Quarterly Report

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

Fiscal Year	From July 1, 2021
（The 3rd Quarter of the 64th Term）	To September 30, 2021

Coca-Cola Bottlers Japan Holdings Inc.

（E00417)

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended September 30, 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]	Financial Instruments and Exchange Act Article 24-4-7 Paragraph 1
[Recipient]	Director-General of the Kanto Local Finance Bureau
[Submission date]	November 12, 2021
[Fiscal year]	64th fiscal term (from July 1, 2021 to September 30, 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]	Tatsuhiro Ishikawa, 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]	Tatsuhiro Ishikawa, Head of Controllers Senior Group 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 Third Quarter	The 64th Term Consolidated Cumulative Third Quarter	The 63rd Term
Accounting period		From January 1, 2020 to September 30, 2020	From January 1, 2021 to September 30, 2021	From January 1, 2020 to December 31, 2020
Revenue [Current Third quarter]	(Millions of yen)	598,547 [223,949]	589,531 [220,222]	791,956
Loss before income tax	(Millions of yen)	(9,157)	(20,395)	(12,065)
Net loss for the period attributable to owners of the parent	(Millions of yen)	(4,644) [1,807]	(1,535) [(1,181)]	(4,715)
Comprehensive income (loss) attributable to owners of the parent	(Millions of yen)	(11,420)	2,445	(2,214)
Equity attributable to owners of the parent	(Millions of yen)	492,860	494,503	501,643
Total Assets	(Millions of yen)	966,337	866,711	939,603
Basic loss per share	(Yen)	(25.90) [10.08]	(8.56) [(6.58)]	(26.29)
Diluted earnings per share	(Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	51.0	57.1	53.4
Cash flows from operating activities	(Millions of yen)	35,138	23,199	43,716
Cash flows from investing activities	(Millions of yen)	(59,259)	11,346	(52,076)
Cash flows from financing activities	(Millions of yen)	38,761	(65,386)	20,912
Cash and cash equivalents at the end of the period	(Millions of yen)	128,465	95,538	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, as the effects of dilutive stock on earnings per share are anti-dilutive.

4. The consolidated financial statements are disclosed in accordance with International Financial Reporting Standards ("IFRS")

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 Income (Loss) before income tax for the 63rd Term Consolidated Cumulative Third quarter and the 63rd Term Consolidated Third quarter accounting period have been reclassified to the amounts for continuing operations excluding discontinued operations. Refer to “IV. Financial information, (1) Notes to consolidated financial statements, 6. 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 Third quarter of 2021.

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

As the transfer of all shares of Apex Nishi-Nihon Corporation was completed during the second quarter of the current fiscal year, the company was excluded from the scope of application of the equity method.

Section 2. Business situations

1. Risk of business

During the third quarter of the current fiscal year (July 1, 2021 to September 30, 2021, hereinafter referred to as "the third quarter"), the coronavirus (COVID-19), continued to impact the business influenced by government responses. On July 12, the government declared a state of emergency for the fourth time this year, which continued until September 30 including the Olympics and Paralympics period. As part of the state of emergency the government implemented measures to prevent the spread of the disease, such as shortening the opening hours of restaurants and asking people to refrain from outing and traveling of less importance. Therefore, the outlook for sales in the beverage business remained uncertain during the third quarter.

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 and has vaccinated our employees, their family members, and subcontractors at our workplaces. In addition, the Company has continued telecommuting, mainly in the indirect departments, thereby reducing employee exposure in the work place.

In the forth quarter, we will continue to actively monitor our overall risk environment. 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 year-to-date second quarter Consolidated Financial Results

As the effect of the coronavirus (COVID-19) continues and the business environment remains to be challenging, the continuing supply of our goods and services which are essential for our customers and consumers, and the safety and health of our employees and communities are our top priorities. In accordance with our mission to deliver happy moments to everyone, we have been operating our business to ensure safe and secure product supply while taking comprehensive measures.

In the year-to-date third quarter period (January 1, 2021 to September 30, 2021), despite last year's COVID-19 impact and rebound from the initial impact, the multiple state of emergency declaration and heavy rain fall in August this year, the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume performed at similar levels to the same period of the previous fiscal year.

