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Consolidated Financial Summary for the First Quarter Ended March 31, 2023 (IFRS)



May 12, 2023

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.

Listed stock exchanges: Tokyo

Code number: 2579

URL: <https://en.ccbj-holdings.com/>

Delegate: Title: Representative Director & President

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Expected date of quarterly report submission: May 15, 2023

Schedule for dividends payment: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results conference: Yes

(Fractions of one million yen are rounded to the nearest million)

1. Consolidated financial results for the first quarter 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated financial results

(Percentages indicate changes over the same period in the prior fiscal year)

	Revenue		Business income (loss)		Operating income (loss)		Net income (loss)		Net income (loss) attributable to owners of the parent		Total comprehensive income (loss)	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
1 st Quarter, 2023	182,063	7.8	(9,437)	—	(9,160)	—	(6,454)	—	(6,459)	—	(6,350)	—
1 st Quarter, 2022	168,853	0.3	(12,749)	—	(9,670)	—	(6,564)	—	(6,568)	—	(5,325)	—

	Earnings (Loss) per share	Diluted earnings per share
	yen	million yen
1 st Quarter, 2023	(36.02)	—
1 st Quarter, 2022	(36.02)	—

*“Business Income” is an indicator of our recurring business performance that is calculated with costs of goods and selling, general and administrative expenses deducted from revenue, and other income and expenses which we believe are recurring in nature added and subtracted accordingly.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to parent owners	Ratio of equity attributable to parent owners
	million yen	million yen	million yen	%
Mar. 31, 2023	819,494	465,385	465,238	56.8
Dec. 31, 2022	826,737	476,358	476,216	57.6

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
	yen	yen	yen	yen	yen
FY ended December, 2022	—	25.00	—	25.00	50.00
FY ending December, 2023	—				
FY ending December 2023 (forecast)		25.00	—	25.00	50.00

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Forecast for consolidated financial results 2023 (From January 1, 2023 to December 31, 2023)

(Percentages indicate changes over the same period in the prior fiscal year)

	Revenue		Business income (loss)		Operating income (loss)		Net income (loss)		Net income (loss) attributable to owners of the parent		Earnings(Loss) per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year of 2023	847,100	4.9	(5,000)	—	(5,300)	—	(4,300)	—	(4,300)	—	(23.98)

Note: Revisions to the forecasts of consolidated operating results most recently announced: None

Notes

- (1) Changes in significant subsidiaries during the current period: None
- (2) Changes in accounting policies and changes in accounting estimates:
- 1) Changes in accounting policies as required by IFRS: None
 - 2) Changes other than those in 1) above: None
 - 3) Changes in accounting estimates: None
- (3) Number of outstanding shares (common shares)
- 1) The number of outstanding shares (including treasury shares):
 - 1st Quarter, March 2023: 206,268,593 shares
 - FY Ended December 2022: 206,268,593 shares
 - 2) The number of treasury shares:
 - 1st Quarter, March 2023: 26,929,137 shares
 - FY Ended December 2022: 26,928,478 shares
 - 3) The number of average shares outstanding:
 - 1st Quarter, March 2023: 179,339,816 shares
 - 1st Quarter, March 2022: 179,343,803 shares

※ The consolidated financial summary is not subject to quarterly review procedures conducted by certified public accountant or audit firm.

※ Explanation regarding appropriate use of the forecast, other special instructions

Figures in the above forecast are based on information available at the time of issuance of this report, and the actual results may be changed materially due to a number of inherent uncertainties in the forecast. Furthermore, please refer to “1. Qualitative Information on the Financial Summary for this Quarter (3) Information on the Future Outlook, such as Forecast of Consolidated Financial Results” on page 4 for matters relating to performance forecasts.

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1. Qualitative Information on the Financial Summary for this Quarter

(1) Qualitative Information on Consolidated Financial Results

Coca-Cola Bottlers Japan Holdings Inc. (“CCBJH”, the “Company”, or “we”) announced first quarter results for the fiscal year ending December 31, 2023 (January 1, 2023 to March 31, 2023).

