This document is a summary translation of the Japanese language original version. In the event of any discrepancy, errors and/or omissions, the Japanese language version shall prevail.

(Translation)

March 8, 2021

Dear Shareholder,

INTERNET DISCLOSURE OF INFORMATION FOR THE NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS (ITEMS DEEMED TO BE PROVIDED IN ACCORDANCE WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION)

In accordance with laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation, the following matters have been omitted from the attachment to the Notice of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2020 due to their posting on the Company's website (https://www.ccbj-holdings.com/). Thank you for your understanding in this matter.

(1) "Main Businesses," "Major Locations, etc.," "Status of Employees," and "Major financial institutions providing loans to the Company" within "Current Status of the Coca-Cola Bottlers Japan Holdings Group" in the Business Report 1-2

(2) "Accounting Auditor", "The system to ensure business adequacy" and "Basic Policies on the Control of the Joint-stock Company" under "Current status of the Company" in the Business Report 3-11

(3) Consolidated Statements of Changes in Equity and Notes to Consolidated Financial Statements in Consolidated Financial Statements. 12-35

(4) Non-consolidated Statement of Changes in Shareholders' Equity and Notes to Non-consolidated Financial Statements in Non-consolidated Financial Statements. 36-40

1. Current Status of the Corporate Group

(1) Main Businesses (As of December 31, 2020)
Our Group operates the following businesses:

Beverage Business

Our group manufactures and sells Coca-Cola, soft drinks and other beverage products.

The Company has contracts with The Coca-Cola Company and Coca-Cola (Japan) Company that govern the production and sales of Coca-Cola and other products and the use of trademarks.

Names of segments	Description
Beverage Business	Manufacturing and sales of beverage products, the vending machine-related business, the procurement of raw materials and materials, the development, maintenance, and operations of information systems, the real estate business, and the insurance agency business
Healthcare & Skincare Business (Discontinued operations)	Manufacture and sales of health food, cosmetics and their related products, and investment business

(2) Major Locations, etc. (As of December 31, 2020)

a. Location of the Company

Headquarters: 9-7-1 Akasaka, Minato-ku, Tokyo

b. Locations of headquarters offices of major subsidiaries:

Names	Locations
Coca-Cola Bottlers Japan Inc.	Minato-ku, Tokyo
FV Japan Co., Ltd.	Toshima-ku, Tokyo
Coca-Cola Bottlers Japan Vending Inc.	Higashi-ku, Fukuoka-city
Coca-Cola Bottlers Japan Business Services Inc.	Higashi-ku, Fukuoka-city
Q'SAI CO., LTD.	Chuo-ku, Fukuoka-city

Note: Q'SAI CO., LTD. is removed from the scope of consolidation of the Company after the share transfer on February 1, 2021.

c. Major production bases

(a) Beverage business

Zao Plant (Miyagi), Ibaraki Plant (Ibaraki), Iwatsuki Plant (Saitama), Saitama Plant (Saitama), Tama Plant (Tokyo), Ebina Plant (Kanagawa), Hakushu Plant (Yamanashi), Tokai Plant (Aichi), Kyoto Plant (Kyoto), Akashi Plant (Hyogo), Daisen Plant (Tottori), Hiroshima Plant (Hiroshima),Komatsu Plant (Ehime), Kiyama Plant (Saga), Tosu Plant (Saga), Kumamoto Plant (Kumamoto), Ebino Plant (Miyazaki)

(b) Healthcare/skincare business (Discontinued operations)

Fukuoka Kounominato Plant (Fukuoka)

d. Sales bases

(a) Beverage business

A variety of locations in 38 prefectures within Southern Tohoku, Kanto, Koshinetsu, Chubu, Kinki, Chugoku, Shikoku and Kyushu areas

(b) Healthcare/skincare business (Discontinued operations)

The products are mainly sold through television shopping and other mail-order system.

(3) Status of Employees (As of December 31, 2020)

Names of segments	Number of employees	Year-on-year change
Beverage business	15,772	-693
Healthcare/skincare business (Discontinued operations)	502	+8
Total	16,274	-685

Note: The number of employees above shows the number of persons on active service.