Under these circumstances, we have been working on measures to minimize the impact on sales by introducing new products and responding to changing consumer and channel trends. Under the guiding principle that "business as usual is not an option", announced as part of our mid-term strategic business plan in August 2019, we continue to drive fundamental business transformation initiatives. We have been pushing forward our transformation efforts in the further evolution of the vending channel operation model, the relocation of product inventories, and the consolidation of distribution bases centered around the Saitama Mega DC to optimize the distribution network in the Kanto area, the streamlining of the supply chain system to realize low-cost operations, and the promotion of new work styles. While the business environment continues to be challenging, we are focused on identifying the issues and implementing short-term mitigation plans, as well as seeking new opportunities for growth and efficiency as we work to respond to changes in the business environment over the medium and long term.

We also continue our activities to realize our ESG goals based on creation of shared value with society. As part of our efforts to achieve the 2030 Packaging Vision, towards a "World Without Waste", we continue to increase the use of 100% recycled PET bottles. In October, the Coca-Cola system in Japan has formulated targets to reduce greenhouse gas emissions across the entire value chain in Japan by 2030. The system aims to reduce Scope 1 and 2 emissions by 50% and Scope 3 emissions by 30% against the level in 2015.

As announced on 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 Q'sai Co., Ltd. ("Q'sai") was completed on February 1, 2021. 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. Relevant sections of prior year financial statements and notes have been reclassified.

Details for the year-to-date third-quarter period are as follows.

Highlights for the year-to-date third quarter

- Continued COVID-19 impact and repeated emergency declarations resulted in a slow consumer traffic recovery. Record-breaking rainfall in August significantly impacted the peak summer month.
- Sales volume increased by +2% YoY in Q3 and +2% year-to-date Q3. New products contributed to the volume growth but was not able to offset the negative business environment impact. Year-to-date Q3 revenue declined -2% YoY due to changing consumer preference on channel and package mix, and a decrease in wholesale revenue per case. Value share continued to grow in the vending channel, and Supermarkets, drugstores and discounters channel market share started to recover
- Business income for year-to-date Q3 decreased by -18.4B yen YoY. In addition to the prolonged COVID-19 impact, performance was impacted by heavy rains in August, a peak summer month, and the cycling of one-time cost savings in the same period last year. Despite challenges, we continue to invest in our marketing and human resources at appropriate levels to achieve sustainable future growth.
- In a challenging operating environment, we are focused on what we can control, and implement short-term and mid-to-long term plans. Transformation is progressing on track; about 8B yen of recurring cost savings achieved to date.
- FY2021 guidance was announced. For the full year, 2% volume growth YoY, revenue of 789.6B yen (1.2%,9.4B yen decrease), business income loss of 15.9B yen (16.1B yen decrease). Q4 reflects a subsiding of the COVID-19 impact. However, expect the impact from competitive environment, cycling of the cost savings achieved last year, and the recent surge in raw material prices.

Summary of Consolidated Financial Results

(Millions of yen)

Year-to-date Q3 (January to March)

	2020	**2021**	Change
Continuing Operation (Beverage Business)			
Revenue	598,547	**589,531**	(1.5%)
Sales volume of beverage business (million cases)	343	351	2%
Gross Profit	275,493	**260,823**	(5.3%)
Selling, General & Administrative Expenses	269,971	**273,868**	1.4%
Other income (Recurring)	563	**650**	15.5%
Other expenses (Recurring)	1,438	**1,507**	4.8%
Investment loss on equity method	(310)	**(121)**	—
Business Income (Loss)	4,336	**(14,023)**	—
Other income (Non-recurring)	1,782	**5,584**	213.3%
Other expenses (Non-recurring)	15,072	**11,539**	(23.4%)
Operating Loss	(8,953)	**(19,978)**	—
Net Loss Attributable to Owners of Parent	(4,644)	**(1,535)**	—

(Millions of yen)

Q3 (July to September)

