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Consolidated Financial Summary for the Third Quarter Ended September 30, 2023 (IFRS)



November 9, 2023

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

Code number: 2579

Delegate: Title: Representative Director & President

Contact: Title: Head of Controllers Senior Group Division, Finance

Expected date of quarterly report submission: November 10, 2023

Schedule for dividends payment: —

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results conference: Yes

Listed stock exchanges: Tokyo

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

1. Consolidated financial results for the cumulative third quarter of current fiscal year (from January 1, 2023 to September 30, 2023)

(1) Consolidated financial results

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

	Revenue		Business income		Operating income		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
3 rd Quarter, 2023	663,825	8.4	5,867	—	6,121	—	3,890	—	3,862	—	5,085	—
3 rd Quarter, 2022	612,321	3.9	(11,196)	—	(7,053)	—	(5,191)	—	(5,194)	—	(3,147)	—

	Earnings per share	Diluted earnings per share
	yen	yen
3 rd Quarter, 2023	21.53	21.38
3 rd Quarter, 2022	(28.96)	—

※ “Business income” is measure of our recurring business performance. “Business income” 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) 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	%
Sep. 30, 2023	845,609	472,656	472,485	55.9
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	—	25.00	—		
FY ending December 2023 (forecast)				25.00	50.00

Notes: 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		Operating income		Net income		Net income attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year of current fiscal year	869,900	7.7	1,500	—	3,200	—	1,500	—	1,500	—	8.36

Notes: Revisions to the forecasts of consolidated financial results most recently announced: Yes

※Notes

- (1) Changes in significant subsidiaries during the current period
(Changes in specified subsidiaries resulting in changes in scope of consolidation): 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):
 - 3rd Quarter, September 2023: 206,268,593 shares
 - FY Ended December 2022: 206,268,593 shares
 - 2) The number of treasury shares:
 - 3rd Quarter, September 2023: 26,836,166shares
 - FY Ended December 2022: 26,928,478 shares
 - 3) The number of average shares outstanding:
 - 3rd Quarter, September 2023: 179,366,863 shares
 - 3rd Quarter, September 2022: 179,342,725 shares

Note: The Company has introduced Executive reward BIP Trust and Stock-granting ESOP Trust during the cumulative third quarter of current fiscal year, and the Company shares held by these trusts are included in the number of treasury shares at the end of period, as well as the number of treasury shares to be deducted from the average number of shares during the period.

※ 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 the cumulative third quarter results for the fiscal year ending December 31, 2023 (January 1, 2023, to September 30, 2023).

In the cumulative third quarter (January 1, 2023 to September 30, 2023), the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume is estimated to have grown by about 1% versus the same period of the previous fiscal year. Although demand continued to increase on the back of a recovery in traffic, resumption of economic activity and the heat wave, the price revisions implemented by beverage companies had a negative impact on demand. The business environment remained uncertain as the rising commodity, 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 as one of the most important initiatives for profitability improvement with a focus on steady implementation and maintaining the shipping prices after the price revisions. Even during the summer season, when demand is at its peak, we have been thoroughly implementing disciplined commercial activities to maximize the effects of our efforts. Furthermore, we have been preparing for the price revisions of large PET bottle products and other products from October, including negotiations with our customers. In addition, to capture the increased demand from the recovery in traffic and the heat wave, we have worked to grow revenue by growing sales volume and improving wholesale revenue per case by introducing new products, implementing efficient and effective marketing activities, and strengthening customer engagement. In the manufacturing and supply chain fields, while faced with rising commodity, utility prices, and yen's depreciation, to capture the opportunity of increased demand for sales volume and profit growth, we have been working on the stable operation of the S&OP (Sales and Operations Planning) process, which was revamped in the previous year, and improvement of the supply network to ensure stable supply of products and reduction of total manufacturing and logistics costs.

We are working to realize ESG targets based on creating shared value with society. We have launched several collaborative initiatives with our customers and government agencies with respect to the conservation of water resources and enhancement of PET bottle recycling to reduce the environmental impact through fostering a recycling-based society and to expand business opportunities through collaboration. In addition, as a contribution to the local community through business activities, we have been focusing on the deployment of vending machines that support local activities. Furthermore, during the third quarter of the current fiscal year (July 1, 2023 to September 30, 2023, hereafter “the third quarter”), we received a “Silver” rating in the globally recognized EcoVadis sustainability survey for the third consecutive year.

