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Summary of Consolidated Financial Statements (Japanese Standards) for the Fiscal Year Ending December 31st, 2016

February 9, 2017

Listed Company Name:	Coca-Cola East Japan Co., Ltd.		Listed Stock Exchange:	Tokyo Stock Exchange	
Security Code:	2580		URL:	http://www.ccej.co.jp	
Representative:	Title	Representative Director, President	Name:	Calin Dragan	
Contact:	Title	Senior Executive Officer Finance Function	Name:	Johan Rolf	TEL: 03 (5575) 3859
Scheduled date of annual shareholders' meeting:		March 23, 2017	Schedule date of start of dividend payment:		March 24, 2017
Scheduled date of submission of annual security report:		March 24, 2017			
Preparation of supplementary documents for earnings results:			Yes		
Earnings results presentation/conference:			Yes		

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(1) Consolidated Operating Results (YTD) (Percentages show year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owner of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY 2016	572,496	1.7	18,489	71.3	17,921	72.1	10,718	100.2
FY 2015	563,162	7.6	10,791	15.3	10,411	8.4	5,354	55.9

(Note) Comprehensive income: FY2016: 6,464 Million Yen (-1.5%) FY2015: 6,560 Million Yen (39.1 %)

	Net Income per Share	Diluted Net Income per Share	ROE	ROA	Operating Income Margin
	Yen	Yen	%	%	%
FY 2016	84.51	84.30	4.6	4.8	3.2
FY 2015	42.70	42.64	2.4	2.9	1.9

(Reference) Equity income: FY2016: 154 Million Yen FY2015: 134 Million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset per Share
	Million Yen	Million Yen	%	Yen
FY2016	369,348	233,635	63.1	1,836.64
FY2015	371,771	230,945	62.0	1,817.67

(Reference) Shareholders' equity: FY2016: 232,961 Million Yen FY2015: 230,525 Million Yen

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at year-end
	Million Yen	Million Yen	Million Yen	Million Yen
FY2016	32,707	-32,959	-4,969	16,352
FY2015	39,576	-33,207	-10,276	21,573

2. Dividends

	Dividend per Share					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (consolidated)
	Q1	Q2	Q3	Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY2015	–	16.00	–	16.00	32.00	4,058	74.9	1.8
FY2016	–	16.00	–	16.00	32.00	4,058	37.9	1.8
FY2017 (forecast)	–	–	–	–	–		–	

(Notes) FY2017 dividend forecast is omitted, as proposed business integration between the company and Coca-Cola West Co., Ltd. through a combination of a share exchange and incorporation-type company split with April 1, 2017 as the expected effective date.

3. The Consolidated Earnings Forecasts for the Fiscal Year Commencing January 1st and Ending December 31st ,2017

(Percentages show year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owner of Parent		EPS
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full-Year	-	-	-	-	-	-	-	-	-

(Notes) The proposed business integration between the company and Coca-Cola West Co., Ltd. through a combination of a share exchange and incorporation-type company split with April 1, 2017 as the expected effective date. Reference forecast for FY2017 based on current consolidated scope of the company is available on page 2 “Qualitative Information on the Full-Year Results ”

Notes:

(1) Changes in important subsidiaries during the reporting period (Changes in specified subsidiaries accompanied by changes in the consolidation scope) None

Notes of Changing in important subsidiaries during the reporting period

(2) Changes in accounting policies, changes in accounting estimates, or restatement

(i) Changes in accounting policies due to revisions of accounting standards, etc. Yes

(ii) Changes in accounting policies other than (i) None

(iii) Changes in accounting estimates Yes

(iv) Restatement None

(3) Number of Issued Shares (Common Shares)

(i) Number of issued shares at the end of each fiscal year (including treasury stocks)	FY 2016	127,680,144 shares	FY 2015	127,680,144 shares
(ii) Number of treasury stocks at the end of each fiscal year	FY 2016	839,207 shares	FY 2015	855,654 shares
(iii) Average number of the shares during each fiscal year	FY 2016	126,837,892 shares	FY 2015	125,399,031 shares

(Note) With regard to the number of shares used as the basis for calculation of net income per share (consolidated), please refer to "Per Share Information" on page 31.

*Statement regarding the status of the audit procedures

At the time of disclosure of this financial summary, the audit procedures on financial statements, pursuant to the Financial Instruments and Exchange Act, are in progress.

*Explanation regarding the appropriate use of earnings forecasts and other special notes

Although the statements in this summary are prepared based on various information available to the Company and certain assumptions considered reasonable by the Company, actual results may differ significantly due to various factors. For details of assumptions for earnings forecasts and notes on the use of earnings forecasts, please see “Qualitative Information on the Full-Year Results,” page 2 of the attached material of the summary.

Contents of the Attached Materials

1. Analysis of Operating Results and Financial Position

(1) Qualitative Information on the Full-Year Results

(i) Qualitative Information on the Consolidated Operating Results

The consolidated financial results of Coca-Cola East Japan Co., Ltd. (“CCEJ” or the “Company”) for the fiscal year ending on December 31, 2016, are as follows.

In addition to this qualitative information section, please also see the earnings presentation material posted on our Company IR website (http://investor.ccej.co.jp), which will be used for the earnings presentation and webcast on Friday, February 10, 2017 at 1:30 p.m. (JST).

Full-Year Results Highlight

- Operating income grew more than 70% year-on-year and net income doubled. Full-year results came in ahead of the upward earnings revision announced on September 9, 2016, driven by continuous synergy capture from supply chain efficiencies and volume growth.
- Full-year volume grew by 4% year-on-year, driven by continued good performance of newly-launched products as well as the benefit of the integration of Sendai on April 1, 2015. Market share performance in terms of both value and volume was even for the full year.
- Steady progress on business integration planning with Coca-Cola West Co., Ltd. (CCW). On schedule to form the third largest global Coca-Cola bottler in terms of revenue, “Coca-Cola Bottlers Japan Inc.” expected to be established effective April 1, 2017.

Operating Review

Total nonalcoholic ready-to-drink (NARTD) beverage industry volumes were generally positive in this fiscal year. Total BAPC (Bottler Actual Physical Cases) sales volume of CCEJ grew 4% year-on-year, led by continued good performance of newly launched products as well as the integration of Sendai. Full-year volume excluding the integration impact (assuming previous year term volume includes Sendai) was positive 2%.

Full-year volume performance by channel is as follows: Drug & Discounter channel +15%, convenience store channel +5%, supermarket channel +4%, eating & drinking channel +3% and vending channel negative -1%.

Sparkling beverage volume grew +3% in 2017, led by growth of brand Coca-Cola, Coca-Cola Zero and Fanta, etc. Non-sugar tea volume grew +4%. Water grew +11%, led by continued good performance of our portfolio of water brands, including new product launches of the more premium, smaller package size I LOHAS water and growth of 2L Mori-no-Mizu Dayori brand. Coffee volume continued to grow, up 6%, mainly driven by customer-exclusive branded products and Georgia The Premium series, which was launched in second half of 2015. Juice volume grew +2%. Sports drinks volume was negative 5%, reflecting overall category performance weakness.

Full-year channel and category performance were also driven by the Sendai integration.

Fourth quarter (October to December, Q4), total BAPC sales volume was negative 2% year-on-year, cycling timing of product launches and other marketing activities in the prior year period.

Volume performance by channel in the fourth quarter was as follows: Supermarket channel was even year-on-year, reflecting continued improvement of selling price to customers through improved volume mix of smaller-size packages. Convenience Store volume declined 5%, as growth of non-sugar tea and sparkling beverages was offset by weakness of coffee and waters due to cycling. Vending channel volume declined 6% as growth in sparkling and water was also offset by a decrease of coffee mainly due to cycling of new products prior year. However vending channel profitability has improved supported by the rollout of vending-exclusive products and an increased focus on cost controls. Eating & drinking channel volume was even. Finally, the drug & discounter channel grew 3%, led by sparkling beverages, non-sugar tea and sports drinks.

In terms of fourth quarter beverage category volume performance, sparkling beverage volume grew 2% led by growth in vending and drug & discounter channels. Non-sugar tea volume was negative 1% with growth of the renewed Sokenbicha brand offset by weakness in the supermarket and vending channels. Water and coffee volume were negative 10% and 5%, respectively due to cycling of new product launches in the prior year. Sports drinks volume grew 2%, led by growth in the supermarket and drug & discounter channels. Juice volume declined 5%.