	2020	**2021**	Change
Revenue	223,949	**220,222**	(1.7%)
Sales volume of beverage business (million cases)	131	**134**	2%
Gross Profit	105,949	**97,554**	(7.9%)
Selling, General & Administrative Expenses	93,955	**96,574**	2.8%
Other income (Recurring)	190	**235**	23.7%
Other expenses (Recurring)	399	**452**	13.1%
Investment income (loss) on equity method	(80)	**12**	−
Business Income	11,704	**776**	(93.4%)
Other income (Non-recurring)	1,782	**982**	(44.9%)
Other expenses (Non-recurring)	7,503	**3,486**	(53.5%)
Operating Income (Loss)	5,983	**(1,728)**	−
Net Income (Loss) Attributable to Owners of Parent	1,807	**(1,181)**	−

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.
3. Sales volume in 2020 is revised retroactively due to changes of counting segmentation and scope in some products.

Consolidated net revenue decreased to 589,531 million yen (1.5% decrease of 9,016 million yen from the same period prior year) due to a slower than expected sales volume of 2% YoY due to continued COVID-19 impact and the multiple state of emergency delaying the recovery of traffic, and a decrease in demand in the peak month of August affected by unseasonably wet weather. This is despite favorable contributions from new products and our responses to changes and trends in channels, the business environment has seen an increase of at-home consumption with people refraining from going out or working from home resulting in consumer preference changes impacting channel and mix, and a decrease in revenue per case.

Consolidated business loss was 14,023 million yen (4,336 million yen profit in the same period of prior year). To minimize the impact of the decrease in revenue on profits, cost saving efforts were made in all areas, including recurring cost savings through transformation. Negative factors include channel and package mix headwinds from consumer preference changes, decline in revenue per case, rise in commodity prices, and the increase in logistics costs. We have made investments at appropriate levels in marketing and human resources that will contribute to our future growth.

Consolidated operating loss was 19,978 million yen (8,953 million yen loss in the same period of prior year). Other income (non-recurring) includes 4,634 million yen in government subsidies for employment adjustment to offset temporary leave expenses. Other expenses (non-recurring) include 6,901 million yen in temporary leave expenses and 1,445 million yen in transformation-related expenses related to the implementation of transformation based on the medium-term plan, and 1,572 million yen in special retirement allowances due to the voluntary employee retirement program.

Net income attributable to owners of parent for the quarter, a total of continuing operations and discontinued operation, was a loss of 1,535 million yen (4,644 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 sales due to the transfer of shares in Q'sai.

Beverage volume performance

Year-to-date 3Q 2021 sales volume (hereinafter percentage change represent changes from the same period of the previous year.), although there were contributions from the introduction of new products and responses to changing trends in each channel, the increase was 2% compared to the same period of the previous year due to the delay in the recovery of traffic driven by repeated emergency declarations and was impacted by heavy rains in August, a peak summer month.

In terms of channel performance, Vending sales increased by 1% year-to-date Q3 due to delayed recovery of people traffic and unfavorable weather in August. Although the market environment continues to be challenging, the value share of Vending continued to grow for 30 consecutive months, mainly due new products in non-sugar teas and water. Consumer traffic started to recover driving a volume-increase of 11% in July. Supermarkets, drugstores and discounters increased 6% and 8% respectively in the year-to-date Q3. This is partially due to capturing demand for at home consumption and bulk purchases, as well as responding to changes in customers' purchasing patterns, and promotional activities. In the CVS channel despite contributions from new products and strategically rolled out 950ml PET, volume recovery has been delayed due to increased competition in promotions, resulting in a 1% decrease for year-to-date Q3. In Retail and food, sales for commercial use continued to be negative due to factors such as shortened restaurant opening hours and decreased by 13% for the year-to-date Q3. Online sales continued to grow strongly and increased by 56% for year-to-date Q3 supported by the successful rollout of label-less products well received by consumers' changing purchasing behavior and environmental awareness during COVID-19.