(4) Major Financial Institutions Providing Loans to the Company (As of December 31, 2020)

Names of institutions	Amount of loans
MUFG Bank, Ltd.	15,536 million yen
Sumitomo Mitsui Banking Corporation	13,464 million yen
Mizuho Bank, Ltd.	10,000 million yen
Sumitomo Mitsui Trust Bank, Limited	10,000 million yen
The 77 Bank, Ltd.	5,050 million yen
THE NISHI-NIPPON CITY BANK, LTD.	5,000 million yen

2. Current Status of the Company

(1) Accounting Auditor

a. Name
Ernst & Young ShinNihon LLC

b. Amount of Remuneration

Categories	Amount paid	Remarks
Remuneration for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	75 million yen	(Note)
Remuneration for services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	― million yen	
Remuneration by the Company and/or its subsidiaries to the Accounting Auditor	200 million yen	

Notes:

1. The audit contract between the Company and the accounting auditor does not distinguish between remuneration paid for the audit conducted in accordance with the Companies Act and remuneration paid for the audit conducted in accordance with Financial Instruments and Exchange Act. Accordingly, the amount above is the aggregate amount.
2. The Audit and Supervisory Committee confirmed and reviewed the appropriateness and adequacy of the audit plans, audit hours, implementation status and grounds for the estimate of the remuneration as submitted by the accounting auditor before granting approval to the remuneration payable to the accounting auditor.

c. Contents of Non-Audit Services

The Company paid the Accounting Auditor remuneration, etc. for the preparation of a comfort letter in connection with the issuance of corporate bonds, which is a service other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit service).

d. Policy on Decisions on Dismissal or Non-Reappointment of Accounting Auditor

In the case that it is reasonably judged that the accounting auditor falls under any of the dismissal events listed in the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will remove the accounting auditor with the consent of all members. In this case, a Committee member selected by the Audit and Supervisory Committee will disclose the removal and its reason at the Meeting of Shareholders convened for the first time after the removal.

Additionally, concerning dismissal or non-reappointment of the accounting auditor, the Audit and Supervisory Committee shall decide contents of a proposed resolution they submit to the General Meeting of Shareholders, in the event they judge it necessary to do so in cases such

as where the accounting auditor is recognized to have difficulty in properly fulfilling its auditing duties.

(2) The System to Ensure Business Adequacy

a. Overview of the system to ensure business adequacy

In order to establish the system to ensure that the jobs conducted by the Directors comply with the laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of operation (to be referred to as "internal control" hereinafter), the Company has made a resolution on "the Internal Control System Basic Policy" at the Board of Directors Meeting.

"The Internal Control System Basic Policy" is as shown below.

(a) System to ensure that performance of duties by Directors and employees of the Group conforms to laws and regulations and the Articles of Incorporation

① The "Code of Conduct" shall be established in order to ensure that all the Directors, Executive Officers, and employees of the Group comply with laws and regulations and the Articles of Incorporation to act in conformity with social norms. The Ethics & Compliance Committee shall be convened periodically in order to reinforce the compliance system and to prevent non-compliance.

② An internal whistle-blowing system against non-compliance, namely, a reporting and consultation contact separate from the reporting line to immediate managers, shall be set up.

③ The oversight function of the Board of Directors shall be reinforced by adopting the company system where Audit and Supervisory Committee is established in order to ensure auditing by the Audit and Supervisory Committee, which is comprised exclusively of Outside Directors.

④ The department in charge of internal auditing shall be established in order to audit whether business activities are conducted appropriately and effectively in conformity with laws and regulations, the Articles of Incorporation, Company Rules and Regulations, etc.

⑤ The Company clearly identifies the firm stance against anti-social forces and organizations that cause threats to the orders and safety of civil society and that the Company never ties with such entities. The Company shall never accede to any illegal request and deal with any such request in cooperation with the police, lawyers, etc.

(b) System to retain and manage information related to Directors' performance of their duties

① The Company shall record information regarding minutes of General Shareholders meetings, minutes of Board of Directors meetings, documents and other materials related

to important decision-makings and Directors' performance of their duties in documents or electronic media and retain it in accordance with the Rules of Documentation Handling and Information Security Policy in a manner similar to that for statutory documents.

② The Company's Directors may inspect such documents, etc. at any time.

(c) Regulations and other systems concerning loss risk management of the Group

① In accordance with the Group policy on responding to material business risks and from the viewpoint of management of other risks, significant items shall be reported to the Risk Management Committee, and the Committee shall determine policies to deal with risks as required.

② The Company establishes rules, guidelines, etc. and maintains an organization to execute effective response to material risks, and ensure the matters to be passed down by implementing training for the entire Group, etc.

③ The department in charge of risk management in the Company or its subsidiaries is to monitor the condition of company-wide risks and to take appropriate measures on a group-wide basis. The Company promptly designates who is in charge of the response to new risks that arise.

(d) System to ensure efficiency of performance of duties by the Group Directors

① The Company's Board of Directors shall determine Group-wide management policy and goals shared by the Directors, Executive Officers, employees and others of the Group, and determine the efficient method to achieve the goals including the allocation of authority based on the group's decision-making rules.