Financial Review

Reported Results

Full-Year 2016 (January to December)

In Million JPY	2015	**2016**	% Change
Net Sales	563,162	**572,496**	+1.7
Operating Income	10,791	**18,489**	+71.3
Net Income Attributable to Owner of Parent	5,354	**10,718**	+100.2

Comparable* Results

Full-Year 2016 (January to December)

In Million JPY, except volume	2015	**2016**	% Change
Volume** (BAPC, in thousand)	305,945	**317,991**	+3.9
Net Sales	563,162	**572,496**	+1.7
Operating Income	11,902	**20,168**	+69.5

Q4 2016 (October to December)

In Million JPY, except volume	2015	**2016**	% Change
Volume** (BAPC, in thousand)	75,358	**74,040**	-1.7
Net Sales	137,632	**133,851**	-2.7
Operating Income	3,182	**1,373**	-56.9

* Comparable: Presentation of results after excluding exceptional items such as charges, gains, etc. which are viewed by management as non-recurring items impacting only the current period or the comparable period, but not both. These comparability adjustments should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with JGAAP.

** Previous year volume shown above may be slightly different from what we shared in the previous year, as part of the implementation and standardization for the new ERP system, CokeOne+.

Full-year reported revenue was JPY 572,496 million (positive 2% compared to the prior year period), mainly attributable to volume growth as well as the integration of Sendai as of April 1, 2015. Fourth quarter revenue declined 3% due to a decrease in sales volume and lower sales of finished products to other Coca-Cola bottlers in Japan.

Full-year reported operating income grew significantly to JPY18,489 million (positive 71% compared to the prior year period), driven by gross profit increase reflecting continuous synergy capture from supply chain efficiency, volume growth, etc. Additionally, growth of advertisement & sales promotion expenses, sales commissions, etc. due to volume growth partially offset by lower labor expenses, etc. resulted in a moderate increase of sales, general & administrative expenses. Fourth quarter comparable operating income was negative 57% mainly due to higher advertisement & sales promotion expenses as well as increased compensation and benefits due to the strong business results in 2016.

We reported full-year net income of JPY10,718 million (positive 100% compared to the prior year period), due to the increase in operating income, decrease of extraordinary loss, etc.

(ii) Forecast for The Next Fiscal Year (January 1, 2017 to December 31, 2017, Reported)

	Revenue (M JPY)	Operating Income (M JPY)	Ordinary Income (M JPY)	Net Income Attributable to Owner of Parent (M JPY)	EPS (Yen)
FY2017 Forecast	580,400	20,000	19,800	12,300	97.02
FY2016 Results	572,496	18,489	17,921	10,718	84.51
Variance (%)	+1.3	+8.1	+10.3	+14.8	+14.8

The proposed business integration between the company and CCW scheduled on April 1, 2017 as the expected effective date. The forecast for FY2017 is based on current consolidated scope of the company.

In 2017, we will continue to focus on profitable growth and optimizing investment and returns. Together with our partners at Coca-Cola Japan (CCJC), we plan extensive deployment of high value-added and premium products including functional benefits, innovation in ingredients and packaging and strong execution of marketing and sales promotion activities.

For the Coca-Cola brand, we will introduce a new FOSHU product, Coca-Cola Plus in March 2017 as an expansion to the growing FOSHU (Food for Specified Health Usage) category. We will also continue the successful, Taste the Feeling global campaign, along with an introduction of new package graphics in trademark Coca-Cola, aiming to energize and drive the growth of trademark Coca-Cola and the sparkling beverage category. In non-sugar tea, we have launched Karadameguricha Advance, a new functional claim tea brand. By strengthening sales of high value, immediate consumption offerings, we aim to drive improvements in overall pricing and mix environment and support improved profitability.

We plan to sell 323 million cases in 2017, representing positive volume growth of 2% versus prior year.

(2) Qualitative Information on the Consolidated Financial Positions

(i) The Financial Positions at the end of This Fiscal Year

The financial positions at the end of this fiscal year are as follows:

Assets at the end of this fiscal year were JPY 369,348 million, a decrease of JPY 2,422 million from the end of the previous fiscal year. This is mainly attributable due to an increase of fixed assets by acquiring the land and building of our Tama manufacturing plant, etc., offset by a decrease of cash and deposits through optimizing liquidity and a decrease of merchandise and finished goods through activities for decreasing inventory levels.

Liabilities at the end of this fiscal year were JPY 135,713 million, a decrease of JPY 5,112 million from the end of previous fiscal year. This is mainly due to an increase of long-term loans payable due to acquiring the land and building of our Tama manufacturing plant etc., partially offset by decrease of account receivable-trade, lease obligations, short term loan, etc.

Net assets at the end of this fiscal year were JPY 233,635 million, an increase of JPY 2,689 million. This is due to increase of net income partially offset by a payment of dividends, etc.

(ii) The Cash Flow Positions

Cash and Cash Equivalents at the end of this fiscal year was JPY 16,352 million, a decrease of JPY 5,221 million compared with the end of last fiscal year. Cash flow by activities in this consolidated accounting period is as follows.

(Cash Flow from Operating Activities)

Cash generated from operating activities was JPY 32,707 million (a decrease of JPY 6,868compared with the end of last fiscal year). This results mainly from JPY 17,472 million for pre-tax income and depreciation expenses, decrease of account receivable-trade, inventory, etc. offset by decrease in account payable-trade, payment of corporate taxes, etc.

(Cash Flow from Investing Activities)

Cash used for investing activities was JPY 32,959 million (cash out increased JPY 248 million year-on-year). The outflow includes expenditure for new fixed assets such as land and building, machinery and equipment for plants, cold drink equipment, intangible fixed assets due to new development of ERP system, etc.

(Cash Flow from Financing Activities)

Cash used for financing activities was JPY 4,969 million (decreasing JPY 5,306 million year-on-year). The inflow is attributable to net increase of long-term loans. The outflow includes repayment of short-term loan, lease obligations, payment of the dividends, etc.

Transition of ratios for cash flow of CCEJ is as follows.

	2012	2013	2014	2015	2016
Capital-to-asset ratio (%)	77.5	68.7	62.3	62.0	63.1
Capital-to-asset ratio based on market price (%)	41.9	84.1	65.4	66.6	88.5
Cash flow / interest bearing liability ratio (%)	―	―	240.9	95.2	139.2
Interest coverage ratio (times)	687.5	134.6	32.4	89.3	257.8

(Note) CCEJ began operations as an integrated company starting in the third quarter of 2013. Above table reflects consolidated result of the legacy Coca-Cola Central Japan (CCCJ) until 2012, and for the first and second quarter results in 2013.

Equity Ratio: Shareholder's equity / Total Assets

Capital-to-asset ratio based on market price: Market cap / Total Asset

Cash flow / interest bearing liability ratio: Interest bearing liability / Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow / interest paid

(Note 1) All numbers are based on consolidated basis.

(Note 2) Market cap is calculated by "Closing share price at the end of the year × Number of shares issued (after deduction of treasury stock)".

(Note 3) Operating cash flow and interest paid come from operating cash flow and interest paid in consolidated cash flow statement which includes interest for lease liabilities.

(Note 4) Interest bearing liability consists of all the liabilities which are listed in consolidated balance sheet and require interest payment.

(3) Basic Policies for Profit Distribution and Dividends for FY2016 and FY2017

The Company regards the dividend policy as one of the key managerial issues and declares semi-annual dividends under the basic policies, to continue with business investments and to place top priority on healthy and stable payment of dividends in order to secure sustainable development and high profitable growth of the Company into the future.

With regard to the dividend of retained earnings, year-end dividend is determined by resolution in the Ordinary General Meeting of Shareholders, and interim dividend is determined by the Board of Directors Meeting, respectively. Our proposed year-end dividend for FY2016 is 16 yen per share and 32 yen per share for the annual dividend, combined with the interim dividend of 16 yen paid in September 2016.

The internal reserve will be secured for development of our future businesses and as costs of capital expenditure, etc.

The annual dividend of the following period is not yet determined since the business integration with CCW is scheduled to be effective as of April 1, 2017.

(4) Risks of Businesses, etc.

Of the matters related to the Group's operating results and financial position stated in the summary of financial statements, matters that could have a significant impact on investors' judgment are as follows.
Any forward-looking statements contained herein are based on the judgment of the Group at the end of the year under review.

i. Risks relating to agreements with The Coca-Cola Company and Coca-Cola (Japan) Company Limited.

The Group conducts businesses under the Bottler's Agreement executed by and between the Group, The Coca-Cola Company and Coca-Cola (Japan) Company Limited. Please refer to "(5) Other Significant Matters for Management, 3. Management Policies" for more details on the above agreements. In case of the occurrence of a significant change in these agreements or any events not expected thereunder, the Group's business operations and results could be affected.

ii. Risk relating to business integration with Coca-Coca West Co., Ltd.

