Quarterly Report

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

Fiscal Year　　From January 1, 2021
（The 1st Quarter of the 64th Term）　　To March 31,2021

Coca-Cola Bottlers Japan Holdings Inc.

（E00417)

This is an English translation of the original Quarterly Report (“Shihanki Hokokusho”) ended March 31, 2021 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.

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[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]	March 14, 2021
[Fiscal year]	64th fiscal term (from January 1, 2021 to March 31,2021)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
[Name and position of representative]	Calin Dragan, Representative Director & President
[Address of head office]	9-7-1 Akasaka, Minato-ku, Tokyo
[Telephone number]	(03)-6896-1707
[Name of administrative contact]	Satoshi Kon, Head of Finance Operations and Controllers Division, Finance
[Closest contact point]	9-7-1 Akasaka, Minato-ku, Tokyo
[Telephone number]	(03)-6896-1707
[Name of administrative contact]	Satoshi Kon, Head of Finance Operations and Controllers Division, Finance
[Location provided for viewing]	Tokyo Stock Exchange, Inc. （2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo）

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

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

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Part I Corporate information

Section 1. Corporate overview

1. Summary of business results

Issuance		The 63rd Term Consolidated Cumulative First Quarter	The 64th Term Consolidated Cumulative First Quarter	The 63rd Term
Accounting period		From January 1, 2020 to March 31, 2020	From January 1, 2021 to March 31,2021	From January 1, 2020 to December 31, 2020
Revenue [Current First quarter]	(Millions of yen)	193,029	168,399	791,956
Loss for the period before tax benefits	(Millions of yen)	(8,607)	(15,414)	(12,065)
Net income (loss) for the period attributable to owners of the parent	(Millions of yen)	(5,690)	1,316	(4,715)
Comprehensive income (loss) attributable to owners of the parent	(Millions of yen)	(10,809)	5,023	(2,214)
Equity attributable to owners of the parent	(Millions of yen)	490,939	502,232	501,643
Total Assets	(Millions of yen)	933,373	930,972	939,603
Basic earnings (loss) per share	(Yen)	(31.73)	7.34	(26.29)
Diluted earnings per share	(Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	52.6	53.9	53.4
Cash flows from operating activities	(Millions of yen)	9,762	16,706	43,716
Cash flows from investing activities	(Millions of yen)	(27,356)	28,834	(52,076)
Cash flows from financing activities	(Millions of yen)	(6,970)	(6,863)	20,912
Cash and cash equivalents at the end of the period	(Millions of yen)	89,261	165,055	126,378

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.

6. In the fiscal year ending 31 December 2020, the businesses of Q'SAI and its subsidiaries were classified as discontinued operations as a result of the decision made in December 2020 to sell all shares in Q'SAI Co. Ltd. held by the Company. Accordingly, the Revenue and the Profit before income (loss) tax for the 63rd Term Consolidated Cumulative First Quarter have been reclassified to the amounts for continuing operations excluding discontinued operations. Refer to "IV. Financial information, (1) Notes to consolidated financial statements, 7. Disposal groups classified as held for sale and discontinued operations" for the reclassified amounts of the Revenue and Profit before income tax of the discontinued operations.

2. Business content

There were no significant changes in the businesses that the Group (the Company and its subsidiaries) is engaged in during the First quarter of 2021.

As the transfer of all shares of Q'sai Corporation was completed during the first quarter of the current fiscal year, the company and its subsidiaries were excluded from the Group.

Section 2. Business situations

1. Risk of business

During the first quarter of the current fiscal year (January 1, 2021 to March 31, 2021, hereinafter referred to as "the first quarter"), the coronavirus infection (COVID-19), which has impacted business since 2020, continued to spread and in January the government declared a state of emergency. The government implemented further measures to prevent the spread of the disease, such as shortening the opening hours of restaurants and refraining from holding large-scale events and therefore the outlook for sales in the beverage business remained uncertain during the first quarter of the current fiscal year.

In this circumstance, the Company is actively monitoring the risk and responding to the changes in the business environment. We have sped up our business transformation and management reforms, responded to changes in customer and consumer behavior, and pushed forward with cost reductions. The Company remains focused on employee safety maintaining COVID-19 response routines that have included shifting to telecommuting, mainly in the indirect departments, thereby reducing employee exposure in the work place.

We continue to actively monitor our overall risk environment, and there are no significant changes to other business risks as described in the Annual Securities Report for the 2020 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 addition to implementing comprehensive infection prevention measures in our commercial activities, we also implemented more flexible work style initiatives, such as working from home and online meetings.