Details for the cumulative third 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 Friday, November 10, 2023 at 2:30 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 Business Performance

(Millions of yen except sales volume)

The cumulative third quarter (January 1 to September 30)

	2022	2023	Change (%)
Revenue	612,321	663,825	8.4
Sales volume (million cases)	366	379	4
Gross profit	267,317	294,595	10.2
Selling, General & Administrative Expenses	278,322	287,961	3.5
Other income (Recurring)	694	534	(23.0)
Other expenses (Recurring)	942	1,302	38.2
Investment income on equity method	57	1	(98.7)
Business income (loss)	(11,196)	5,867	—
Other income (Non-recurring)	7,438	2,177	(70.7)
Other expenses (Non-recurring)	3,295	1,923	(41.6)
Operating income (loss)	(7,053)	6,121	—
Net income (loss) attributable to owners of parent	(5,194)	3,862	—

(Millions of yen except sales volume)

(For reference) The third quarter (July 1 to September 30)

	2022	2023	Change (%)
Revenue	236,373	259,715	9.9
Sales volume (million cases)	142	149	5
Gross profit	104,179	117,799	13.1
Selling, General & Administrative Expenses	97,047	104,748	7.9
Other income (Recurring)	173	170	(1.9)
Other expenses (Recurring)	276	591	114.2
Investment income (loss) on equity method	(4)	1	—
Business income	7,025	12,630	79.8
Other income (Non-recurring)	780	519	(33.5)
Other expenses (Non-recurring)	426	499	17.1
Operating income	7,379	12,650	71.4
Net income attributable to owners of parent	4,705	7,808	65.9

- * 1. “Business income(loss)” is measure of our recurring business performance. “Business income(loss)” deduct 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 663,825 million yen (an increase of 51,504 million yen or 8.4% from the same period in the previous year). Despite the negative impact on volume following the price revisions, sales volume increased by 4% compared to the same period in the previous year. This was achieved with the introduction of new products, effective marketing activities to capture the demand opportunity from traffic recovery and the heat wave, while strengthening customer engagement. The series of price revisions implemented from the previous fiscal year are steadily delivering benefits with wholesale revenue per case improving and contributing to revenue growth.

Consolidated business income improved by 17,063 million yen and was 5,867 million yen (11,196 million yen loss in prior year period). In addition to profit contributions from top-line growth, from sales volume growth and wholesale revenue per case improvement, a decrease in marketing expense through the focus on cost-effectiveness and lower logistics costs with the 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, utility prices and yen depreciation.

Consolidated operating income improved by 13,174 million yen and was 6,121 million yen (7,053 million yen loss in prior year period). In addition to business income growing versus the previous year being the primary reason, there was a cycling impact of gains from sales 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 cumulative third quarter includes 2,150 million yen in gain on sales of property, plant, and equipment, which was realized in the process of balance sheet optimization. Other expenses (non-recurring) include 1,641 million yen in transformation related expenses to the implementation of fundamental transformation.

Net income attributable to owners of the parent improved by 9,055 million yen with operating income growing from the previous period, it was 3,862 million yen (5,194 million yen loss in prior year period).

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

Sales volume grew by 4% in the cumulative third quarter. Particularly, for the third quarter, the benefits of our efforts to date have greatly materialized on the back of traffic recovery and the heat wave during the peak demand season, resulting in a 5% volume increase and pushed up the cumulative volume. 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 implemented in October of the previous year and sales volume declined by 2% for the cumulative third quarter, despite the introduction of new products, activities to expand the sales space and campaigns to capture demand from the traffic recovery and the heat wave. For the third quarter, marketing efforts during the peak demand season compensated for the volume decline impact from the price revisions, resulting in volume being flat from the same period of the previous year. Sales volume at drugstores and discounters increased by 5%, with the volume of large PET bottle products turning positive versus the same period in the previous year, despite the continued impact from the price revisions. Vending sales volume remained flat, supported by the market share base we have built to date and by campaigns implemented through the Coke ON smartphone app contributing to capture the traffic recovery and the heat wave demand, while the price revision of small PET bottle and can products continued to impact volume. Wholesale revenue per case in vending improved greatly from last year with the price revisions. In CVS, although the competitive environment remained severe, volume increased by 13% in the third quarter and 4% for cumulative period with the positive effects of activities to grow sales space, expanding the adoption of our core products at key customer stores, strengthening customer management, and the tailwind from the heat wave. In retail & food, sales volume increased by 11% with the traffic returning to restaurants and amusement facilities. In online, volume grew by 11% despite intensifying competitive environment, with contribution from a strengthened product lineup and tie-up promotions implemented together with major online customers.

