

Quarterly Report

(Article 24-4-7, Paragraph 1 of the Financial Instruments and
Exchange Act)

Fiscal Year	From April 1, 2023
(The 2 nd Quarter of the 66 th Term)	To June 30, 2023

Coca-Cola Bottlers Japan Holdings Inc.

(E00417)

Table of Contents

[Cover Page]

Part I Corporate information	1
Section 1. Corporate overview	1
1. Changes in key management indicators.....	1
2. Business content.....	1
Section 2. Business situations.....	2
1. Risk of business.....	2
2. Management's analysis of financial condition, results of operations and cash flows.....	2
3. Significant management contracts	7
Section 3. Status of the filing company	8
1. Status of Shares	8
2. Status of Officers.....	10
Section 4 Accounting status.....	11
1. Condensed Quarterly Consolidated Financial Statements and Notes	12
2. Others	27
Part II Information of guarantor companies of the filing company	28

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act
[Recipient]	Director-General of the Kanto Local Finance Bureau
[Submission date]	August 10, 2023
[Fiscal year]	66 th fiscal term (from April 1, 2023 to June 30, 2023)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
[Name and position of representative]	Calin Dragan, Representative Director & President
[Address of head office]	9-7-1 Akasaka, Minato-ku, Tokyo
[Telephone number]	+81-800-919-0509
[Name of administrative contact]	Tatsuhiko Ishikawa, Head of Controllers Senior Group Division, Finance
[Closest contact point]	9-7-1 Akasaka, Minato-ku, Tokyo
[Telephone number]	+81-800-919-0509
[Name of administrative contact]	Tatsuhiko Ishikawa, 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.

Part I Corporate information

Section 1. Corporate overview

1. Changes in key management indicators

Issuance		The 65 th Term Consolidated Second Quarter	The 66 th Term Consolidated Second Quarter	The 65 th Term
Accounting period		From January 1, 2022 to June 30, 2022	From January 1, 2023 to June 30, 2023	From January 1, 2022 to December 31, 2022
Revenue [The second quarter]	(Millions of yen)	375,948 [207,095]	404,109 [222,046]	807,430
Net loss for the period before income taxes	(Millions of yen)	(15,121)	(6,580)	(12,491)
Net income (loss) for the period attributable to owners of the parent [The second quarter]	(Millions of yen)	(9,899) [(3,331)]	(3,947) [2,513]	(8,070)
Comprehensive loss attributable to owners of the parent	(Millions of yen)	(8,180)	(2,868)	(5,005)
Equity attributable to owners of the parent	(Millions of yen)	479,002	468,920	476,216
Total assets	(Millions of yen)	841,250	829,829	826,737
Basic income (loss) per share [The second quarter]	(Yen)	(55.20) [(18.57)]	(22.01) [14.01]	(45.00)
Diluted earnings per share	(Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	56.9	56.5	57.6
Cash flows from operating activities	(Millions of yen)	1,686	(2,185)	42,717
Cash flows from investing activities	(Millions of yen)	(11,250)	(15,038)	(23,090)
Cash flows from financing activities	(Millions of yen)	(38,222)	(7,576)	(46,050)
Cash and cash equivalents at the end of the period	(Millions of yen)	62,711	59,276	84,074

- Notes:
1. Because the Company prepares condensed quarterly consolidated financial statements, changes in the key management indicators for the filing company are 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 above indicators are based on the condensed quarterly consolidated financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).
 4. Fractions of one million yen are rounded to the nearest million.
 5. The Company has introduced Executive reward BIP Trust and Stock-granting ESOP Trust for the first half and the second quarter of current fiscal year, and the Company shares held by these trusts are recorded as treasury shares in the quarterly consolidated financial statements. Accordingly, the Company shares held by these trusts are included in the number of treasury shares to be deducted from the average number of shares during the period for the calculation of basic income (loss) per share.

2. Business content

There were no significant changes in the businesses that the Group (the Company and its subsidiaries) is engaged in this year-to-date second quarter (January 1, to June 30, 2023, hereinafter referred as “first half”).

Section 2. Business situations

1. Risk of business

During the quarter to date second quarter (April 1, to June 30, 2023, hereinafter referred to as "second quarter"), there were no new business risks or significant changes in the business risks that were described in the Annual Securities Report for the previous fiscal year.

The company will continue to actively monitor our environment for new, current, and over the horizon risks and respond proactively.

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) Status of Business Performance

In the first half, the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume is estimated to have contracted versus the same period of the previous fiscal year by about 1%. Although demand continued to increase supported by the recovery in traffic and resumption of economic activity, the negative impact on demand from the price revisions implemented by beverage companies and the cycling of the heat wave in the same period of the previous year had an impact. The business environment remained uncertain and challenging as the rising commodity and utility prices and yen's depreciation impacted business and consumer behavior.