In terms of beverage category performance, Sparkling beverages increased 1% in Q3 and was flat for the year-to-date Q3 due to contributions from the premium-priced Fanta Premier series and other products as well as growth in Supermarkets and other channels. New products such as Yakan Barly Tea from Hajime and Ayataka Cafe Matcha Latte respectively contributed to an 8% increase in non-sugar tea sales and 5% increase for the year-to-date Q3. Coffee sales decreased 3% for the year-to-date Q3 due to a decline in sales of canned coffee, despite growth in PET bottle coffee through the introduction of new products such as Costa Coffee and Georgia Shot & Break. In sports, despite the lifting of some restrictions on events and the improved sentiment with the Olympic Games, the category grew 1% in Q3 year-to-date, as the Olympics Games were held without any spectators and the record-breaking heavy rains during the summer. Water volume increased 24% in Q3 year-to-date, supported by the growth of large PET in supermarkets, drugstores, discounters and online channels. This was as a result of increased at-home consumption, as well as contributions from new ICY SPARK and Ilohas small PET.

The ready-to-drink alcohol category, with the contribution from new Nomel's Hard lemonade and Lemon-dou summer promotions, increased 23% in Q3, and 7% in year-to-date Q3. We are working to further strengthen the category by launching Topo Chico Hard Seltzer, the first global alcohol brand from The Coca-Cola Company, in select areas.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 866,711 million yen, a decrease of 71,893 million yen from the end of the prior fiscal year-end period. This is mainly due the sales of the Q'sai shares on February 1, 2021, resulting in a decrease in Assets held for sale and decrease of Cash and cash equivalents with the repayment of short term loans.

Liabilities at the end of the quarter were 372,072 million yen, a decrease of 65,438 million yen from the end of the prior year period. This is mainly due to decrease of bonds and borrowings with the repayment of short term loans, and the sales of the Q'sai shares, decreasing the Liabilities directly associated with assets held for sale.

Net Assets at the end of the quarter were 494,638 million yen, a decrease of 7,455 million yen from the end of the prior year period. This mainly reflects a decrease in Retained earnings as a result of dividend payments.

(3) Cash flows

The cash flow conditions for the 3rd quarter of the current year are as follows:

<Cash Flows from Operating activities >

Net cash generated from operating activities was 23,199 million yen (35,138 million net cash generated from operations in the previous year period). This results mainly from the 20,395 million yen net loss before tax from continuing operation, depreciation, increase in trade and other payables and refund on taxes, etc., offset by increase in inventory and payment of income taxes, etc.

<Cash Flows from Investing Activities>

Net cash generated for investing activities was 11,346 million yen (59,259 million yen outflow from investing activities the previous year period), as cash used for acquisition of fixed assets was controlled, accounting for the current operating environment and by cash-in from proceeds from sales of Q'sai share resulted in proceeds from sales of shares of subsidiaries.

<Cash Flows from Financing Activities>

Net cash used for financing activities was 65,386 million yen (38,761 million yen net cash generated from financing activities in the previous year period), driven by decrease of short-term loans for operating capital, cash spent for payment of year-end dividends and repayments of lease liabilities.

As a result of these activities, cash and cash equivalents at the end of the quarter was 95,538 million yen, a decrease of 30,840 million yen from the end of the prior fiscal year-end.

(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

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 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	5,449	September 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 3rd Quarter (September 30,2021)	No. of issued shares as of filing date (November 12, 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)
July 1, 2021 – September 30,2021	—	206,269	—	15,232	—	108,167

(5) Major shareholder status

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

(6) Status of voting rights

① Issued shares

As of September 30,2021

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 26,923,600	―	―
Shares with full voting rights (Others)	Common shares 178,564,100	1,785,641	―
Odd lot shares	Common shares 780,893	―	―
Total number of issued shares	206,268,593	―	-
Voting rights of all shareholders	―	1,785,641	-

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

② Treasury Shares

As of September 30,2021

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	26,923,600	―	26,923,600	13.05
Total	―	26,923,600	―	26,923,600	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 third quarter of the current year (July 1, 2021 to September 30, 2021) and the first nine-months period of the current year (January 1, 2021 to September 30, 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.