During this quarter (January 1, 2021 to March 31, 2021), the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to have declined compared to the prior year, with a new state of emergency declaration from mid-January to late March. While the demand for at-home consumption increased as consumers stayed home during the pandemic, the overall decline in consumer traffic in retail stores, restaurants and at vending machines drove down demand and encouraged the trend of more budget-minded consumer behavior.

We continue to drive fundamental business transformation initiatives as part of our mid-term strategic business plan announced in August 2019, under the guiding principle that “business as usual is not an option”. This has not changed, despite the near-term challenges of the COVID-19 pandemic. 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. We are also finding opportunities during these turbulent times to accelerate the pace of ongoing transformation projects and to identify new opportunities. This helps to ensure that we protect the business during current challenges and are well-prepared for the evolution of the business environment in the longer term.

As disclosed in the December 15, 2020, “Notice of Selling of Shares of Q'sai Co., Ltd. and Gain on The Sale of Shares as well as Revision of Earnings Forecast”, the share transfer of the Company’s consolidated subsidiary, Q'sai Co., Ltd. (Head Office: Fukuoka City, Fukuoka Prefecture; "Q'sai") was completed on February 1, 2021. As a result of the share transfer, 12.8 billion yen of gains from stock transactions and 45 billion yen of cash inflow was recognized in the first quarter of 2021. Accordingly, we have revised our business segment reporting to reflect only the results of continuing operations, the beverage business, after the sale of the health and skincare segment and relevant sections of prior year financial statements and notes have been reclassified.

For the first quarter of the fiscal year, while sales volume decreased due to the ongoing impact of COVID-19, we continued our transformation and cost saving initiatives to offset the impact of the sales decrease. Q1 2021 is cycling relatively solid performance in January and February 2020, prior to the beginning of the COVID-19 impact being felt in Japan. Details are as follows.

Q1 2021 Highlights

- First quarter 2021 reflects the ongoing impact of COVID-19 and a new State of Emergency declared in January, as we cycle a period of limited impact in Q1 2020 as initial restrictions were announced starting in March.
- Major transformation initiatives continue as we reset a solid foundation for recovery and future growth, while also navigating volatility in the current environment.
- Due to the continued impact of COVID-19, Q1 net revenue declined 24.6 billion yen (13%) and Business Income declined 4.5 billion yen versus prior year. Sales volume declines and mix deterioration due to COVID-19 impacted the business while we accelerated transformation efforts and cost reduction initiatives, and started investing again in marketing programs and new product innovation for growth in 2021 after pullback in 2020.
- Market share in terms of both volume and value in the important vending channel continued to grow, with 24 consecutive months of value share growth. In addition, retail channel value share continued to recover and was even versus prior year. The promotional environment is becoming more competitive in some areas, but we are responding to changes in consumer behavior as a business opportunity.
- The Saitama Mega Distribution Center (DC), a key base for logistics in the Tokyo metropolitan area, started operations in February, showing good progress in establishing a flexible and resilient supply network.
- Although the business environment remains uncertain due to the declaration of a third COVID-19 state of emergency, we will continue to focus on areas that we can control and strive to secure profits while minimizing pressure on the top line and promote initiatives that will lead to medium to long-term business growth.
- Continued focus on ESG initiatives. Announced the use of 100% recycled PET resin for Brand Coca-Cola and other small PET bottles.

Summary of Consolidated Financial Results

(Millions of yen)

Year-to-date Q1 (January to March)

In million JPY	1st Quarter 2020 (January – March)	**1st Quarter 2021 (January – March)**	Change
Continuing Operation (Beverage Business)			
Revenue	193,029	**168,399**	(12.8%)
Sales volume of beverage business (million cases)	108	**97**	(10.2%)
Gross Profit	88,888	**74,161**	(16.6%)
Selling, General & Administrative Expenses	95,663	**85,426**	(10.7%)
Other income (Recurring)	221	**199**	(10.1%)
Other expenses (Recurring)	468	**391**	(16.4%)
Investment loss on equity method	(59)	**(139)**	—
Business Income	(7,081)	**(11,596)**	—
Other income (Non-recurring)	0	**991**	—
Other expenses (Non-recurring)	1,348	**4,537**	236.6%
Operating Loss	(8,428)	**(15,142)**	—
Net Income (Loss) Attributable to Owners of Parent	(5,690)	**1,316**	—

Note: 1. "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.
2. Net Income (Loss) Attributable to Owners of Parent is a total of continuing operation and discontinued operation results.

