

# Quarterly Report

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

Fiscal Year	From July 1, 2020
(The 3 <sup>rd</sup> Quarter of the 63 <sup>rd</sup> Term)	To September 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 September 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]	November 13, 2020
[Fiscal year]	63 <sup>rd</sup> fiscal term (from July 1, 2020 to September 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 7-9-66 Hakozaiki, Higashi-ku, Fukuoka City.)
[Telephone number]	(03)-6896-1707
[Name of administrative contact]	Cordula Thomas, Head of Controllers Senior Group Division, Finance
[Closest contact point]	9-7-1 Akasaka, Minato-ku, Tokyo
[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-ku, 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 Third Quarter	The 63 <sup>rd</sup> Term Consolidated Cumulative Third Quarter	The 62 <sup>nd</sup> Term
Accounting period	From January 1, 2019 to September 30, 2019	From January 1, 2020 to September 30, 2020	From January 1, 2019 to December 31, 2019
Revenue [Current Third quarter] (Millions of yen)	694,763 [261,053]	616,774 [230,094]	914,783
Loss for the period before tax benefits (Millions of yen)	(51,848)	(6,546)	(55,419)
Net loss for the period attributable to owners of the parent [Current Third quarter] (Millions of yen)	(55,693) [8,872]	(4,644) [1,807]	(57,952)
Comprehensive loss attributable to owners of the parent (Millions of yen)	(54,920)	(11,420)	(52,164)
Equity attributable to owners of the parent (Millions of yen)	502,994	492,860	505,999
Total Assets (Millions of yen)	968,031	966,337	952,444
Basic earnings per share [Current Third quarter] (Yen)	(309.40) [49.47]	(25.90) [10.08]	(322.22)
Diluted earnings per share (Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	52.0	51.0	53.1
Cash flows from operating activities (Millions of yen)	30,464	35,138	42,629
Cash flows from investing activities (Millions of yen)	(53,748)	(59,259)	(68,308)
Cash flows from financing activities (Millions of yen)	95,989	38,761	73,994
Cash and cash equivalents at the end of the period (Millions of yen)	138,215	128,465	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 revenue.
3. Diluted earnings 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 subsidiaries) is engaged in during the third quarter of 2020

## Section 2. Business situations

### 1. Risk of business

During the current third quarterly consolidated accounting period (July 1 to September 30, 2020, hereinafter referred to as the “current third quarter”), business risks related to the new coronavirus (“COVID-19”) were still evident. Although the spread of infection around April and May seemed to have temporarily slowed down, it resurged from July to August.

Government measures to prevent the further spread continued to be enforced, including the shortening of the business hours at eating and dining establishments, and the self-restraint of holding large-scale events. The effect of these measures resulted in the beverage business suffering a decline in sales. Also, the increasing cost of measures to prevent 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 and further cost savings with measures including transition of working arrangements to work from home, mainly in back office.

We continue to actively monitor our risk environment and there is no material change to the 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 continued outbreak of the novel coronavirus (COVID-19), the safety and health of our consumers, our customers and our employees— especially those working daily to produce and supply essential goods and services— is our number one priority. Our mission is to deliver happy 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 third-quarter period, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to continue to decline versus the prior-year reflecting weaker consumer traffic and demand driven by the COVID-19 outbreak as well as rainy and cool weather in July. The health food and cosmetics industries are also expected to decline reflecting weaker consumer traffic and demand as well as drop of inbound tourists’ demand driven 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 third-quarter results were impacted by a sharp drop in beverage business sales volumes since March due to the COVID-19 situation, but we have seen moderating performance trends in the third quarter (July to September) compared to the second quarter (April to June), which has been the most impacted quarter thus far during the pandemic.

#### **Highlights of the Third Quarter**

- Volume, revenue and Business Income in third quarter shows moderating trend versus prior quarters this year and third quarter Business Income was almost even versus prior year. Year-to-date third-quarter revenue declined 11% and Business Income declined 59% versus prior year, reflecting negative channel/package mix and weaker consumer traffic and demand driven by the COVID-19 outbreak.
- Vending channel value share continues to improve, with 18 consecutive months of positive momentum. Focus on recovering year-to-date over-the-counter (“OTC”) market share decline with selective marketing reinvestment in fourth quarter (October to December), in line with gradual return of consumer demand.