In April 2017, the Group and Coca-Coca West Co. Ltd. plan to integrate their businesses and launch a new company named Coca-Cola Bottlers Japan Inc. The planned business integration is expected to increase the need of reinforcing the management of the risks specified below in "iii" through "xi". If the execution of various initiatives and projects in the Group is delayed, suspended, or unable to achieve the objectives and initially set targets due to the effect of the business integration, the Group's business results and financial position could be affected.

iii. Risks relating to the quality and safety of products

Recently, the food and beverage industries faced the occurrence of such problems as foreign matter contamination and illegal resale of food products that should have been disposed of as industry waste, which has increased consumers' attention to the quality and safety of food products. Consumers' growing health consciousness is turning their interest toward the safety of the caffeine, sugar, sweetener and/or food additives contained in the Group's products. We have been promoting the enhancement of our quality and safety management systems to offer safe and tasty products to consumers, and endeavoring to offer a diverse range of products and services to meet the changing needs of consumers. However, in the event of a problem with the quality and safety of our products, the failure to meet changing needs in a timely and appropriate manner or a problem with the products of competitors that could have an incidental adverse effect on the Group’s products, demand for the Group’s products could decrease and the Group’s business results could be affected.

iv. Risks relating to market competition

Although significant growth is not foreseen for the beverage market, competition over market shares among non-alcoholic ready to drink manufacturers has been intensifying. In addition, with changes in consumer purchasing trends and distribution channels, the conventional ways of selling are under growing pressure to change. To address these changes and survive the fierce market competition, the Group has been implementing various sales and marketing strategies. However, if these strategies are ineffective, that might decrease our sales and market share and increase selling costs, thereby causing an adverse effect on the Group’s business results.

v. Climate-related risks

Soft drink sales are susceptible to the climate (e.g., weather, temperature, etc.) due to the product characteristics. In particular, bad weather and low temperature during the peak season could influence the Group’s business results.

vi. Disaster-related risks

The Group has Group-wide risk management programs in place to ensure the health and safety of employees, protect its business facilities and restore its important businesses within a specified period of time in case of a natural or man-made disaster. However, a failure to fulfil the goals set forth under these programs could lead to a loss of the Group’s important human resources, a failure in the Group’s equipment, facilities and IT systems, and/or a suspension or delay in the recovery of business operations, thereby causing adverse effects on the Group’s business results and financial position.

vii. Risks relating to the streamlining and optimization of business processes

Because the Group was formed by integrating five bottling companies, various programs are in operation within the Group to concentrate, consolidate and standardize to a maximum extent the systems, processes, equipment and facilities that had been used by the respective bottling companies before the integration to enhance the efficiency and productivity of the Group’s business operations. Specific projects include the introduction of new production lines and IT systems, removal of unprofitable vending machines and dispensers and consolidation and optimization of distribution networks. If a delay or suspension occurs in these projects or their objectives or intended results cannot be achieved, the Group’s business results and financial position could be affected.

viii. Risks relating to fluctuations in the fair value of pension assets

The Group has a defined benefit pension plan. In cases when the operation of pension assets consisting of securities grows worse, retirement benefit expenses might increase, thereby affecting the Group’s business results.

ix. Risks relating to legal compliance

The Group conducts the manufacture and sales of soft drinks and ancillary businesses such as the maintenance and repair of sales equipment and the delivery of products. These businesses are subject to various laws and regulations, including the Food Sanitation Act, the Product Liability Act, the Road Traffic Act and the Anti-monopoly Act. In addition, we are required to respond flexibly to comply with laws and regulations that have the possibility of being newly introduced or revised in the future. If additional expenses are incurred to ensure legal compliance or in the event of violating the laws and regulations, the Group's reputation and business results could be affected.

x. Risks relating to water resources

The Group has "source water preservation programs" in action at all of its plants to secure water resources, a major ingredient of its products. Meanwhile, we are increasing the capacity to supply water products, including ilohas, to meet the growing demand of consumers. If these efforts fail to achieve the intended results, we could become unable to secure water resources or supply water products, thereby affecting the Group's business results and financial position.

xi. Risks relating to leakage or loss of information

In the process of conducting its business, the Group has come to hold private or confidential information as to customers, employees and business partners. In addition, the Group's business is conducted by using many IT systems. Therefore, we plan to carry out integrated information security measures led by the Information Security Committee and using the cloud computing service. In the event of leakage or loss of information, however, the Group's social credibility or business results could be affected.

2. Status of Corporate Group

The Group consists of the Company, two consolidated subsidiaries, one non-consolidated subsidiary, and three equity method affiliated companies at the end of FY2016. The key entities are as follows;

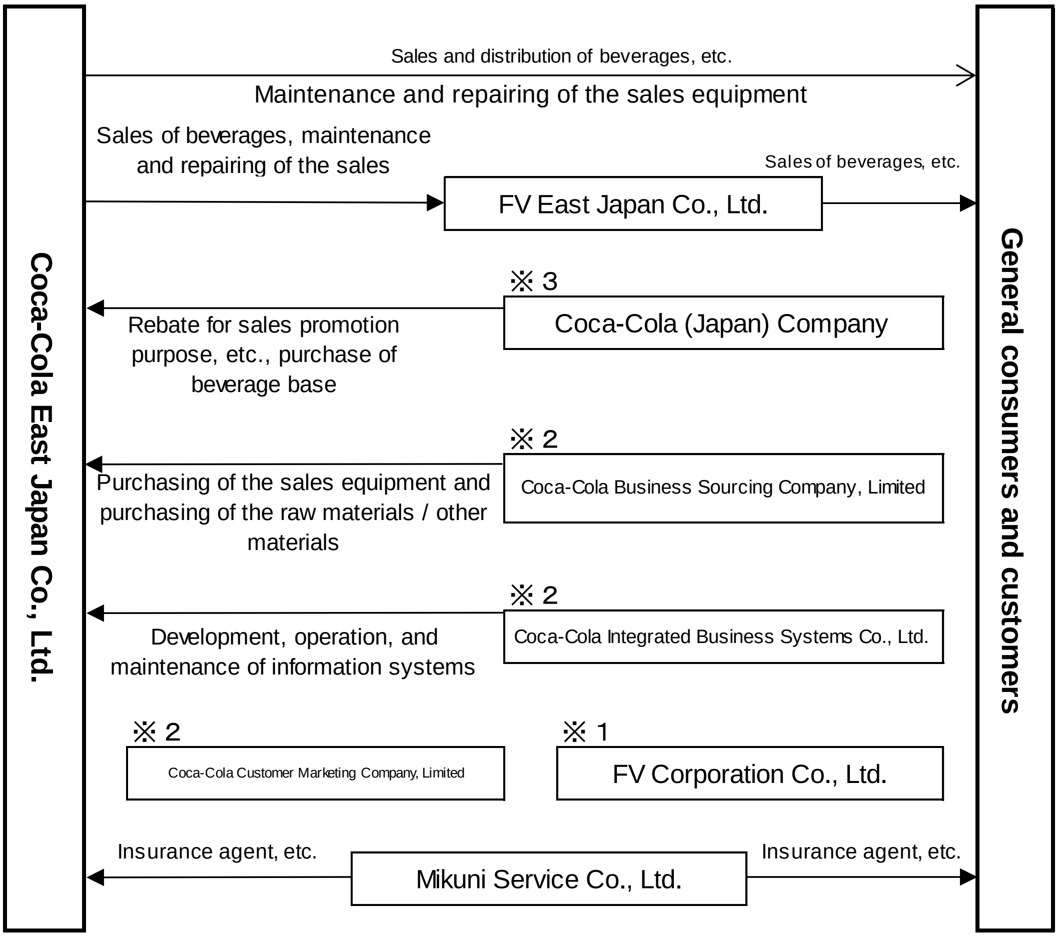
(1) Sales of non-alcoholic ready to drinks, etc.

Coca-Cola East Japan Co., Ltd. and FV East Japan Co., Ltd., are the operators of the business.

(2) Production, distribution of non-alcoholic ready to drinks and maintenance, repair service etc. of sales equipment

Coca-Cola East Japan Co., Ltd. is the operators of the business.

As of December 31, 2016, the diagram of the Group is as follows;



※１ : Non-consolidated subsidiaries

※２ : Equity method affiliated companies

※３ : Other companies that are the affiliated companies of The Coca-Cola Company

3. Management Policies

(1) Basic Management Policies

Based on our mission, “Create a new world of beverages,” the Group will achieve further development to contribute to all stakeholders through sustainable growth, being: “Number One in the Beverage Industry,” “The Only One for the Community,” and “The Best One as a Workplace,” while placing our first and top priority on delivery of safe products and services to our customers.