Net revenue for first quarter 2021 declined to 168,399 million yen (decrease of 24,629 million yen from prior-year period, down 12.8%) due to 10% year-on-year decrease in sales volume caused by the continued impact of COVID-19 and cycling limited impact in the same period last year, mainly from March onward. Although we implemented extensive cost reduction initiatives in all areas, including personnel expenses and other indirect costs, in order to offset the impact of the decline in sales revenue, the deterioration of the channel mix due to the decline in sales volume in the highly profitable vending and convenience store (CVS) channels had a negative impact, resulting in a consolidated business income loss of 11,596 million yen (7,081 million yen loss in the same period previous year)

Consolidated operating loss was 15,142 million yen (8,428 million yen loss in the same period of previous year). Other income (non-recurring) includes 990 million yen in government subsidies for employment adjustment to offset temporary leave expense (hereinafter referred to as temporary leave expenses). Other expenses (non-recurring) include 3,736 million yen in temporary leave expenses and 257 million yen in business structure improvement expenses related to the implementation of transformation based on the medium-term plan.

Net income attributable to owners of parent for the quarter, a total of continuing operations and discontinued operation, was 1,316 million yen (5,690 million yen loss in the prior year period) as a gain of 12,841 million yen was recorded in discontinued operations as gains from stock transactions due to the transfer of shares in Q'sai.

Beverage volume performance

In the first quarter, volume declined 10%. Despite growth in at-home consumption occasions, expansion and market share gains in online sales, and the initial contribution of new products launched in Q1, results were lower than the prior year period due to the continued impact of COVID-19, including the second state of emergency declaration in January, and the fact that the coronavirus impact was limited in Q1 2020, mainly from March onward.

In terms of channel performance, retail food, vending, and convenience stores saw a significant decrease in sales volume due to a decline in customer traffic with people staying home during the pandemic and the impact of pandemic restrictions such as shortened business hours and restaurant closures. In vending, although signs of recovery began to appear in outdoor locations late last year, consumer traffic was soft due to the new state of emergency declaration, especially in train stations, schools, entertainment facilities and other indoor locations in metropolitan areas. Vending channel sales volume decreased by 12%. Despite this difficult operating environment, we continue to grow our market share in vending, with 24 consecutive months of value share growth. In retail and food channels, sales decreased by 36% due to reduced customer traffic at restaurants and other commercial venues. Convenience store sales decreased 9%, reflecting lower consumer traffic as well as increased competitive and promotional activity. On the other hand, sales at supermarkets and drugstores & discounters increased by 1% and 7%, respectively, reflecting our efforts to "win where the growth is" by responding to changes in the frequency of customer visits and consumption patterns, such as rising home consumption demand and bulk purchases. Online sales are growing significantly, with 65% growth in Q1, spurred by expansion of label-less products and various promotions in-line with changes in customers' consumption behavior.

In terms of beverage category performance, sparkling beverages declined 7%, partly offset by the contribution from the full renewal of Coca-Cola Zero last year and the expansion of the Fanta Premiere series. Non-sugar tea (NST) volume decreased 10%, partly offset by contribution from Karada Odayakacha W tea and Ayataka Cafe Matcha Latte. Coffee volume declined 9% mainly due to a decline in can products, partly offset by contribution from PET bottled coffee Georgia Latte Nista. The sports drink category volume declined 11% as a result of a decline in the overall category as sports events remain restricted and with softer performance in large PET packaging. Water volume increased 8%, as demand for home consumption drove the growth of large PET in supermarkets, drugstores & discounters and online.

The ready-to-drink alcohol brand, Lemon-dou declined 15% as we cycle the prior year period, which was immediately after the nationwide launch. We continue to expand in-house alcohol production capacity given expectations for growth in this new category for Coca-Cola in Japan.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 930,972 million yen, a decrease of 8,631 million yen from the end of the prior period. This is mainly due to the completion of the Q'sai share transfer on February1, 2021, resulting in a decrease in Assets held for trading and an increase of Cash and cash equivalents. Due to the decrease in net revenue, Trade and other receivables decreased, and there was a decrease in Property, plant and equipment reflecting consolidation of sales/distribution locations.

Liabilities at the end of the quarter were 428,597 million yen, a decrease of 8,913 million yen from the end of the prior year period. This is mainly due to the completion of the Q'sai share transfer, decreasing the Liabilities directly associated with assets held for sale.

