

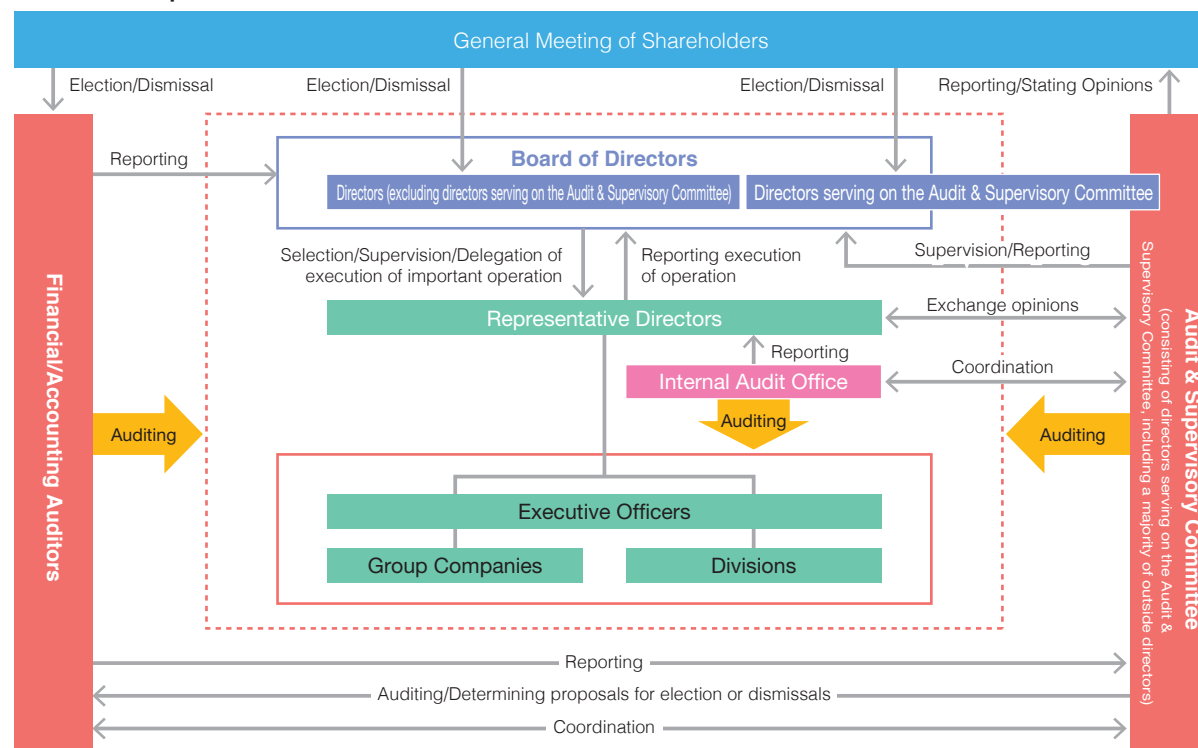
Basic Stance on Corporate Governance

Our basic stance on corporate governance is to seek improvement of management soundness, transparency and efficiency and increase medium- to long-term corporate value and shareholder value.

We have established the Audit and Supervisory Committee to further strengthen our governance system. The Audit and Supervisory Committee, which takes a lead role in audits, is composed entirely of outside directors (Audit and Supervisory Committee members), including multiple independent outside directors. The Audit and Supervisory Committee members have voting rights at the Board of Directors meetings and the right to express opinions on directors' nominations and compensation at the General Meeting of Shareholders. As a result, our management oversight functions have been further strengthened.

In addition, we have adopted the executive officer system to separate decision-making and management oversight functions from business execution functions. Certain important business execution decisions are entrusted to directors, so that the Board of Directors can deliberate on matters of particular importance. For other matters, we place emphasis on speed of management decisions by the Executive Leadership Team.

[Chart of Corporate Governance Structure]



[Major meeting structures attended by the management team]

When making decisions on important matters of the Company, the president and the vice president with representative rights, or either of these and heads of functions including executive officers, engage in deliberation within major meeting structures and connect this to prompt decision making.

[Examples of major meeting structures]

ELT* ¹ Meeting	S&OP* ² Meeting	IT Committee	Capital Committee
This meeting discusses major issues and strategic directions that span the entire company or multiple units.	This meeting identifies gaps between sales plans and supply plans, makes decisions on company-wide actions, and works to optimize the entire supply chain in conjunction with sales activities.	This committee evaluates the consistency of strategy concerning IT-related investments, and deliberates IT policies.	This committee conducts deliberation and progress management concerning capital investment plans, deliberation and approval of capital investment projects, and post-execution verification, etc. of capital investments, for the purpose of appropriate capital investment management.
BSO* ³ Committee	Ethics and Compliance Committee		Risk Management Committee
This committee has established venues for regularly reporting to management about the latest activities and the strategic directions of Coca-Cola Bottlers Japan Business Systems Inc.	This committee engages in activities including awareness and education activities related to ethics and compliance, operation of consultation desks, handling of other compliance-related cases, and examination and implementation of measures to prevent recurrence of problems.		The Committee reviews the critical risks inherent in the CCBJH group as identified through the ERM PDCA cycle and evaluates the effectiveness of the controls and risk mitigation measures for these risks.

*¹ Executive Leadership Team *² Sales & Operation Planning *³ Business Service Organization

Board of Directors

The Company's Board of Directors consists of 9 directors, including multiple independent outside directors, and holds regular meetings once every three months in principle and extraordinary meetings as needed. The Board of Directors resolves matters concerning basic management policies and other important business issues, as well as matters prescribed by law and by the Articles of Incorporation, and receives reports on execution of business from directors. The Company also delegates a part of decision-making on important matters of business execution to directors to further enhance deliberations on matters of special importance in the Board of Directors and to speed up decisions by the management team on other matters.

[Overview of Board of Directors]



	Assumption of office	Term of office (Year)	Outside Director	Audit & Supervisory Committee members	Independent directors	Attendance in 2020	
						Board of Directors meetings	Audit & Supervisory Committee meetings
Calin Dragan	March 2019	1	—	—	—	10/10	—
Bjorn Ivar Ulgenes	March 2019	1	—	—	—	10/10	—
Hiroshi Yoshioka	April 2017	1	○	—	○	10/10	—
Hiroko Wada	March 2019	1	○	—	○	10/10	—
Hirokazu Yamura	March 2020	1	○	—	○	8/8	—
Irial Finan	April 2017	2	○	○	—	10/10	6/6
Celso Guiotoko	March 2019	2	○	○	○	10/10	6/6
Nami Hamada	March 2019	2	○	○	○	10/10	6/6
Vamsi Mohan Thati	March 2021	2	○	○	—	—	—

Evaluation of the Effectiveness of the Board of Directors

Based on self-evaluation by directors regarding the operation, support system, composition, etc. of the Board of Directors, the Board of Directors conducts an effectiveness evaluation while obtaining advice from an external third-party organization. In the 2020 evaluation of effectiveness, the following issues were identified.

From the self-evaluation by the Directors, we have received generally positive evaluations on the issues identified last year, such as business updates by major divisions and efforts to explain the contents of deliberations in advance, and we recognize that the effectiveness of the Board of Directors as a whole is improving.

It has been confirmed that the Company will continue to promote ongoing efforts to further revitalize discussions at the Board of Directors meetings, focusing on the following three points.

- Enhancement and evolution of deliberations on themes in response to changes in the business environment that may affect the Group's business.
- Provision of materials for Board of Directors meetings at appropriate times to enable prior consideration.
- Provision of materials for Board of Directors meetings in an appropriate form that is easily understood, organized and analyzed.