- Delivering significant cost saving efforts to mitigate topline pressure while accelerating transformation including vending and OTC sales route transformation.
- Alcohol business continues to perform well. New alcohol manufacturing line installed in Kyoto Plant to meet growing demand and ensure stable supply.
- Announced updated full-year 2020 plan on October 5, targeting even Business Income through continued cost savings in spite of topline pressures. No change to 25 yen-per-share year-end dividend forecast.
- Continue to drive fundamental business transformation guided by our mid-term strategic plan amid the current COVID-19 driven challenges.

### **Summary of Consolidated Financial Results**

#### **Year-to-date Q3 (January to September)**

In million JPY	2019	2020	Change
Revenue	694,763	<b>616,774</b>	(11.2%)
Gross Profit	337,265	<b>290,027</b>	(14.0%)
Selling, General & Administrative Expenses	318,810	<b>281,883</b>	(11.6%)
Other income (Recurring)	889	<b>582</b>	(34.5%)
Other expenses (Recurring)	2,150	<b>1,459</b>	(32.2%)
Investment loss on equity method	(90)	<b>(310)</b>	—
Business Income (Loss)	17,103	<b>6,958</b>	(59.3%)
Impairment losses of goodwill	61,859	—	(100.0%)
Other income (Non-recurring)	2,137	<b>1,782</b>	(16.6%)
Other expenses (Non-recurring)	9,260	<b>15,074</b>	62.8%
Operating Loss	(51,880)	<b>(6,334)</b>	—
Net Loss Attributable to Owners of Parent	(55,693)	<b>(4,644)</b>	—
Sales volume of beverage business (million cases)	384	<b>344</b>	(11%)

#### **Q3 (July to September)**

In million JPY	2019	2020	Change
Revenue	261,053	<b>230,094</b>	(11.9%)
Gross Profit	127,019	<b>110,768</b>	(12.8%)
Selling, General & Administrative Expenses	113,608	<b>97,984</b>	(13.8%)
Other income (Recurring)	329	<b>198</b>	(39.9%)
Other expenses (Recurring)	693	<b>404</b>	(41.7%)
Investment loss on equity method	(66)	<b>(80)</b>	—
Business Income	12,980	<b>12,497</b>	(3.7%)
Other income (Non-recurring)	897	<b>1,782</b>	98.7%
Other expenses (Non-recurring)	300	<b>7,503</b>	2,403.3%
Operating Income	13,578	<b>6,776</b>	(50.1%)
Net Income Attributable to Owners of Parent	8,872	<b>1,807</b>	(79.6%)
Sales volume of beverage business (million cases)	147	<b>132</b>	(10%)

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 third-quarter revenue were 616,774 million yen, a decrease of 77,989 million yen or 11.2%, in comparison to the prior-year period. Revenue of the beverage business declined by 77,468 million yen or 11.5% to 598,547 million yen, due to the sales volume decline since March, driven by the ongoing impact of COVID-19 and unseasonably rainy and cool weather in the summer, especially in the month of July. Revenue of the healthcare & skincare business was less impacted by the COVID-19 situation and declined by 521million yen or 2.8% year-on-year to 18,227 million yen, supported by new-product launches and expansion into new sales channels following a comprehensive renewal of the core product lineup and corporate branding in October 2019.

Year-to-date third-quarter Business Income, an indicator of our recurring business performance, was 6,958 million yen, 10,145 million yen or 59.3% decline versus the prior year period. Business income for the beverage business declined by 10,277 million yen or 70.3%, to 4,336 million yen. 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 2,622 million yen, an increase of 132 million yen or 5.3% 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 a loss of 6,334 million yen (51,880 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 income (non-recurring) includes 1,782 million yen of government subsidies which partially offset the temporary paid leave expenses in the second quarter. Other expenses (non-recurring) in year-to-date third-quarter 2019 results included 8,698 million yen of special retirement allowances and others due to the introduction of a voluntary employee retirement program. Other expenses (non-recurring) in year-to-date third-quarter 2020 include 2,841 million yen of temporary paid leave expenses in the second quarter, 3,440 million yen of transformation-related expenses and special retirement allowances of 7,435 million yen.

Net loss attributable to owners of parent for the year-to-date third quarter was 4,644 million yen (55,693 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 966,337 million yen, an increase of 13,893 million yen from the end of the prior year. This is mainly due to an increase of Cash and cash equivalents, increase of Property, Plant and Equipment as a result of the strategic capital investments we have been making to increase supply capacity.

Liabilities at the end of the quarter were 473,039 million yen, an increase of 27,086 million yen from the end of the prior year. This is mainly due to an increase of Bonds and Debt 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 493,298 million yen, a decrease of 13,193 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 for 2019.