Net Assets at the end of this quarter were 502,375 million yen, an increase of 282 million yen. This reflects a decrease in Retained Earnings as a result of dividend payments, offset by an increase in Accumulated other comprehensive income driven by increase in the market value of investment securities.

(3) Cash flows

The cash flow conditions for the 1st quarter of the current year are as follows:

<Cash Flows from Operations>

Net cash generated from operations was 16,706 million yen (9,762 million net cash generated from operations in the prior year period). This results from the Income before income taxes from discontinued operations of 12,841 million yen due to the selling of all shares of Q’sai Co., Ltd., decrease of depreciation and amortization and trade and other receivables offset by a loss from continuing operations before income taxes.

<Cash Flows from Investment Activities>

Net cash generated from investment activities was 28,834 million yen (27,356 million yen used for investment activities in the prior year period) due to proceeds from sales of investments in subsidiaries, offset by purchase of fixed assets in conjunction with the execution of capital investments for the gradual expansion of the supply chain.

<Cash Flows from Financing Activities>

Net cash used for financing activities was 6,863 million yen (6,970 million yen in the prior year period), driven 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 first quarter was 165,055 million yen, an increase of 75,793 million yen in comparison to the end of first 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 first 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

Not applicable

(6) Major facilities

The new installation of the important facilities that had been planned as of the end of the prior year and completed during the consolidated cumulative first 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	796	March 2021
ditto	Saitama "Mega distribution center" (Hiki-gun Yoshimi-machi, Saitama Prefecture)	ditto	Logistics equipment	15,869	February 2021

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 1st Quarter (March 31,2021)	No. of issued shares as of filing date (May 14, 2021)	Name of listed stock exchange or registered authorized financial instruments firms` association	Details
Common shares	206,268,593	206,268,593	Tokyo Stock Exchange (1st Section)	100-unit shares
Total	206,268,593	206,268,593	—	—

(2) Status of stock acquisition rights

① Status of share options

Not applicable.

② Other stock acquisition rights

Not applicable

(3) Status of exercised moving strike convertible bonds

Not applicable.

(4) Total number of issued shares, transition of capital

Date	Increase/decrease in total no. of issued shares (thousand share)	Balance of total no. of issued shares (thousand share)	Increase/ decrease of capital (Millions of yen)	Capital balance (Millions of yen)	Increase/decrease of capital reserve (Millions of yen)	Capital reserve balance (Millions of yen)
January 1, 2021 – March 31,2021	—	206,269	—	15,232	—	108,167

(5) Major shareholder status

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

(6) Status of voting rights

① Issued shares

As of March 31,2021

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 26,921,800	—	—
Shares with full voting rights (Others)	Common shares 178,560,500	1,785,605	—
Odd lot shares	Common shares 786,293	—	—
Total number of issued shares	206,268,593	—	-
Voting rights of all shareholders	—	1,785,605	-

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

② Treasury Shares

As of March 31,2021

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	26,921,800	—	26,921,800	13.05
Total	—	26,921,800	—	26,921,800	13.05

2. Status of Officers

Not applicable.

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 first quarter of the current year (January 1, 2021 to March 31, 2021) and the first three-month period of the current year (January 1, 2021 to March 31, 2021) 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

(Millions of yen)

	Notes	As of December 31, 2020	As of March 31,2021
Assets			
Current assets:			
Cash and cash equivalents		114,778	165,055
Trade and other receivables		96,009	81,235
Inventories		68,180	69,292
Other financial assets	11	702	1,691
Other current assets	6	17,195	23,531
Subtotal		296,865	340,803
Assets of disposal groups classified as for sale	7	48,138	—
Total current assets		345,003	340,803
Non-current assets:			
Property, plant and equipment		460,502	454,419
Right-of-use assets		29,810	27,472
Intangible assets		66,193	66,403
Investments accounted for using the equity method		287	305
Other financial assets	11	25,640	26,185
Deferred tax assets		4,986	8,806
Other non-current assets		7,183	6,578
Total non-current assets		594,601	590,169
Total assets		939,603	930,972

(Millions of yen)