Based on the results of this evaluation of the effectiveness of the Board of Directors, we will actively and continuously work toward improvements in management to further enhance and deepen the Board of Directors' discussions according to changes in the business environment, and toward further sustainable growth and improvement of medium- to long-term corporate value.



Appointment of Outside Directors

Three of the Company's five directors (excluding directors who are Audit & Supervisory Committee Members), and the four directors who are Audit & Supervisory Committee Members, are outside directors.

As outside directors, the Company nominates persons who are considered to contribute significantly to increasing the corporate value of the Company. Moreover, if it has been determined through investigation by the Company within the scope of reason that none of the following criteria apply to the Company's outside directors, the Company will deem outside directors to possess sufficient independence from the Company.

[Standards for determination of independence of outside directors]

If none of the criteria below apply, the Company considers the director to have sufficient independence.

- An employee and/or executive of the Company and/or a subsidiary within the past 10 years
- A person and/or executive who had a significant business relationship with the Company within the past 1 year*¹
- An employee and/or executive of the company who had a significant business relationship with the Company within the past 1 year*¹
- A consultant, certified public accountant, attorney, etc. who has received significant compensation from the Company other than executive compensation within the past 1 year *²
- An entity or executive thereof who has received a significant donation from the Company within the past 1 year *²
- A close relative of any of the above *³

*¹ If the transaction between the Company and the person and/or the company exceeds 2% of the Company's consolidated revenue in the latest fiscal year, this will be considered significant

*² If the annual amount of compensation or donation to the person/entity exceeds JPY 10 million, this will be considered significant

*³ Within the second degree of kinship

[Reasons for appointment of outside directors]

Category/Name	Reasons for appointment (Positions etc. are as of the time of appointment)	Independent Director
Outside Director Hiroshi Yoshioka	The Company expects to leverage Hiroshi Yoshioka's extensive managerial experience and global insights, cultivated through experience as a Coca-Cola bottler outside director and at Sony Corporation, on behalf of our Group's management. As no special vested interest exists between the individual and the Company, the Company deems that no risk of conflict of interest with general shareholders exists and has appointed the individual as an independent director.	○
Outside Director Hiroko Wada	The Company expects to leverage Hiroko Wada's extensive management experience and global insights, cultivated as director of The Procter & Gamble Company and representative director of Dyson and of Toys "R" Us-Japan, on behalf of our Group's management. As no special vested interest exists between the individual and the Company, the Company deems that no risk of conflict of interest with general shareholders exists and has appointed the individual as an independent director.	○
Outside Director Hirokazu Yamura	The Company expects to leverage Hirokazu Yamura's extensive managerial experience and insights cultivated through experience as Representative Director & President of Michinoku Coca-Cola Bottling Co., Ltd. While the Company has the business relationship noted below with the corporate group of said company, the transaction value is small and transaction prices and other conditions are conducted under appropriate conditions in the same manner as with other business partners. The Company believes that its free business activities will not be hindered by the corporate group of said company. Accordingly, as there is no risk of significant impact from said company, the Company deems that no risk of conflict of interest with general shareholders exists and has appointed the individual as an independent director. Relationship with the Company: The Company has a business relationship with Michinoku Coca-Cola Bottling Co., Ltd. that includes buying and selling of products. (Sales, etc.: 0.3% of the consolidated revenue of the Company; Purchasing, etc.: 0.5% of the consolidated revenue of said company)	○
Outside Director (Audit & Supervisory Committee member) Irial Finan	Irial Finan has extensive experience and global insights as a corporate manager, with many years of involvement in the Coca-Cola business as an outside director of a Coca-Cola bottler in Japan, as part of management of The Coca-Cola Company and global bottlers, and as representative of the Bottling Investments Group supervising Coca-Cola bottlers worldwide, and has auditing experiencing as a Director who is an Audit & Supervisory Committee Member of the Company, and a chairman of the Audit & Supervisory Committee. As a director who is an Audit & Supervisory Committee Member of the Company, he is expected to offer advice based on his abundant experience as a global company manager and his knowledge in the field of finance, in areas of important management decisions, response to foreseeable risks, internal control systems, etc. Accordingly, the Company has appointed him as an outside director who is an Audit & Supervisory Committee Member.	—
Outside Director (Audit & Supervisory Committee member) Celso Guiotoko	Celso Guiotoko has abundant management experience and global insights cultivated at Nissan Motor Co., Ltd., and at Nishimoto Wismettac Holdings, Inc., and has experience as a corporate auditor at Nissan Motor Co., Ltd. As a director who is an Audit & Supervisory Committee Member of the Company, he is expected to offer advice based on his abundant experience in company management and his auditing, and his knowledge in the field of IT, in areas of important management decisions, response to foreseeable risks, internal control systems, etc. Accordingly, the Company has appointed him as an outside director who is an Audit & Supervisory Committee Member. As no special vested interest exists between the individual and the Company, the Company deems that no risk of conflict of interest with general shareholders exists and has appointed the individual as an independent director.	○
Outside Director (Audit & Supervisory Committee member) Nami Hamada	Nami Hamada has extensive experience in finance and accounting, including managing a finance-related consulting company herself, and has abundant experience and global insights cultivated on the corporate management team of Lehman Brothers Japan. As a director who is an Audit & Supervisory Committee Member of the Company, she is expected to offer advice based on her abundant experience as a company manager and her knowledge in the field of finance, in areas of important management decisions, response to foreseeable risks, internal control systems, etc. Accordingly, the Company has appointed her as an outside director who is an Audit & Supervisory Committee Member. As no special vested interest exists between the individual and the Company, the Company deems that no risk of conflict of interest with general shareholders exists and has appointed the individual as an independent director.	○
Outside Director (Audit & Supervisory Committee member) Vamsi Mohan Thati	Vamsi Mohan Thati serves as President of the Greater China and Mongolia Operating Unit at The Coca-Cola Company. He demonstrates strong leadership in a variety of fields including operations, market execution, and general management at The Coca-Cola Company Bottling Investments Group, and has extensive experience as a corporate executive in business units in the Asian region. As a director who is an Audit & Supervisory Committee Member of the Company, he is expected to offer advice based on his abundant experience as a global company manager, in areas of important management decisions, response to foreseeable risks, internal control systems, etc. Accordingly, the Company has appointed him as an outside director who is an Audit & Supervisory Committee Member. Relationship with the Company: The Company has concluded contracts concerning the production, sales, trademark usage, etc. of Coca-Cola, etc., with The Coca-Cola Company.	—

Policy regarding Cross-shareholdings

In principle, it is the Company's policy to refrain from cross-shareholdings.

However, there are cases in which the Company acquires and holds such shares to create business opportunities, and maintain and strengthen its relationships with business partners and local communities. The Company regularly assesses and reports the associated holding costs and investment returns for its major cross-shareholdings, and work on the reduction of cross-shareholdings based on the result of this assessment.

[Number of cross-shareholding companies and book value of these shares]


	Number of companies	Total book value of shares (Millions of yen)
Unlisted stocks	118	4,436
Stocks other than unlisted stocks	84	14,891

[Stocks for which number of shares decreased during the fiscal year]

	Number of companies	Total amount by selling and decreasing the number of shares (Millions yen)
Unlisted stocks	4	13
Stocks other than unlisted stocks	21	3,196


[Stocks for which number of shares increased during the fiscal year]

	Number of companies	Total amount spent to increase the number of shares held (Millions yen)	Reason for increase in number of shares
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	23	45	The Company increased the number of shares of these companies by purchasing through suppliers' share ownership association of these companies



See the Securities Report for details.