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 September 30,2021
Assets			
Current assets:			
Cash and cash equivalents		114,778	95,538
Trade and other receivables		96,009	94,598
Inventories		68,180	76,549
Other financial assets	10	702	1,161
Other current assets		17,195	15,963
Subtotal		296,865	283,809
Assets of disposal groups classified as held for sale	6	48,138	—
Total current assets		345,003	283,809
Non-current assets:			
Property, plant and equipment		460,502	445,478
Right-of-use assets		29,810	25,887
Intangible assets		66,193	66,007
Investments accounted for using the equity method		287	323
Other financial assets	10	25,640	24,450
Deferred tax assets		4,986	11,696
Other non-current assets		7,183	9,061
Total non-current assets		594,601	582,901
Total assets		939,603	866,711

(Millions of yen)

		As of December 31, 2020	As of September 30,2021
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		102,480	101,879
Bonds and debts	10	51,072	30,986
Lease liabilities		5,547	5,403
Other financial liabilities	10	408	23
Income taxes payable		3,238	648
Provisions		9	16
Other current liabilities		15,923	15,481
Subtotal		178,676	154,437
Liabilities directly associated with assets held for sale	6	7,193	—
Total current liabilities		185,869	154,437
Non-current liabilities:			
Bonds and debts	10	187,514	156,602
Lease liabilities		25,858	21,940
Other non-current financial liabilities	10	605	—
Net defined benefit liabilities		14,876	16,566
Provisions		2,119	2,131
Deferred tax liabilities		17,296	17,407
Other non-current liabilities		3,375	2,989
Total non-current liabilities		251,641	217,635
Total liabilities		437,510	372,072
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,605	450,888
Retained earnings	7	120,473	109,880
Treasury shares		(85,654)	(85,660)
Accumulated other comprehensive income (loss)		1,095	4,163
Accumulated other comprehensive income of disposal groups classified as held for sale		(107)	—
Equity attributable to owners of parent		501,643	494,503
Non-controlling interests		450	136
Total equity		502,093	494,638
Total liabilities and equity		939,603	866,711

(2) Condensed Quarterly Consolidated Statements of Income

【First nine -months period of this fiscal year】

(Millions of yen)

	Notes	Nine months ended September 30, 2020	Nine months ended September 30,2021
Continuing operations			
Revenue	8	598,547	589,531
Cost of sales		323,054	328,708
Gross profit		275,493	260,823
Selling and general administrative expenses		269,971	273,868
Other income	9	2,345	6,234
Other expenses	9	16,510	13,046
Investment loss on equity method		(310)	(121)
Operating loss		(8,953)	(19,978)
Financial revenue		611	309
Finance costs		815	726
Loss for the period before income taxes		(9,157)	(20,395)
Income tax expense		(2,718)	(6,338)
Net loss for the period from continuing operations		(6,439)	(14,057)
Discontinued operations			
Net income for the period from discontinuing operations	6	1,769	12,505
Net loss for the period		(4,670)	(1,552)
Net loss for the period attributable to			
Owners of parent			
Loss from continuing operations attributable to owners of parent		(6,412)	(14,040)
Profit from discontinued operations attributable to owners of parent		1,768	12,505
Non-controlling interests		(26)	(17)
Earnings (Loss) per share (yen)			
Continuing operations		(35.75)	(78.28)
Discontinued operations		9.86	69.72
Loss per share (yen)	11	(25.90)	(8.56)

【Third quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2021
Continuing operations			
Revenue		223,949	220,222
Cost of sales		118,000	122,668
Gross profit		105,949	97,554
Selling and general administrative expenses		93,955	96,574
Other income		1,972	1,218
Other expenses		7,902	3,938
Investment income (loss) on equity method		(80)	12
Operating loss		5,983	(1,728)
Financial revenue		206	38
Finance costs		280	230
Loss for the period before income taxes		5,910	(1,920)
Income tax expense		4,693	(735)
Net Loss for the period from continuing operations		1,216	(1,185)
Discontinued operations			
Net income for the period from discontinuing operations		575	—
Net loss for the period		1,792	(1,185)
Net loss for the period attributable to			
Owners of parent:			
Profit (Loss) from continuing operations attributable to owners of parent		1,230	(1,181)
Profit from discontinuing operations attributable to owners of parent		577	—
Non-controlling interests		(16)	(5)
Earnings (Loss) per share (yen)			
Continuing operations		6.86	(6.58)
Discontinued operations		3.22	—
Loss per share	11	10.08	(6.58)