### (3) Cash flows

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

#### <Cash Flows from Operations>

Net cash generated from operations was 35,138 million yen (30,464 million net cash used for operations in the prior year period). This results from the 6,546 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 59,259 million yen (53,748 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 38,761 million yen (95,989 million yen in the prior year period), driven by an increase of short-term loans for operating capital, partially offset by mainly cash spent for payment of year-end dividends and lease liabilities.

As a result of these activities, cash and cash equivalents at the end of third quarter was 128,465 million yen, an decrease of 9,750 million yen in comparison to the end of third 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 third 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 third 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 third 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	9,078	September 2020
”	Hiroshima plant (Mihara-shi, Hiroshima Prefecture)	”	Production facilities	20,762	September 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 3 <sup>rd</sup> Quarter (September 30, 2020)	No. of issued shares as of filing date (November 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)
July 1, 2020 – September 30, 2020	—	206,269	—	15,232	—	108,167

##### (5) Major shareholder status

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

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(6) Status of voting rights

① Issued shares

As of September 30, 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 26,919,400	—	—
Shares with full voting rights (Others)	Common shares 178,541,300	1,785,413	—
Odd lot shares	Common shares 807,893	—	—
Total number of issued shares	206,268,593	—	-
Voting rights of all shareholders	—	1,785,413	-

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

② Treasury Shares

As of September 30, 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	26,919,400	—	26,919,400	13.05
Total	—	26,919,400	—	26,919,400	13.05

2. Status of Officers

Not applicable.

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## Section 4 Accounting status

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

The 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 third quarter of the current year (July 1, 2020 to September 30, 2020) and the first nine-month period of the current year (January 1, 2020 to September 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 September 30, 2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		113,825	128,465
Trade and other receivables		98,528	94,491
Inventories		74,120	78,112
Other financial assets	12	752	999
Other current assets		17,587	20,700
<b>Total current assets</b>		<b>304,812</b>	<b>322,767</b>
<b>Non-current assets:</b>			
Property, plant and equipment		467,136	473,896
Right-of-use assets		39,629	33,654
Goodwill		27,021	27,021
Intangible assets		67,123	66,678
Investments accounted for using the equity method		310	285
Other financial assets	12	33,499	27,690
Deferred tax assets		6,093	6,310
Other non-current assets		6,820	8,035
<b>Total non-current assets</b>		<b>647,632</b>	<b>643,569</b>
<b>Total assets</b>		<b>952,444</b>	<b>966,337</b>

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		As of December 31, 2019	(Millions of yen) As of September 30, 2020
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		122,364	111,470
Bonds and debts	6,12	17,261	67,094
Lease liabilities		6,634	7,226
Other financial liabilities	12	916	1,730
Income taxes payable		1,104	2,243
Provisions		20	20
Other current liabilities		19,886	17,517
Total current liabilities		168,186	207,300
Non-current liabilities:			
Bonds and debts	6,12	188,487	187,489
Lease liabilities		34,138	27,615
Other non-current financial liabilities	12	—	353
Net defined benefit liabilities		24,908	26,597
Provisions		2,104	2,161
Deferred tax liabilities		24,876	17,995
Other non-current liabilities		3,254	3,529
Total non-current liabilities		277,767	265,738
Total liabilities		445,953	473,039
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,526	450,757
Retained earnings	8	121,372	112,358
Treasury shares		(85,649)	(85,653)
Accumulated other comprehensive income (loss)		4,517	165
Equity attributable to owners of parent		505,999	492,860
Non-controlling interests		492	439
Total equity		506,491	493,298
Total liabilities and equity		952,444	966,337

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(2) Condensed Quarterly Consolidated Statements of Income  
【First nine-month period of this fiscal year】

		(Millions of yen)	
	Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Revenue	5,9	694,763	616,774
Cost of sales		357,499	326,746
Gross profit		337,265	290,027
Selling and general administrative expenses		318,810	281,883
Impairment losses of goodwill	10	61,859	—
Other income	11	3,026	2,365
Other expenses	11	11,410	16,533
Share of loss of entities accounted for using equity method		(90)	(310)
Operating loss	5	(51,880)	(6,334)
Financial revenue		872	611
Finance costs		840	823
Loss for the period before income tax benefit		(51,848)	(6,546)
Income tax (benefit)		3,802	(1,875)
Net Loss for the period		(55,650)	(4,670)
Net loss for the year attributable to:			
Owners of the parent		(55,693)	(4,644)
Non-controlling interests		43	(26)
Loss per share (yen)	14	(309.40)	(25.90)