<https://en.ccbj-holdings.com/ir/library/securities.php>



Promotion of Information Disclosure and Constructive Dialog through IR Activities

With the goal of timely and appropriate information disclosure and constructive dialog with shareholders and investors, we engage in a variety of Investor Relations (IR) activities in which we explain our business strategies, business activities, financial and non-financial information, and other information through quarterly earnings presentations and IR meetings.

[Main IR activities in 2020]

Activity	2020 results	Details
Earnings Presentation	4 times	Quarterly earnings presentations were held by the President and CFO. The briefing content is available via Webcast on the Company's website. (https://en.ccbj-holdings.com/ir/library/presentation.php)
IR meetings with analysts and institutional investors	About 150 times; about 270 persons	Held primarily by phone and video conferencing due to COVID-19 pandemic. Top management took part as required.
Participation in domestic and overseas conferences	4 times	Participation in domestic and overseas conferences held online due to COVID-19 pandemic. Top management took part as required.
Other IR briefings	3 times	Held small meetings and IR briefings online, with participation by top management.
Delivery of video message from the President	1 time	In 2020, we began delivery of video messages from the President for investors. The video messages are available from the Investor Relations page of our website. (https://en.ccbj-holdings.com/ir/)

Executive Compensation System

Basic policy

We have designed our executive compensation system on the basis of the following policy. Executives subject to the system in 2020 are 2 executive directors, 7 supervisory officers (directors who are Audit & Supervisory Committee members and outside directors who are not Audit and Supervisory Committee members), and 12 executive officers.

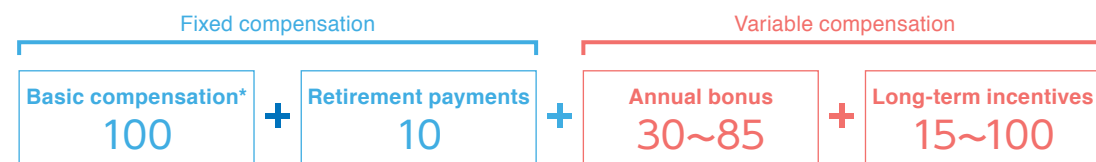
[Overview of the executive compensation system]

Targets	Basic policy	Decision-making process	Level
Executive directors, executive officers	<ul style="list-style-type: none"> The Company will set the level and composition of compensation to enable the hiring and retention of talented human resources who are diverse in terms of nationality, experience, etc. The composition ratio will emphasize performance-based compensation to provide sufficient incentive to achieve profitable growth. The system will promote improvement in medium- to long-term corporate value and the sharing of profit consciousness with shareholders. 	<ul style="list-style-type: none"> In order to increase the transparency and objectivity in compensation decision procedures, the content of compensation is deliberated by the Audit & Supervisory Committee, composed of only outside directors, based on policies concerning the determination of compensation for directors and within the total amount determined at the General Meeting of Shareholders. Through resolution of the Board of Directors, the setting of compensation is delegated to the representative director, who determines the compensation for each executive director, including the amount of performance-based compensation. 	<ul style="list-style-type: none"> Compensation is decided in accordance with scale of responsibilities, utilizing data from compensation surveys performed by external research organizations and taking into account the level of compensation provided at companies such as domestic and overseas companies of similar scale in similar industries, with the intent of providing a level of compensation that enables recruitment and retention of talented people who are highly diverse in terms of nationality, experience, etc.
Supervisory officers	<ul style="list-style-type: none"> Compensation consists of only basic compensation, based on role in management supervision and auditing. 	<ul style="list-style-type: none"> Compensation for directors who are Audit & Supervisory Committee members is proposed to the Audit & Supervisory Committee and is determined through deliberation with directors who are Audit & Supervisory Committee members, within the total amount determined at the General Meeting of Shareholders. Through resolution of the Board of Directors, compensation for outside directors who are not Audit & Supervisory Committee members is deliberated by the Audit & Supervisory Committee based on policies concerning the determination of compensation for directors. The setting of compensation is delegated to the representative director and president, who determines compensation within the total amount determined at the General Meeting of Shareholders. 	<ul style="list-style-type: none"> The Company makes use of compensation survey data from outside expert organizations, etc., with reference to compensation levels in domestic companies of similar scale, and sets levels in accordance with roles.

Compensation system for executive directors and executive officers

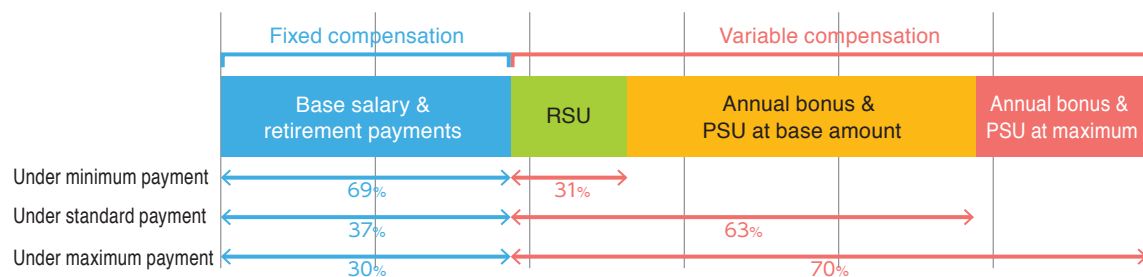
Compensation for executive directors and executive officers is composed of fixed compensation and variable compensation that varies with factors such as corporate performance, to reflect responsibilities and contribution to corporate performance. The standard amount of compensation is set according to the scale of responsibilities. The larger the responsibilities, the higher the percentage of variable compensation.

[Range of standard amounts of compensation: Image when basic compensation* is set to 100]



*Excluding retirement payment (annual deferral for retirement remuneration)

[Image of compensation structure (in case of Representative Director & President)]



[Compensation structure (From April 2021)]

Fixed compensation	Base salary	<ul style="list-style-type: none"> Monthly payment of an amount determined based on responsibilities. 	The following are upper limits for the compensation listed at left that is paid to directors. Limit on director compensation (excluding directors who are Audit & Supervisory Committee members): 850 million yen/year (approved through resolution of Proposal No. 5 at the 2019 General Meeting of Shareholders of the Company). (Number of directors at the time of the resolution, excluding directors who are Audit & Supervisory Committee members: 5) * In case where the Audit & Supervisory Committee has deliberated and deemed it necessary, housing allowances and other fringe benefits may be paid within the limit of 850 million yen.
	Retirement payment (annual deferral for retirement remuneration)	<ul style="list-style-type: none"> An amount equal to 10% of basic compensation is accumulated every year, with the cumulative amount calculated and paid upon retirement. In the event that the individual has caused serious harm to the CCBJH Group or has been subjected to disciplinary measures, the Company may reduce the amount paid or withhold payment. In addition, a special increase may be made in recognition of particularly meritorious service. Reduction of amounts, non-payment, and special increases undergo approval by the Board of Directors based on deliberation by the Audit & Supervisory Committee. 	
Variable compensation	Annual bonus	<ul style="list-style-type: none"> Provided as an incentive for achieving performance targets for each fiscal year. The target amount is set in the range of 30% to 85% of base salary depending on their responsibilities. The amount of payment varies in the range of 0% to 150% of the target amount depending on the achievement of performance targets in each fiscal year (company-wide performance and individual evaluations). Business income, sales volume, and revenue have been adopted as metrics for creating motivation for achieving profitable growth in accordance with the policy for determining officer compensation, etc. 	The following are upper limits for the compensation listed at left that is paid to directors. Compensation framework for directors (excluding directors who are Audit & Supervisory Committee members): Up to an amount limited to 600,000 shares per year multiplied by the market price at the time granted (approved through resolution of Proposal No. 4 at the 2020 General Meeting of Shareholders of the Company). (Number of directors at the time of the resolution, excluding directors who are Audit & Supervisory Committee members: 5)
	Long-term incentives	<ul style="list-style-type: none"> Two types of stock-based compensation systems, (1) PSU and (2) RSU, are adopted as long-term incentives. The standard amount for long-term incentives overall ((1)+(2)) is set at 15% to 100% of basic compensation, according to the scale of responsibilities. The PSU standard amount is set to 50% and the RSU standard amount is set to 50% of the standard amount. With regard to (2) RSU, additional grants for the purpose of retention and other factors may be made for directors in addition to the above-mentioned basic RSU amount up to the compensation limit detailed on the right, if deemed necessary by the Audit and Supervisory Committee. 	
	(1) PSU (Performance Share Units)	<ul style="list-style-type: none"> Provided as an incentive for achieving medium- to long-term performance targets. The number of shares to be issued is determined within the range of 0% to 150% of the PSU standard amount depending on the achievement of performance targets (only considering company-wide performance) three years after the share units have been granted (with half of the shares to be issued paid in cash for the purpose of allocating funds for the payment of tax obligations). Consolidated ROE and growth rate of consolidated net sales are used as metrics for creating motivation for medium- to long-term improvement of corporate value in accordance with the policy for determining officer compensation, etc. 	
	(2) RSU (Restricted Stock Units)	<ul style="list-style-type: none"> Provided for the purpose of aligning interests with shareholders, creating incentives to increase corporate value, and strengthening retention of talented people. A predetermined number of shares is issued at the time of retirement (with half of the shares to be issued paid in cash for the purpose of allocating funds for the payment of tax obligations). 	