By beverage category performance, sparkling sales volume grew by 4%, 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 was flat 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 from the heat wave driving demand. Coffee sales volume increased by 2%, supported by the new Georgia THE Black, launched together with the Georgia rebranding, and medium PET bottle products capturing the at-home demand, despite the volume being impacted from the price revisions. In Sport, sales volume decreased by 4% due to the price revision impact, despite the contribution from the new product Aquarius NEWATER. Water sales volume grew by 16% with demand driven by the heat wave and contributions from the I LOHAS Natural Water that renewed the bottle design in the previous year and I LOHAS Peach.

In the alcohol category, sales volume declined by 15% due to cycling of at-home drinking demand, despite the contributions from new products such as Jack Daniel's & Coca-Cola and Lemon-dou Sukkiri Lemon.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 845,609million yen, an increase of 18,872 million yen from the end of the previous fiscal year. This is mainly due to a decrease in "Property, plant, and equipment" through the progress made in balance sheet optimization, while an increase in "Trade and other receivables" because of the peak demand season.

Liabilities at the end of the quarter were 372,953 million yen, an increase of 22,575million yen from the end of the previous fiscal year. This is mainly due to an increase in "Trade and other payables."

Equity at the end of the quarter was 472,656 million yen, a decrease of 3,703 million yen. This mainly reflects a decrease in "Retained earnings" due to dividend payments, while net income for the period was recorded.

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

In this cumulative third quarter period, sales volume grew more than expected. This growth was due to successful commercial activities that captured opportunities for increased demand from the traffic recovery, revitalization of economic activity and the heat wave. These factors resulted in higher than initially expected revenue and profits. In addition, cost saving initiatives have progressed ahead of plan. The impact of rising commodity and utility prices are estimated to be suppressed more than initially expected. As a result, the company has announced an upward revision to the full year forecast previously announced on February 9, 2023. For details, please refer to the "Revision of Full-Year 2023 Earnings Forecast" separately announced today.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	Previous fiscal year As of December 31, 2022	(Millions of yen) The third quarter As of September 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	84,074	82,748
Trade and other receivables	103,346	136,261
Inventories	71,051	72,816
Other financial assets	542	736
Other current assets	13,108	10,692
Total current assets	272,122	303,253
Non-current assets:		
Property, plant, and Equipment	425,009	413,911
Right-of-use assets	21,841	22,381
Intangible assets	65,865	64,137
Investments accounted for using the equity method	322	317
Other financial assets	15,888	14,737
Deferred tax assets	20,581	21,947
Other non-current assets	5,110	4,924
Total non-current assets	554,615	542,356
Total assets	826,737	845,609

	Previous fiscal year As of December 31, 2022	Millions of yen) The third quarter As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	108,254	122,828
Bonds and debts	1,000	40,972
Lease liabilities	5,122	5,080
Other financial liabilities	654	810
Income taxes payables	1,272	1,958
Other current liabilities	20,339	26,272
Total current liabilities	<u>136,641</u>	<u>197,920</u>
Non-current liabilities:		
Bonds and debts	155,701	114,789
Lease liabilities	18,146	18,994
Other non-current financial liabilities	8	115
Net defined benefit liabilities	17,817	19,351
Provisions	1,761	1,753
Deferred tax liabilities	17,157	16,836
Other non-current liabilities	3,147	3,194
Total non-current liabilities	<u>213,737</u>	<u>175,033</u>
Total liabilities	<u>350,378</u>	<u>372,953</u>
Equity:		
Capital stock	15,232	15,232
Capital surplus	451,264	451,405
Retained earnings	94,209	89,874
Treasury shares	(85,667)	(85,369)
Accumulated other comprehensive income	1,177	1,343
Equity attributable to owners of parent	<u>476,216</u>	<u>472,485</u>
Non-controlling interests	142	170
Total equity	<u>476,358</u>	<u>472,656</u>
Total liabilities and equity	<u><u>826,737</u></u>	<u><u>845,609</u></u>

