributable to owners of parent		—	—
Non-controlling interests		(5)	0
Earnings (Loss) per share (yen)			
Continuing operations		(6.58)	26.24
Discontinued operations		—	—
Earnings (Loss) per share	12	(6.58)	26.24
Diluted earnings per share (yen)			
Continuing operations		—	26.13
Discontinued operations		—	—
Diluted earnings per share (yen)	12	—	26.13

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(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

【The nine-months ended September 30,2022】

	Notes	Nine months ended September 30, 2021	(Millions of yen) Nine months ended September 30,2022
Net income (loss) for the period		(1,552)	(5,191)
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		1,794	329
Subtotal		1,782	329
Items that may be reclassified subsequently to income:			
Cash flow hedges		2,198	1,715
Subtotal		2,198	1,715
Total other comprehensive income for the period		3,980	2,044
Total comprehensive income (loss) for the period		2,428	(3,147)
Comprehensive income (loss) attributable to:			
Owners of parent		2,445	(3,150)
Non-controlling interests		(17)	3

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【Third quarter of this fiscal year】

	Notes	Three months ended September 30, 2021	(Millions of yen) Three months ended September 30,2022
Net income (loss) for the period		(1,185)	4,706
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)		366	108
Subtotal		366	108
Items that may be reclassified subsequently to income:			
Cash flow hedges		111	217
Subtotal		111	217
Total other comprehensive income (loss) for the period		477	325
Total comprehensive income (loss) for the period		(708)	5,030
Comprehensive income (loss) attributable to:			
Owners of parent		(703)	5,030
Non-controlling interests		(5)	0

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(4) Condensed Quarterly Consolidated Statements of Changes in Equity

The nine months ended September 30, 2021

(Millions of yen)

	Notes	Equity attributable to owners of the parent							Non-controlling interests	Total
		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		
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) for the period										
Net income (loss) for the period		—	—	(1,535)	—	—	—	(1,535)	(17)	(1,552)
Other comprehensive income (loss)		—	—	—	—	3,980	—	3,980	—	3,980
Total comprehensive income (loss) for the year		—	—	(1,535)	—	3,980	—	2,445	(17)	2,428
Transactions with owners										
								—		
Dividends of surplus	8	—	—	(8,967)	—	—	—	(8,967)	—	(8,967)
Purchase of treasury stock		—	—	—	(6)	—	—	(6)	—	(6)
Disposal of treasury stock		—	(0)	—	0	—	—	0	—	0
Transactions of share-based payment		—	283	—	—	—	—	283	—	283
Reclassification from accumulated other comprehensive income (loss) to retained earnings		—	—	17	—	(17)	—	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets		—	—	—	—	(895)	—	(895)	—	(895)
Changes from loss of control		—	—	(107)	—	—	107	—	(297)	(297)
Total transactions with owners		—	283	(9,058)	(6)	(912)	107	(9,586)	(297)	(9,883)
Balance as of September 30, 2021		15,232	450,888	109,880	(85,660)	4,163	—	494,503	136	494,638

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The nine months ended September 30,2022

(Millions of yen)

Equity attributable to owners of the parent

	Notes	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		—	—	(5,194)	—	—	(5,194)	3	(5,191)
Other comprehensive income (loss)		—	—	—	—	2,044	2,044	—	2,044
Total comprehensive income (loss) for the period		—	—	(5,194)	—	2,044	(3,150)	3	(3,147)
Transactions with owners									
Dividends of surplus	8	—	—	(8,967)	—	—	(8,967)	—	(8,967)
Purchase of treasury stock		—	—	—	(4)	—	(4)	—	(4)
Disposal of treasury stock		—	(0)	—	0	—	0	—	0
Transactions of share-based payment		—	371	—	—	—	371	—	371
Reclassification from accumulated other comprehensive income (loss) to retained earnings		—	—	(5)	—	5	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets		—	—	—	—	(2,010)	(2,010)	—	(2,010)
Total transactions with owners		—	371	(8,972)	(4)	(2,005)	(10,611)	—	(10,611)
Balance as of September 30,2022		15,232	451,203	95,107	(85,665)	2,683	478,559	134	478,694

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Nine months ended September 30, 2021	Nine months ended September 30,2022
Cash flows from operating activities			
Income (Loss) for the period before income tax benefit from continuing operations		(20,395)	(7,947)
Income for the period before income tax benefit from discontinued operations		12,841	—
Adjustments for:			
Depreciation and amortization		43,083	34,250
Impairment losses	10	427	—
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)		989	(168)
Interest and dividends income		(172)	(159)
Interest expenses		702	591
Share of (income) loss of entities accounted for using equity method		121	(57)
Gain on sale of property, plant and equipment		(247)	(4,075)
Loss on disposal and sale of property, plant and equipment		923	665
(Increase) decrease in trade and other receivables		849	1,509
(Increase) decrease in inventories		(8,369)	(5,881)
(Increase) decrease in other assets		1,697	(335)
(Decrease) Increase in trade and other payables		10,182	7,287
(Decrease) Increase in net defined benefit liabilities		1,678	1,890
(Decrease) Increase in other liabilities		235	5,072
Other		(127)	1,062
Subtotal		30,868	33,704
Interest received		1	0
Dividends received		171	158
Interest paid		(686)	(593)
Income taxes paid		(10,108)	(4,806)
Income taxes refund		2,953	4,187
Net cash generated from operating activities		23,199	32,651
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(35,707)	(23,745)
Proceeds from sales of property, plant and equipment and intangible assets		506	5,183
Proceeds from collection of loans receivable resulting from sales of stock in subsidiaries	7	7,400	—
Purchases of other financial assets		(36)	(17)
Proceeds from sale of other financial assets		4,473	38
Proceeds from sale of stock of subsidiaries	7	34,490	—
Other		219	27
Net cash (used in) generated from investing activities		11,346	(18,514)