*With regard to fringe benefits, the Company pays housing allowances, etc. based on CCBJH Group internal rules concerning overseas postings, deliberated by the Audit & Supervisory Committee and approved by the Board of Directors, to support the execution of assignments outside of the country.

[Payment of compensation to directors in 2020]

■Directors' Compensation

Executive category	Total amount of compensation, etc. (million yen)	Total amount by type of compensation, etc. (million yen)				Number of eligible directors
		Basic compensation	Bonus	Long-term incentives	Other	
Directors (of which, paid to outside directors)	618 (39)	405 (39)	— (—)	132 (—)	81 (—)	6 (3)
Directors (Audit & Supervisory Committee members) (of which, paid to outside directors)	70 (70)	70 (70)	— (—)	— (—)	— (—)	5 (5)
Total (of which, paid to outside directors)	688 (109)	475 (109)	— (—)	132 (—)	81 (—)	11 (8)

■Total amount of compensation, etc. to persons for which total amount of compensation, etc. is 100 million yen or more

Name	Executive category	Total amount by type of compensation, etc. (million yen)				Total amount of compensation, etc. (million yen)
		Basic compensation	Bonus	Long-term incentives	Other	
Calin Dragan	Representative Director	199	—	101	58	358
Bjorn Ivar Ulgenes	Representative Director	132	—	31	24	186

Note 1: Compensation for directors includes remuneration paid to one director (excluding directors who are Audit & Supervisory Committee Members) who retired at the conclusion of the 2019 General Meeting of Shareholders held on March 26, 2020, and one director (one of which is an outside director) who is an Audit & Supervisory Committee Member.

Note 2: Basic compensation includes retirement payments, 2018 special incentives, amount for fringe benefits (housing allowance, etc.), etc.

Note 3: Long-term incentives include PSU, RSU, and special RSU.

Note 4: "Other" refers to leadership awards. As a leadership award to reward achievements in promoting business transformation in an uncertain market environment and to ensure retention, in 2020 the Company made the decision to pay a total of 138 million yen in cash, commensurate with the scale of contribution, in March 2021. The Audit & Supervisory Committee has deliberated the decision on payment and has deemed it appropriate.

Risk Management System

Effective management of risk

The CCBJH Group has implemented an Enterprise Risk Management (ERM) program, which is being embedded into the corporate culture. ERM is a business enabler that drives business growth by identifying and leveraging business opportunities as well as identifying and managing foreseeable risks.

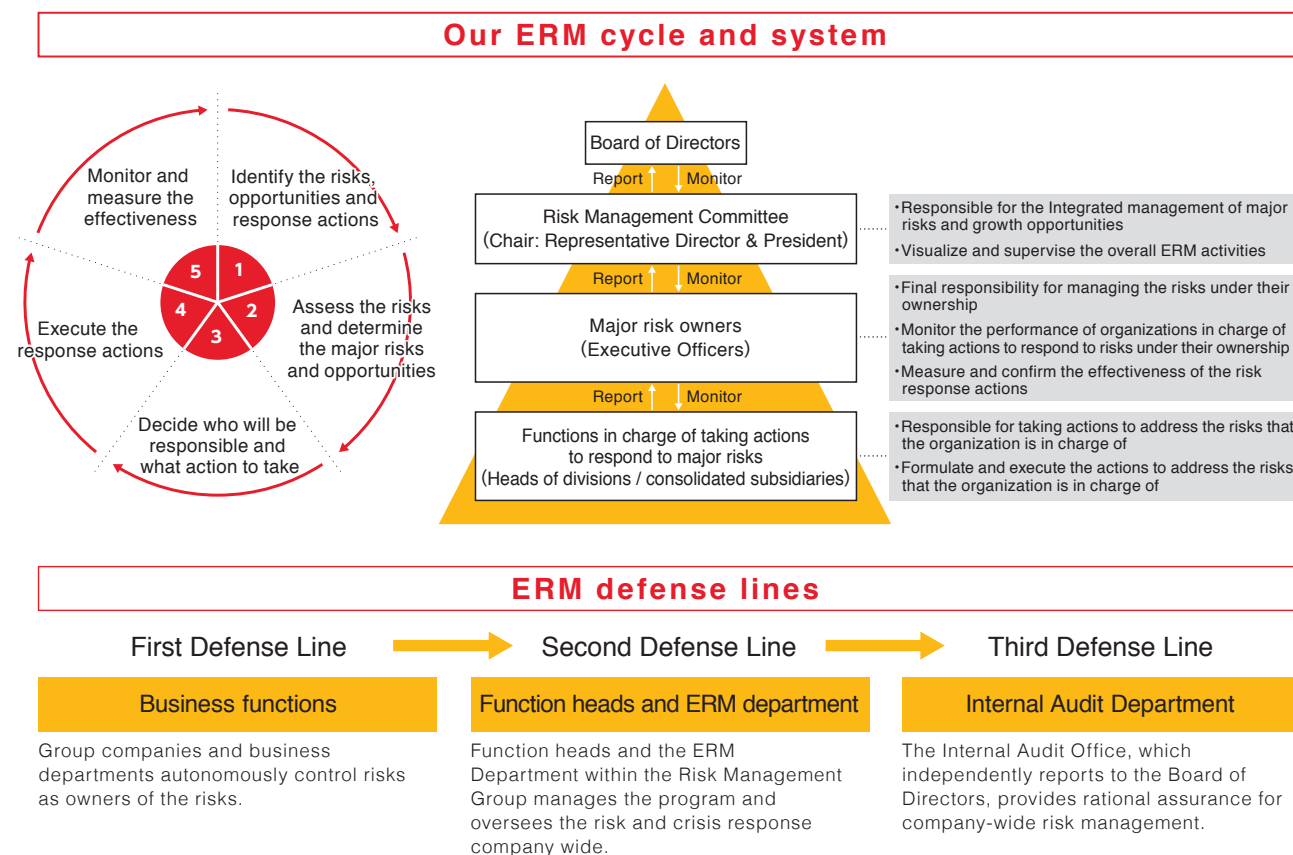
Our system of ERM and internal control actively monitors operational, strategic, financial, legal and regulatory risks with the ERM program specifically designed to manage risks and opportunities at all levels within the business. The focus is on leveraging opportunities to support our growth, and for identified risks, to implement counter measures to ensure that we achieve our organizational goals and business plans. Cultural integration of the ERM concepts is key, and through training and awareness across the business we are actively fostering our overall culture of risk management.