	Notes	As of December 31, 2020	As of March 31,2021
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		102,480	105,228
Bonds and debts	11	51,072	51,046
Lease liabilities		5,547	5,942
Other financial liabilities	11	408	1
Income taxes payable		3,238	1,493
Provisions		9	9
Other current liabilities		15,923	16,008
Subtotal		178,676	179,728
Liabilities directly associated with assets held for sale	7	7,193	—
Total current liabilities		185,869	179,728
Non-current liabilities:			
Bonds and debts	11	187,514	187,038
Lease liabilities		25,858	23,077
Other non-current financial liabilities	11	605	—
Net defined benefit liabilities		14,876	15,550
Provisions		2,119	2,121
Deferred tax liabilities		17,296	17,548
Other non-current liabilities		3,375	3,534
Total non-current liabilities		251,641	248,869
Total liabilities		437,510	428,597
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,605	450,699
Retained earnings	8	120,473	117,216
Treasury shares		(85,654)	(85,657)
Accumulated other comprehensive income (loss)		1,095	4,742
Accumulated other comprehensive income of disposal groups classified as for sale		(107)	—
Equity attributable to owners of parent		501,643	502,232
Non-controlling interests		450	143
Total equity		502,093	502,375
Total liabilities and equity		939,603	930,972

(2) Condensed Quarterly Consolidated Statements of Income

【First three -month period of this fiscal year】

(Millions of yen)

	Notes	Three months ended March 31, 2020	Three months ended March 31,2021
Continuing operations			
Revenue	9	193,029	168,399
Cost of sales		104,141	94,239
Gross profit		88,888	74,161
Selling and general administrative expenses		95,663	85,426
Other income	10	221	1,190
Other expenses	10	1,816	4,928
Share of income (loss) of entities accounted for using equity method		(59)	(139)
Operating income (loss)		(8,428)	(15,142)
Financial revenue		94	68
Finance costs		273	340
Income (loss) for the period before income taxes		(8,607)	(15,414)
Income tax expense		(2,588)	(4,216)
Net income(loss) for the period from continuing operations		(6,018)	(11,199)
Discontinued operations			
Net income(loss) for the period from discontinuing operations	7	330	12,505
Net income (loss) for the period		(5,689)	1,306
Net income (loss) for the period attributable to			
Owners of parent			
Loss from continuing operations attributable to owners of parent		(6,019)	(11,189)
Profit from discontinuing operations attributable to owners of parent		329	12,505
Non-controlling interests		2	(10)
Earnings (Loss) per share (yen)			
Continuing operations		(33.56)	(62.39)
Discontinued operations		1.83	69.72
Earnings (Loss) per share	12	(31.73)	7.34

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

【First Three -month period of this fiscal year】

(Millions of yen)

	Notes	Three months ended March 31, 2020	Three months ended March 31,2021
Net income (loss) for the period		(5,689)	1,306
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of equity method invests			
Net changes in financial assets measured at fair value through other comprehensive income (loss)		(3,414)	2,016
Subtotal		(3,414)	2,005
Items that may be reclassified subsequently to income (loss):			
Cash flow hedges		(1,704)	1,703
Subtotal		(1,704)	1,703
Total other comprehensive income (loss) for the period		(5,119)	3,707
Total comprehensive income (loss) for the period		(10,807)	5,013
Comprehensive income (loss) attributable to:			
Owners of parent		(10,809)	5,023
Non-controlling interests		2	(10)

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended March 31, 2020

(Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Capital stock	Share premium	Retained earnings	Treasury shares	Accumulated other comprehensive income	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 income for the period									
Net loss for the period		–	–	(5,690)	–	–	(5,690)	2	(5,689)
Other comprehensive income		–	–	–	–	(5,119)	(5,119)	–	(5,119)
Total comprehensive income (loss) for the year		–	–	(5,690)	–	(5,119)	(10,809)	2	(10,807)
Transactions with owners									
Dividends of surplus	8	–	–	(4,484)	–	–	(4,484)	(28)	(4,512)
Purchase of treasury stock		–	–	–	(3)	–	(3)	–	(3)
Disposal of treasury stock		–	(0)	–	0	–	0	–	0
Transactions of share-based payment		–	66	–	–	–	66	–	66
Reclassification from accumulated other comprehensive income to retained earnings		–	–	0	–	(0)	–	–	–
Reclassification from accumulated other comprehensive income to non-financial assets		–	–	–	–	170	170	–	170
Total transactions with owners		–	66	(4,484)	(3)	170	(4,250)	(28)	(4,278)
Balance as of March 31, 2020		15,232	450,592	111,198	(85,652)	(432)	490,939	466	491,405

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended March 31, 2021 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.