② In addition to Board of Directors meetings, appropriate forums, such as the important meetings held within the operating companies, shall be organized to deliberate significant matters affecting the entire Group, thereby ensuring that decisions are reached based on considerations of multi-dimensional aspects.

(e) System to ensure appropriateness of operations in a corporate group, which consists of the Company and its subsidiaries

The Company shall ensure management integration of the Group through establishment of a corporate philosophy, management policy, the Code of Business Conduct & Ethics and Chart of Authority common throughout the Group and supervise and manage the performance of the subsidiaries' operations.

(f) Matters concerning employees assisting the Audit and Supervisory Committee to execute the duties if the Audit and Supervisory Committee request the assignment of such employees, matters concerning the independence of such employees from Directors (excluding Directors serving on the Audit and Supervisory Committee) and

matters related to ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to such employees

The Company shall assign employees assisting the Audit and Supervisory Committee. Such employees shall execute the duties under the instructions given by the Audit and Supervisory Committee in assisting executions of duties by the Audit and Supervisory Committee and shall not receive instructions from Directors (excluding Directors serving on the Audit and Supervisory Committee).

(g) System for reporting by Directors and employees of the Group to the Audit and Supervisory Committee and systems to ensure that reporting parties do not receive disadvantageous treatment as a result of such reports

① Upon discovery of any incident that could cause the Group substantial damage, such as acts in violation of laws and regulations, the Directors (excluding Directors serving on the Audit and Supervisory Committee), Executive Officers, employees and others of the Company shall immediately report the matter to the Audit and Supervisory Committee.

② The Internal Audit Department shall regularly report internal audit results and the status of other activities in the Group to the Audit and Supervisory Committee.

③ The department in charge of compliance shall regularly report the status of whistle-blowing in the Group to the Audit and Supervisory Committee.

④ The Company shall prohibit unjust treatment of the reporter to the Audit and Supervisory Committee, and ensure that this matter would be informed to all the Executive Officers and employees of the Group.

(h) Matters concerning procedures for advance payment or reimbursement of expenses incurred in the course of performance of duties by Directors serving on the Audit and Supervisory Committee and policies related to processing expenses or liabilities arising from performance of duties by Directors serving on the Audit and Supervisory Committee

The Company establishes enough budget for Directors serving on the Audit and Supervisory Committee each year to fulfill the performance of their duties.

(i) Other systems to ensure that the Audit and Supervisory Committee's audit is conducted effectively

① The Representative Director and the Audit and Supervisory Committee member shall hold a meeting on a regular basis to exchange opinions in order to communicate with each other.

② The Representative Director shall prepare an environment so that the Audit and Supervisory Committee member is able to cooperate with external experts, such as lawyers and certified public accountants, in the course of its duties whenever it deems it

necessary.

③ The Audit and Supervisory Committee shall regularly provide opportunities for the exchange of opinions with the Internal Audit Department and accounting auditor.

b. Overview of the operational status of the system to ensure business adequacy

(a) Initiative for ensuring compliance

The Company has developed its corporate philosophy and Code of Business Conduct & Ethics for the entire Group so that all officers and employees will comply with laws and regulations and the Articles of Incorporation to act in conformity with social norms, and notifications are being ensured.

Additionally, CCBJH Group Ethics & Compliance Committee, chaired by the President, is held to work upon reinforcement of the compliance structure and prevention of occurrence of non-compliance cases.

Furthermore, Regulations for Handling Whistle-Blowing have been developed, and an internal whistle-blowing system is being operated by establishing Ethics & Compliance Reporting Hotline internally and at an external law office and specialized agencies to work upon early detection and improvement of non-compliance cases.

(b) Initiative on loss risk management

The Company has developed CCBJH Group Rules of Risk Management, and is working upon preventing occurrence of various risks that may arise for the Company. At the same time, the Company has formulated a response strategy implemented in the eventuality of risk materialization, and developed a system to minimize damage and confusion for business by responding to the risk promptly and adequately.

Furthermore, in order to minimize damage and impact on business caused by natural disasters, etc., the Company periodically holds risk management drills, disaster response drills and safety confirmation drills, verifying the effectiveness of its business continuity plan that helps to deal with large-scale disasters.

(c) Initiative on ensuring adequacy and efficiency of the jobs conducted

The Company has established the Audit and Supervisory Committee in order to further enrich deliberation on matters with particular importance at the Board of Directors Meeting, whereas determination on conduct of other businesses is entrusted to the Directors.

Additionally, authority is delegated to Executive Officers and Heads of Functions / Departments so that decisions are made regarding business conduct based on the approval authority standard in accordance with the Group operational structure to ensure

acceleration and streamlining of management decisions made by the management members.