Risk management in a challenging environment

In 2020, against the backdrop of COVID-19 our ERM program was given greater emphasis. The Group increased the involvement of management across the business by conducting risk interviews with the members of the leadership team, appointing senior leaders to be responsible for risks, and conducting risk identification surveys with all the corporate functions. Functions are addressing identified major risks under the direction of the executive leadership who are responsible for monitoring the progress of the actions and initiatives taken. The effectiveness of the initiatives is monitored regularly to ensure that they are fit for purpose. The risks and mitigations are reported quarterly to the Audit & Supervisory Committee and the Board. The program is subject to independent review by Internal Audit against global best practices ensuring that the program actively grows.

During 2020, in response to the potential impacts on our business of COVID-19 we implemented our crisis response routines setting clear priorities on the protection of our people, safeguarding our product supply, responding to changes in customer and consumer demand and supporting our local communities.

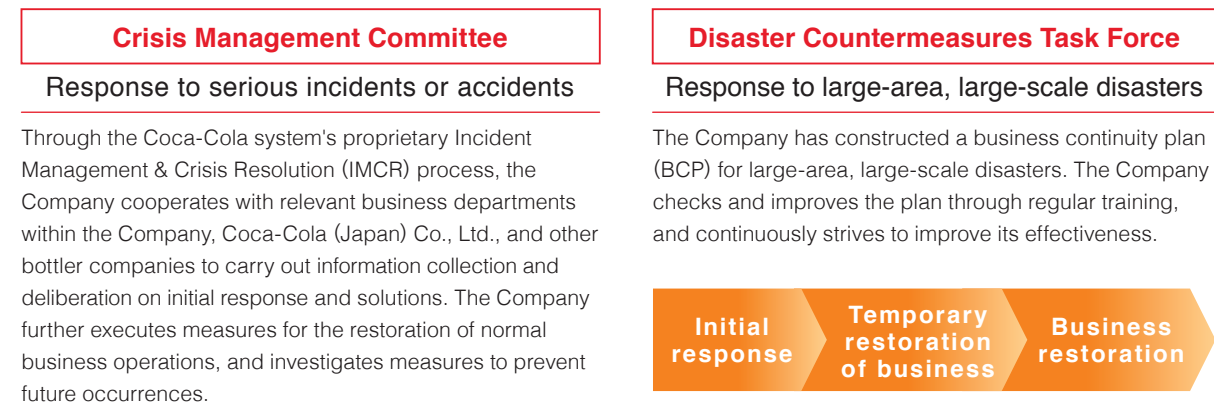
In 2021, the Company appointed a Head of Risk Management (Chief Risk Officer), who as a member of the leadership team reporting to the President, is tasked with leading the risk and resilience transformation and strengthening the integration of the overall program.



ERM program

Our risk management system incorporates a variety of processes including regular risk discussions by the Executive Leadership Team; process integration into our annual and strategic business planning cycles; continual monitoring of our internal and external environment for issues that may alter our risk profile and create opportunities; and education and training to increase ERM awareness across our business functions. The risks management policies, procedures, risk prevention activities are overseen by our Risk Management Committee which also aligns annually on our strategic reportable risks.

Integrated into the program is our Crisis Management Committee that leads the decision-making and response to a serious event or accident that requires crisis management focus. A Disaster Countermeasures Task Force performs deliberation and decision-making on business continuity plan (BCP) activation in the event of a large-area, large-scale disaster that has a significant impact on our business activities.



Major risks

The major risks that may have a material impact on the CCBJH Group's financial condition, business performance and cash flow are summarized below. For details of the key risk themes and the material risks that we are actively managing, please refer to our securities report, which includes specific details such as risk description, potential impact and our key mitigation strategies. The list does not include all risks that can ultimately affect our business as there are risks that are not yet known and risks currently evaluated to be immaterial that could ultimately have an impact on our business or financial performance. We are establishing early warning indicators to provide insights into emerging risk which will enable us to implement countermeasures accordingly.

HIGH RISKS		
Natural Disasters	Changing Consumer Mindset	Sustainability (Plastics)
Evolving Commercial and Competitive Landscape	People Talent (Attraction and Retention)	Financial Conditions
Cyber Security and System Availability	Climate Change	Strategic Stakeholder Relationships (The Coca-Cola Company)
MEDIUM RISKS		
Business Transformation	Quality and food safety	Regulatory Compliance and Ethics
Macroeconomic (Pandemic)	Manufacturing, Logistics & Infrastructure	Commodity Pricing

Note: Priority Level, Defined according to the level of impact and likelihood of occurrence



See the Securities Report for details.

<https://en.ccbj-holdings.com/ir/library/securities.php>





Commentary and Analysis of Operating Results in 2020

Analysis of Operating Results

In the fiscal year from January 1, 2020 to December 31, 2020, the non-alcoholic ready-to-drink (NARTD) market in Japan is seen as having declined versus the prior year for reasons including the novel coronavirus (COVID-19) pandemic and subsequent decline in demand as consumer traffic fell, as well as unseasonable weather in July.

Under the guiding concept of “business as usual is not an option” in our mid-term strategic business plan announced in August 2019, we focused on our core beverage business and implemented initiatives to fundamentally transform our business, including transformation in the important vending channel and back-office routines to drive cost efficiencies, increases in production and supply capacity, and promotion of new and more flexible working styles. In the short term, we focused on urgent cost mitigation initiatives to deal with the rapidly evolving situation triggered by the COVID-19 outbreak, as we continue to address our cost structure and the high fixed-cost base of the beverage business. We are also finding opportunities during this turbulent period to accelerate the pace of ongoing transformation projects and to identify incremental growth and efficiency improvement opportunities. This will ensure that we are well-prepared for the evolution of the business environment in the longer term.

The Company has also been evaluating future opportunities for growth and operating synergies in the Healthcare and Skincare business. We determined that the best way to support the next era of growth for this business is to sell Q'sai to Q-Partners Co., Ltd., a company for the purpose of the purchase formed by euglena Co., Ltd., Tokyo Century Corporation, and an investment fund to which Advantage Partners Inc. provides services. The Company entered into a share transfer agreement with Q-Partners Co., Ltd. as of December 15, 2020 and sold all of the shares of the Company's consolidated subsidiary, Q'sai Co., Ltd., as of February 1, 2021 for a profit of about 12.8 billion yen and cash inflow of about 45 billion yen. As a result of executing the share-transfer agreement, Q'sai is classified as a discontinued operation for the fiscal year ending December 31, 2020. Accordingly, the relevant section of prior-year consolidated financial statements and notes have been reclassified.

Our full-year results were impacted by weak beverage business sales volumes due to the COVID-19 situation while we addressed urgent mitigation efforts by driving fundamental business transformation and other cost-savings initiatives to partially offset the current-year revenue decline. In spite of an approximately 100 billion yen decline in consolidated revenue for the year, we were able to deliver slightly positive Business Income through significant fixed-cost savings, making costs more variable through process improvements, investments in IT systems, and organizational restructuring.