To achieve our mission, the company has established a mid- to long-term strategy, “One+ Roadmap for Growth” to become a world-class Japanese Coca-Cola bottler.

(2) Targeting management benchmark

As a management benchmark for FY2017, the Group is targeting to deliver 20 billion yen of operating income based on the current consolidated scope of the company. The proposed business integration between the company and Coca-Cola West Co., Ltd. through a combination of a share exchange and incorporation-type company split is expected to be effective on April 1, 2017. An announcement of the integrated company’s business plan for 2017 will be made later in the year.

(3) Medium-to-Long Term Management Strategies

The company has in place a mid-to-long term strategy, “One+ Roadmap for Growth” to become a world-class Japanese Coca-Cola bottler.

In line with the One+ Roadmap for Growth, we are actively and rapidly implementing action plans to achieve our growth target, which include realigning our Commercial organization and capabilities toward revenue growth, generating synergies by reducing costs and driving efficiency across our supply chain – manufacturing, logistics and distribution, incremental investment for infrastructure and people development.

In order to ensure further growth, business integration with Coca-Cola West Co., Ltd. is scheduled to take effect from April 1, 2017. Through this business integration, it is aimed that our corporate value be improved for all of our stakeholders by establishing an even stronger business management basis and by gathering the know-how that both companies have developed for their sales activities from the customers’ perspective and for the improvement in the productivity in the area of manufacturing and therefore implement the initiative for realizing a structure where we can correspond to the even fiercer competitive environment in a prompt manner.

(4) Issues Requiring Action

The non-alcoholic ready to drink beverage industry in Japan continues to face challenges amid the highly diversified needs of the consumers and customers and the fierce sales competition between the soft drink companies.

By the business integration scheduled on April 1, 2017, we will aim to ensure further growth by developing our community-based sales activities which both companies had established in each of their business areas, by reinforcing cost competitiveness in the supply chain, reformation in the business processes, optimization of the allocation of personnel, and reviewing the way the entire Coca-Cola System should exist within Japan, and will also aim to coexist and co-prosper with the local communities by ensuring community-based business activities and social contribution activities.

In addition, under our partnership with Coca-Cola (Japan) Company Limited, we will vigorously conduct sales promotion activities and introduction of new products, while pursuing further synergy through the business integration and accelerating growth to become a world-class Coca-Cola bottler based in Japan.

(5) Other Significant Matters for Management

The Company has entered into an Agreement with The Coca-Cola Company and Coca-Cola (Japan) Company Ltd. for manufacturing and sales of Coca-Cola and other products and use of the trademarks etc. in Tokyo and 15 prefectures in Kanto, Koshinetsu, Chubu and South Tohoku regions.

In addition, the Company has entered into the Capital and Business Alliance Agreement with The Coca-Cola Company, Coca-Cola (Japan) Company Ltd. and Coca-Cola West Co., Ltd. in order to further promote development and to enhance corporate value.

4. Basic Policy on the Selection of Accounting Standards

CCEJ group prepares consolidated financial statements in Japanese accounting standards considering the comparability of past years.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Consolidated Balance Sheet

(MM yen)

	FY2015	FY2016
Assets		
Current assets		
Cash and deposits	21,578	16,357
Notes and accounts receivable-trade	44,565	43,510
Securities	301	–
Merchandise and finished products	34,359	31,676
Raw materials and supplies	3,377	3,531
Deferred tax assets	2,241	2,468
Accounts receivable-other	13,184	10,514
Other	7,801	6,783
Allowance for doubtful accounts	(67)	(153)
Current assets	127,343	114,688
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	124,594	127,022
Accumulated depreciation	(78,733)	(81,615)
Buildings and structures, net	45,861	45,406
Machinery Equipment And Vehicles	78,360	89,229
Accumulated depreciation	(40,708)	(45,871)
Machinery, equipment and vehicles, net	37,652	43,358
Sale equipment	199,744	191,694
Accumulated depreciation	(133,631)	(125,891)
Sales equipment,net	66,112	65,802
Tools, furniture and fixtures	7,408	8,112
Accumulated depreciation	(5,636)	(5,976)
Tools, furniture and fixtures, net	1,772	2,136
Land	50,883	63,132
Lease assets	15,653	1,548
Accumulated depreciation	(7,962)	(1,176)
Lease assets, net	7,691	371
Construction in progress	345	494
Property, plant and equipment	210,318	220,702
Intangible assets	8,361	9,119
Investments and other assets		
Investment securities	9,720	7,907
Stocks of subsidiaries and affiliates	323	650
Long-term loans receivable	1,971	1,760
Deferred tax assets	4,732	6,091
Other	9,225	8,655
Allowance for doubtful accounts	(225)	(227)
Investments and other assets	25,748	24,838
Noncurrent assets	244,428	254,660
Assets	371,771	369,348

	FY2015	FY2016
Liabilities		(MM yen)
Current liabilities		
Accounts payable-trade	29,149	21,607
Short-term loans payable	5,160	—
Current portion of bonds	—	14,000
Current portion of long-term loans payable	1,234	1,855
Lease obligations	3,401	224
accounts payable-other and accrued expenses	36,770	36,366
Income taxes payable	1,100	420
Provision for bonuses	1,364	2,761
Provision for directors' bonuses	37	169
Provision for environmental measures	—	45
Provision for early termination	963	850
Asset retirement obligations	33	27
Other	3,452	2,810
Current liabilities	82,668	81,140
Noncurrent liabilities		
Bonds payable	30,000	16,000
Long-term loans payable	2,520	13,664
Lease obligations	4,493	159
Deferred tax liabilities	0	—
Provision for environmental measures	335	254
Provision for early termination	1,392	581
Net defined benefit liability	17,597	22,399
Asset retirement obligations	776	816
Other	1,040	696
Noncurrent liabilities	58,156	54,572
Liabilities	140,825	135,713
Net assets		
Shareholders' equity		
Capital stock	6,499	6,499
Capital surplus	157,313	157,323
Retained earnings	68,454	75,114
Treasury stock	(1,178)	(1,158)
Shareholders' equity	231,089	237,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,151	1,732
Deferred gains or losses on hedges	(463)	(89)
Remeasurements of defined benefit plans	(2,251)	(6,461)
Accumulated other comprehensive income	(564)	(4,818)
Stock acquisition rights	420	673
Net assets	230,945	233,635
Liabilities and net assets	371,771	369,348

(2) Consolidated Profit and Loss Statement and Comprehensive Profit and Loss Statement

(Consolidated Profit and Loss Statement)

(MM yen)

	FY2015	FY2016
Net sales	563,162	572,496
Cost of sales	302,087	299,604
Gross profit	261,075	272,892
Selling, general and administrative expenses	250,284	254,402
Operating income	10,791	18,489
Non-operating income		
Interest income	96	63
Dividends income	147	116
Share of profit of entities accounted for using equity method	134	154
Rent income	388	345
Gain on sales of valuable wastes	282	428
Other	319	180
Non-operating income	1,368	1,289
Non-operating expenses		
Interest expenses	446	132
Loss on sales and retirement of noncurrent assets	864	1,494
Other	436	229
Non-operating expenses	1,748	1,856
Ordinary Income	10,411	17,921
Extraordinary income		
Gain on transfer of business	247	–
Gain on bargain purchase	84	–
Insurance income	79	–
Gain on sales of noncurrent assets	8	21
Gain on sales of investment securities	725	222
Others	30	16
Extraordinary income	1,175	260
Extraordinary loss		
Cost of system interruption	160	–
Loss on sales and retirement of noncurrent assets	1,130	132
Lease contract cancellation penalty	467	341
Restructuring cost	1,020	192
Defective work cost	235	–
Impairment loss	8	4
Integration expenses	39	–
Others	237	39
Extraordinary loss	3,300	709
Income before income taxes	8,286	17,472
Income taxes-current	1,956	6,287
Income taxes-deferred	975	466
Income taxes	2,932	6,753
Net income	5,354	10,718
Net income attributable to owners of parent	5,354	10,718

(Consolidated Comprehensive Profit and Loss Statement)

(MM yen)

		FY2015		FY2016
Net income		5,354		10,718
Other comprehensive income				
Valuation difference on available-for-sale securities		507		(419)
Remeasurements of defined benefit plans		1,465		(4,209)
Share of other comprehensive income of associates accounted for using equity method		(766)		374
Other comprehensive income	※	1,206	※	(4,254)
Comprehensive income		6,560		6,464
Comprehensive income attributable to owners of parent		6,560		6,464