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(Millions of yen)

	Notes	Nine months ended September 30, 2021	Nine months ended September 30,2022
Cash flows from financing activities			
(Decrease) Increase in short-term loans payable		(50,000)	(38)
Repayments of long-term loans payable		(1,072)	(1,065)
Payments for bond redemption	6	—	(30,000)
Dividends paid	8	(8,967)	(8,967)
Proceeds from disposal of treasury stock		0	0
Purchases of treasury stock		(6)	(4)
Repayments of lease liabilities		(5,341)	(4,567)
Net cash used in financing activities		(65,386)	(44,642)
Net change in cash and cash equivalents		(30,840)	(30,506)
Cash and cash equivalents at the beginning of the year		126,378	110,497
Cash and cash equivalents at the end of the period		95,538	79,991

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 November 11, 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 nine months ended September 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 in 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 nine months ended September 30, 2022 decreased by 6,478 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)
		Nine months ended September 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		—
Financial expenses		—
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)

	Nine months ended September 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 nine months ended September 30, 2021 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)

	Nine months ended September 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 nine -months ended September 30, 2021 (January 1, 2021 – September 30, 2021)

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
August 11, 2021 Board of directors	Ordinary share	4,484	25	June 30, 2021	September 1, 2021

The nine-months ended September 30, 2022 (January 1, 2022 – September 30, 2022)

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
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 customers 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)	
		Nine months ended September 30, 2021	Nine months ended September 30, 2022
Beverage		589,221	612,301
Other		310	20
	Total	589,531	612,321

10. Other income and other expenses

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

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30,2022
Other income		
Gains on sales of property, plant, and equipment (Note 1)	247	4,075
Rent income	230	213
Government subsidies (Note 2)	4,634	3,329
Gain on sales of stocks of subsidiaries and affiliates (Note 3)	708	—
Other	415	514
Total	6,234	8,132
Other expense		
Impairment losses	427	—
Losses on sales and disposal of property, plant, and equipment	1,126	1,004
Transformation related expenses (Note 4)	1,445	401
Special retirement allowance (Note 5)	1,572	517
Temporary paid leave expenses (Note 6)	6,901	2,168
System failure-related costs (Note 7)	1,188	—
Other	387	148
Total	13,046	4,237

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

2. Government subsidies are grants to cover employees’ 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 532 million yen and 92 million yen from cost of sales and 6,369 million yen and 2,076 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 nine months ended September 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 an 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 September 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: 4.6 - 6.2 times EBITDA Multiple: 8.6 times PER: .66 - 35.0 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

	Level 1	Level 2	Level 3	Total
(Millions of yen)				
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 September 30,2022

	Level 1	Level 2	Level 3	Total
(Millions of yen)				
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	2,113	—	2,113
Subtotal	—	2,113	—	2,113
Financial instrument measured at fair value through other comprehensive income:				
Securities	10,304	—	3,904	14,208
Other	—	—	86	86
Subtotal	10,304	—	3,990	14,295
Total	10,304	2,113	3,990	16,408
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	658	—	658
Total	—	658	—	658

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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 on January 1, 2021	4,694
Disposals	(25)
Gains recognized in other comprehensive income	53
Balance on September 30, 2021	4,722
Balance on January 1, 2022	4,423
Disposals	(86)
Losses recognized in other comprehensive income	(349)
Other	2
Balance on September 30,2022	3,990

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

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

As of September 30,2022

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	156,681	155,654	1,027

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 amount 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 and diluted earnings per share for the Cumulative third quarter of the current year and prior year is as follows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Income (Loss) from continuing operations attributable to owners of parent (millions of yen)	(14,040)	(5,194)
Income from discontinued operations attributable to owners of parent (millions of yen)	12,505	—
Weighted-average shares of ordinary share outstanding (in thousands)	179,346	179,343
Earnings (Loss) per share (yen)		
Continuing operations	(78.28)	(28.96)
Discontinued operations	69.72	—
Earnings (Loss) per share (yen)	(8.56)	(28.96)
	Three months ended September 30, 2021	Three months ended September 30, 2022
Income (Loss) attributable to owners of parent	(1,181)	4,705
Weighted-average shares of ordinary share outstanding (in thousands)	179,345	179,342
Increase in common stock		
Shares of stock-based compensation (in thousands)	—	725
Diluted weighted average number of shares (in thousands)	—	180,067
Earnings (Loss) per share (yen)	(6.58)	26.24
Diluted earnings per share (yen)	—	26.13

Note 1. In the nine months ended September 30, 2021 and the third quarter of the previous fiscal year, as 411 thousand shares of stock-based compensation were accounted for antedilutive, "Diluted earnings per share" is not shown.

2. In the nine months ended September 30, 2022, as 725 thousand shares of stock-based compensation were accounted for antedilutive, "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

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Part II Information of guarantor companies of the filing company

Not applicable