

# Quarterly Report

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

Fiscal Year	From April 1, 2020
(The 2 <sup>nd</sup> Quarter of the 63 <sup>rd</sup> Term)	To June 30, 2020

Coca-Cola Bottlers Japan Holdings Inc.

(E00417)

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This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended June 30, 2020 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, Paragraph 1 of the Financial Instruments and Exchange Act
[Recipient]	Director-General of the Kanto Local Finance Bureau
[Submission date]	August 13, 2020
[Fiscal year]	63 <sup>rd</sup> fiscal term (from April 1, 2020 to June 30, 2020)
[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 (From March 26, 2020, the location of the head office has been changed to the above from 9-66 Hakozaiki, Higashi-ku, Fukuoka City.)
[Telephone number]	(03)-6896-1707
[Name of administrative contact]	Cordula Thomas, Head of Controllers Senior Group Division, Finance
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[Telephone number]	(03)-6896-1707
[Name of administrative contact]	Cordula Thomas, Head of Controllers Senior Group Division, Finance
[Location provided for viewing]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo Ward, Tokyo)

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

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

## Part I Corporate information

### Section 1. Corporate overview

#### 1. Summary of business results

Issuance	The 62 <sup>nd</sup> Term Consolidated Cumulative Second Quarter	The 63 <sup>rd</sup> Term Consolidated Cumulative Second Quarter	The 62 <sup>nd</sup> Term
Accounting period	From January 1, 2019 to June 30, 2019	From January 1, 2020 to June 30, 2020	From January 1, 2019 to December 31, 2019
Net sales [Current Second quarter] (Millions of yen)	433,710 [234,978]	386,679 [(187,964)]	914,783
Loss for the period before tax benefits (Millions of yen)	(65,513)	(13,245)	(55,419)
Loss for the period attributable to Owners of parent [Current Second quarter] (Millions of yen)	(64,565) [(56,563)]	(6,452) [(761)]	(57,952)
Comprehensive loss attributable to owners of the parent (Millions of yen)	(63,566)	(11,494)	(52,164)
Equity attributable to owners of the parent (Millions of yen)	499,087	490,715	505,999
Total assets (Millions of yen)	883,777	974,323	952,444
Loss per share [Current Second quarter] (Yen)	(358.14) [(315.37)]	(35.97) [(4.24)]	(322.22)
Diluted loss per share (Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	56.5	50.4	53.1
Cash flows from operating activities (Millions of yen)	(9,141)	11,274	42,629
Cash flows from investing activities (Millions of yen)	(38,820)	(47,697)	(68,308)
Cash flows from financing activities (Millions of yen)	27,680	41,203	73,994
Cash and cash equivalents at the end of the year (Millions of yen)	45,230	118,605	113,825

Notes:

1. Because the Company prepares quarterly consolidated financial statements, the summary of standalone business results for the Company is not described.
2. Consumption tax is not included in net revenues.
3. Diluted net loss per share is not presented, since there is no dilutive stock.
4. The consolidated financial statements are disclosed in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.
5. Figures are rounded to the nearest million yen.

#### 2. Business content

There were no significant changes in the businesses that the Group (the Company and its affiliates) is engaged in during the second quarter of FY 2020

## Section 2. Business situations

### 1. Risk of business

During the current second quarterly consolidated accounting period (from April 1 to June 30, 2020, hereinafter referred to as the “current second quarter”), sales of the beverage business has been declining due to the self-restraint of going outside, operating restaurant business and holding large-scale events as measures to prevent the spread of new coronavirus (COVID-19) infection. Also, the increasing cost of measures to prevent the new coronavirus (COVID-19) infection is expected to have an impact on the earnings.

Under such circumstances, we are responding to changes in the environment by increasing the speed of business transformation through further drive of cost savings with measures including transition of working arrangements to work from home, mainly in back office.

There is no material change to other business risks that are provided in the securities report of the prior fiscal year.

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

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

#### (1) Qualitative Information on Consolidated Financial Results

During the outbreak of the novel coronavirus (COVID-19), the safety and health of our consumers, our customers and our employees— especially those on working daily to produce and supply essential goods and services— is our number one priority. Our mission is to deliver happy, refreshing moments to everyone, even in challenging times, and we have been working with comprehensive business continuity actions in place to ensure safe and secure product supply.

In the year-to-date second-quarter period, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to decline about 10% versus the prior-year period as customer outlets have closed or reduced operating hours, and foot traffic has declined as consumers refrain from going out in accordance with the government’s emergency declaration to prevent further spread of COVID-19. The health food and cosmetics industries continue to expand, driven by demand from health-conscious consumers and new demand driven by new functionality and efficacies, although they too are expected to be impacted by the COVID-19 outbreak.

We continue to drive fundamental business transformation under the guiding principle of our mid-term business plan announced in August 2019 that “business as usual is not an option”. We are implementing initiatives to return the business to a sustainable growth trajectory, including transformation in the important vending channel and back-office routines to drive cost efficiencies, and increasing front-facing investments for growth in such areas as production capacity, space-to-sell and people development. In the short term, we are focusing on various urgent mitigation initiatives to deal with the rapidly evolving situation triggered by the COVID-19 outbreak, as we continue to address our cost structure and high fixed-cost base of the beverage business. We are also finding opportunities during this turbulent period to accelerate the pace of ongoing transformation projects and to identify new opportunities. This will ensure that we are well-prepared for the evolution of the business environment in the longer term.