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

	The cumulative third quarter of previous fiscal year (Nine months ended September 30, 2022)	(Millions of yen) The cumulative third quarter of current fiscal year (Nine months ended September 30, 2023)
Revenue	612,321	663,825
Cost of sales	345,004	369,229
Gross profit	267,317	294,595
Selling and general administrative expenses	278,322	287,961
Other income	8,132	2,711
Other expenses	4,237	3,225
Investment income on equity method	57	1
Operating income (loss)	(7,053)	6,121
Financial revenue	179	361
Financial expenses	1,073	535
Income (Loss) for the period before income taxes	(7,947)	5,947
Income tax expense (benefit)	(2,756)	2,057
Net income (loss) for the period	(5,191)	3,890
Net income (loss) for the period attributable to		
Owners of parent	(5,194)	3,862
Non-controlling interests	3	28
Earnings (Loss) per share (yen)	(28.96)	21.53
Diluted earnings per share (yen)	—	21.38

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

		(Millions of yen)
	The cumulative third quarter of previous fiscal year (Nine months ended September 30, 2022)	The cumulative third quarter of current fiscal year (Nine months ended September 30, 2023)
Net income (loss) for the period	(5,191)	3,890
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	329	1,155
Subtotal	329	1,155
Items that may be reclassified subsequently to income:		
Cash flow hedges	1,715	40
Subtotal	1,715	40
Total other comprehensive income for the period	2,044	1,195
Total comprehensive income for the period	(3,147)	5,085
Comprehensive income attributable to:		
Owners of parent	(3,150)	5,057
Non-controlling interests	3	28

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

The consolidated cumulative third quarter of previous fiscal year (Nine months ended September 30, 2022)

(Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
	Capital share	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income			
Balance as of January 1, 2022	15,232	450,832	109,273	(85,661)	2,644	492,320	131	492,451
Comprehensive income for the period								
Net income (loss) for the period	—	—	(5,194)	—	—	(5,194)	3	(5,191)
Other comprehensive income	—	—	—	—	2,044	2,044	—	2,044
Total comprehensive income for the period	—	—	(5,194)	—	2,044	(3,150)	3	(3,147)
Transactions with owners								
Dividends of surplus	—	—	(8,967)	—	—	(8,967)	—	(8,967)
Purchase of treasury shares	—	—	—	(4)	—	(4)	—	(4)
Disposal of treasury shares	—	(0)	—	0	—	0	—	0
Transactions of share-based payment	—	371	—	—	—	371	—	371
Reclassification from accumulated other comprehensive income to retained earnings	—	—	(5)	—	5	—	—	—
Reclassification from accumulated other comprehensive 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

The consolidated cumulative third quarter of current fiscal year (Nine months ended September 30, 2023)

(Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total
	Capital share	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income			
Balance as of January 1, 2023	15,232	451,264	94,209	(85,667)	1,177	476,216	142	476,358
Comprehensive income for the period								
Net income for the period	—	—	3,862	—	—	3,862	28	3,890
Other comprehensive income	—	—	—	—	1,195	1,195	—	1,195
Total comprehensive income for the period	—	—	3,862	—	1,195	5,057	28	5,085
Transactions with owners								
Dividends of surplus	—	—	(9,046)	—	—	(9,046)	—	(9,046)
Purchase of treasury shares	—	—	—	(4)	—	(4)	—	(4)
Disposal of treasury shares	—	(140)	—	301	—	161	—	161
Transactions of share-based payment	—	281	—	—	—	281	—	281
Reclassification from accumulated other comprehensive income to retained earnings	—	—	849	—	(849)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	(180)	(180)	—	(180)
Total transactions with owners	—	141	(8,197)	298	(1,029)	(8,787)	—	(8,787)
Balance as of September 30, 2023	15,232	451,405	89,874	(85,369)	1,343	472,485	170	472,656

(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.