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

【First nine -months period of this fiscal year】

(Millions of yen)

	Notes	Nine months ended September 30, 2020	Nine months ended September 30,2021
Net loss for the period		(4,670)	(1,552)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investments accounted for using equity method		—	(12)
Net changes in financial assets measured at fair value through other comprehensive income (loss)		(3,364)	1,794
Subtotal		(3,364)	1,782
Items that may be reclassified subsequently to income (loss):			
Cash flow hedges		(3,411)	2,198
Subtotal		(3,411)	2,198
Total other comprehensive income (loss) for the period		(6,775)	3,980
Total comprehensive income (loss) for the period		(11,446)	2,428
Comprehensive income (loss) attributable to:			
Owners of parent		(11,420)	2,445
Non-controlling interests		(26)	(17)

【Third quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended September 30, 2020	Three months ended September 30,2021
Net loss for the period		1,792	(1,185)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Net changes in financial assets measured at fair value through other comprehensive income (loss)		13	366
Subtotal		13	366
Items that may be reclassified subsequently to income (loss):			
Cash flow hedges		(1,746)	111
Subtotal		(1,746)	111
Total other comprehensive income (loss) for the period		(1,733)	477
Total comprehensive income (loss) for the period		58	(708)
Comprehensive income (loss) attributable to:			
Owners of parent		74	(703)
Non-controlling interests		(16)	(5)

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended September 30, 2020

(Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Capital stock	Capital surplus	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		–	–	(4,644)	–	–	(4,644)	(26)	(4,670)
Other comprehensive income		–	–	–	–	(6,775)	(6,775)	–	(6,775)
Total comprehensive income (loss) for the year		–	–	(4,644)	–	(6,775)	(11,420)	(26)	(11,446)
Transactions with owners									
Dividends of surplus	7	–	–	(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 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

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended September 30, 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.

Nine months ended September 30,2021

(Millions of yen)

	Notes	Equity attributable to owners of the parent								
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Other comprehensive income accumulated	Accumulated other comprehensive income of disposal groups classified as held 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		―	―	(1,535)	―	―	―	(1,535)	(17)	(1,552)
Other comprehensive income (loss)		―	―	―	―	3,980	―	3,980	―	3,980
Total comprehensive income (loss) for the period		―	―	(1,535)	―	3,980	―	2,445	(17)	2,428
Transactions with owners										
Dividends of surplus	7	―	―	(8,967)	―	―	―	(8,967)	―	(8,967)
Purchase of treasury stock		―	―	―	(6)	―	―	(6)	―	(6)
Disposal of treasury stock		―	(0)	―	0	―	―	0	―	0
Transactions of share-based payment		―	283	―	―	―	―	283	―	283
Reclassification from accumulated other comprehensive income (loss) to retained earnings		―	―	17	―	(17)	―	―	―	―
Reclassification from accumulated other comprehensive income to non-financial assets		―	―	―	―	(895)	―	(895)	―	(895)
Changes from loss of control		―	―	(107)	―	―	107	―	(297)	(297)
Other		―	―	―	―	―	―	―	―	―
Total transactions with owners		―	283	(9,058)	(6)	(912)	107	(9,586)	(297)	(9,883)
Balance as of September 30,2021		15,232	450,888	109,880	(85,660)	4,163	―	494,503	136	494,638