In this first quarter (January 1, 2023 to March 31, 2023), the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume is estimated to have grown slightly versus the same period of the previous fiscal year. Despite the negative impact on demand from the price revisions by beverage companies in the previous fiscal year, demand increased on the back of a recovery in traffic and resumption of economic activity, as well as a recovery from the impact of the restrictions due to coronavirus infection (“COVID-19”) in the same period of the previous fiscal year. On the other hand, 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 have focused on implementing and maintaining the prices of our products after the price revisions implemented in the previous fiscal year and worked to improve wholesale revenue per case. In addition, we have worked to grow sales revenue by introducing new products, expanding sales space at key customer storefronts, and implementing effective marketing activities in order to capture increased demand from the traffic recovery. Furthermore, we have been conducting negotiations with customers for the price revisions of can products and large PET bottle products from shipments on May 1, which is an important initiative to further improve profitability. In the manufacturing and supply chain fields, while faced with rising commodity and utility prices, and yen's depreciation, we have been working to reduce manufacturing and distribution costs by further improving our Sales and Operations Planning (S&OP) process and supply network. These activities include 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 also prepared for achieving stable operations for the summer, the season with the highest demand.

We are working to realize Environmental, Social, and Governance (ESG) targets based on creating shared value with society. Specifically, 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 other efforts to contribute to local communities through our business, we have implemented water source conservation activities and donated products to food banks. Such ESG initiatives have been positively appraised, and we have been certified as an “Eco-First Company” by the Ministry of the Environment, as well as selected as a “Supplier Engagement Leader,” the highest rating in the “2022 Supplier Engagement Assessment” by CDP, an international non-profit organization.

Details for the fiscal quarter earnings are as follows. Please also refer to our earnings presentation material available on the Company IR website (<https://en.ccbj-holdings.com/ir/library/presentation.php>) to be used in our earnings conference call on Monday, May 15, 2023 at 2:00 PM (JST). These will include details of the results and outlook. The earnings presentation audio webcast will be available live and on demand through our company website.

Summary of Consolidated Financial Results

(Millions of yen except sales volume)

Year-to-date Q1 (January to March)

In million JPY	2022	2023	Change (%)
Revenue	168,853	182,063	7.8
Sales volume (million cases)	100	104	4
Gross Profit	72,011	78,741	9.3
Selling, General & Administrative Expenses	84,892	88,002	3.7
Other income (Recurring)	298	186	(37.6)
Other expenses (Recurring)	189	369	95.5
Investment loss on equity method	22	8	(66.3)
Business Loss	(12,749)	(9,437)	—
Other income (Non-recurring)	5,690	1,123	(80.3)
Other expenses (Non-recurring)	2,611	846	(67.6)
Operating Loss	(9,670)	(9,160)	—
Net Loss Attributable to Owners of Parent	(6,568)	(6,459)	—

* 1. “Business Loss” is a measure of our underlying or recurring business performance. Business Loss deducts cost of goods 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 182,063 million yen (7.8% increase of 13,210 million from the same period in the prior year). Despite the initial negative impact on volume following the price revisions, sales volume increased by 4% versus the same period in the previous year. This was due to the introduction of new products and expansion of sales space among key customers. We have also implemented effective marketing activities which helped capture the demand opportunity from traffic recovery. The price revisions implemented in the previous fiscal year are delivering benefits as planned with wholesale revenue per case increasing and contributing to revenue growth.

Consolidated business loss improved by 3,312 million yen (loss reduced) and was a loss of 9,437 million yen (12,749 million yen loss in prior year period). Profitability improved by approximately 5 billion yen in the areas under our control, including profit contributions from top-line growth, sales volume growth, wholesale revenue per case improvement, and logistics cost reductions through supply chain improvements. Profitability improvement was achieved despite the impact of cost increases due to external factors such as higher commodity and utility prices and yen depreciation, as well as the cycling of temporary cost savings implemented in the same period of the previous year.

Consolidated operating loss improved by 510 million yen (loss reduced) and was a loss of 9,160 million yen (9,670 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 quarter includes 1,116 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 787 million yen in business structure improvement expenses related to the implementation of fundamental transformation.

Net loss attributable to owners of the parent improved by 109 million yen (loss reduced). With operating loss improving from the previous period, it was a loss of 6,459 million yen (6,568 million yen loss in prior year period).