(3) Consolidated Statement of Changes in Equity

FY2015 (From January 1st, 2015 to December 31st, 2015)

(Million JPY)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of December 31st 2014	6,499	143,134	66,837	-1,170	215,301
Cumulative effect of change in accounting policy			917		917
Adjusted balance as of December 31st 2014	6,499	143,134	67,755	-1,170	216,218
Changes of items during the period					
Increase by share exchange		14,175			14,175
Dividends from surplus			-3,965		-3,965
Net income attributable to owners of parent			5,354		5,354
Purchase of treasury stock				-14	-14
Disposal of treasury stock		3		7	11
Increase or decrease due to the merger of non-consolidated subsidiaries by the consolidated subsidiaries			-689		-689
Net changes of items other than shareholders' equity					
Total changes of items during the period		14,179	699	-7	14,871
Balance as of December 31st 2015	6,499	157,313	68,454	-1,178	231,089

	Accumulated other comprehensive income				Stock acquisition rights	Net assets
	Valuation difference on available-for-sale securities	Deferred gain or loss on hedges	Remeasurements of defined benefit plans	Total		
Balance as of December 31st, 2014	1,644	302	-3,717	-1,770	223	213,754
Cumulative effect of change in accounting policy						917
Adjusted balance as of December 31, 2014	1,644	302	-3,717	-1,770	223	214,672
Changes of items during the period						
Increase by share exchange						14,175
Dividends from surplus						-3,965
Net income attributable to owners of parent						5,354
Purchase of treasury stock						-14
Disposal of treasury stock						11
Increase or decrease due to the merger of non-consolidated subsidiaries by the consolidated subsidiaries						-689
Net changes of items other than shareholders' equity	507	-766	1,465	1,206	196	1,402
Total changes of items during the period	507	-766	1,465	1,206	196	16,273
Balance as of December 31st, 2015	2,151	-463	-2,251	-564	420	230,945

FY2016 (From January 1, 2016 to December 31, 2016)

(Million JPY)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of December 31st, 2015	6,499	157,313	68,454	-1,178	231,089
Changes of items during the period					
Dividends from surplus			-4,058		-4,058
Net income attributable to owners of parent			10,718		10,718
Purchase of treasury stock				-6	-6
Disposal of treasury stock		9		27	37
Net changes of items other than shareholders' equity					
Total changes of items during the period		9	6,660	20	6,690
Balance as of December 31st, 2016	6,499	157,323	75,114	-1,158	237,779

	Accumulated other comprehensive income				Stock acquisition rights	Net assets
	Valuation difference on available-for-sale securities	Deferred loss/gain from hedging activities	Remeasurements of defined benefit plans	Total		
Balance as of December 31st 2015	2,151	-463	-2,251	-564	420	230,945
Changes of items during the period						
Dividends from surplus						-4,058
Net income attributable to owners of parent						10,718
Purchase of treasury stock						-6
Disposal of treasury stock						37
Net changes of items other than shareholders' equity	-419	374	-4,209	-4,254	253	-4,000
Total changes of items during the period	-419	374	-4,209	-4,254	253	2,689
Balance as of December 31st 2016	1,732	-89	-6,461	-4,818	673	233,635

(4) Consolidated Statement of Cash flows

Consolidated Statement of Cash flows

(MM yen)

	FY2015	FY2016
Cash Flows from Operating Activities:		
Income (loss) before income taxes	8,286	17,472
Depreciation and amortization	23,831	22,287
Amortization of long-term prepaid expenses	12,477	12,021
Increase (decrease) in allowance for doubtful accounts	(24)	88
Increase (decrease) in net defined benefit liability	(1,663)	(1,203)
Increase (decrease) in provision for directors' bonuses	(0)	132
Increase (decrease) in provision for directors' retirement benefits	(2)	—
Interest income and dividends income	(243)	(179)
Interest expenses paid	446	132
Share of (profit) loss of entities accounted for using equity method	(134)	(154)
Special retirement expenses	619	105
Loss (gain) on sales of noncurrent assets	(41)	12
Loss on retirement of noncurrent assets	1,939	1,588
Gain (loss)on sales of investment securities	(725)	(222)
Impairment loss	8	4
(Increase) decrease in notes and accounts receivable-trade	(4,959)	1,055
(Increase) decrease in inventories	1,971	2,529
(Increase) decrease in long-term prepaid expenses	(12,093)	(12,004)
Increase (decrease) in notes and accounts payable-trade	3,856	(7,541)
Changes in other assets and liabilities, net	2,323	3,995
Other	234	299
Subtotal	36,106	40,418
Interest and dividends income received	246	184
Interest expenses paid	(443)	(126)
Special retirement expenses paid	(380)	(381)
Income taxes paid	(3,941)	(8,100)
Income taxes returned	7,989	714
Net cash derived from operating activities	39,576	32,707

Consolidated Statement of Cash flows

Cash Flows from Investing Activities:		(MM yen)
Purchase of property, plant and equipment	(40,939)	(32,718)
Proceeds from sales of property, plant and equipment	482	382
Purchase of Intangible assets	(3,460)	(2,690)
Proceeds from sales and redemption of investment securities	3,353	1,695
Purchase of investment securities	(84)	(40)
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	3,138	—
Net increase (decrease) in short-term loans receivable	(41)	12
Payments of loans receivable	(336)	(545)
Collection of loans receivable	938	920
Proceeds from government grants	4,033	—
Other	(289)	23
Net cash used in investing activities	(33,207)	(32,959)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	(13,040)	(5,160)
Proceeds from long-term loans payable	—	13,000
Repayment of long-term loans payable	(890)	(1,234)
Proceeds from issuance of bonds	16,000	—
Proceeds from sales of treasury stock	0	1
Purchase of treasury stock	(12)	(6)
Repayments of lease obligations	(8,365)	(7,510)
Cash dividends paid	(3,969)	(4,058)
Proceeds from exercise of stock option	0	0
Net cash derived from financing activities	(10,276)	(4,969)
Net Increase/Decrease in Cash and Cash Equivalents (−: decrease)	(3,907)	(5,221)
Cash and Cash Equivalents at Beginning of Period	24,971	21,573
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	509	—
Cash and Cash Equivalents at End of Period	21,573	16,352

(5) Notes to Consolidated Financial Statements

(Notes to assumption of going concern)

Not applicable

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation:

(1) Number of consolidated subsidiaries: 2

FV East Japan Co. Ltd, Mikuni Service Co., Ltd

(2) Non-consolidated subsidiaries:

FV Corporation Co., Ltd.

This company's total assets, sales, net income or loss (amount corresponding to proportional ownership) and retained earnings (amount corresponding to proportional ownership) are small in size and do not have a material effect on the consolidated financial statements.

2. Application of equity method

(1) Number of the affiliated companies with equity method applied: 3

Coca-Cola Customer Marketing Company Co., Ltd., and Coca-Cola IBS Co., Ltd., Coca-Cola Business Sourcing Co., Ltd.

(2) Non-Consolidated Subsidiaries and Affiliated Companies excluded from the equity method

FV Corporation Co., Ltd.

Reason for exclusion from the equity method: This company is excluded from the equity method as the impact on the consolidated financial statements is minor and there is little significance as a whole taking into account the current net income or loss (amount corresponding to the equity interest), retained earnings (amount corresponding to the equity interest), etc.

3. Fiscal year of consolidated subsidiaries, etc.

The end of fiscal year of consolidated subsidiaries is same as that of the consolidated account closing date.

4. Accounting standards

(1) Valuation standards and methods for significant assets

1) Securities:

Other securities

Securities with available market values:

…Market value method based on the market price, etc. as at the balance sheet date (Valuation differences are to be reported as a component of shareholders' equity, and the costs of securities sold are to be calculated by using the moving average method.)

Securities without available market value:

…Cost method based on the moving average method

2) Inventory assets:

Cost method mainly based on the total average method (Balance sheet amount are calculated by the inventory write-down method to reflect the decline of profitability)

(2) Depreciation method used for significant depreciable assets

1) Tangible fixed assets: (Excluding the lease assets)

Straight-line method

Durable years of the major items are as follows.

Buildings:	2 - 58 years
Machinery, equipment & vehicles:	2 - 20 years
Sales equipment:	4 - 9 years

2) Intangible fixed assets: (Excluding the lease assets)

Straight-line method

As to software, straight-line method over the internally estimated useful lives (within 10 years) is applied.

3) Lease assets

Lease assets are depreciated by the straight-line method over useful lives that are determined based on lease terms, and the residual values are zero.