Three months ended March 31,2021

(Millions of yen)

	Notes	Equity attributable to owners of the parent								
		Capital stock	Share premium	Retained earnings	Treasury shares	Other comprehensive income accumulated	Accumulated other comprehensive income of disposal groups classified as for sale	Total	Non-controlling interests	Total
Balance as of January 1, 2021		15,232	450,605	120,473	(85,654)	1,095	(107)	501,643	450	502,093
Comprehensive income for the period										
Net income for the period		—	—	1,316	—	—	—	1,316	(10)	1,306
Other comprehensive income (loss)		—	—	—	—	3,707	—	3,707	—	3,707
Total comprehensive income (loss) for the period		—	—	1,316	—	3,707	—	5,023	(10)	5,013
Transactions with owners										
Dividends of surplus	8	—	—	(4,484)	—	—	—	(4,484)	—	(4,484)
Purchase of treasury stock		—	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury stock		—	—	—	—	—	—	—	—	—
Transactions of share-based payment		—	94	—	—	—	—	94	—	94
Reclassification from accumulated other comprehensive income (loss) to retained earnings		—	—	18	—	(18)	—	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets		—	—	—	—	(42)	—	(42)	—	(42)
Changes from loss of control		—	—	(107)	—	—	107	—	(297)	(297)
Other		—	—	—	—	—	—	—	—	—
Total transactions with owners		—	94	(4,573)	(3)	(60)	107	(4,434)	(297)	(4,731)
Balance as of March 31,2021		15,232	450,699	117,216	(85,657)	4,742	—	502,232	143	502,375

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Three months ended March 31, 2020	Three months ended March 31,2021
Cash flows from operating activities			
Loss for the period before income tax benefit from continuing operations		(8,607)	(15,414)
Income for the period before income tax benefit from discontinuing operations		544	12,841
Adjustments for:			
Depreciation and amortization		14,670	14,607
Impairment loss		66	―
Gain on sales of subsidiaries' stock		―	(12,841)
Change in allowance for doubtful accounts		(82)	732
Interest and dividends income		(27)	(6)
Interest expenses		264	250
Share of loss of entities accounted for using equity method		59	139
Gain on sale of property, plant and equipment		(4)	(1)
Loss on disposal and sale of property, plant and equipment		401	248
(Increase) decrease in trade and other receivables		12,702	14,671
Increase in inventories		(6,834)	(1,111)
Increase in other assets		(989)	(1,099)
Increase in trade and other payables		550	10,281
(Decrease) Increase in net defined benefit liabilities		776	663
Decrease in other liabilities		(2,347)	(261)
Others		8	(35)
Subtotal		11,151	23,664
Interest received		0	1
Dividends received		27	5
Interest paid		(262)	(251)
Income taxes paid		(1,154)	(6,721)
Income taxes refund		0	8
Net cash (used in) provided by operating activities		9,762	16,706
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(27,454)	(15,653)
Proceeds from sales of property, plant and equipment and intangible assets		78	1
Proceeds from collection of loans receivable resulting from sales of investments in subsidiaries	7	―	7,400
Purchases of other financial assets		(11)	(10)
Proceeds from sale of other financial assets		0	2,578
Proceeds from sale of shares of subsidiaries	7	―	34,490
Other		31	28
Net cash used in investing activities		(27,356)	28,834

(Millions of yen)

	Notes	Three months ended March 31, 2020	Three months ended March 31,2021
Cash flows from financing activities			
Repayments of long-term loans payable		(685)	(525)
Dividends paid	8	(4,484)	(4,484)
Dividends paid to non-controlling interests		(28)	—
Proceeds from disposal of treasury stock		0	—
Purchases of treasury stock		(3)	(3)
Repayments of lease liabilities		(1,771)	(1,852)
Net cash provided by financing activities		(6,970)	(6,863)
Net change in cash and cash equivalents		(24,564)	38,677
Cash and cash equivalents at the beginning of the year		113,825	126,378
Cash and cash equivalents at the end of the period		89,261	165,055

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'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 May 14, 2021 and takes into account events after the reporting period to that date (see notes 13, "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 Three months ended March 31,2021, 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. As a result of the re-emergence of the new coronavirus infection, a second state of emergency was declared in January 2021, and the continuing impact of this is expected to be inevitable, and the situation is expected to remain uncertain. Since it is difficult to reasonably estimate the specific impact of the situation, including the timing of convergence and the extent of the impact, the Company has made accounting estimates based on the assumption that the impact will continue for a certain period of time during the fiscal year ending December 31, 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

From the current fiscal year, the Group has changed to a single segment of "Beverages". As the Group operates a single segment of beverage business, explanation by reportable segment is omitted. This is because the healthcare and skincare business was classified as a discontinued operation following the conclusion of an agreement to transfer all shares in Q'sai to Q-Partners Co., Ltd. on December 15, 2020. The transfer of all shares in Q'sai was completed on February 1, 2021.