Under these circumstances, we have positioned 2023 as the “Year of profit focus”, and we have given top priority to improving profitability. In commercial activities, we implemented price revisions for canned products and large PET bottle products in May and focused on implementing and maintaining the prices of our products after the price revisions implemented from the previous year. In addition, we have worked to grow sales revenue and wholesale revenue per case by introducing new products and implementing efficient and effective marketing activities to capture increased demand from the traffic recovery. Moreover, to further improve profitability, we have announced that we will once again revise product prices for large PET bottles and other products, effective for shipments from October 1, 2023. In the manufacturing and supply chain fields, while faced with rising commodity and utility prices, and yen's depreciation, in April a new line at the Ebina Plant began operation and have been working to reduce manufacturing and distribution costs further by activities including the use of the Saitama Mega DC (Distribution Center) and Akashi Mega DC, automated distribution centers with the largest storage and shipping capacity in Japan. We have been working towards a stable operation for the summer, the highest period of demand.

We are working to realize ESG targets based on creating shared value with society. We have launched several collaborative initiatives with customers and government agencies to promote Sustainable Development Goals (SDGs) and enhance PET bottle recycling. We have been working to reduce our environmental impact through fostering a recycling-based society and expanding business opportunities through collaboration. In April, we launched a new initiative to reduce greenhouse gas emissions by participating in the "Green Innovation Fund Project / Building a Smart Mobility Society," a grant program aimed at realizing a carbon-neutral society. In addition, to further promote our sustainability strategy, we published our Integrated Report 2022 in June, which includes our material issues, value creation process, and strategies for sustainable growth.

We have announced our strategic business plan for 2028. In the strategic business plan, we target an annual revenue growth of 2 to 3%, business income margin of 5% or higher and ROIC (return on invested capital) of 5% or higher by 2028. For commercial activities, to achieve profitable growth, we will invest in high value-added products, implement appropriate growth strategies by sales channels, implement flexible pricing strategies that contribute to higher profit margins, and drive transformation in vending channel. We will work to further streamline the supply chain and improve all operational processes through promoting DX. In addition, we work to promote ESG management and human capital management to enhance our corporate value over the medium to long term through our business activities. To achieve the goals of the strategic business plan, the strategies will be executed with the strong collaboration with The Coca-Cola Company and Coca-Cola (Japan) Company, as a unified Coca-Cola System.

Details for the first half are as follows.

Summary of Business Performance

First half (January 1 to June 30)

(Millions of yen except sales volume)

	2022	2023	Change (%)
Revenue	375,948	404,109	7.5
Sales volume (million cases)	224	230	3
Gross profit	163,138	176,797	8.4
Selling, General & Administrative Expenses	181,275	183,212	1.1
Other income (Recurring)	521	364	(30.1)
Other expenses (Recurring)	666	711	6.7
Investment income(loss) on equity method	61	(0)	—
Business loss	(18,221)	(6,763)	—
Other income (Non-recurring)	6,658	1,658	(75.1)
Other expenses (Non-recurring)	2,868	1,424	(50.3)
Operating loss	(14,431)	(6,529)	—
Net loss attributable to owners of parent	(9,899)	(3,947)	—

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

(Millions of yen except sales volume)

	2022	2023	Change (%)
Revenue	207,095	222,046	7.2
Sales volume (million cases)	123	126	2
Gross profit	91,127	98,056	7.6
Selling, General & Administrative Expenses	96,383	95,211	(1.2)
Other income (Recurring)	223	178	(20.0)
Other expenses (Recurring)	478	342	(28.3)
Investment income(loss) on equity method	39	(8)	—
Business income(loss)	(5,472)	2,674	—
Other income (Non-recurring)	968	535	(44.7)
Other expenses (Non-recurring)	257	579	124.8
Operating income(loss)	(4,761)	2,631	—
Net income (loss) attributable to owners of parent	(3,331)	2,513	—

* 1. “Business loss” and “Business income (loss)” is a measure of our recurring business performance. Business loss and 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. Sales volume in 2022 is revised retroactively due to changes of counting segmentation and scope in some products.

Consolidated revenue was 404,109 million yen (7.5% increase of 28,161 million yen from the same period in the prior year). Despite the negative impact on volume following the price revisions and cycling of the heat wave in the same period in the prior year, sales volume increased by 3% compared to the same period in the previous year. This was achieved with the introduction of new products and effective marketing activities which led to capture the demand opportunity from traffic recovery. The price revisions implemented in the previous fiscal year and the one implemented in May this year are delivering benefits as planned with wholesale revenue per case increasing and contributing to revenue growth.