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【Third quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2020
Revenue	5	261,053	230,094
Cost of sales		134,034	119,326
Gross profit		127,019	110,768
Selling and general administrative expenses		113,608	97,984
Other income	11	1,226	1,980
Other expenses	11	993	7,907
Share of loss of entities accounted for using equity method		(66)	(80)
Operating income	5	13,578	6,776
Financial revenue		371	206
Finance costs		283	282
Income for the period before income tax (benefit)		13,665	6,700
Income tax (benefit)		4,779	4,908
Net income for the period		8,887	1,792
Net income (loss) for the year attributable to:			
Owners of the parent		8,872	1,807
Non-controlling interests		15	(16)
Earnings per (yen)	14	49.47	10.08

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(3) Condensed Quarterly Consolidated Statements of Comprehensive Loss

【First nine-month period of this fiscal year】

	Notes	Nine months ended September 30, 2019	(Millions of yen) Nine months ended September 30, 2020
Loss for the period		(55,650)	(4,670)
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		(325)	(3,364)
Subtotal		1,460	(3,364)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(686)	(3,411)
Subtotal		(686)	(3,411)
Total other comprehensive income (loss) for the period		773	(6,775)
Total comprehensive loss for the period		(54,877)	(11,446)
Comprehensive income (loss) attributable to:			
Owners of parent		(54,920)	(11,420)
Non-controlling interests		43	(26)

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【Third quarter of this fiscal year】

	Notes	Three months ended September 30, 2019	(Millions of yen) Three months ended September 30, 2020
Net income for the period		8,887	1,792
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)		83	13
Subtotal		83	13
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(309)	(1,746)
Subtotal		(309)	(1,746)
Total other comprehensive income (loss) for the period		(226)	(1,733)
Total comprehensive income for the period		8,661	58
Comprehensive income (loss) attributable to:			
Owners of parent		8,646	74
Non-controlling interests		15	(16)

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended September 30, 2019

(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	—	—	(55,693)	—	—	(55,693)	43	(55,650)
Other comprehensive income	—	—	—	—	773	773	—	773
Total comprehensive income (loss) for the year	—	—	(55,693)	—	773	(54,920)	43	(54,877)
Transactions with owners								
Dividends of surplus	8	—	(9,071)	—	—	(9,071)	(22)	(9,093)
Purchase of treasury stock	7	—	(64)	(12,998)	—	(13,061)	—	(13,061)
Disposal of treasury stock		—	(0)	3	—	2	—	2
Transactions of share-based payment		—	30	—	—	30	—	30
Reclassification from accumulated other comprehensive income to retained earnings		—	—	2,355	—	(2,355)	—	—
Reclassification from accumulated other comprehensive income to non-financial assets		—	—	—	—	(96)	—	(96)
Total transactions with owners		—	(34)	(6,716)	(12,995)	(2,451)	(22)	(22,218)
Balance as of September 30, 2019	15,232	450,499	119,670	(85,645)	3,238	502,994	479	503,473

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Nine months ended September 30, 2020

(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	—	—	(4,644)	—	—	(4,644)	(26)	(4,670)
Other comprehensive loss	—	—	—	—	(6,775)	(6,775)	—	(6,775)
Total comprehensive loss) for the period	—	—	(4,644)	—	(6,775)	(11,420)	(26)	(11,446)
Transactions with owners								
Dividends of surplus	8	—	(4,484)	—	—	(4,484)	(28)	(4,512)
Purchase of treasury stock	—	—	—	(6)	—	(6)	—	(6)
Disposal of treasury stock	—	(1)	—	3	—	2	—	2
Transactions of share-based payment	—	232	—	—	—	232	—	232
Reclassification from accumulated other comprehensive income (loss) to retained earnings	—	—	114	—	(114)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	2,538	2,538	—	2,538
Total transactions with owners	—	231	(4,370)	(4)	2,424	(1,719)	(28)	(1,747)
Balance as of September 30, 2020	15,232	450,757	112,358	(85,653)	165	492,860	439	493,298