4) Long-term prepaid expenses

Amortization over the contractual terms

(3) Basis for recording significant allowances

1) Allowance for doubtful accounts

In order to prepare for bad debts loss of receivables such as accounts receivable-trade, we provide allowance for doubtful accounts based on credit loss ratio for general accounts receivables and the individual collectability of specific receivables such as doubtful accounts receivables.

2) Allowance for bonuses

In order to prepare for the payment of bonuses for employees, we accrues an estimated incurred amount at the end of this fiscal year.

3) Allowance for officers' bonuses

In order to prepare for the payment of bonuses for officers, we accrues an estimated amount as of the end of this fiscal year.

4) Allowance for environmental measures

In order to prepare for disposing polychlorinated biphenyl waste kept in storage, we accrues an estimated incurred amount at the end of this fiscal year.

5) Allowance for losses on contracts

In preparation for payment of system usage fees after cancellation under the contracts, the estimated amount is recorded.

(4) Accounting treatment for retirement benefits

1) Method of attributing estimated retirement benefit to the fiscal period

When calculating retirement benefit liabilities, the benefit formula criteria is used as the method of attributing the estimated retirement benefit payments for the period up to the end of the current fiscal year.

2) Treatment of actuarial differences, past service costs

Actuarial differences are amortized from the following consolidated fiscal year by the straight-line method using a certain number of years (mainly 13 years) which is shorter than the employees' average remaining service years estimated at the time when such difference incurred.

Past service costs are amortized by the straight-line method using a certain number of years (mainly 13 years) which is shorter than the employees' average remaining years of service estimated at the time when such cost incurred.

(5) Goodwill amortization method and standard

For goodwill amortization, will be equally depreciated with estimated years (within 20years after posting)

(6) Cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in consolidated statement of cash flows includes cash on hand, demand deposits, and highly liquidate short term investments that has maturity dates within three months from the acquisition date and are readily convertible into cash and has low volatility.

(7) Other significant matters for preparation of the consolidated financial statements

Accounting treatment for consumption tax, etc.

Before-tax method is applied.

(Changes in accounting policies)

(Application of accounting standards regarding retirement benefits)

From this fiscal year, the Company has applied the "Accounting Standard for Business Combination" (Accounting Standards Board of Japan Statement No.21, Sept. 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (Accounting Standards Board of Japan Statement No.22, Sept. 13, 2013), and the "Revised Accounting Standard for Business Divestures" (Accounting Standards Board of Japan Statement No.7, Sept. 13, 2013.), etc.

Accordingly, the accounting method have been changed to record the differences arising from changes in the Company's ownership interest in subsidiary, when control continues, as capital surplus, and to record the acquisition-related costs as expenses in the fiscal year in which they are incurred. Furthermore, for the business combinations carried out on or after January 1, 2016, accounting method has been changed to reflect the adjustments to the acquisition cost allocation arising from finalization of provisional accounting treatment in the consolidated financial statements of the period in which the business combination occurred. In addition, presentation of net income and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests." In order to reflect these changes, the consolidated financial statements for the previous fiscal year have been reclassified.

The Accounting Standard for Business Combination etc. have been applied prospectively from the beginning of this fiscal year in accordance with the transitional treatment set forth in Article 58-2 (4) of the Accounting Standard for Business Combination, Article 44-5 (4) of the Accounting Standard for Consolidation, and Article 57-4 (4) of the Accounting Standard for Business Divestures.

There was no impact on the consolidated financial statements for this fiscal year.

(Unapplied accounting standards, etc.)

"Implementation Guidance on Recoverability of Deferred Tax Assets"

（Implementation Guidance of Corporate Accounting Standards No. 26, March 28, 2016）

(1) Overview

With respect to the treatment of recoverability of deferred tax assets, the following necessary reviews are taking place, upon fundamentally adhering to the framework outlined in Audit Committee Report No. 66 "Auditing treatment on determining the recoverability of deferred tax asset "; that is to say that entities are divided into five categories and estimate the amounts to be recorded as deferred tax assets according to such categories.

① Treatment of the entities that do not meet any of the requirements for (Category 1) through (Category 5）

② Requirements for (Category 2） and (Category 3）

③ Treatment of deductible temporary difference that cannot be scheduled for the entities in (Category 2）

④ Treatment of periods that can be reasonably estimated for future taxable income before temporary difference of the entities in (Category 3）

⑤ Treatment of the entities that satisfy the requirements of （Category 4） and also fall into (Category 2） or (Category 3）

(2) Scheduled date of implementation

Above changes are scheduled to be implemented from the beginning of the fiscal year ending December 2017

(3) Impact of the implementation of these accounting standards, etc.

The amount of impact is to be evaluated at the time of preparation of the consolidated financial statements.

(Changes in presentation methods)

（Matters relating to consolidated balance sheet）

The Short-term Loan, which was included in the Current Assets of the previous consolidated accounting period, has become less important and is therefore included in Others of the Current Assets from this consolidated accounting period. In order to reflect this change in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

Consequently, the Short-term Loan of 821 MM yen included in the Current Assets of the consolidated balance sheet of the previous consolidated accounting period has been reclassified into Others of 7,801 MM yen of the Current Assets.

The Consumption Tax Payable, which was included in the Current Liabilities of the previous consolidated accounting period, has become less important and is therefore included in Others of the Current Liabilities from this consolidated accounting period. In addition, the Provision for Loss on Contracts and Asset Retirement Obligation, which were included in Others of the Current Liabilities, have become more important and are presented separately from this consolidated accounting period. In order to reflect these changes in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

Consequently, The Consumption Tax Payable1,784 MM yen, which was included in the Current Liabilities of the previous consolidated accounting period have been reclassified into accounts payable-other accrued expenses of 36,770MM yen. The Others of 4,449 MM yen included in the Current Liabilities of the consolidated balance sheet of the previous consolidated accounting period have been reclassified into the Provision for Loss on Contracts of 963 MM yen, the Asset Retirement Obligation of 33 MM yen, and Others of 3,452 MM yen.

The Asset Retirement Obligation, which was included in Others of the Fixed Liabilities in the previous consolidated accounting period, has increased its monetary importance and is therefore presented separately from this consolidated accounting period. In order to reflect this change in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

Consequently, the Others of 1,816 MM yen of the Fixed Liabilities in the consolidated balance sheet of the previous accounting period have been reclassified into the Asset Retirement Obligation of 776 MM yen and Others of 1,040 MM yen.

（Matters relating to Consolidated Profit and Loss Statement）

The Gain on Container Deposit Reversal, which was included in the Non-Operating Income in the previous consolidated accounting period, has become less important and is included in Others of Non-Operating Income from this consolidated accounting period. In order to reflect this change in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

Consequently, the Gain on Container Deposit Reversal of 1 MM yen included in the Non-Operating Income of the Consolidated Profit and Loss Statement of the previous consolidated accounting period has been reclassified into Others.

The Rent Expenses, which were included in the Non-Operating Income in the previous consolidated accounting period, have become less important and are included in Others of Non-Operating Income from this consolidated accounting period. In order to reflect this change in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

Consequently, the Rent Expenses of 111 MM yen included in the Non-Operating Income of the Consolidated Profit and Loss Statement of the previous consolidated accounting period have been reclassified into Others.

(Changes in accounting estimates)

(Change of useful lives of fixed assets)

The useful lives of machinery and equipment used for production purposes had been previously defined as 10 years. Triggered by events such as the development of systematic maintenance policy for the machinery and equipment as CCEJ group, and the progress of internalization of maintenance activities, as well as the commencement of a new production structure for the entire CCEJ group after the legal entity integration of Sendai Coca-Cola Bottling Co., Ltd. effective January, 2016, we revisited the physical durability and lifecycle of production machinery, etc. As a result, from the first quarter of the fiscal year ending on December 31, 2016, we have prospectively changed the useful lives to a range of 7 to 20 years, which more accurately reflects the economical useful lives.

As a result of this change, gross profit, operating income, ordinary income increased by JPY 1,798 million, and pre-tax income increased by JPY 1,797 million, respectively.

(Consolidated Balance Sheet)

*1 The accumulated depreciation of tangible fixed assets include accumulated impairment losses.

*2 Compensation books deducted from acquisition cost of tangible fixed assets by government grants.

breakdown are as follows.

	FY2015	FY2016
Machinery Equipment And Vehicles	4,033 MM yen	4,033 MM yen

(Consolidated Profit and Loss Statement)

*1 Year-end inventory represents the amount after write-down due to a decreased profitability and the inventory appraisal loss shown below is included in the cost of goods sold.
(Net of prior year provision reversal)

FY2015	FY2016
23MM yen	-200MM yen

*2 Major items and amounts of selling and general administration expenses are as follows.