Consolidated business loss improved by 11,458 million yen (loss reduced) and was a loss of 6,763 million yen (18,221 million yen loss in prior year period). In addition to profit contributions from top-line growth, such as sales volume growth and wholesale revenue per case price improvement, a decrease in expense with marketing activities focused on cost-effectiveness and lower distribution costs due to improvements in the supply chain network contributed. Profitability improvement was achieved while overcoming the impact of cost increases due to external factors such as higher commodity and utility prices and yen depreciation.

Consolidated operating loss improved by 7,902 million yen (loss reduced) and was a loss of 6,529 million yen (14,431 million yen loss in prior year period). In addition to business loss improving versus the previous year (loss reduced) being the primary reason, there was a cycling impact of gains from sales and disposals of property, plant, and equipment that was recorded in the same period of the previous year which decreased other income (non-recurring). Other income (non-recurring) in the first half includes 1,631 million yen in gain on sales and disposals of property, plant, and equipment, which was realized in the process of improving the balance sheet. Other expenses (non-recurring) include 1,287 million yen in business structure improvement expenses related to the implementation of fundamental transformation.

Net loss attributable to owners of the parent improved by 5,953 million yen (loss reduced) with operating loss improving from the previous period, it was a loss of 3,947 million yen (9,899 million yen loss in prior year period).

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

Sales volume grew by 3% in the first half. Despite the impact to demand from price revisions and the cycling of the heat wave in the same period previous year, factors such as traffic recovery leading to demand growth contributed to a 3% sales volume growth. As the benefit from the price revisions, wholesale revenue per case improved by more than double digits versus the same period previous year in all channels.

By channel, supermarkets were impacted by the small PET bottle price revisions and sales volume declined by 3%, despite the introduction of new products, activities to expand the sales space and campaigns to capture the traffic recovery. Sales volume at drugstores and discounters increased by 4%, with contributions from new products and the volume of large PET bottle products which had been sluggish after the price revisions turning positive versus the same period in the previous year. Vending sales volume increased by 1%, supported by the market share base we have built to date and by seasonal campaigns through Coke ON smartphone app contributing to capture the traffic recovery demand. Wholesale revenue per case in vending improved greatly from both the price revision benefits from last year and of the price revisions for canned products implemented this May that are progressing well. CVS sales volume was flat compared to the same period last year, despite the continued severe environment with rise of lower price point products in the market, new product launches and efforts to strengthen collaboration with customers to expand sales space contributed. In retail & food, sales volume increased by 14% for the first half with the traffic returning to restaurants and amusement facilities. For the second quarter, sales volume grew another 7% from the same period last year, on top of the volume that grew by double digits. In online, volume grew by 10% despite intensifying competitive environment, strengthened product lineup and tie-up promotions implemented together with major online customers contributed.

By beverage category performance, sparkling sales volume grew by 3%, with volume growth centered around Coca-Cola at vending and restaurants with the recovery in traffic, and contributions from product renewals such as Sprite. Sales volume of tea products decreased by 3% due to impact from the price revisions for small PET, despite the contributions from Yakan no Mugicha from Sokenbicha which continues to enjoy sales growth since its launch and product renewal of Sokenbicha. Coffee sales volume increased by 2%, supported by the new Georgia THE Black, launched together with the Georgia rebranding, medium PET bottle products to capture the at-home demand, and the strengthening of the Costa Coffee lineup contributed, despite the volume being impacted from price revisions. In Sport, sales volume decreased by 6% due to the price revision impact, despite the contribution from the new product Aquarius NEWATER. Water sales volume grew by 17% with the contribution from the I LOHAS Natural Water with the renewed bottle design for the first time in 13 years and seasonal flavor I LOHAS Salt and Lemon.

In the alcohol category, first half sales volume declined by 14% due to cycling of at-home drinking demand that increased during COVID-19. For the second quarter with new products such as Jack Daniel's & Coca-Cola and Lemon-dou Sukkiri Lemon contributed to the sales volume growth of 6%.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 829,829 million yen, an increase of 3,093 million yen from the end of the prior year period. This is mainly due to a decrease in “Cash and cash equivalents,” and an increase in “Inventories” and “Trade and other receivables” ahead of the peak season.

Liabilities at the end of the quarter were 360,753 million yen, an increase of 10,375 million yen from the end of the prior year period. This is mainly due to an increase in “Trade and other payables.”

Equity at the end of the quarter was 469,076 million yen, a decrease of 7,282 million yen. This mainly reflects a decrease in “Retained earnings” as a result of dividend payments.

(3) Qualitative Information on Consolidated Statements of Cash Flow

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

<Cash Flows from Operating Activities >

Net cash used for operating activities was 2,185 million yen (1,686 million yen generated from operating activities in the prior year period). This is mainly due to a loss before income taxes of 6,580 million yen and “Increase in inventories,” while “Depreciation and amortization” was recorded.