	2019	2020	YoY
Revenue	890,009	791,956	(11.0%)
Business Income	11,447	169	(98.5%)
Net Income Attributable to Owners of the Parent	(57,952)	(4,715)	—

(Unit : millions of yen)

Note 1: In the fiscal year ending 31 December 2020, the Healthcare and Skincare business has been classified as a discontinued operation as a result of the decision to sell all shares in Q'sai held by the Company. As a result, Revenue and Business Income for the previous financial year have been reclassified to the amounts for continuing operations excluding discontinued operations.

Note 2: Business Income is a metric for measuring the ordinary performance of a business. It is calculated by deducting the cost of sales sold and selling, general, and administrative expenses from net sales, and by adding and subtracting other income or other expenses that generate recurring profit or loss.

■ Highlights

- Business Income exceeded revised plans, driven by fundamental transformation and incremental cost savings.
- The vending channel value share continued to improve, with 21 consecutive months of positive momentum. In over-the-counter market share in the fourth quarter (October to December), our value share recovered as targeted sales promotion investments succeeded.
- We continued to drive fundamental business transformation guided by our mid-term strategic plan as we face the challenges of the COVID-19 pandemic, the decision to postpone the Tokyo 2020 Olympic and Paralympic Games to 2021, and other impacts on our business activities. We completed transformation of vending and OTC sales routes ahead of plan, reduced fixed costs, and increased business flexibility, achieving cost savings of over 35 billion yen.
- We completed recovery and expansion of supply capacity, with seven new manufacturing lines, including the new Hiroshima Plant, beginning operation as planned. We completed construction of the Saitama Mega DC that will help optimize the logistics network in the Tokyo metropolitan area, and started operations in February 2021.
- Sales of our Lemon-dou alcohol beverage remained robust. In the fourth quarter, we expanded the lineup with new products.
- We divested the Healthcare and Skincare business as of February 1, 2021, creating a cash inflow of about 45 billion yen. We will use the proceeds for investments to drive transformation and growth and for initiatives to improve shareholder value.
- We did not provide 2021 full-year earnings guidance, given renewed market uncertainty and reductions in consumer traffic after declaration of a second state of emergency in Japan, and lack of clarity on a timeline for vaccinations and expected market recovery.

Net revenue of continuing operations (Beverage Business) for full-year 2020 declined 98,053 million yen, or 11.0%, to 791,956 million yen, reflecting declining volume trends since March, driven by the ongoing impact of COVID-19 and unseasonably rainy and cool weather in the summer, especially in the month of July.

Business Income from continuing operations declined by 11,278 million yen, or 98.5%, to 169 million yen. This reflects a gross profit decline driven in large part by negative channel mix due to volume declines in the vending and convenience store channels, partially offset by significant efforts to drive cost reductions across labor, promotional activities, and back-office expenses.

Consolidated operating loss from continuing operations improved from the prior year to a loss of 11,722 million yen (58,904 million yen loss in the prior year), mainly by cycling a 61,859 million yen impairment loss on goodwill in the prior-year second quarter. As reference, other income (non-recurring) includes 2,520 million yen of government subsidies that partially offset temporary paid leave expenses in 2020 due to the COVID-19 pandemic. Other expenses (non-recurring) in 2020 results included 9,184 million yen of special retirement allowances and others due to the introduction of a voluntary employee retirement program. Other expenses (non-recurring) in 2020 include 3,923 million yen of temporary paid leave expenses, 4,546 million yen of transformation-related expenses, and special retirement allowances of 7,969 million yen.

Net loss attributable to owners of the parent for the full year, the total for continuing operations and discontinued operations, was 4,715 million yen (57,952 million yen loss in the prior year), led by improvement in operating loss.

Analysis of Financial Position

The Group's percentage of equity attributable to owners of the parent at the end of the consolidated fiscal year was 53.4%. We believe that the Company's financial structure remains sound.

Total equity at the end of the year was 939,603 million yen, a decrease of 12,840 million yen from the end of the previous year. This is attributable to factors including a decrease in right-of-use assets associated with cancellations of leased site facilities, etc., and a decrease in tangible fixed assets due to the restriction of investments in vending machines. etc. and the sale, etc. of under-utilized assets.

Total liabilities at the end of the year were 437,510 million yen, a decrease of 8,443 million yen from the end of the previous year. This was mainly due to a decline in liabilities involving retirement benefits due to favorable operation of pension assets and a decline in trade and other payables associated with a decline in sales volume, although bonds and loans payable increased due to 50,000 million yen in short-term borrowings in April 2020 for the purpose of access to cash and securing of sufficient liquidity amid the continuation of an uncertain environment.

Total equity at the end of the year was 502,093 million yen, a decrease of 4,398 million yen from the end of the previous year. This was primarily due to a decrease in other comprehensive income and a decrease in retained earnings due to payment of year-end dividends and decline in net earnings.

Analysis of Cash Flows

● **Cash Flows from Sales Operations**

Cash flow from sales operations resulted in 43,716 million yen (42,629 million yen in the previous year) due to a net loss before tax of 12,065 million yen from ongoing business, an increase in depreciation and amortization expenses, a decrease in inventories, return of corporate income tax, increase in other assets, decline in trade and other receivables, payment of corporate income tax, and other factors.

● **Cash Flows from Investment Activities**

Cash flow from investment activities resulted in expenditures of 52,076 million yen (compared with expenditures of 68,308 million yen in the previous year), due to factors including expenditures for the acquisition of tangible fixed assets associated with the execution of capital investments for the restoration of our supply structure and the stepwise expansion of our production capacity, as well as income from the sale of tangible fixed assets and intangible assets through the sale of under-utilized assets and cross-shareholdings, income from the sale of other monetary assets, etc.

● **Cash Flows from Financing Activities**

Cash flow from financing activities resulted in income of 20,912 million yen (compared with income of 73,994 million yen in the previous year), due to factors including expenses for redemption of bonds, payment of year-end dividends, repayment of lease liabilities, as well as an increase in short-term borrowings for the purpose of allocation to operating capital.

As a result of the above, cash and cash equivalents at the end of the year increased by 12,553 million yen from the previous year to 126,378 million yen.

Capital Expenditures

During the consolidated fiscal year, the Group made capital expenditures totaling 65,521 million yen, primarily in its mainstay segment, the Beverage Business.

The expenditures were mainly for bringing vending machines to market to strengthen sales capabilities, and for equipment to improve production efficiency and to adapt to new products.

Research and Development

No relevant matters apply.

Policies for Profit Distribution and Dividends

We periodically review our capital structure and dividend payout ratio to maximize shareholder returns while maintaining the flexibility to pursue expansion opportunities. We will utilize retained earnings for sustainable growth investments, and to pursue business growth and the further enhancement of corporate value.

The Company sets the active redistribution of profits as its basic policy regarding dividends, placing the highest priority on the stable payment of dividends. The Company has set a payout ratio target of 30% or more for net profit attributable to owners of the parent, and pays dividends to allocate surpluses two times per year (interim and year-end dividends), comprehensively taking business performance and retained earnings into account.

As dividends for the year ended December 2020, the Company paid no interim dividend and a year-end dividend of 25 yen per share, for an annual dividend of 25 yen per share.