Our year-to-date second-quarter results were impacted by a sharp drop in beverage business sales volume since March due to the COVID-19 situation, and we expect the second quarter (April to June, Q2) will prove to be the one of the most challenging quarters of the year, given the impact of the government’s emergency declaration during the period.

#### **Highlights of the Second Quarter**

- Q2 reflects impact of emergency declaration and decision to postpone Olympics. Q2 volume down 18% and year-to-date volume down 11%. Lemon-dou alcohol brand ahead of plan.
- Targeting appropriate balance of value and volume—slight over-the-counter market share decline as we maintain wholesale price hike, focus on core business and pivot from Olympics-heavy 2020 plan. Vending market share growth continued despite COVID-19 drop in market volume.
- Significant cost savings helping to offset current-year topline pressure. Achieved over 10 billion yen in year-to-date cost savings. Year-to-go cost-saving efforts to continue
- Accelerated important vending channel operation transformation project by six months; Completed company-wide deployment by the end of Q2.

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- Completed brand-new, world-class Hiroshima plant. Expanded supply network on-plan, with seven new lines installed since last year, including four new lines in 2020.
- Carefully watching peak summer performance to update full-year forecast, amid ongoing COVID-19 uncertainty and extended rainy season in July. Announced plan to reinstate 25 yen per share year-end dividend.

### Summary of Consolidated Financial Results

#### Year-to-date Q2 (January to June)

In million JPY	2019	2020	Change
Net Revenue	433,710	<b>386,679</b>	(10.8%)
Gross Profit	210,246	<b>179,259</b>	(14.7%)
Selling, General & Administrative Expenses	205,202	<b>183,899</b>	(10.4%)
Other income (Recurring)	560	<b>385</b>	(31.3%)
Other expenses (Recurring)	1,457	<b>1,054</b>	(27.6%)
Investment loss on equity method	(24)	<b>(230)</b>	-
Business Income (Loss)	4,122	<b>(5,539)</b>	-
Impairment losses of goodwill	61,859	-	(100.0%)
Other income (Non-recurring)	1,240	<b>0</b>	(100.0%)
Other expenses (Non-recurring)	8,960	<b>7,571</b>	(15.5%)
Operating Loss	(65,457)	<b>(13,110)</b>	-
Net Loss Attributable to Owners of Parent	(64,565)	<b>(6,452)</b>	-
Sales volume of beverage business (million cases)	237	<b>212</b>	(11%)

#### Q2 (April to June)

In million JPY	2019	2020	Change
Net Revenue	234,978	<b>187,964</b>	(20.0%)
Gross Profit	115,644	<b>85,841</b>	(25.8%)
Selling, General & Administrative Expenses	107,062	<b>84,253</b>	(21.3%)
Other income (Recurring)	267	<b>157</b>	(41.0%)
Other expenses (Recurring)	657	<b>580</b>	(11.8%)
Investment loss on equity method	(10)	<b>(170)</b>	-
Business Income	8,182	<b>995</b>	(87.8%)
Impairment losses of goodwill	61,859	-	(100.0%)
Other income (Non-recurring)	1,240	-	(100.0%)
Other expenses (Non-recurring)	195	<b>6,223</b>	3,086.5%
Operating Loss	(52,633)	<b>(5,228)</b>	-
Net Loss Attributable to Owners of Parent	(56,563)	<b>(761)</b>	-
Sales volume of beverage business (million cases)	127	<b>104</b>	(18%)

Note: “Business Income (loss)” is a measure of our underlying or recurring business performance. Business Income (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

Year-to-date second-quarter net revenue was 386,679 million yen, a decrease of 47,031 million yen or 10.8%, in comparison to the prior-year period. Net revenue of the beverage business declined 46,806 million yen or 11.1% to 374,598 million yen, due to the volume decline since March, driven by the spread of COVID-19 and the government’s emergency declaration. Net revenue of the healthcare & skincare business was less impacted by the COVID-19 situation, and declined by 225 million yen (down by 1.8%) year-on-year to 12,081 million yen, driven by new-product launches and expansion into new sales channels following a comprehensive renewal of the core product lineup and corporate logo in October 2019.

Year-to-date second-quarter Business Income, an indicator of our recurring business performance, was a loss of 5,539 million yen (4,122 million yen Business Income in the prior year period). Business income for the beverage business was a loss of 7,368 million yen (2,523 million yen Business Income in the prior year period). This reflects a gross profit decline driven in large part by channel mix as the vending and convenience store channels were impacted by a decline in consumer traffic during the COVID-19 emergency declaration period, partially offset by significant efforts to drive cost reductions across labor, promotion and back-office expenses. Business income in the healthcare & skincare business was 1,829 million yen, an increase of 229 million yen or 14.3% from the prior year period driven by a strong focus on cost reduction and controlling sales promotion expenses.