<Cash Flows from Investing Activities>

Net cash used for investing activities was 15,038 million yen (11,250 million yen used for investment activities in the prior year period). This is mainly due to “Payments for acquisitions of property, plant, and equipment and intangible assets” resulting from the start of operation of a new line at the Ebina Plant in this April.

<Cash Flows from Financing Activities>

Net cash used for financing activities was 7,576 million yen (38,222 million yen used for financing activities in the prior year period). This is mainly due to “Dividends paid” and “Repayments of lease liabilities.”

As a result of these activities, cash and cash equivalents at the end of the second quarter were 59,276 million yen, a decrease of 24,799 million yen in comparison to the end of the previous period.

(4) Business and financial challenges to be addressed

1. Issues to be addressed

We have announced our strategic business plan for 2028. Based on the strategic business plan, the Company will work to achieve profitable growth, streamline the supply chain, improve all operational processes through promoting DX, and enhance our corporate value over the medium to long term through our business activities. Please refer to “(1) Status of Business Performance” for details of the strategic business plan.

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 (i) fully understand the importance of 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) strive aggressively to win in the market as the customers’ preferred partner with a deep understanding of the Company’s corporate philosophy; (iii) appreciate 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) contribute 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, preserve relationships of mutual trust with customers, business partners, shareholders and employees and perform to their expectations, and 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. We must secure the Company’s corporate value and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition of the Company’s shares by such Persons.

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 stakeholder groups 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. The business environment surrounding the Company is projected to become even more intense with further acceleration of the industry’s restructuring for survival, such as the expansion of business tie-ups between beverage manufacturers.

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 voting rights in Board of Director 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 productive discussions in 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 a Board Meeting determines it necessary to reapply 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 and 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 first half of the current fiscal year 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	8,709	June 2023

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

3. Significant management contracts

There were no decisions or conclusions for significant management contracts in the second quarter of the current fiscal year.

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 2 nd Quarter (June 30, 2023)	No. of issued shares as of filing date (August 10, 2023)	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 per 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, 2023 – June 30, 2023	—	206,269	—	15,232	—	108,167

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

(5) Major shareholder status

As of June 30, 2023

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 shares) (%)
Coca-Cola (Japan) Company, Limited	4-6-3, Shibuya, Shibuya-ku, Tokyo	27,956	15.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	20,447	11.20
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	6,561	3.60
Ichimura Foundation of New Technology	1-26-10, Kitamagome, Ota-ku, Tokyo	5,295	2.90
Satsuma Shuzo Co., Ltd.	26, Kamimotocho, Makurazaki-shi, Kagoshima	4,736	2.60
Senshusha Co., Ltd.	339, Noda, Noda-shi, Chiba	4,088	2.24
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	2.23
Mitsubishi Heavy Industries Machinery Systems, Ltd.	1-1-1, Wadazakicho, Hyogo-ku, Kobe-shi, Hyogo	3,912	2.14
MCA Holdings, Co., Ltd.	7-10-16, Ginza, Chuo-ku, Tokyo	3,408	1.87
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-Ku, Tokyo	3,109	1.70
Total	-	83,587	45.80

Notes: 23,783 thousand treasury shares are not included in the major shareholder status above because they do not have voting rights. Also, the treasury shares do not include the Company shares held by Executive reward BIP Trust and Stock-granting ESOP Trust.

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

(6) Status of voting rights

① Issued shares

As of June 30,2023

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 23,782,600	—	—
Shares with full voting rights (Others)	Common shares 181,716,600	1,817,166	—
Odd lot shares	Common shares 769,393	—	—
Total number of issued shares	206,268,593	—	—
Voting rights of all shareholders	—	1,817,166	—

Notes: 1. “Shares with full voting rights (Others)” includes 2,300 shares under in JASDEC’s name (23 voting rights).

2. Common shares in the column “Shares with full voting rights (other)” includes 1,260,900 shares (number of voting rights: 12,609) held by Executive reward BIP Trust and 1,886,600 shares (number of voting rights: 18,866) held by Stock-granting ESOP Trust.

② Treasury Shares

As of June 30,2023

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	23,782,600	—	23,782,600	11.53
Total	—	23,782,600	—	23,782,600	11.53

Note: The Company shares held by Executive reward BIP Trust and Stock-granting ESOP Trust are not included in the above number of shares owned.

2. Status of Officers

Not applicable.

Section 4 Accounting status

1. Preparation of Accounting 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 Article 93 (Cabinet Office Ordinance No. 64 of 2007).