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

Sales volume grew by 4% in the first quarter. This was the result of efforts to minimize the impact of volume decline resulting from price revisions implemented in the previous fiscal year, such as implementing commercial activities to capture opportunities for increased demand with the recovery in traffic. As a result of 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, drugstores, and discounters were impacted by the price revisions, despite the introduction of new products and activities to expand the sales space. As a result, sales volume at supermarkets declined by 3%, while sales volume at drugstores and discounters increased by 3%, partly due to 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 volume increased by 1%, despite the impact of the price revisions. The market share base we have built to date and the implementation of campaigns through the Coke ON smartphone app contributed to capturing the traffic recovery demand. As for the price revisions in vending machines, the market execution division's agile and quick response resulted in the early completion of price reflections which led to a significant improvement in the sale revenue per case. CVS sales decreased by 1%, despite efforts to strengthen activities to expand sales space, new product launches, efforts to implement campaigns in collaboration with customers, the continued severe competitive environment and volume impact by the price revisions all had an impact. In retail & food, volume increased by 23% with the recovery in customer traffic returning to dine at restaurants. In online, volume grew by 3%, despite the competitive environment becoming increasingly challenging and even in the phase of recovering traffic. We strengthened our product lineup including the label-less products and implemented tie-up promotions with major online customers.

By beverage category performance, sparkling sales volume grew by 6%, due to volume growth centered around Coca-Cola at vending and restaurants with the recovery in traffic, and contributions from new products such as Fanta Premier Torokeru Momo. Sales volume of tea products decreased by 5% due to impact from the price revisions, despite the contributions from Yakan no Mugicha from Hajime which continues to enjoy sales growth since its launch and new products such as Ayataka Koi Ryokucha which was renewed with an official Food with Nutrient Function Claims labelling. Coffee sales volume increased by 2%, supported by the launch of Georgia THE Black and Georgia THE Latte, launched together with the Georgia rebranding, and the strengthening of the Costa Coffee lineup contributed to the sales increase. In Sports, volume decreased by 8% due to the price revision impact and intensified competition within the category. Water sales volume grew by 20% by capturing at-home consumption demand which led to both small PET and large PET growth, and contributions from the new I LOHAS Natural Water with the renewed bottle design for the first time in 13 years.

In the alcohol category, Lemon-dou, despite campaigns to support Samurai Japan, Japan's national baseball team, volume declined by 33% due to cycling of new product launches in the same period of the previous year and of the at-home drinking demand that increased during COVID-19. On April 10, we launched Jack Daniel's & Coca-Cola, an alcohol beverage that mixes Coca-Cola and the Tennessee whiskey brand Jack Daniel's, we will strengthen sales to revitalize the alcohol category.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 819,494 million yen, a decrease of 7,243 million yen from the end of the prior year period. This is mainly due to a decrease in "Cash and cash equivalents", "Trade and other receivables", and an increase in "Inventories."

Liabilities at the end of the quarter were 354,108 million yen, an increase of 3,730 million yen from the end of the prior year period. This is mainly due to the decrease in "Lease liabilities", and an increase in "Trade and other payables."

Equity at the end of the quarter was 465,385 million yen, a decrease of 10,973 million yen. This mainly reflects a decrease in "Retained earnings" as a result of dividend payments.

(3) Qualitative Information on the Future Outlook, such as Forecast of Consolidated Financial Results

As for the full-year 2023 (January 1 to December 31, 2023) earnings forecast, it is unchanged from the forecast announced on February 9th, 2023.

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

	As of December 31, 2022	(Millions of yen) As of March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	84,074	77,779
Trade and other receivables	103,346	97,921
Inventories	71,051	76,830
Other financial assets	542	131
Other current assets	13,108	14,035
Total current assets	<u>272,122</u>	<u>266,696</u>
Non-current assets:		
Property, plant and Equipment	425,009	420,829
Right-of-use assets	21,841	20,699
Intangible assets	65,865	65,285
Investments accounted for using the equity method	322	324
Other financial assets	15,888	16,503
Deferred tax assets	20,581	24,398
Other non-current assets	5,110	4,760
Total non-current assets	<u>554,615</u>	<u>552,798</u>
Total assets	<u><u>826,737</u></u>	<u><u>819,494</u></u>