Year-to-date consolidated operating loss improved from the prior year to -13,110 million yen (65,457 million yen loss in the prior period) mainly by cycling a 61,859 million yen impairment loss on Goodwill in the prior-year second quarter. As a reference, other expenses (non-recurring) in year-to-date second-quarter 2019 results include 8,706 million yen of special retirement allowance and others due to the introduction of a voluntary employee retirement program. Other expenses (non-recurring) during the 2020 period include 2,841 million yen of temporary paid leave expenses in the second quarter, 1,908 million yen of transformation-related expenses and special retirement allowances of 1,424 million yen. We anticipate the temporary paid leave expenses will be partially offset by government subsidies that we expect to receive in the third quarter.

Net loss attributable to owners of parent for the year-to-date second quarter was 6,452 million yen (64,565 million yen loss in the prior period) led by improvement of the operating loss.

## (2) Qualitative Information on Consolidated Financial Position

Assets at the end of this quarter were 974,323 million yen, an increase of 21,879 million yen from the end of the prior year. This is mainly due to an increase of Cash and cash equivalents, increase of Inventories to ensure stable supply toward peak season and higher Property, plant and equipment as a result of the strategic capital investments we have been making to increase supply capacity and space to sell, and increase of Differed tax assets.

Liabilities at the end of the quarter were 483,154 million yen, an increase of 37,201 million yen from the end of the prior year. This is mainly due to an increase of Bonds and Debts as we accessed 50 billion yen in short-term borrowing from banks in April 2020 to ensure sufficient liquidity and access to cash as a backstop during this period of high uncertainty.

Net Assets at the end of the quarter were 491,170 million yen, a decrease of 15,321 million yen. This is mainly due to a decrease of Other Comprehensive Income and a decline of Retained Earnings as a result of paying year-end dividends.

### (3) Cash flows

The cash flow conditions for the second quarter of the current year are as follows.

#### <Cash Flows from Operations>

Net cash generated from operations was 11,274 million yen (9,141 million net cash used for operations in the prior year period). This results from the 13,245 million yen net loss before tax, increase of inventories and other assets, decrease of other liabilities, and payment of income taxes offset by depreciation and amortization, decrease of trade and other receivables and income taxes refund.

#### <Cash Flows from Investment Activities>

Net cash used for investment activities was 47,697 million yen (38,820 million yen in the prior year period) due to purchases of fixed assets as we recover our supply network and progressively expand production capacity.

#### <Cash Flows from Financing Activities>

Net cash generated from financing activities was 41,203 million yen (27,680 million yen in the prior year period), driven by an increase of short-term loans for operating capital, partially offset by cash spent for payment of year-end dividends, lease liabilities.

As a result of these activities, cash and cash equivalents at the end of second quarter was 118,605 million yen, an increase of 73,375 million yen in comparison to the end of second quarter in the prior year.

### (4) Business and financial challenges to be addressed

#### 1. Issues to be addressed

There are no material changes regarding the issues that the Group needs to address during the consolidated cumulative second quarter of the current year.

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

##### a. Descriptions of basic policies

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

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

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



and employees and perform to their expectations, and (C) make it possible to continually and persistently ensure and enhance the Company’s corporate value and, in turn, the common interests of its shareholders from a mid- to long-term perspective.

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

b. Initiatives to realize the basic policies

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

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

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

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

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

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

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

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

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

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

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

the shareholders’ common interests or preserve the positions of the Company officers.

(5) Research and development activities

Although research and development activities were conducted in the healthcare & skincare business during the second quarter of the current year, there are no specific items to highlight as the monetary amounts were not material.

(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 consolidated cumulative second quarter of the current 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	8,748	June 2020
”	Hiroshima plant (Mihara-shi, Hiroshima Prefecture)	”	Production facilities	13,959	June 2020

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

3. Significant management contracts

Not applicable.

### Section 3. Status of the filing company

#### 1. Status of Shares

##### (1) Total number of shares

###### ① Total number of shares

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

###### ② Issued shares

Class	No. of issued shares as of end of 1 <sup>st</sup> Quarter (June 30, 2020)	No. of issued shares as of filing date (August 13, 2020)	Name of listed stock exchange or registered authorized financial instruments firms' association	Details
Common shares	206,268,593	206,268,593	Tokyo Stock Exchange (1 <sup>st</sup> Section)	100-unit shares
Total	206,268,593	206,268,593	-	-

(NOTE) We delisted the Fukuoka Stock Exchange on July 11th.