2. Audit certification

The Company’s condensed quarterly consolidated financial statements for the second quarter of the current fiscal year (April 1, 2023 to June 30, 2023) and the first half of the current fiscal year (January 1, 2023 to June 30, 2023) 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.

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

1. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	Notes	Previous fiscal year As of December 31, 2022	(Millions of yen) The second quarter As of June 30, 2023
Assets			
Current assets:			
Cash and cash equivalents		84,074	59,276
Trade and other receivables		103,346	116,740
Inventories		71,051	86,344
Other financial assets	10	542	628
Other current assets		13,108	15,211
Total current assets		<u>272,122</u>	<u>278,199</u>
Non-current assets:			
Property, plant, and equipment		425,009	418,929
Right-of-use assets		21,841	20,904
Intangible assets		65,865	65,061
Investments accounted for using the equity method		322	316
Other financial assets	10	15,888	17,701
Deferred tax assets		20,581	23,482
Other non-current assets		5,110	5,236
Total non-current assets		<u>554,615</u>	<u>551,631</u>
Total assets		<u><u>826,737</u></u>	<u><u>829,829</u></u>

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

		Previous fiscal year As of December 31, 2022	(Millions of yen) The second quarter As of June 30, 2023
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		108,254	123,002
Bonds and debts	6,10	1,000	1,000
Lease liabilities		5,122	5,094
Other financial liabilities	10	654	760
Income taxes payables		1,272	939
Other current liabilities		20,339	16,245
Total current liabilities		<u>136,641</u>	<u>147,040</u>
Non-current liabilities:			
Bonds and debts	10	155,701	155,241
Lease liabilities		18,146	17,612
Other financial liabilities	10	8	—
Net defined benefit liabilities		17,817	18,952
Provisions		1,761	1,757
Deferred tax liabilities		17,157	17,003
Other non-current liabilities		3,147	3,147
Total non-current liabilities		<u>213,737</u>	<u>213,713</u>
Total liabilities		<u>350,378</u>	<u>360,753</u>
Equity:			
Capital stock		15,232	15,232
Capital surplus		451,264	451,558
Retained earnings	7	94,209	85,778
Treasury shares		(85,667)	(85,669)
Accumulated other comprehensive income		1,177	2,020
Equity attributable to owners of parent		<u>476,216</u>	<u>468,920</u>
Non-controlling interests		142	157
Total equity		<u>476,358</u>	<u>469,076</u>
Total liabilities and equity		<u>826,737</u>	<u>829,829</u>

(2) Condensed Quarterly Consolidated Statements of Income

【The first half】

		(Millions of yen)	
	Notes	The first half of previous fiscal year (Six months ended June 30, 2022)	The first half of current fiscal year (Six months ended June 30, 2023)
Revenue	8	375,948	404,109
Cost of sales		212,810	227,313
Gross profit		163,138	176,797
Selling and general administrative expenses		181,275	183,212
Other income	9	7,179	2,022
Other expenses	9	3,535	2,135
Investment income (loss) on equity method		61	(0)
Operating loss		(14,431)	(6,529)
Financial income		162	277
Financial expenses		852	328
Loss for the period before income taxes		(15,121)	(6,580)
Income tax benefit		(5,225)	(2,648)
Net loss for the period		(9,896)	(3,932)
Net loss for the period attributable to			
Owners of parent		(9,899)	(3,947)
Non-controlling interests		3	15
Loss per share (yen)	11	(55.20)	(22.01)

【The second quarter】

		(Millions of yen)	
	Notes	The second quarter of previous fiscal year (Three months ended June 30, 2022)	The second quarter of current fiscal year (Three months ended June 30, 2023)
Revenue		207,095	222,046
Cost of sales		115,968	123,990
Gross profit		91,127	98,056
Selling and general administrative expenses		96,383	95,211
Other income		1,191	714
Other expenses		735	921
Investment income (loss) on equity method		39	(8)
Operating income (loss)		(4,761)	2,631
Financial income		142	107
Financial expenses		471	167
Income (Loss) for the period before income taxes		(5,090)	2,571
Income tax expense (benefit)		(1,757)	49
Net income (loss) for the period		(3,333)	2,522
Net income (loss) for the period attributable to			
Owners of parent		(3,331)	2,513
Non-controlling interests		(2)	9
Income (Loss) per share (yen)	11	(18.57)	14.01
Diluted earnings per share (yen)	11	—	13.91

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

【The first half】

	Notes	The first half of previous fiscal year (Six months ended June 30, 2022)	(Millions of yen) The first half of current fiscal year (Six months ended June 30, 2023)
Net income (loss) for the period		(9,896)	(3,932)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to income or loss:			
Net changes in financial assets measured at fair value through other comprehensive income		221	920
Subtotal		221	920
Items that may be reclassified subsequently to income:			
Cash flow hedges		1,498	159
Subtotal		1,498	159
Total other comprehensive income for the period		1,719	1,079
Total comprehensive income (loss) for the period		(8,177)	(2,853)
Comprehensive income (loss) attributable to:			
Owners of parent		(8,180)	(2,868)
Non-controlling interests		3	15