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Nine months ended September 30, 2020	Nine months ended September 30,2021
Cash flows from operating activities			
Loss for the period before income tax from continuing operations		(9,157)	(20,395)
Income for the period before income tax from discontinued operations		2,611	12,841
Adjustments for:			
Depreciation and amortization		44,286	43,083
Impairment loss		86	427
Gain on sales of subsidiaries' stock	6	–	(12,841)
Gain on sales of stocks of subsidiaries and affiliates	9	–	(708)
Change in allowance for doubtful accounts		35	989
Interest and dividends income		(297)	(172)
Interest expenses		823	702
Investment loss on equity method		310	121
Gain on sale of property, plant and equipment		(5)	(247)
Loss on disposal and sale of property, plant and equipment		1,053	923
(Increase) decrease in trade and other receivables		3,932	849
Increase in inventories		(3,992)	(8,369)
Increase in other assets		(8,542)	1,697
Increase in trade and other payables		1,847	10,182
Increase in net defined benefit liabilities		1,689	1,678
Decrease in other liabilities		(1,072)	235
Others		294	(127)
Subtotal		33,902	30,868
Interest received		0	1
Dividends received		297	171
Interest paid		(738)	(686)
Income taxes paid		(6,000)	(10,108)
Income taxes refund		7,677	2,953
Net cash (used in) provided by operating activities		35,138	23,199
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(60,135)	(35,707)
Proceeds from sales of property, plant and equipment and intangible assets		120	506
Proceeds from collection of loans receivable resulting from sales of stock in subsidiaries	6	–	7,400
Purchases of other financial assets		(39)	(36)
Proceeds from sale of other financial assets		808	4,473
Proceeds from sale of stock of subsidiaries	6	–	34,490
Other		(13)	219
Net cash used in investing activities		(59,259)	11,346

(Millions of yen)

	Notes	Nine months ended September 30, 2020	Nine months ended September 30,2021
Cash flows from financing activities			
Increase in short-term loans payable		50,000	(50,000)
Repayments of long-term loans payable		(1,249)	(1,072)
Dividends paid	7	(4,484)	(8,967)
Dividends paid to non-controlling interests		(28)	—
Proceeds from disposal of treasury stock		2	0
Purchases of treasury stock		(6)	(6)
Repayments of lease liabilities		(5,473)	(5,341)
Net cash provided by financing activities		38,761	(65,386)
Net change in cash and cash equivalents		14,640	(30,840)
Cash and cash equivalents at the beginning of the year		113,825	126,378
Cash and cash equivalents at the end of the period		128,465	95,538

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 beverages 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 (Head of finance), Bjorn Ivar Ulgenes on November 12, 2021 and takes into account events after the reporting period to that date (see notes 12, " Subsequent events ").

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 financial instruments measured 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 30,2021, 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. Although the multiple state of emergency declarations due to the spread of the new coronavirus infection were lifted in all prefectures in September, the situation is expected to continue to be uncertain as to the timing and extent of the impact of the convergence. In addition, since the recovery of demand is expected to take a certain period of time, the Company has made an accounting estimate based on the assumption that this impact will continue in 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 prior fiscal year, the Group has changed to a single segment of "Beverages". As the Group operates a single segment of beverage business. Please see Note 8 "Revenue" for information on products and services of reportable segments. 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. 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 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. 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)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Discontinued operations		
Revenue	18,227	—
Cost of sales	3,692	—
Gross profit	14,535	—
Selling and general administrative expenses	11,912	—
Other income	19	12,841
Other expenses	23	—
Operating income	2,619	12,841
Financial revenue	0	—
Finance costs	8	—
Income for the period before income taxes	2,611	12,841
Income tax expense	842	337
Net income for the period from discontinued operations	1,769	12,505

(3) Cash flows of discontinued operations

The results of discontinued operations are as follows:

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Cash flows from operating activities	2,795	—
Cash flows from investing activities	(388)	34,490
Cash flows from financing activities	(123)	—

(Note) Cash flows from investing activities in the third 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)

	Nine months ended September 30, 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

7. Dividends

Dividends payments were as follows:

First nine -months of the prior year (January 1, 2020 – September 30, 2020)

Dividend payment amount

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 26, 2020 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2019	March 27, 2020

First nine-months of the current year (January 1, 2021 – September 30,2021)

Dividend payment amount

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 25, 2021 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2020	March 26, 2021
August 11, 2021 Board of directors	Ordinary share	4,484	25	September 30, 2021	September 1, 2021

8. 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 income. 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)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Beverage	597,914	589,221
Other	633	310
Total	598,547	589,531