6. Other current assets

Other current assets for the first quarter of the current fiscal year include 3,246 million yen of income taxes receivable related to withholding taxes on dividends from subsidiaries and 2,549 million yen of consumption taxes receivable related to capital investments.

7. Disposal groups classified as held for sale and discontinued operations

On December 15, 2020, the Company's Board of Directors resolved to sell all of the shares of the Company's consolidated subsidiary, Q'sai Co., Ltd. ("Q'sai") to Q-Partners Co., Ltd., a company formed for this purchase led by investment funds in which Advantage Partners Inc. provides services ("Advantage Partners"), euglena Co., Ltd., and Tokyo Century Corporation.

As a result of executing the share transfer agreement, Q'sai was classified as discontinued operations from the fiscal year ended December 31, 2020. The transfer of all shares in Q'sai was completed on February 1 2021.

(1) Disposal groups classified as held for sale

The breakdown of disposal groups classified as held for sale is as follows:

As for the disposal group classified as held for sale, the transfer of all shares was completed during the first quarter of the current fiscal year.

(Millions of yen)

	As of December 31, 2020
Assets	
Current assets	
Cash and cash equivalents	11,599
Trade and other receivables	1,308
Inventories	2,031
Other financial assets	3
Other current assets	61
Total current assets	15,001
Non-current assets	
Property, plant and equipment	2,931
Right-of-use assets	1,197
Goodwill	27,021
Intangible assets	778
Other financial assets	322
Deferred tax assets	880
Other non-current assets	6
Total non-current assets	33,137
Total assets	48,138
Liabilities	
Current liabilities	
Trade and other payables	2,940
Lease liabilities	155
Income taxes payable	610
Other current liabilities	1,886
Total current liabilities	5,591
Non-current liabilities	
Lease liabilities	1,088
Net defined benefit liabilities	366
Other non-current liabilities	148
Total non-current liabilities	1,602
Total liabilities	7,193

(2) Gain from discontinued operations

The results of discontinued operations are as follows:

In the first quarter of the current fiscal year, the gain on the sale of all shares of Q'sai was 12,841 million yen, and the income tax expense related to this was 337 million yen. Due to immateriality, no gains or losses other than those from sales transactions related to discontinued operations were recognized in the current fiscal year.

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Discontinued operations		
Revenue	5,687	—
Cost of sales	1,156	—
Gross profit	4,530	—
Selling and general administrative expenses	3,983	—
Other income	6	12,841
Other expenses	7	—
Operating income	547	12,841
Financial revenue	0	—
Finance costs	3	—
Income for the period before income taxes	544	12,841
Income tax expense	215	337
Net income for the period from discontinuing operations	330	12,505

(3) Cash flows of discontinued operations

The results of discontinued operations are as follows:

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Cash flows from operating activities	835	—
Cash flows from investing activities	(142)	34,490
Cash flows from financing activities	(49)	—

(Note) Cash flows from investing activities in the first quarter of the current fiscal year was due to the proceeds from the sale of all shares of Q'sai.

(4) The component of assets and liabilities as of the date of loss of control

(Millions of yen)

	Date of loss of control February 1,2021
Assets	
Current assets	6,501
Non-current assets	33,137
Total assets	39,638
Liabilities	
Current liabilities	12,991
Non-current liabilities	1,602
Total liabilities	14,593

Note 1. Current assets include cash and cash equivalents.

2. Current liabilities include short-term loans payable of 7,400 million yen from the Company. This loan was repaid in full during the first quarter of the current fiscal year.

(5) Change in cash and cash equivalents relation to loss of control

(Millions of yen)

	As of March 31,2021
Proceeds received for sales	37,590
Cash and cash equivalents received for sales	37,590
Cash and cash equivalents held at the time of loss of control	3,099
Increase from loss of control over subsidiaries	34,490

8. Dividends

Dividends payments were as follows:

First three -month of the prior year (January 1, 2020 – March 31, 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

First three-month of the current year (January 1, 2021 – March 31,2021)

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 25, 2021 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2020	March 26, 2021

9. Revenue

The Group's organizational structure is based on the one business segment of the Beverage business. The business is components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in beverage business is presented as "Revenue" in the consolidated financial statement of profit or 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.