【The second quarter】

	Notes	The second quarter of previous fiscal year (Three months ended June 30, 2022)	(Millions of yen) The second quarter of current fiscal year (Three months ended June 30, 2023)
Net income (loss) for the period		(3,333)	2,522
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to income or loss:			
Net changes in financial assets measured at fair value through other comprehensive income (loss)		145	884
Subtotal		145	884
Items that may be reclassified subsequently to income:			
Cash flow hedges		336	91
Subtotal		336	91
Total other comprehensive income (loss) for the period		480	975
Total comprehensive income (loss) for the period		(2,852)	3,497
Comprehensive income (loss) attributable to:			
Owners of parent		(2,851)	3,488
Non-controlling interests		(2)	9

(4) Condensed Quarterly Consolidated Statements of Changes in Equity
The first half of previous fiscal year (Six months ended June 30, 2022)

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)			
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 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	7	—	—	(4,484)	—	—	(4,484)	—	(4,484)
Purchase of treasury shares		—	—	—	(3)	—	(3)	—	(3)
Disposal of treasury shares		—	(0)	—	0	—	0	—	0
Transactions of share-based payment		—	250	—	—	—	250	—	250
Reclassification from accumulated other comprehensive income to retained earnings		—	—	(5)	—	5	—	—	—
Reclassification from accumulated other comprehensive income 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

The first half of current fiscal year (Six months ended June 30, 2023)

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)			
Balance as of January 1, 2023		15,232	451,264	94,209	(85,667)	1,177	476,216	142	476,358
Comprehensive income (loss) for the period									
Net loss for the period		—	—	(3,947)	—	—	(3,947)	15	(3,932)
Other comprehensive income (loss)		—	—	—	—	1,079	1,079	—	1,079
Total comprehensive income (loss) for the period		—	—	(3,947)	—	1,079	(2,868)	15	(2,853)
Transactions with owners									
Dividends of surplus	7	—	—	(4,484)	—	—	(4,484)	—	(4,484)
Purchase of treasury shares		—	—	—	(3)	—	(3)	—	(3)
Transactions of share-based payment		—	294	—	—	—	294	—	294
Reclassification from accumulated other comprehensive income to retained earnings		—	—	(1)	—	1	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets		—	—	—	—	(237)	(237)	—	(237)
Total transactions with owners		—	294	(4,484)	(3)	(236)	(4,429)	—	(4,429)
Balance as of June 30, 2023		15,232	451,558	85,778	(85,669)	2,020	468,920	157	469,076

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

Notes	The first half of previous fiscal year (Six months ended June 30, 2022)	The first half of current fiscal year (Six months ended June 30, 2023)
Cash flows from operating activities		
Loss for the period before income tax benefit	(15,121)	(6,580)
Adjustments for:		
Depreciation and amortization	22,774	23,061
Impairment loss	—	94
Change in allowance for doubtful accounts (decrease)	(244)	(28)
Interest and dividends income	(151)	(126)
Interest expenses	426	323
Share of loss(income) of entities accounted for using equity method	(61)	0
Gain on sale of property, plant, and equipment	(3,742)	(1,646)
Loss on disposal and sale of property, plant, and equipment, and intangible assets	465	528
(Increase) Decrease in trade and other receivables	(814)	(13,405)
(Increase) Decrease in inventories	(19,091)	(15,293)
(Increase) Decrease in other assets	(2,807)	(3,465)
(Decrease) Increase in trade and other payables	15,929	17,108
(Decrease) Increase in net defined benefit liabilities	1,223	1,136
(Decrease) Increase in other liabilities	1,270	(3,723)
Others	1,075	357
Subtotal	1,128	(1,659)
Interest received	0	0
Dividends received	151	125
Interest paid	(374)	(282)
Income taxes paid	(3,407)	(2,333)
Income taxes refund	4,187	1,963
Net cash (used for) generated from operating activities	1,686	(2,185)
Cash flows from investing activities		
Payments for acquisitions of property, plant and equipment and intangible assets	(16,206)	(17,976)
Proceeds from sales of property, plant and equipment and intangible assets	4,948	2,921
Payments for purchases of other financial assets	(13)	(11)
Proceeds from sale of other financial assets	17	23
Others	4	5
Net cash used for investing activities	(11,250)	(15,038)

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

(Millions of yen)