Key Financial and Non-Financial Data

JGAAP		2011	2012	2013	2014	2015	2016	2017
Operating Results (Fiscal Year):								
Revenue	(Millions of yen)	399,717	386,637	431,711	424,406	440,476	460,455	872,623
Gross Profit	(Millions of yen)	195,244	190,795	215,287	212,881	223,951	238,611	450,249
Gross Profit Margin	(%)	48.8	49.3	49.9	50.2	50.8	51.8	51.6
Operating Income	(Millions of yen)	16,469	13,463	15,927	11,008	14,262	21,143	40,579
Operating Income Margin	(%)	4.1	3.5	3.7	2.6	3.2	4.6	4.7
EBITDA	(Millions of yen)	—	—	—	—	—	—	—
Net Income Attributable to Owners of the Parent	(Millions of yen)	6,997	6,031	13,625	4,482	9,970	5,245	25,244
Cash Flow Status (Fiscal Year):								
Cash Flow from Operating Activities	(Millions of yen)	39,960	26,324	40,082	28,628	40,422	34,388	72,450
Cash Flow from Investing Activities	(Millions of yen)	(34,050)	(14,243)	(16,493)	(9,590)	(24,994)	(19,921)	(41,090)
Free Cash Flow	(Millions of yen)	5,910	12,080	23,588	19,037	15,427	14,467	31,359
Cash Flow from Financing Activities	(Millions of yen)	(8,780)	(7,149)	(8,286)	(37,498)	22,416	(7,546)	(26,159)
Cash and Cash Equivalents at End of Fiscal Year	(Millions of yen)	34,564	39,495	60,275	41,830	79,828	86,727	118,741
Financial Position (End of Fiscal Year):								
Total Assets	(Millions of yen)	342,560	337,348	374,418	337,260	378,105	377,468	883,918
Interest-bearing Debt	(Millions of yen)	—	—	—	—	—	—	—
D/E Ratio	(Times)	—	—	—	—	—	—	—
Net Assets	(Millions of yen)	227,864	231,056	257,936	254,150	260,878	261,173	627,485
Per-share Information:								
Net Profit per Share (EPS)	(yen)	69.99	60.33	128.15	41.07	91.35	48.05	144.26
Net Assets per Share (BPS)	(yen)	2,275.55	2,307.44	2,359.82	2,325.19	2,386.81	2,389.28	3,070.01
Annual Dividend per Share	(yen)	41.00	41.00	41.00	41.00	41.00	46.00	44.00
Consolidated Dividend Payout Ratio	(%)	58.6	68.0	32.0	99.8	44.9	95.7	30.5
Stock Price at End of Year	(yen)	1,335	1,333	2,227	1,661	2,457	3,445	4,115
Other Financial Data:								
Return on Equity (ROE)	(%)	3.1	2.6	5.6	1.8	3.9	2.0	5.7
Return on Assets (ROA)	(%)	4.7	4.1	4.7	3.0	3.8	5.5	6.3
Equity Ratio	(%)	66.4	68.4	68.8	75.2	68.9	69.1	70.9
Price Earnings Ratio (PER)	(Times)	19.1	22.1	17.4	40.4	26.9	71.7	28.5
Price Book Value Ratio (PBR)	(Times)	0.6	0.6	0.9	0.7	1.0	1.4	1.3
Capital Expenditure	(Millions of yen)	21,201	20,031	20,242	22,783	16,181	25,728	42,539
Depreciation and Amortization	(Millions of yen)	21,371	20,643	23,758	22,943	24,048	17,491	37,352
Non-financial Data (End of Fiscal Year):								
Outstanding Shares at End of Year	(1000 shares)	111,126	111,126	111,126	111,126	111,126	111,126	206,269
Treasury Stock at End of Year	(1000 shares)	11,153	11,155	1,982	1,984	1,987	1,989	2,016
Number of Employees at End of Year		8,105	7,877	9,650	8,324	8,837	8,616	17,197
Average number of temporary employees not included in the above		2,073	1,890	2,059	1,949	2,613	2,499	4,403
Number of Directors		10	10	11	12	11	14	9
Number of Outside Directors		2	2	2	2	2	4	4

Note 1: The data through 2016 represents results for Coca-Cola West Co., Ltd. prior to the business integration. The data for 2017 represents results for Coca-Cola Bottlers Japan Holdings Inc. from the second quarter.

Note 2: Amounts are rounded down to the nearest unit under Japanese standards and rounded up or down to the nearest unit under IFRS. Percentages are rounded up or down to the nearest unit.

Note 3: In 2020, assets and liabilities of the Healthcare and Skincare business have been classified as the assets held for sale and liabilities directly related to assets held for sales, and the Healthcare and Skincare business has been classified as a discontinued operation, as a result of the decision to sell all shares in Q'sai held by the Company. Therefore, these are excluded from the above major financial data for 2020.

Note 4: Figures for "Percentage of women in managers positions" and "Women in manager and leader positions" refer to the beverage business.

Note 5: "Water usage" is the total amount of water used in the manufacture of products (excluding water in products) in the beverage business.

Note 6: "CO₂ emissions" are the actual emission amount (Scope 1 to 3) of the beverage business. Due to the coefficient change, 2019 actual number has been revised retroactively.

IFRS		2017	2018	2019	2020
Operating Results (Fiscal Year):					
Revenue	(Millions of yen)	837,069	927,307	914,783	791,956
Gross Profit	(Millions of yen)	412,782	452,151	441,060	362,916
Gross Profit Margin	(%)	49.3	48.8	48.2	45.8
Business Income	(Millions of yen)	40,177	23,276	15,042	169
Business Income Margin	(%)	4.8	2.5	1.6	0.0
EBITDA	(Millions of yen)	81,560	70,807	71,993	59,083
Net Income Attributable to Owners of the Parent	(Millions of yen)	21,967	10,117	(57,952)	(4,715)
Cash Flow Status (Fiscal Year):					
Cash Flow from Operating Activities	(Millions of yen)	73,014	51,244	42,629	43,716
Cash Flow from Investing Activities	(Millions of yen)	(14,299)	(48,628)	(68,308)	(52,076)
Free Cash Flow	(Millions of yen)	58,715	2,616	(25,679)	(8,360)
Cash Flow from Financing Activities	(Millions of yen)	(26,717)	(55,835)	73,994	20,912
Cash and Cash Equivalents at End of Fiscal Year	(Millions of yen)	118,742	65,510	113,825	126,378
Financial Position (End of Fiscal Year):					
Total Assets	(Millions of yen)	929,304	877,472	952,444	939,603
Interest-bearing Debt	(Millions of yen)	81,385	102,814	246,521	271,233
D/E Ratio	(Times)	0.1	0.2	0.5	0.5
Total Equity	(Millions of yen)	655,038	580,906	506,491	502,093
Per-share Information:					
Basic Earnings per Share (EPS)	(yen)	125.53	52.68	(322.22)	(26.29)
Equity Attributable to Owners of the Parent per Share (BPS)	(yen)	3,204.90	3,163.63	2,821.27	2,797.03
Annual Dividend per Share	(yen)	44.00	50.00	50.00	25.00
Consolidated Dividend Payout Ratio	(%)	35.1	94.9	—	—
Stock Price at End of Year	(yen)	4,115	3,285	2,791	1,609
Other Financial Data:					
Equity Income Margin Attributable to Owners of the Parent (ROE)	(%)	4.6	1.6	(10.7)	(0.9)
Total Assets / Pre-tax Profit Ratio (ROA)	(%)	5.6	1.6	(6.1)	(1.3)
Percentage of Equity Attributable to Owners of the Parent	(%)	70.4	66.2	53.1	53.4
Price Earnings Ratio (PER)	(Times)	32.8	62.4	(8.7)	(61.2)
Price Book Value Ratio (PBR)	(Times)	1.3	1.0	1.0	0.6
Capital Expenditure	(Millions of yen)	42,539	53,136	103,882	65,521
Depreciation and Amortization Expenses	(Millions of yen)	41,383	47,531	56,951	59,583
Non-financial Data (End of Fiscal Year):					
Outstanding Shares at End of Year	(1000 shares)	206,269	206,269	206,269	206,269
Treasury Stock at End of Year	(1000 shares)	2,016	22,793	26,917	26,920
Number of Employees at End of Year		17,197	17,100	16,959	16,274
Average number of temporary employees not included in the above		4,403	3,957	3,578	4,008
Number of Directors		9	9	9	9
Number of Outside Directors		4	4	6	7
Women in Manager Positions	(%)	—	3.9	4.2	5.8
Women in Manager and Leader Positions	(%)	—	6.8	7.3	9.3
Water Usage	(1000 m ³)	—	13,998	13,316	12,560
Water Source Replenishment	(%)	—	277	322	364
CO ₂ Emissions	(1000 tons - CO ₂)	—	—	2,347	2,076