##### (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, 2020 – June 30, 2020	-	206,269	-	15,232	-	108,167

(5) Major shareholder status

As of June 30, 2020

Name	Address	Number of shares held (thousands of shares)	Percentage of the number of shares held to the total number of issued shares (excluding treasury stock) (%)
Coca-Cola (Japan) Company, Limited	4-6-3, Shibuya, Shibuya-ku, Tokyo	27,956	15.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	9,071	5.06
Ichimura Foundation of New Technology	1-26-10, Kitamagome, Ota-ku, Tokyo	5,295	2.95
Satsuma Shuzo Co., Ltd.	26 Kamimotocho, Makurazaki-shi, Kagoshima	4,699	2.62
Japan Trustee Service Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	4,633	2.58
STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy Settlement & Clearing & Services Division, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02 101 U.S.A. (2-15-1 Konan, Minato-ku Tokyo)	4,229	2.36
Senshusha Co., Ltd.	339 Noda, Noda-shi, Chiba	4,088	2.28
Coca-Cola Holdings West Japan Inc. (Standing proxy: Coca-Cola (Japan) Company, Limited)	1013 Wilmington Center Road, U.S.A. Delaware (4-6-3 Shibuya, Shibuya-ku, Tokyo)	4,075	2.27
Mitsubishi Heavy Industries Machinery Systems, Ltd.	1-1-1, Wadazakicho, Hyogo-ku, Kobe-shi, Hyogo	3,912	2.18
MCA Holdings, Co., Ltd.	2-6-15, Kyobashi, Chuo-ku, Tokyo	3,408	1.90
Total	-	71,367	39.79

(Note) 26,919 thousand treasury shares are not included in the status of major shareholders above because they do not have voting rights.

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(6) Status of voting rights

① Issued shares

As of June 30, 2020

Class	Number of shares	Number of votes	Details
Non-voting shares	-	-	-
Shares with restricted voting right (Treasury Shares)	-	-	-
Shares with restricted voting right (Others)	-	-	-
Shares with full voting rights (Treasury Shares)	Common shares 26,918,500	-	-
Shares with full voting rights (Others)	Common shares 178,536,700	1,785,367	-
Odd lot shares	Common shares 813,393	-	-
Total number of issued shares	206,268,593	-	-
Voting rights of all shareholders	-	1,785,367	-

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

② Treasury Shares

As of June 30, 2020

Name of owner	Address of owner	No. of shares owned under own name	No. of shares owned under others’ name	Total number of shares owned	Ratio of shares owned against total no. of issued shares (%)
Coca-Cola Bottlers Japan Holdings Inc.	9-7-1 Akasaka, Minato-ku, Tokyo	26,918,500	-	26,918,500	13.05
Total	-	26,918,500	-	26,918,500	13.05

2. Status of Officers

Not applicable.

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## Section 4 Accounting status

### 1. Preparation methods for the quarterly consolidated financial statements

The Group’s condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standards Article 34 "Interim Financial Reporting".

### 2. Audit certification

The Company’s quarterly consolidated financial statements for the second quarter of the current year (April 1, 2020 to June 30, 2020) and the first six-month period of the current year (January 1, 2020 to June 30, 2020) have been reviewed by Ernst & Young ShinNihon LLC based on the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act.

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## 1. Condensed Quarterly Consolidated Financial Statements and Notes

### (1) Condensed Quarterly Consolidated Balance Sheets

	Notes	As of December 31, 2019	(Millions of yen) As of June 30, 2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		113,825	118,605
Trade and other receivables		98,528	93,026
Inventories		74,120	78,032
Other financial assets	11	752	620
Other current assets		17,587	23,374
<b>Total current assets</b>		<b>304,812</b>	<b>313,657</b>
<b>Non-current assets:</b>			
Property, plant and equipment		467,136	477,600
Right-of-use assets		39,629	37,396
Goodwill		27,021	27,021
Intangible assets		67,123	66,891
Investments accounted for using the equity method		310	293
Other financial assets	11	33,499	27,832
Deferred tax assets		6,093	14,897
Other non-current assets		6,820	8,736
<b>Total non-current assets</b>		<b>647,632</b>	<b>660,666</b>
<b>Total assets</b>		<b>952,444</b>	<b>974,323</b>

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		As of December 31, 2019	(Millions of yen) As of June 30, 2020
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		122,364	113,413
Bonds and debts	11	17,261	67,094
Lease liabilities		6,634	6,548
Other financial liabilities	11	916	2,206
Income taxes payable		1,104	1,974
Provisions		20	20
Other current liabilities		19,886	14,660
Total current liabilities		168,186	205,915
Non-current liabilities:			
Bonds and debts	11	188,487	187,986
Lease liabilities		34,138	32,235
Other non-current financial liabilities	11	-	133
Net defined benefit liabilities		24,908	26,433
Provisions		2,104	2,150
Deferred tax liabilities		24,876	24,849
Other non-current liabilities		3,254	3,452
Total non-current liabilities		277,767	277,238
Total liabilities		445,953	483,154
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,526	450,689
Retained earnings	7	121,372	110,658
Treasury shares		(85,649)	(85,652)
Accumulated other comprehensive income (loss)		4,517	(212)
Equity attributable to owners of parent		505,999	490,715
Non-controlling interests		492	454
Total equity		506,491	491,170
Total liabilities and equity		952,444	974,323



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(2) Condensed Quarterly Consolidated Statements of loss