	Notes	The first half of previous fiscal year (Six months ended June 30, 2022)	The first half of current fiscal year (Six months ended June 30, 2023)
Cash flows from financing activities			
(Decrease) Increase in short-term loans payable		(38)	—
Repayments of long-term loans payable		(565)	(500)
Payments for bond redemption	6	(30,000)	—
Dividends paid	7	(4,484)	(4,484)
Proceeds from disposal of treasury shares		0	—
Payments for purchases of treasury shares		(3)	(3)
Repayments of lease liabilities		(3,132)	(2,590)
Net cash used for financing activities		(38,222)	(7,576)
Net change in cash and cash equivalents		(47,786)	(24,799)
Cash and cash equivalents at the beginning of the year		110,497	84,074
Cash and cash equivalents at the end of the period		62,711	59,276

Notes to condensed quarterly consolidated financial statements

1. Introduction

Coca-Cola Bottlers Japan Holdings Inc. (hereinafter referred to as “the Company”) is a holding company located 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, production, bottling, packaging, distribution and marketing of carbonated beverages, coffee beverages, tea-based beverages, mineral water, alcohol, and other soft drinks in Japan.

The Group’s condensed quarterly consolidated financial statements consist of equities of the Company, subsidiaries, and associates. The condensed quarterly 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 10, 2023 and take into account events after the reporting period to that date (see Note 12, “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 Article 93 of the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007), upon meeting the requirements of a designated international accounting standard specified company as set forth in Article 1-2 of the aforementioned Ordinance.

Condensed quarterly consolidated financial statements should be used in conjunction with consolidated financial statements for the previous fiscal 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 for measurement at fair value.

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

3. Material accounting policies

The material 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 previous fiscal year.

Income tax benefit for the first half of current fiscal year has been calculated on the basis of the annual estimated effective tax rate.

4. Significant 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 released. Accounting estimates are based on the assumption that the impact of COVID-19 infection on the Group’s business operations will be limited since behavioral restrictions have been eased, and economic activities are beginning to normalize.

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.

5. Segment Information

The Group has a single segment as Beverage Business. Refer to Note 8 Revenue for the products and services of the reported segment.

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

6. Bonds

The following bonds were redeemed at maturity during the first half of previous fiscal year.

The first half of previous fiscal year (January 1, 2022 – June 30, 2022)

						(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	June 17, 2015	30,000	0.52	None	June 17, 2022

7. Dividends

Dividend payments for the first half of current previous year and current fiscal year were as follows:

The first half of previous fiscal year (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

The first half of current fiscal year (January 1, 2023 – June 30, 2023)

(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 28, 2023 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2022	March 29, 2023

(2) Dividends with the cut-off date in the first half of FY 2023 and the effective date following the first half of FY 2023

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
August 9, 2023 Board of directors	Ordinary share	4,562	25	June 30, 2023	September 1, 2023

Note: The total amount of dividends includes 79 million yen for the Company shares held by Executive reward BIP Trust and Stock-granting ESOP Trust.

8. Revenue

The Group's organizational structure is based on the single beverage business segment. Discrete financial information is available for the components of the Group, and operating results are regularly reviewed by the Board of Directors (chief operating decision makers) to make decisions about the allocation of business resources. As such, the earnings recorded under the beverage business are presented as Revenue.

In the beverage business, the Group purchases, manufactures, and sells carbonated beverages such as Coca-Cola, coffee beverages, tea-based beverages, mineral water, alcohol, and other beverages in Japan. Revenue for sales of these products is recognized primarily at the time of delivery as the customer has obtained control over the products and the performance obligation is satisfied.

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

	The first half of previous fiscal year (Six months ended June 30, 2022)	(Millions of yen) The first half of current fiscal year (Six months ended June 30, 2023)
Revenue		
Revenue from contracts with customers		
Beverage	375,935	404,099
Other	14	11
Total	375,948	404,109

9. Other income and other expenses

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

	(Millions of yen)	
	The first half of previous fiscal year (Six months ended June 30, 2022)	The first half of current fiscal year (Six months ended June 30, 2023)
Other income		
Gains on sales of property, plant, and equipment (Note 1)	3,742	1,646
Rent income	146	109
Government subsidies (Note 2)	2,931	—
Other	360	267
Total	<u>7,179</u>	<u>2,022</u>
Other expenses		
Impairment loss	—	94
Losses on sales and disposals of property, plant, and equipment	702	642
Transformation related expenses (Note 3)	69	1,287
Special retirement allowance (Note 4)	479	44
Temporary paid leave expenses (Note 5)	2,166	—
Other	118	69
Total	<u>3,535</u>	<u>2,135</u>

Note 1. Gains on sales of property, plant, and equipment represent gains on sales of land and other assets for the first half of previous fiscal year and current fiscal year.