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Loss for the period before income tax benefit	(51,848)	(6,546)
Adjustments for:		
Depreciation and amortization	42,456	44,286
Impairment loss	62,282	86
Change in allowance for doubtful accounts	(509)	35
Interest and dividends income	(317)	(297)
Interest expenses	840	823
Share of loss of entities accounted for using equity method	90	310
Gain on sale of property, plant and equipment	(1,326)	(5)
Loss on disposal and sale of property, plant and equipment	1,348	1,053
(Increase) decrease in trade and other receivables	(5,063)	3,932
Increase in inventories	(5,042)	(3,992)
Increase in other assets	(1,519)	(8,542)
Increase in trade and other payables	4,768	1,847
(Decrease) Increase in net defined benefit liabilities	(1,155)	1,689
Decrease in other liabilities	(1,290)	(1,072)
Others	(938)	294
Subtotal	42,777	33,902
Interest received	0	0
Dividends received	316	297
Interest paid	(662)	(738)
Income taxes paid	(13,634)	(6,000)
Income taxes refund	1,665	7,677
Net cash (used in) provided by operating activities	30,464	35,138
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment and intangible assets	(58,833)	(60,135)
Proceeds from sales of property, plant and equipment and intangible assets	3,366	120
Purchases of other financial assets	(40)	(39)
Proceeds from sale of other financial assets	1,683	808
Other	75	(13)
Net cash used in investing activities	(53,748)	(59,259)

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(Millions of yen)

	Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Cash flows from financing activities			
Increase in short-term loans payable		(24,000)	50,000
Repayments of long-term loans payable		(1,643)	(1,249)
Proceeds from issuance of bonds	6	149,441	—
Dividends paid	8	(9,071)	(4,484)
Dividends paid to non-controlling interests		(22)	(28)
Proceeds from disposal of treasury stock		2	2
Purchases of treasury stock	7	(13,090)	(6)
Repayments of lease liabilities		(5,627)	(5,473)
Net cash provided by financing activities		95,989	38,761
Net change in cash and cash equivalents		72,705	14,640
Cash and cash equivalents at the beginning of the year		65,510	113,825
Cash and cash equivalents at the end of the period		138,215	128,465

## 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 November 12, 2020 and takes into account events after the reporting period to that date (see notes 15, "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 nine months ended September 30, 2020, has been calculated on the basis of the annual estimated effective tax rate. In addition, during the 3rd quarter of the current year, the government subsidies were paid and recognized as other income (non-recurring).

### 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 on our business, it is difficult to estimate when it will be converged exactly, but the company updated its full-year 2020 earnings forecast, reflecting year-to-date business performance and our best estimate of the rest-of-year outlook, based on the assumption that the COVID-19 situation does not materially worsen and therefore gradual recovery of consumer traffic continues, with no further intensification of the competitive environment.

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 income 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 the first nine-month period of the prior year.

Third quarter of the prior year (January 1, 2019 – September 30, 2019)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Revenues to external customers	676,015	18,748	694,763	—	694,763
Intersegment revenue	—	—	—	—	—
Total revenue	676,015	18,748	694,763	—	694,763
Segment profit (loss)	(54,369)	2,489	(51,880)	—	(51,880)
Adjustments					
Financial revenue					872
Finance costs					840
Loss before income tax benefit					(51,848)

Third quarter of the current year (January 1, 2020 – September 30, 2020)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Revenues to external customers	598,547	18,227	616,774	—	616,774
Intersegment revenue	—	—	—	—	—
Total revenue	598,547	18,227	616,774	—	616,774
Segment profit (loss)	(8,953)	2,619	(6,334)	—	(6,334)
Adjustments					
Financial revenue					611
Finance costs					823
Loss before income tax benefit					(6,546)

Third quarter of the prior fiscal year (July 1, 2019 – September 30, 2019)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	254,611	6,442	261,053	—	261,053
Intersegment sales revenue	—	—	—	—	—
Total sales revenue	254,611	6,442	261,053	—	261,053
Segment profit (loss)	12,688	890	13,578	—	13,578
Adjustments					
Financial revenue					371
Finance costs					283
Income before income tax					13,665

Third quarter of the current fiscal year (July 1, 2020 – September 30, 2020)

	Reportable segments			Adjustment	Total
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total		
Sales revenue to external customers	223,949	6,145	230,094	—	230,094
Intersegment sales revenue	—	—	—	—	—
Total sales revenue	223,949	6,145	230,094	—	230,094
Segment profit (loss)	5,983	793	6,776	—	6,776
Adjustments					
Financial revenue					206
Finance costs					282
Income before income tax					6,700

## 6. Bond

The issuance of the bonds was as follows.