【First six-month period of this fiscal year】

		(Millions of yen)	
	Notes	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	5,8	433,710	386,679
Cost of sales		223,465	207,420
Gross profit		210,246	179,259
Selling and general administrative expenses		205,202	183,899
Impairment losses of goodwill	9	61,859	-
Other income		1,800	385
Other expenses	10	10,417	8,626
Share of loss of entities accounted for using equity method		(24)	(230)
Operating loss	5	(65,457)	(13,110)
Financial revenue		501	405
Finance costs		557	540
Loss for the period before income tax benefit		(65,513)	(13,245)
Income tax benefit		(976)	(6,783)
Loss for the period		(64,537)	(6,462)
Net loss for the year attributable to:			
Owners of the parent		(64,565)	(6,452)
Non-controlling interests		28	(10)
Loss per share (yen)	13	(358.14)	(35.97)

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【Second quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	5	234,978	187,964
Cost of sales		119,333	102,123
Gross profit		115,644	85,841
Selling and general administrative expenses		107,062	84,253
Impairment losses of goodwill	9	61,859	-
Other income		1,507	157
Other expenses	10	853	6,803
Share of loss of entities accounted for using equity method		(10)	(170)
Operating loss	5	(52,633)	(5,228)
Financial revenue		123	311
Finance costs		289	265
Loss for the period before income tax (benefit)		(52,799)	(5,183)
Income tax (benefit)		3,754	(4,410)
Loss for the period		(56,552)	(773)
Net loss for the year attributable to:			
Owners of the parent		(56,563)	(761)
Non-controlling interests		11	(12)
Loss per share (yen)	13	(315.37)	(4.24)

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(3) Condensed Quarterly Consolidated Statements of Comprehensive Loss

【First six-month period of this fiscal year】

	Notes	Six months ended June 30, 2019	(Millions of yen) Six months ended June 30, 2020
Loss for the period		(64,537)	(6,462)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		1,785	-
Net changes in financial assets measured at fair value through other comprehensive loss		(408)	(3,377)
Subtotal		1,377	(3,377)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(377)	(1,665)
Subtotal		(377)	(1,665)
Total other comprehensive income (loss) for the period		1,000	(5,042)
Total comprehensive loss for the period		(63,537)	(11,504)
Comprehensive income (loss) attributable to:			
Owners of parent		(63,566)	(11,494)
Non-controlling interests		28	(10)

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【Second quarter of this fiscal year】

	Notes	Three months ended June 30, 2019	(Millions of yen) Three months ended June 30, 2020
Loss for the period		(56,552)	(773)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		0	-
Net changes in financial assets measured at fair value through other comprehensive income (loss)		(1,081)	37
Subtotal		(1,081)	37
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(368)	39
Subtotal		(368)	39
Total other comprehensive income (loss) for the period		(1,449)	77
Total comprehensive loss for the period		(58,001)	(696)
Comprehensive income (loss) attributable to:			
Owners of parent		(58,012)	(685)
Non-controlling interests		11	(12)

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent							
	Capital stock	Share premium	Retained earnings	Treasury shares	Accumulated other comprehensive income	Total	Non-controlling interests	Total
Balance as of January 1, 2019 (Before restatement)	15,232	450,533	182,418	(72,651)	4,915	580,448	458	580,906
Adjustments resulting from the adoption of IFRS 16	-	-	(338)	-	-	(338)	-	(338)
Balance as of January 1, 2019 (After restatement)	15,232	450,533	182,080	(72,651)	4,915	580,110	458	580,568
Comprehensive income for the period								
Net (loss) income for the period	-	-	(64,565)	-	-	(64,565)	28	(64,537)
Other comprehensive income	-	-	-	-	1,000	1,000	-	1,000
Total comprehensive income (loss) for the year	-	-	(64,565)	-	1,000	(63,566)	28	(63,537)
Transactions with owners								
Dividends of surplus	7	-	(4,587)	-	-	(4,587)	(22)	(4,609)
Purchase of treasury stock	6	-	(64)	(12,995)	-	(13,059)	-	(13,059)
Disposal of treasury stock		-	(0)	1	-	1	-	1
Transactions of share-based payment		-	(2)	-	-	(2)	-	(2)
Reclassification from accumulated other comprehensive income to retained earnings		-	2,355	-	(2,355)	-	-	-
Reclassification from accumulated other comprehensive income to non-financial assets		-	-	-	189	189	-	189
Total transactions with owners		-	(66)	(12,994)	(2,166)	(17,458)	(22)	(17,480)
Balance as of June 30, 2019	15,232	450,467	115,283	(85,644)	3,749	499,087	464	499,551

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(Millions of yen)

		Equity attributable to owners of the parent							
		Capital stock	Share premium	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total
Balance as of January 1, 2020		15,232	450,526	121,372	(85,649)	4,517	505,999	492	506,491
Comprehensive loss for the period									
Net loss for the period		-	-	(6,452)	-	-	(6,452)	(10)	(6,462)
Other comprehensive loss		-	-	-	-	(5,042)	(5,042)	-	(5,042)
Total comprehensive loss) for the period		-	-	(6,452)	-	(5,042)	(11,494)	(10)	(11,504)
Transactions with owners									
Dividends of surplus		7	-	(4,484)	-	-	(4,484)	(28)	(4,512)
Purchase of treasury stock		-	-	-	(4)	-	(4)	-	(4)
Disposal of treasury stock		-	(1)	-	2	-	1	-	1
Transactions of share-based payment		-	163	-	-	-	163	-	163
Reclassification from accumulated other comprehensive income (loss) to retained earnings		-	-	221	-	(221)	-	-	-
Reclassification from accumulated other comprehensive income to non-financial assets		-	-	-	-	534	534	-	534
Total transactions with owners		-	163	(4,263)	(3)	313	(3,790)	(28)	(3,818)
Balance as of June 30, 2020		15,232	450,689	110,658	(85,652)	(212)	490,715	454	491,170