Company Profile / Stock Information (As of December 31, 2020)

[Company Profile]

Company name	Coca-Cola Bottlers Japan Holdings Inc.	Securities Code	2579
Headquarters	Tokyo Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, Japan	Authorized Shares	500,000 thousand shares
Establishment	December 20, 1960	Outstanding Shares*2	206,269 thousand shares (Common share)
Paid-in capital	JPY 15,232 million	Number of Shareholders	62,701 (54,893 with one unit or more)
Number of employees*1 (consolidated)	16,274 (including 15,772 in the beverage business)	Number of Shares per Trading Unit	100 shares

*1 Share of Q'SAI CO., LTD. in the Healthcare and Skincare business was sold on February 1, 2021.

*2 Issued shares of the Company are common shares only. The Company has not issued preferred shares or any other types of shares which entail rights different from those of common shares.

[Major Shareholders]

Shareholder	Number of Shares Held (Thousands)	Shareholding Ratio (%)
Coca-Cola (Japan) Co., Ltd.	27,956	15.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,450	5.83
Custody Bank of Japan, Ltd. (Trust Account)	5,571	3.11
Ichimura Foundation for New Technology	5,295	2.95
Satsuma Shuzo Co., Ltd.	4,699	2.62
STATE STREET BANK AND TRUST COMPANY 505225	4,241	2.36
Senshusha Co., Ltd.	4,088	2.28
Coca-Cola Holdings West Japan, Inc.	4,075	2.27
Mitsubishi Heavy Industries Machinery Systems, Ltd.	3,912	2.18
MCA Holdings Co., Ltd.	3,408	1.90

Note 1: 26,920 thousand shares of treasury stock are not shown in the table above and are excluded from the calculation of shareholding ratios.

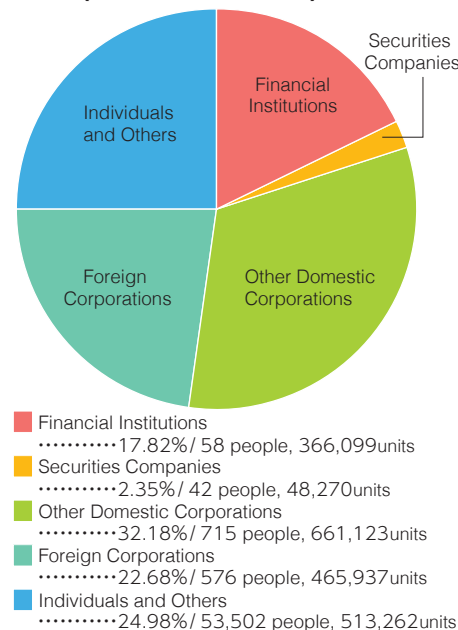
Note2: The Coca-Cola Company holds 18.80% through Coca-Cola (Japan) Co., Ltd., Coca-Cola Holdings West Japan, Inc., and other subsidiaries.

[Bond Information]

	Total amount issued (Million yen)	Coupon rate (%)	Maturity date
CCW 3rd Series of Unsecured Straight Bond	30,000	0.524	June 17, 2022
CCBJH 1st Series of Unsecured Straight Bond	40,000	0.100	September 19, 2024
CCBJH 2nd Series of Unsecured Straight Bond	60,000	0.200	September 18, 2026
CCBJH 3rd Series of Unsecured Straight Bond	50,000	0.270	September 19, 2029

*CCW : Coca-Cola West Co., Ltd. *CCBJH : Coca-Cola Bottlers Japan Holdings Inc.

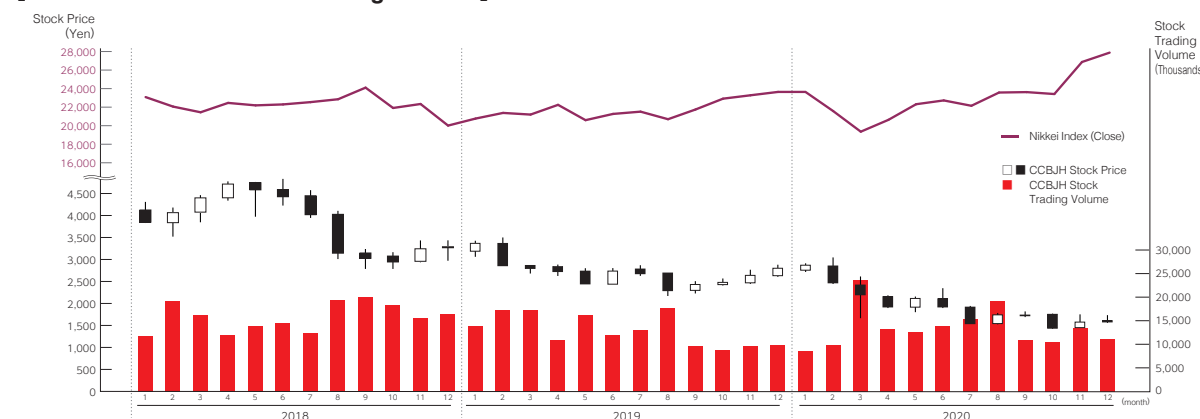
[Composition of Shareholders] (1 unit: 100 shares)



[Rating Information]

	2018	2019	2020
Japan Credit Rating Agency, Ltd. (JCR) long-term issuer rating	AA-	AA-	AA-
Rating and Investment Information, Inc. (R&I) issuer rating	A+	A+	A+

[Stock Price and Stock Trading Volume]



IR Tools

● Communication Tools

Through the timely and appropriate disclosure of information, we seek to be a company that is correctly understood and trusted by all of our stakeholders. We report IR information primarily using various IR tools, and report ESG information (information concerning the environment, society, and governance), the target of much attention in recent years, and other non-financial information in our CSV Report. We also report wide-ranging corporate information on our website.

Annual Review



<https://en.ccbj-holdings.com/ir/library/annualreview.php>

CSV Report



<https://en.ccbji.co.jp/csv/doc.php>

To Our Shareholders
(Annual newsletter to individual shareholders, Japanese version only)



<https://www.ccbj-holdings.com/ir/library/business.php>
(Japanese only)

● Website for shareholders and investors

Our website provides IR event schedules, financial information, and other extensive IR information for shareholders and investors. We also provide timely earnings announcements, news releases, and other notifications to registered users. We conduct earnings presentations in both Japanese and English, and archive these for access at any time.

[<https://en.ccbj-holdings.com/ir/>]



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(Japanese only)



LinkedIn



Evaluations from Outside the Company



L-boshi



Kurumin



Health & Productivity
Management
Organization 2021 (White 500)



SSON Impact Awards Asia



2020 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

MSCI Japan Empowering
Women Index (WIN)



The Women's Participation
Promotion Awards

Also received the Director's Award for Excellence in Disability Hiring from the Bureau of Industrial and Labor Affairs