### Third quarter of the previous fiscal year (July 1, 2019 – September 30, 2019)

Name	Name of bond	Date of issue	Issue amount	Interest rate (%)	Collateral	(Millions of yen)
						The due date for redemption
The Company	1st Unsecured bond	September 19 2019	40,000	0.10	None	September 19 2024
The Company	2nd Unsecured bond	September 19 2019	60,000	0.20	None	September 18 2026
The Company	3rd Unsecured bond	September 19 2019	50,000	0.27	None	September 19 2029

## 7. 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 third quarter of the prior year. As a result of this acquisition, treasury stock increased by 4,120,300 shares in the third quarter of the prior year.

## 8. Dividends

Dividends payments were as follows:

### First nine-month of the prior year (January 1, 2019 – September 30, 2019)

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
August 7, 2019 Board of directors	Ordinary share	4,484	25	June 30, 2019	September 2, 2019

### First nine-month of the current year (January 1, 2020 – September 30, 2020)

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

## 9. 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.

### First nine-month of the prior year (January 1, 2019 – September 30, 2019)

(Millions of yen)

	Reportable segments		
	Beverage business	Healthcare & Skincare business	Total
Beverage	675,276	—	675,276
Health food	—	18,748	18,748
Other	739	—	739
Total	676,015	18,748	694,763

### First nine-month of the current year (January 1, 2020 – September 30, 2020)

(Millions of yen)

	Reportable segments		
	Beverage business	Healthcare & Skincare business	Total
Beverage	597,914	—	597,914
Health food	—	18,227	18,227
Other	633	—	633
Total	598,547	18,227	616,774

#### 10. 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.

#### 11. Other income and other expenses

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

	Third quarter of the prior year (January 1, 2019 – September 30, 2019)	Third quarter of the prior year (January 1, 2020 – September 30, 2020)
<b>Other income</b>		
Gains on sales of property, plant and equipment	1,326	167
Rent income	288	266
Government subsidies (Note 1)	—	1,782
Other	1,412	150
Total	3,026	2,365
<b>Other expense</b>		
Impairment losses	423	86
Losses on sales and disposals of property, plant and equipment	2,009	1,652
Transformation-related expenses (Note 2)	139	3,440
Special retirement allowance (Note 3)	8,698	7,435
Temporary paid leave expenses (Note 4)	—	2,841
Product valuation losses (Note 5)	—	273
Costs of postponing the Olympics (Note 6)	—	257
Other	142	549
Total	11,410	16,533

(Note) 1. Government subsidies are grants to cover employee’s temporary leave cost due to the spread of COVID-19 during the first nine-month of the current year.

2. 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.
3. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program for the previous consolidated third quarter and the current consolidated third quarter.
4. Temporary paid leave expenses are the allowance associated with employee’s temporary leave due to the spread of COVID-19. The expenses are reclassified from cost of sales and selling and general administrative expenses to other expenses, 315 million yen and 2,525 million yen, respectively.
5. 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.
6. 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.

## 12. 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 third quarter of the prior year and third 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.

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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 September 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: 6.6—42.6 times EBITDA Multiple: 14.2 times PBR: 1.0—3.0 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)
		EBIT Multiple: Corporate Value/EBIT	
		EBITDA Multiple: Corporate Value/EBITDA	
		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 September 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	—	305	—	305
Subtotal	—	305	—	305
Financial instrument measured at fair value through other comprehensive income:				
Securities	17,319	—	4,643	21,962
Other	—	—	126	126
Subtotal	17,319	—	4,769	22,088
Total	17,319	305	4,769	22,392
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	2,083	—	2,083
Total	—	2,083	—	2,083



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A reconciliation of the beginning and ending balances of financial instrument classified as Level 3 is as follows:

	(Millions of yen)
	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	4,914
Disposals	(0)
Gains recognized in other comprehensive income	246
Balance at September 30, 2019	5,160
Balance at January 1, 2020	5,392
Disposals	(1)
Losses recognized in other comprehensive income	(622)
Balance at September 30, 2020	4,769

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 September 30, 2020

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	204,583	204,086	497

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.

### 13. 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 third quarter, cost of sales, selling, general and administrative expenses decreased by 2,170 million yen.

### 14. Earnings per share

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

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Loss for the period attributable to owner of parent (millions of yen)	(55,693)	(4,644)
Weighted-average shares of ordinary share outstanding (in thousands)	180,002	179,350
Loss per share (yen)	(309.40)	(25.90)
	Three months ended September 30, 2019	Three months ended September 30, 2020
Net income for the period attributable to owner of parent (millions of yen)	8,872	1,807
Weighted-average shares of ordinary share outstanding (in thousands)	179,353	179,350
Earnings per share (yen)	49.47	10.08

### 15. 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