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(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

Notes	Six months ended June 30, 2019	Six months ended June 30, 2020
<b>Cash flows from operating activities</b>		
Loss for the period before income tax benefit	(65,513)	(13,245)
Adjustments for:		
Depreciation and amortization	28,114	29,387
Impairment loss	62,109	85
Change in allowance for doubtful accounts	(471)	(67)
Interest and dividends income	(308)	(288)
Interest expenses	557	540
Share of loss of entities accounted for using equity method	24	230
Gain on sale of property, plant and equipment	(1,259)	(4)
Loss on disposal and sale of property, plant and equipment	1,014	760
(Increase) decrease in trade and other receivables	(9,355)	5,524
Increase in inventories	(15,656)	(3,912)
Increase in other assets	(2,715)	(9,821)
Increase in trade and other payables	10,860	2,899
(Decrease) Increase in net defined benefit liabilities	(2,148)	1,525
Decrease in other liabilities	(7,389)	(5,404)
Others	436	202
Subtotal	(1,702)	8,413
Interest received	0	0
Dividends received	308	287
Interest paid	(527)	(471)
Income taxes paid	(8,882)	(4,651)
Income taxes refund	1,662	7,696
Net cash (used in) provided by operating activities	(9,141)	11,274
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment and intangible assets	(42,892)	(48,261)
Proceeds from sales of property, plant and equipment and intangible assets	2,346	97
Purchases of other financial assets	(27)	(26)
Proceeds from sale of other financial assets	1,683	542
Other	71	(48)
Net cash used in investing activities	(38,820)	(47,697)

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(Millions of yen)

	Notes	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from financing activities			
Increase in short-term loans payable		50,000	50,000
Repayments of long-term loans payable		(943)	(724)
Dividends paid	7	(4,587)	(4,484)
Dividends paid to non-controlling interests		(22)	(28)
Proceeds from disposal of treasury stock		1	1
Purchases of treasury stock	6	(13,088)	(4)
Repayments of lease liabilities		(3,681)	(3,558)
Net cash provided by financing activities		27,680	41,203
Net change in cash and cash equivalents		(20,281)	4,780
Cash and cash equivalents at the beginning of the year		65,510	113,825
Cash and cash equivalents at the end of the year		45,230	118,605



## Notes to consolidated financial statements

### 1. Introduction

The Company is a holding company domiciled in Japan and is listed on the First Section of the Tokyo Stock Exchange. Under the Coca-Cola brand, the Company and its subsidiaries (collectively, the "Group") engage in purchases, sales, bottling, packaging, distribution and marketing of carbonated beverages, coffee beverages, tea-based beverages, mineral water and other soft drinks in Japan. The Group also develops, manufactures and sells a variety of healthcare products. We delisted from the Fukuoka Stock Exchange on July 11<sup>th</sup>, 2020.

The Group's consolidated financial statements consist of the Company, subsidiaries and associates. The consolidated financial statements were approved by our Representative Director & President, Calin Dragan and our Representative Director, Vice President and Chief Financial Officer (Treasurer), Bjorn Ivar Ulgenes on August 12, 2020 and takes into account events after the reporting period to that date (see notes 14, "events after the reporting period").

### 2. Basis of preparation

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

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

Condensed quarterly consolidated financial statements have been prepared on the basis of cost except for measurement at fair value.

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

### 3. Significant accounting policies

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

Income tax benefit for the six months ended June 30, 2020, has been calculated on the basis of the annual estimated effective tax rate.

### 4. Critical accounting judgments, estimates and assumptions

In preparing the condensed quarterly consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. The estimates and the assumptions underlying the estimates are continually reviewed and are based on historical experience and other factors, including future events, which are believed to be reasonable under the circumstances. Accounting estimates are based on the most appropriate information at the time the condensed quarterly consolidated financial statements are filed. In regard to the impact of COVID-19, the financial forecast for 2020 is currently being evaluated given ongoing uncertainty around the spread of COVID-19. The Group's current accounting estimates and assumptions are based on the expectation that COVID-19 will be under control in 2020 and sales will recover to a more normalized level in 2021.

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

Operating segments are defined as the components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors, chief operating decision-maker, in making resource allocation decisions and in assessing performance. The Group has established an organizational management system for each product and service. Based on the types and characteristics of products and sales markets, the Group identified the following operating segments. No operating segments have been aggregated to form reportable segments.