	FY2015	FY2016
Sales commission	47,637 MM yen	48,116 MM yen
Advertisement and promotion cost	27,520	33,127
Transportation cost	57,384	57,351
Salaries/allowance and bonuses	52,938	50,661
Retirement benefit cost	1,835	1,107
Provision of allowance for bonus	1,205	2,477
Provision of allowance for bonuses for Officers	37	169
Provision of allowance for doubtful accounts	30	135
Depreciation cost	16,319	16,015

*3 Breakdown of loss on disposal (sales) of noncurrent assets are as follows.

	FY2015	FY2016
Machinery Equipment And Vehicles	1 MM yen	1 MM yen
Sale equipment	862	1,492
Total	864	1,494

*4 Breakdown of gain on sales of noncurrent assets are as follows.

	FY2015	FY2016
Tools, furniture and fixtures	0 MM yen	－MM yen
Land	7	21
Total	8	21

*5 Breakdown of loss on disposal (sales) of noncurrent assets are as follows.

	FY2015	FY2016
Buildings and structures	400 MM yen	59 MM yen
Machinery Equipment And Vehicles	631	33
Tools, furniture and fixtures	16	6
Lease assets	4	－
Land	5	23
Intangible assets	71	9
Total	1,130	132

*6 Details of lease cancellation penalty

	FY2015	FY2016
Machinery Equipment And Vehicles	261 MM yen	334 MM yen
Sale equipment	202	6
Tools, furniture and fixtures	3	－
Total	467	341

*7 Breakdown of restructuring cost is as follows.

	FY2015	FY2016
Expenses related to transition of mission-critical systems	331 MM yen	－MM yen
Subsidiary integration related expenses	－	81
Expenses for the relocation of head office and branch offices, etc.	48	5
Special retirement expenses	619	105
Special retirement expenses for Directors	20	－
Total	1,020	192

Expenses related to transition of mission-critical systems in FY2015 was 331 MM yen accrued in provision for loss on contract.

*8 Impairment loss

The Group has posted the impairment loss for the below assets for FY 2015 as follows.

Location	Purpose	Type	Impairment loss (MM yen)
Ohtawara city Tochigi Pref	Unutilized asset	Land	2
Utsunomiya-city Tochigi Pref.	Unutilized asset	Land	1
Izu city Shizuoka Pref.	Unutilized asset	Land	1
Nasu ,Tochigi Pref.(others)	Unutilized asset	Land	2

For business assets, the Group uses management accounting unit for the basis of asset groups and applies the grouping minimum unit to produce independent cash flow. In addition, for unutilized assets, the Group judges signs of impairment loss using an individual property as grouping minimum unit.
Regarding the unutilized assets, they are currently idle and expected to be under suspension of operation. Moreover the future use is not determined, thus we have decreased the book value to recoverable value and posted the decrease as impairment loss for extraordinary loss. In addition, the recoverable value has been measured at net sales value and the evaluation is of less importance, thus it is based on the value calculated with rational adjustment of the fixed asset tax assessed valuation.

The Group has posted the impairment loss for the below assets for FY 2016 as follows.

Location	Purpose	Type	Impairment loss (MM yen)
Izu city Shizuoka Pref.	Unutilized asset	Land	1
Toba city Mie Pref.	Unutilized asset	Land	2

For business assets, the Group uses management accounting unit for the basis of asset groups and applies the grouping minimum unit to produce independent cash flow. In addition, for unutilized assets, the Group judges signs of impairment loss using an individual property as grouping minimum unit.
Regarding the unutilized assets, they are currently idle and expected to be under suspension of operation. Moreover the future use is not determined, thus we have decreased the book value to recoverable value and posted the decrease as impairment loss for extraordinary loss. In addition, the recoverable value has been measured at net sales value and the evaluation is of less importance, thus it is based on the value calculated with rational adjustment of the fixed asset tax assessed valuation.

(Consolidated Comprehensive Profit and Loss Statement)

*Amounts of reclassification adjustment and tax effect for other comprehensive income

	FY2015	FY2016
Valuation difference on available-for-sale securities:		
Amount incurred during the period	1,086 MM yen	-529 MM yen
Reclassification adjustment value	-707	-147
Before tax effect adjustment	378	-677
Tax effect value	128	257
Valuation difference on available-for-sale securities	507	-419
Remeasurements of defined benefit plans:		
Amount incurred during the period	2,047 MM yen	-6,136MM yen
Reclassification adjustment value	507	131
Before tax effect adjustment	2,555	-6,004
Tax effect value	-1,088	1,795
Remeasurements of defined benefit plans	1,465	-4,209
Share of other comprehensive income of associates accounted for using equity methods:		
Amount incurred during the period	-766 MM yen	374 MM yen
Reclassification adjustment value	—	—
Share of other comprehensive income of associates accounted for using equity method	-766	374
Other comprehensive income	1,206	-4,254

(Consolidated Statement of Changes in Equity)

FY 2015 (Jan 1st, 2015- Dec. 31st, 2015)

1. Type and total number of issued shares, and type and number of treasury shares

Type of shares	Shares as of Jan. 1st, 2015	Increase in Shares for FY 2015	Decrease in shares for FY 2015	Shares as of Dec. 31st, 2015
Issued shares	Shares	Shares	Shares	Shares
Common shares	121,898,978	5,781,166	—	127,680,144
Total	121,898,978	5,781,166	—	127,680,144
Treasury shares	Shares	Shares	Shares	Shares
Common shares	854,430	6,590	5,366	855,654
Total	854,430	6,590	5,366	855,654

Notes: 1. The total number of shares outstanding has increased 5,781,166 shares by exchanging shares with Sendai Coca-Cola Bottling Co., Ltd. on April 1, 2015 (exchange ratio 1: 2.563)
2. The increase in the number of treasury shares is due to purchase of odd lot shares.
3. The decrease in the number of treasury shares is due to sale by the Company of odd lot shares and exercise of stock options.

2. Share Options, etc.

Share options as stock options

Closing balance of share options at the end of FY2015: 420MM yen

3. Dividends

(1) Dividends paid

Resolution	Type of Share	Total Amount of Dividends (MM yen)	Dividends per Share (yen)	Record Date	Effective Date
March 30, 2015 Annual Shareholders Meeting	Common	1,936	16	December 31, 2014	March 31, 2015
August 6, 2015 BOD Meeting	Common	2,029	16	June 30, 2015	September 7, 2015

(2) Of the dividends which base date is in FY2015 dividends which effective date is in FY2016

Resolution	Type of Share	Source of Dividends	Total Amount of Dividends (MM yen)	Dividends per Share (yen)	Record Date	Effective Date
March 29, 2016 Annual Shareholders Meeting	Common	Retained earnings	2,029	16	December 31, 2015	March 30, 2016

FY 2016 (Jan 1st, 2016- Dec. 31st, 2016)

1. Type and total number of issued shares, and type and number of treasury shares

Type of shares	Shares as of Jan. 1st, 2016	Increase in Shares for FY 2016	Decrease in shares for FY 2016	Shares as of Dec. 31st, 2016
Issued shares	Shares	Shares	Shares	Shares
Common shares	127,680,144	—	—	127,680,144
Total	127,680,144	—	—	127,680,144
Treasury shares	Shares	Shares	Shares	Shares
Common shares	855,654	3,346	19,793	839,207
Total	855,654	3,346	19,793	839,207

Notes: 1. The increase in the number of treasury shares is due to purchase of odd lot shares.
2. The decrease in the number of treasury shares is due to sale by the Company of odd lot shares and exercise of stock options.