Revenue for sales of these products is recognized primarily at the time of delivery as customer has obtained control over the products and the performance obligation is satisfied.

Payments relating to such performance obligation are received generally within two months of delivery. The contracts with customer 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 obligation satisfied in prior periods were immaterial. In addition, information regarding the remaining performance obligation is omitted as there are no significant transactions in which the estimated individual contract periods exceed one year in the Group.

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Beverage	192,812	168,286
Other	217	113
Total	193,029	168,399

10. Other income and other expenses

Other expenses (non-recurring) for the first quarter of the Previous year include special retirement allowances, outplacement support service of 746 million yen and business structure improvement expenses of 331 million yen. Business structure improvement expenses are costs associated with the efforts of creating an efficient new system with the aim of creating more value and further improving productivity for the sustainable growth of the Group.

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

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31,2021
Other income		
Gains on sales of property, plant and equipment	4	1
Rent income	88	79
Government subsidies (Note 1)	—	990
Other	130	120
Total	221	1,190
Other expense		
Impairment losses	66	—
Losses on sales and disposals of property, plant and equipment	623	340
Transformation related expenses (Note 2)	331	257
Special retirement allowance (Note 3)	746	185
Temporary paid leave expenses (Note 4)	—	3,736
System failure-related costs (Note 5)	—	354
Other	50	56
Total	1,816	4,928

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

2. Transformation expenses are expenses related to measures aimed at building an efficient new system with the aim of creating more value and further improving productivity for the sustainable growth of the Group.

3. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program for the previous consolidated first quarter and the current consolidated First quarter.

4. Temporary paid leave expenses are the allowance associated with employee's temporary leave to respond to the impact to our business by the economic contraction and to secure the safety and health of our employee following the second state of emergency declaration due to the spread of COVID-19. The expenses are reclassified from cost of sales and selling and general administrative expenses to other expenses, 165 million yen and 3,571 million yen, respectively.

5. System failure-related expenses are expenses incurred to recover the system failures that occurred in the core system used by the Group during the first quarter of the current fiscal year.

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 First quarter of the prior year and First 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, 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: 6.7-46.7 times EBITDA Multiple: 12.6times PBR: 1.0-3.0 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

As of March 31,2021

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: 6.4－118.0 times EBITDA Multiple: 8.8 times PBR: 1.1－3.0 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, 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	—	654	—	654
Subtotal	—	654	—	654
Financial instrument measured at fair value through other comprehensive income:				
Securities	15,337	—	4,561	19,898
Other	—	—	133	133
Subtotal	15,337	—	4,694	20,031
Total	15,337	654	4,694	20,685
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	1,013	—	1,013
Total	—	1,013	—	1,013

As of March 31,2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	2,174	—	2,174
Subtotal	—	2,174	—	2,174
Financial instrument measured at fair value through other comprehensive income:				
Securities	14,641	—	5,259	19,900
Other	—	—	138	138
Subtotal	14,641	—	5,396	20,038
Total	14,641	2,174	5,396	22,212
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	1	—	1
Total	—	1	—	1

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, 2020	5,392
Disposals	—
Gains recognized in other comprehensive income	(468)
Balance at March 31, 2020	4,924
Balance at January 1, 2021	4,694
Disposals	(25)
Losses recognized in other comprehensive income	728
Balance at March 31,2021	5,396

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, 2020

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	188,585	188,075	510

As of March 31,2021

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	188,085	187,638	447

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. 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 First quarter of the current year and prior year is as follows:

	Three months ended March 31, 2020	Three months ended March 31,2021
Income (Loss) for the period attributable to owner of parent (millions of yen)	(5,690)	1,316
Weighted-average shares of ordinary share outstanding (in thousands)	179,351	179,348
Earnings (Loss) per share (yen)		
Continuing operations	(33.56)	(62.39)
Discontinuing operations	1.83	69.72
Earnings (Loss) per share (yen)	(31.73)	7.34

Note 1. In the first quarter of the current fiscal year, 392 thousand shares of stock-based compensation were excluded from the calculation of "diluted earnings per share" because they were antidilutive.

2. For more information on the quarterly income from discontinued operations attributable to owners of the parent company, see Note 7, " Disposal groups classified as held for sale and discontinued operations.

13. Events after the reporting period

Not applicable

2. Others

Not applicable

Part II Information of guarantor companies of the filing company

Not applicable