The principal products and services belonging to the reportable segments are as follows, and the Healthcare and Skincare segment is operated by a wholly owned subsidiary, Q'SAI CO., LTD. and its subsidiaries

Reportable segments	Principal Products and Services
Beverage Business	Purchase, manufacture and sale of carbonated beverages such as Coca-Cola, coffee and black tea beverages, mineral water, bottling, packaging, distribution and marketing, vending machine-related business in Japan
Healthcare & Skincare Business	Manufacture and sale of kale juice (aojiru) and other products made from Kale, as well as the manufacture and sale of health foods, cosmetics and other related products

The Board of Directors evaluates the performance of its segments in comparison to its peers based on operating profit reported in accordance with generally accepted accounting standards (IFRS). The accounting methods used for operating segment reported are the same as those described in notes 3 "Significant accounting policies."

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Reportable segment information is as follows:

Impairment loss of 61,859 million yen was recorded in the Beverage Business during first six-month period of the prior year.

Second quarter of the prior year (January 1, 2019 – June 30, 2019)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	421,404	12,306	433,710	-	433,710
Intersegment sales revenue	-	-	-	-	-
Total sales revenue	421,404	12,306	433,710	-	433,710
Segment profit (loss)	(67,057)	1,600	(65,457)	-	(65,457)
Adjustments					
Financial revenue					501
Finance costs					557
Loss before income tax benefit					(65,513)

Second quarter of the current year (January 1, 2020 – June 30, 2020)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	374,598	12,081	386,679	-	386,679
Intersegment sales accumulation	-	-	-	-	-
Total sales revenue	374,598	12,081	386,679	-	386,679
Segment profit (loss)	(14,937)	1,827	(13,110)	-	(13,110)
Adjustments					
Financial revenue					405
Finance costs					540
Loss before income tax benefit					(13,245)

Second quarter of the prior fiscal year (April 1, 2019 – June 30, 2019)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	228,637	6,340	234,978	-	234,978
Intersegment sales revenue	-	-	-	-	-
Total sales revenue	228,637	6,340	234,978	-	234,978
Segment profit (loss)	(53,518)	885	(52,633)	-	(52,633)
Adjustments					
Financial revenue					123
Finance costs					289
Loss before income tax benefit					(52,799)

Second quarter of the current fiscal year (April 1, 2020 – June 30, 2020)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	181,569	6,395	187,964	-	187,964
Intersegment sales accumulation	-	-	-	-	-
Total sales revenue	181,569	6,395	187,964	-	187,964
Segment profit (loss)	(6,508)	1,280	(5,228)	-	(5,228)
Adjustments					
Financial revenue					311
Finance costs					265
Loss before income tax benefit					(5,183)

## 6. Acquisition of treasury stock

Based on the resolution of the Board of Directors on November 9, 2018, the Company acquired its treasury stock during the second quarter of the prior year. As a result of this acquisition, treasury stock increased by 4,120,300 shares in the second quarter of the prior year.

## 7. Dividends

Dividends payments were as follows:

### First half of the prior year (January 1, 2019 – June 30, 2019)

#### 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 27, 2019 Ordinary General Meeting of Shareholders	Ordinary share	4,587	25	December 31, 2018	March 27, 2019

#### 2. Dividends with the cut-off date in the first half of FY 2019 and the effective date following the first half of FY 2019

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
August 7, 2019 Board of directors	Ordinary share	4,484	25	June 30, 2019	September 2, 2019

### First half of the current year (January 1, 2020 – June 30, 2020)

#### 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 26, 2020 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2019	March 27, 2020

#### 2. Dividends with the cut-off date in the first half of FY 2020 and the effective date following the first half of FY 2020

Not applicable

## 8. Revenue

The Group's organizational structure is based on two businesses, the Beverage business and Healthcare & Skincare business. These two businesses are components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's Board of Directors (chief management decision maker) to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in these two businesses are presented as “Revenue” in the consolidated financial statement of profit and loss. In the Beverage business, the Group purchases, manufactures, and sells carbonated beverages such as Coca-Cola, coffee beverages, black tea beverages, mineral water and other beverages in Japan. In the Healthcare & Skincare business, the Group manufactures and sells kale juice (aojiru) and other products made from Kale and manufactures and sells health foods and cosmetics and other related products.

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

The breakdown of revenue and the relationship between reportable segments is as follows.

### Second quarter of the prior year (January 1, 2019 – June 30, 2019)

(Millions of yen)

	Reportable segments		
	Beverage business	Healthcare & Skincare business	Total
Beverage	420,892	-	420,892
Health food	-	12,306	12,306
Other	512	-	512
Total	421,404	12,306	433,710

### Second quarter of the current year (January 1, 2020 – June 30, 2020)

(Millions of yen)

	Reportable segments		
	Beverage business	Healthcare & Skincare business	Total
Beverage	374,166	-	374,166
Health food	-	12,081	12,081
Other	432	-	432
Total	374,598	12,081	386,679

## 9. Impairment losses of goodwill

Impairment losses on goodwill occurred in the Beverage Business during the previous consolidated second quarter. The earnings forecast based on the mid-term plan up to 2024 announced on August 7, 2019 is expected to be lower than the business plan expected at the time of acquisition of Coca-Cola Bottlers Japan Inc. (formerly Coca-Cola East Japan Co., Ltd.) As a result, based on the mid-term plan, we assessed the recoverable value of the cash-generating unit group to which the goodwill belongs. As a result, the Company recorded an impairment loss of goodwill of 61,859 million yen in the previous consolidated second quarter.