9. Other income and other expenses

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

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30,2021
Other income		
Gains on sales of property, plant and equipment	167	247
Rent income	266	230
Government subsidies (Note 1)	1,782	4,634
Gain on sales of stocks of subsidiaries and affiliates (Note 2)	—	708
Other	131	415
Total	2,345	6,234
Other expense		
Impairment losses	86	427
Losses on sales and disposals of property, plant and equipment	1,643	1,126
Transformation related expenses (Note 3)	3,440	1,445
Special retirement allowance (Note 4)	7,435	1,572
Temporary paid leave expenses (Note 5)	2,841	6,901
Product valuation losses (Note 6)	273	—
Costs of postponing the Olympics (Note 7)	257	—
System failure-related costs (Note 8)	—	1,188
Other	535	387
Total	16,510	13,046

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

2. Gain on sales of stocks of subsidiaries and affiliates represents the gain on sales of all stocks of Apex Nishi-Nihon Corporation, an equity-method affiliate of the Company.

3. Transformation related 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.

4. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program.

5. 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 state of emergency declaration due to the spread of COVID-19. The expenses are reclassified 315million yen and 532million yen from cost of sales and 2,525 million yen and 6,369 million yen from selling and general administrative expenses to other expenses, respectively.

6. Product valuation losses are 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.

7. Costs of postponing 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.

8. System failure-related costs are expenses incurred to recover the system failures that occurred in the core system used by the Group.

10. 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 prior fiscal year and cumulative 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.

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 September 30,2021

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: 7.3－51.5 times EBITDA Multiple: 6.6 times PBR: 1.0－2.8 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 September 30,2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	1,690	—	1,690
Subtotal	—	1,690	—	1,690
Financial instrument measured at fair value through other comprehensive income:				
Securities	13,698	—	4,577	18,275
Other	—	—	145	145
Subtotal	13,698	—	4,722	18,420
Total	13,698	1,690	4,722	20,110
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	23	—	23
Total	—	23	—	23

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	(1)
Gains (losses) recognized in other comprehensive income	(622)
Balance at September 30, 2020	4,769
Balance at January 1, 2021	4,694
Disposals	(25)
Gains (losses) recognized in other comprehensive income	53
Balance at September 30,2021	4,722

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 September 30,2021

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	187,588	187,853	(265)

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.

11. Income per share

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

The basis for calculating the basic earnings (loss) per share for the cumulative third quarter of the current year and prior year is as follows:

	Nine months ended September 30, 2020	Nine months ended September 30,2021
Loss from continuing operations attributable to owners of parent	(6,412)	(14,040)
Profit from discontinued operations attributable to owners of parent	1,768	12,505
Weighted-average shares of ordinary share outstanding (in thousands)	179,350	179,346
Earnings (Loss) per share (yen)		
Continuing operations	(35.75)	(78.28)
Discontinued operations	9.86	69.72
Loss per share (yen)	(25.90)	(8.56)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit (Loss) from continuing operations attributable to owners of parent	1,230	(1,181)
Profit from discontinued operations attributable to owners of parent	577	—
Weighted-average shares of ordinary share outstanding (in thousands)	179,350	179,345
Earnings (Loss) per share (yen)		
Continuing operations	6.86	(6.58)
Discontinued operations	3.22	—
Loss per share (yen)	10.08	(6.58)

Note 1. In the cumulative third quarter of the current fiscal year, 411 thousand shares of stock-based compensation were accounted for antidilutive, "Diluted earnings per share" is not shown.

2. For more information on the quarterly income from discontinued operations attributable to owners of the parent company, see Note 6, " Disposal groups classified as held for sale and discontinued operations.

12. Subsequent events

Not applicable

2. Others

At the Board of Directors held on August 11, 2021, it was resolved to provide the following interim dividend to shareholders or registered pledges recorded in the final shareholders' register on June 30, 2021

a. Total dividends through interim dividends: 4,484 million yen

b. Amount per share: 25 yen

c. Effective date of payment claims and payment start date: September 1, 2021

Part II Information of guarantor companies of the filing company

Not applicable