2. Share Options, etc.

Share options as stock options

Closing balance of share options at the end of FY2016: 673 MM yen

3. Dividends

(1) Dividends paid

Resolution	Type of Share	Total Amount of Dividends (MM yen)	Dividends per Share (yen)	Record Date	Effective Date
March 29, 2016 Annual Shareholders Meeting	Common	2,029	16	December 31, 2015	March 30, 2016
June 27, 2016 BOD Meeting	Common	2,029	16	June 30, 2016	September 9, 2016

(2) Of the dividends which base date is in FY2016 dividends which effective date is in FY2017

Resolution	Type of Share	Source of Dividends	Total Amount of Dividends (MM yen)	Dividends per Share (yen)	Record Date	Effective Date
March 23, 2017 Annual Shareholders Meeting	Common	Retained earnings	2,029	16	December 31, 2016	March 24, 2017

(Consolidated Statement of Cash flows)

*1. Relation between the closing balance of cash and cash equivalent for the period and accounts in the consolidated balance sheet

	FY 2015 (Jan 1st, 2015- Dec. 31st, 2015)	FY 2016 (Jan 1st, 2016- Dec. 31st, 2016)
Cash and deposit account	21,578 MM yen	16,357 MM yen
Fixed-term deposit which deposit term exceeds 3 months	-5	-5
Cash and cash equivalent	21,573	16,352

*2. Assets and liabilities of new consolidated subsidiaries acquired through share exchanges during the consolidated fiscal year

FY 2015 (Jan 1st, 2015 - Dec. 31st, 2015)

As a result of integration through share exchange with five companies including Sendai CCBC and others, the breakdown of assets and liabilities and relation between stock acquisition price and "Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation" at the time of consolidation starts are as follows:

Current asset	13,290 MM yen
Noncurrent asset	22,677
Current liability	-11,299
Noncurrent liability	-10,408
Gain from negative goodwill	-84
The acquisition cost of the stock	14,175
Cash and cash equivalent	-3,227
Issuance Costs for share exchange	-14,175
Commission for share exchange	89
Proceeds from acquisition of investments in subsidiaries resulting in change in scope of consolidation	3,138

FY 2016 (Jan 1st, 2016 - Dec. 31st, 2016)

Not applicable

3 Note on significant non-cash transactions

FY 2015 (Jan 1st, 2015 - Dec. 31st, 2015)

Capital surplus increased through share exchange: 14,175MM yen

FY 2016 (Jan 1st, 2016 - Dec. 31st, 2016)

Not applicable

(Deferred Tax Accounting)

1. Breakdown by main reason of occurrence of deferred tax assets and deferred tax liabilities

	FY2015	FY2016
(1) Current Assets		
Deferred tax assets		
Enterprise tax payable	150 MM yen	207 MM yen
Provision for bonuses	453	859
Amount of loss carried forward	474	563
Deletion of inventory unrealized gain	706	—
Provision for loss on contract	117	265
Other	339	573
Subtotal of deferred tax assets	2,241	2,468
Valuation allowance	-0	—
Total deferred tax assets	2,241	2,468
(2) Non-current assets		
Deferred tax assets		
Net defined benefit liability	5,764 MM yen	6,917 MM yen

Valuation difference on land	3,236	3,086
Valuation difference on available-for-sale securities	229	169
Provision for loss on contract	726	176
Excess amount of depreciation	2,395	2,860
Excess amount of amortization on prepaid expenses	266	266
Asset retirement obligations	263	259
Other	1,332	1,061
Subtotal of deferred tax assets	14,214	14,798
Valuation allowance	-4,300	-4,086
Total deferred tax assets	9,914	10,712
Deferred tax liabilities		
Valuation difference on land of subsidiaries	-3,570 MM yen	-3,350 MM yen
Valuation difference on available-for-sale securities	-1,469	-1,166
Other	-141	-103
Total deferred tax liabilities	-5,182	-4,620
Net deferred tax assets	4,732	6,091
(3) Non-current liabilities		
Deferred tax liabilities		
Other	-0 MM yen	－MM yen
Total deferred tax liabilities	-0	－
Net deferred tax liabilities	-0	－

2. Break down of reasons on important variance between statutory effective tax rate and the burden ratio of corporation tax after applying tax effect accounting

	FY2015	FY2016
Statutory effective tax	－	33.0%
(Adjustment)		
Items not permanently included in gross revenue such as dividend income	－	-9.4
Eliminated dividend income by consolidated	－	9.4
Items not permanently included in gross revenue such as entertainment expenses	－	1.1
Inhabitant tax on per capital basis	－	1.8
Increase / decrease of valuation allowance	－	-0.2
Impact of tax difference	－	3.7
Other	－	-0.7
Corporate income tax burden ratio after applying tax effect accounting	－	38.7%

(Note) For 2015, the difference between statutory effective tax rate and corporate income tax burden ratio after applying tax effect accounting is less than 5%, so the note is omitted.

3. Modification of the amount of deferred tax assets and deferred tax liabilities due to changes of corporate tax rate

The “Law Revising a Portion of the Income Tax Law” (2016, Law No. 15) and “Law Revising a Portion of Local Tax” (2016, Law No. 13) were promulgated on March 31, 2016, which amends corporate tax rate, etc. from the consolidated fiscal year starting on April 1, 2016 onwards. Consequently, the effective statutory tax rates to be used for the calculation of deferred tax assets and deferred tax liabilities shall be as follows, according to the periods for the settlement of temporary differences:

33.0% up to December 31, 2016

30.8% from January 1, 2017 to December 31, 2018

30.6% from January 1, 2019 onwards

As a result of these tax rate changes, deferred tax assets (the amount after subtracting deferred tax liabilities) decreased by 558 million yen, Income Taxes-Deferred increased by 451million yen, while Valuation Difference on Available-for-Sale Securities increased by 41 million yen, respectively. Remeasurements of defined benefit plans decreased by 148 million yen.

(Segment information, etc.)

a. Segment Information

The Group has sole segment of beverage business, thus the description is omitted.

b. Related Information

FY 2015 (Jan. 1st, 2015 - Dec. 31st, 2015)

1. Information by product and service

The beverage business' net sales to unaffiliated customers accounts for more than 90% of the total net sales in the consolidated Statement of income, thus the description is omitted.

2. Information by area

(1) Net sales

The net sales to unaffiliated customers in Japan accounts for more than 90% of the net sales in the consolidated Statement of income, thus the description is omitted.

(2) Tangible fixed assets

Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated balance sheet, the description is omitted..

3. Information by major customer

Of the net sales to unaffiliated customers, the Group has no account whose net sales accounts for 10% of the nets sales in the consolidated Statement of income, thus the description is omitted.

FY 2016 (Jan. 1st, 2016 - Dec. 31st, 2016)

1. Information by product and service

The beverage business' net sales to unaffiliated customers accounts for more than 90% of the total net sales in the consolidated Statement of income, thus the description is omitted.

2. Information by area

(1) Net sales

The net sales to unaffiliated customers in Japan accounts for more than 90% of the net sales in the consolidated Statement of income, thus the description is omitted.

(2) Tangible fixed assets

Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated balance sheet, the description is omitted.

3. Information by major customer

Of the net sales to unaffiliated customers, the Group has no account whose net sales accounts for 10% of the nets sales in the consolidated Statement of income, thus the description is omitted.

c. Information on impairment loss of fixed assets by reported segment

FY 2015 (Jan. 1st, 2015 - Dec. 31st, 2015)

The Group has sole segment, thus the description of impairment loss of fixed assets by reported segment is omitted.

FY 2016 (Jan. 1st, 2016 - Dec. 31st, 2016)

The Group has sole segment, thus the description of impairment loss of fixed assets by reported segment is omitted.

d. Information on amortized amount and unamortized balance of goodwill by reported segment

FY 2015 (Jan. 1st, 2015 - Dec. 31st, 2015)

The Group has sole segment, thus the description of it by reported segment is omitted.

FY 2016 (Jan. 1st, 2016 - Dec. 31st, 2016)

The Group has sole segment, thus the description of it by reported segment is omitted.

e. Information on profit of negative goodwill by reported segment

FY 2015 (Jan. 1st, 2015 - Dec. 31st, 2015)

The Group has sole segment, thus the description of it by reported segment is omitted.

FY 2016 (Jan. 1st, 2016 - Dec. 31st, 2016)

Not applicable.

(Per share information)

	FY2015	FY2016
Net assets per share	1,817.67 yen	1,836.64 yen
Net income per share for the year	42.70 yen	84.51 yen
Net income per share fully diluted for the year	42.64 yen	84.30 yen

Note: The basis for calculation is as follows.

(1) Net assets per share

	FY2015	FY2016
Net assets per share		
Total amount of the section of net assets (MM yen)	230,945	233,635
Amount deducted from total amount of the section of net assets (MM yen)	420	673
(Share options of the above) (MM yen)	(420)	(673)
Net assets for common shares at year-end	230,525	232,961
Number of issued common shares at year-end (shares)	126,824,490	126,840,937

(2) Net income per share and diluted net income per share

	FY2015	FY2016
Net income per share		
Net income for the year (MM yen)	5,354	10,718
Amount not attributable to common shareholders	—	—
Net income for the year attributable to common shares	5,354	10,718
Average number of common shares (shares)	125,399,031	126,837,892
Diluted net income per share		
Adjustment to net income (MM yen)		
Increase in number of common shares (shares)	171,625	305,705
(Number of share options of the above) (shares)	(171,625)	(305,705)

(Significant subsequent events)

Not Applicable