## 10. Other expenses

The breakdown of other expenses is as follows:

	Second quarter of the prior year (January 1, 2019 – June 30, 2019)	Second quarter of the current year (January 1, 2020 – June 30, 2020)
Impairment losses	250	85
Losses on sales and disposals of property, plant and equipment	1,293	1,062
Transformation-related expenses (Note 1)	—	1,908
Special retirement allowance (Note 2)	8,711	1,424
Temporary leave costs (Note 3)	—	2,841
Product valuation losses (Note 4)	—	604
Costs of postponing the Olympics (Note 5)	—	201
Other	164	499
Total	10,417	8,626

- (Note) 1. Transformation-related expenses are expenses related to measures aimed at creating an efficient new system with the aim of creating more value and further improving productivity for the sustainable growth of the Group.
2. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program for the previous consolidated second quarter and the current consolidated second quarter.
3. Temporary leave cost is the allowance associated with employee’s temporary leave due to the spread of COVID-19. The cost is reclassified from cost of sales and selling and general administrative expenses to other expenses, 309 million yen and 2,532 million yen, respectively. Once the amount of employment adjustment subsidy from the government is confirmed, it is netted with other expenses.
4. Product valuation loss is a valuation loss of product inventory at the time of the emergency declaration of the government to prevent COVID-19 outbreak. This is because the product inventory is planned to be disposed due to the effects of the suspension of operation of restaurants. The losses are reclassified from cost of sales.
5. Costs related to the postponement of the Olympics were incurred by the postponement of the Olympic and Paralympic Games due to COVID-19. The expenses are mainly for hotels and warehouses cancellation fees and reclassified from selling and general administrative expenses.

## 11. 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 second quarter of the prior year and second quarter of the current 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 active market for the same asset or liability. If there is no active market stock price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and discounted future cash flow models. If significant inputs, such as quoted market prices and discount rates used in measurement are observable, such financial instruments are classified as Level 2, but are classified as Level 3 if inputs used in its measurement include significant unobservable inputs.

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

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

As of December 31, 2019

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: 9.2-46.5 times EBITDA Multiple: 8.6times PBR: 1.0-2.7 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

As of June 30, 2020

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: 7.3—42.4 times EBITDA Multiple: 12.5 times PBR: 1.0-2.6 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	
		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, 2019

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	-	579	-	579
Subtotal	-	579	-	579
Financial instrument measured at fair value through other comprehensive income:				
Securities	22,475	-	5,253	27,728
Other	-	-	138	138
Subtotal	22,475	-	5,392	27,867
Total	22,475	579	5,392	28,446
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	-	916	-	916
Total	-	916	-	916

As of June 30, 2020

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	-	209	-	209
Subtotal	-	209	-	209
Financial instrument measured at fair value through other comprehensive income:				
Securities	17,648	-	4,455	22,104
Other	-	-	125	125
Subtotal	17,648	-	4,580	22,228
Total	17,648	209	4,580	22,437
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	-	2,339	-	2,339
Total	-	2,339	-	2,339



This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended June 30, 2020 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 at January 1, 2019	4,914
Disposals	(0)
Gains recognized in other comprehensive income	158
Balance at June 31, 2019	5,073
Balance at January 1, 2020	5,392
Disposals	-
Losses recognized in other comprehensive income	(811)
Balance at June 30, 2020	4,580

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, 2019

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	205,748	205,627	122

As of June 30, 2020

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	205,080	204,406	674

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

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

a. Loans payable

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

b. Bonds

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

## 12. Retirement benefits

Regarding retirement benefit plans for employees of the Group, some subsidiaries are to adopt defined contribution pension plans and defined benefit pension plans, which calculate the amount of contributions and benefits based on their position, years of services and other factors. However, as of April 1, 2019, the beverage business was unified into a defined contribution pension plan and a lump-sum retirement plan.

As a result, in the consolidated statement of income for the second quarter, cost of sales, selling, general and administrative expenses decreased by 2,170 million yen.

## 13. Loss per share

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

The basis for calculating the basic loss per share for the second quarter of the current year and prior year is as follows.

	Six months ended June 30, 2019	Six months ended June 30, 2020
Loss for the period attributable to owner of parent (millions of yen)	(64,565)	(6,452)
Weighted-average shares of ordinary share outstanding (in thousands)	180,280	179,351
Loss per share (yen)	(358.14)	(35.97)
	Three months ended June 30, 2019	Three months ended June 30, 2020
Loss for the period attributable to owner of parent (millions of yen)	(56,563)	(761)
Weighted-average shares of ordinary share outstanding (in thousands)	179,354	179,350
Loss per share (yen)	(315.37)	(4.24)

## 14. Events after the reporting period

Not applicable

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## 2. Others

Not applicable

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## Part II Information of guarantor companies of the filing company

Not applicable