	As of December 31, 2022	(Millions of yen) As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	108,254	115,212
Bonds and debts	1,000	1,000
Lease liabilities	5,122	4,960
Other financial liability	654	457
Income taxes payable	1,272	1,048
Other current liabilities	20,339	18,784
Total current liabilities	<u>136,641</u>	<u>141,462</u>
Non-current liabilities:		
Bonds and debts	155,701	155,221
Lease liabilities	18,146	17,128
Other non-current financial liabilities	8	—
Net defined benefit liabilities	17,817	18,286
Provisions	1,761	1,761
Deferred tax liabilities	17,157	17,082
Other non-current liabilities	3,147	3,167
Total non-current liabilities	<u>213,737</u>	<u>212,646</u>
Total liabilities	<u>350,378</u>	<u>354,108</u>
Equity:		
Capital stock	15,232	15,232
Capital surplus	451,264	451,386
Retained earnings	94,209	83,266
Treasury shares	(85,667)	(85,668)
Accumulated other comprehensive income	1,177	1,022
Equity attributable to owners of parent	<u>476,216</u>	<u>465,238</u>
Non-controlling interests	142	147
Total equity	<u>476,358</u>	<u>465,385</u>
Total liabilities and equity	<u><u>826,737</u></u>	<u><u>819,494</u></u>

(2) Condensed Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

First Three-month period of a fiscal year

	Three months ended March 31, 2022	(Millions of yen) Three months ended March 31, 2023
Revenue	168,853	182,063
Cost of sales	96,842	103,322
Gross profit	72,011	78,741
Selling and general administrative expenses	84,892	88,002
Other income	5,988	1,309
Other expenses	2,800	1,214
Investment income on equity method	22	8
Operating loss	(9,670)	(9,160)
Financial revenue	20	170
Finance expenses	381	162
Loss for the period before income taxes	(10,031)	(9,151)
Income tax benefit	(3,467)	(2,697)
Net loss for the period	(6,564)	(6,454)
Net loss for the period attributable to		
Owners of parent	(6,568)	(6,459)
Non-controlling interests	5	5
Loss per share	(36.62)	(36.02)

(Condensed Consolidated Statements of Comprehensive Income)

First Three-month period of a fiscal year

	(Millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
Net loss for the period	(6,564)	(6,454)
Other comprehensive income:		
Items that will not be reclassified subsequently to income or loss:		
Net changes in financial assets measured at fair value through other comprehensive income	76	36
Subtotal	76	36
Items that may be reclassified subsequently to income:		
Cash flow hedges	1,162	68
Subtotal	1,162	68
Total other comprehensive income for the period	1,239	104
Total comprehensive income (loss) for the period	(5,325)	(6,350)
Comprehensive income (loss) attributable to:		
Owners of parent	(5,330)	(6,355)
Non-controlling interests	5	5

(3) Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total
Balance as of January 1, 2022	15,232	450,832	109,273	(85,661)	2,644	492,320	131	492,451
Comprehensive income (loss) for the period								
Net loss for the period	—	—	(6,568)	—	—	(6,568)	5	(6,564)
Other comprehensive income	—	—	—	—	1,239	1,239	—	1,239
Total comprehensive income (loss) for the period	—	—	(6,568)	—	1,239	(5,330)	5	(5,325)
Transactions with owners								
Dividends of surplus	—	—	(4,484)	—	—	(4,484)	—	(4,484)
Purchase of treasury stock	—	—	—	(1)	—	(1)	—	(1)
Transactions of share-based payment	—	125	—	—	—	125	—	125
Reclassification from accumulated other comprehensive income to retained earnings	—	—	3	—	(3)	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets	—	—	—	—	(252)	(252)	—	(252)
Total transactions with owners	—	125	(4,480)	(1)	(256)	(4,611)	—	(4,611)
Balance as of March 31, 2022	15,232	450,958	98,224	(85,662)	3,627	482,379	136	482,515

Three months ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of the parent							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total
Balance as of January 1, 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	—	—	(6,459)	—	—	(6,459)	5	(6,454)
Other comprehensive income	—	—	—	—	104	104	—	104
Total comprehensive income (loss) for the period	—	—	(6,459)	—	104	(6,355)	5	(6,350)
Transactions with owners								
Dividends of surplus	—	—	(4,484)	—	—	(4,484)	—	(4,484)
Purchase of treasury stock	—	—	—	(1)	—	(1)	—	(1)
Transactions of share-based payment	—	121	—	—	—	121	—	121
Reclassification from accumulated other comprehensive income to retained earnings	—	—	(1)	—	1	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets	—	—	—	—	(260)	(260)	—	(260)
Total transactions with owners	—	121	(4,484)	(1)	(259)	(4,623)	—	(4,623)
Balance as of March 31, 2023	15,232	451,386	83,266	(85,668)	1,022	465,238	147	465,385

(4) Notes to Condensed Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable.

(Segment Information)

As the Group operates a single segment of the beverage business, the reportable segment explanation is omitted.

(Subsequent events)

Not applicable.