2. Government subsidies are grants to cover employee’s temporary leave cost due to the spread of COVID-19 for the first half of previous fiscal year.

3. 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 for the first half of previous fiscal year and current fiscal year.

4. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program for the first half of previous fiscal year and current fiscal year.

5. 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 employees due to the spread of COVID-19 for the first half of previous fiscal year. The expenses are reclassified 92 million yen from cost of sales and 2,074 million yen from selling and general administrative expenses to other expenses, respectively.

10. Fair value of financial instruments

(a) 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 previous fiscal year and the first half of current fiscal year.

(b) 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, and quoted market prices of similar companies. 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 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 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, 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: 6.2-7.9 times EBITDA Multiple: 8.2 times PER: 6.7 – 32.9 times PBR: 0.9-2.2 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

As of June 30, 2023

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: 3.2-24.7 times EBITDA Multiple: 9.0 times PER: 5.5-6.1 times PBR: 1.1-2.4 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

(c) 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, 2022

	Level 1	Level 2	Level 3	(Millions of yen) Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	548	—	548
Subtotal	—	548	—	548
Financial instrument measured at fair value through other comprehensive income:				
Securities	8,701	—	3,046	11,747
Other	—	—	89	89
Subtotal	8,701	—	3,135	11,836
Total	8,701	548	3,135	12,385
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	662	—	662
Total	—	662	—	662

As of June 30, 2023

	Level 1	Level 2	Level 3	(Millions of yen) Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	619	—	619
Subtotal	—	619	—	619
Financial instrument measured at fair value through other comprehensive income:				
Securities	9,656	—	3,470	13,126
Other	—	—	92	92
Subtotal	9,656	—	3,562	13,218
Total	9,656	619	3,562	13,837
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	760	—	760
Total	—	760	—	760

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

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 as of January 1, 2022	4,423
Disposals	(66)
Gains (Losses) recognized in other comprehensive income	(180)
Other	2
Balance as of June 30, 2022	4,179
Balance as of January 1, 2023	3,135
Disposals	(24)
Gains (Losses) recognized in other comprehensive income	452
Balance as of June 30, 2023	3,562

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.

(d) 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, 2022

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	156,701	154,389	2,312

As of June 30, 2023

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	156,241	155,438	804

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 as their fair value approximates their carrying amount due to the short collection and settlement period.

The main valuation techniques used to measure fair value of the financial instrument 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.

11. 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 first half and the second quarter of previous fiscal year and current fiscal year are as follows:

	The first half of previous fiscal year (Six months ended June 30, 2022)	The first half of current fiscal year (Six months ended June 30, 2023)
Loss attributable to owners of parent (millions of yen)	(9,899)	(3,947)
Weighted-average number of common shares issued (in thousands)	179,343	179,339
Loss per share (yen)	(55.20)	(22.01)
	The second quarter of previous fiscal year (Three months ended June 30, 2022)	The second quarter of current fiscal year (Three months ended June 30, 2023)
Income (Loss) attributable to owners of parent (millions of yen)	(3,331)	2,513
Weighted-average number of common shares issued (in thousands)	179,343	179,339
Increase in common shares		
Share of stock-based compensation (in thousands)	—	1,278
Diluted weight average number of shares (in thousands)	—	180,616
Earnings (Loss) per share (yen)	(18.57)	14.01
Diluted earnings per share (yen)	—	13.91

- Notes:
1. “Diluted earnings per share” is not shown in the first half and the second quarter of the previous fiscal year, as 736 thousand shares of stock-based compensation have an antidilutive effect.
 2. “Diluted earnings per share” is not shown in the first half of the current fiscal year, as 1,278 thousand shares of stock-based compensation have an antidilutive effect.
 3. In the second quarter of current fiscal year, we have introduced Executive reward BIP Trust and Stock-granting ESOP Trust. The Company shares held by these trusts are included in the treasury shares to be deducted from the average number of shares during the period for calculating the amount of earnings (loss) per share and diluted earnings per share. The average number of treasury shares deducted was 26,929 thousand shares for the first half of current fiscal year and 26,930 thousand shares for the second quarter of current fiscal year.

12. Subsequent events

Not applicable.

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

2. Others

At the Board of Directors held on August 9, 2023, it was resolved to provide the following interim dividend to shareholders or registered pledges recorded in the final shareholders’ register on June 30, 2023

- a. Total dividends through interim dividends: 4,562 million yen
- b. Amount per share: 25 yen
- c. Effective date of payment claims, and payment start date: September 1, 2023

Note: The total amount of dividends includes 79 million yen of dividends for the Company shares held by Executive reward BIP Trust and Stock-granting ESOP Trust.

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2023 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.

Part II Information of guarantor companies of the filing company

Not applicable.