(d) Initiative on ensuring that audit by the Audit and Supervisory Committee be conducted in an effective manner

The Audit and Supervisory Committee members audit the status of business conduct by the Directors, Executive Officers, and employees in accordance with relevant laws and regulations, the Articles of Incorporation, and the Regulations of the Audit & Supervisory Committee prepared by the Audit and Supervisory Committee by attending the Board of Directors meeting, and by referring to the audit results, etc. provided by the department in charge of internal audit and the accounting auditor.

The Audit and Supervisory Committee members periodically exchange opinions regarding such audit results with the Representative Directors.

(3) Basic Policies on the Control of the Joint-stock Company

Basic Policies on the Control of the Joint-stock Company are as follows.

a. Details of Basic Policy

The Company believes that the persons who control decisions on the Company’s financial and business policies need to understand the source of the Company’s corporate value and will make it possible to continually and persistently ensure and enhance the Company’s corporate value and, in turn, the common interests of its shareholders. The Company believes that a decision on any proposed acquisition that would involve a change of corporate control of the Company should ultimately be made based on the intent of its shareholders as a whole. Also, the Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

However, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders: those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the terms of the large-scale acquisition of shares, or for the target company’s board of directors to present a business plan or an alternative proposal; and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who (A) fully understand the importance of (i) providing freshness and refreshment to people around the world and embedding the "Coca-Cola" brand, which is now a part of our life style, in local communities; (ii) striving aggressively to win in the market as the customers' preferred partner with a deep understanding of the Company's corporate philosophy; (iii) appreciating employees who have a strong sense of responsibility to thoroughly pursue customer satisfaction, and proactively working on building a workplace environment that can make each and every employee feel rewarded, motivated and proud of being a member of the Coca-Cola family; and (iv) contributing to local communities and proactively dealing with environmental issues with a strong sense of responsibility as a corporate citizen that continues to strive to assist in the realization of an affluent society, (B) preserve relationships of mutual trust with customers, business partners, shareholders and employees and perform to their expectations, and (C) make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders from a mid- to long-term perspective.

Therefore, the Company believes that a person who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders would be inappropriate to become a person who would control decisions on the Company's financial and business policies.

The Company believes that it is necessary to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition of the shares in the Company by such a person.

b. Initiatives to realize the basic policies

(a) Summary of special initiatives that contribute to realizing the basic policies

The Group not only assumes a leading role in transforming the Coca-Cola business in Japan by deploying various joint initiatives such as product development and test marketing with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited (100% funded by The Coca-Cola Company) as a strategic partner, but also strives to become a company trusted by the stakeholders of consumers, customers, shareholders and employees.

While major growth of the soft drink industry cannot be expected as the market has already matured, the business environment surrounding the Company is projected to become harsher as the competition between the soft drink companies intensifies.

Under such circumstances, the Group aims at becoming the preferred partner of our customers and consumers in all drinking occasions by establishing a robust and sustainable operating model, pursuing success in high-priority areas, and drastically transforming the business to ensure growth.

The Company also made a transition to a company with an Audit and Supervisory Committee in order to further reinforce the governance system. The Audit and Supervisory Committee serves as the auditing body of the Company that is comprised exclusively of external directors, including multiple independent external directors. To strengthen the management oversight function, these external directors that serve as the member of the Audit and Supervisory Committee have each been granted with a voting right in the Board of Directors meetings, in addition to the right to state their opinions in shareholders' meetings on matters pertaining to the designation of board members and their remuneration, among others. In order to separate the decision-making, business management and business execution functions, the Company is implementing a corporate executive officer system. In addition to the foregoing, for more fruitful deliberations of highly important matters in the Board of Directors meetings, the Company is delegating the authority to make decisions on certain important matters that require prompt business executions to specific directors as well as facilitating speedy decision making of other matters.

(b) Outline of measures to prevent inappropriate persons from controlling the finance and business policy decisions of the Company in light of the basic policy

Upon any substantial acquisition of the Company shares, the Company strives to proactively collect and timely disclose information in order to ensure and improve the corporate value of the Company and the common interest of shareholders as well as make appropriate measures as needed under the scope permitted by laws and regulations and the Articles of Incorporation.

When Board Meeting determines it necessary to reapply anti-takeover measures in order to ensure and improve the corporate value of the Company and the common interest of shareholders, taking into considerations of the future trend of the society, the Company consults with shareholders at the Meeting of Shareholders as stipulated in the Articles of Incorporation for decision of the implementation.

c. Decisions of the Company's Board of Directors regarding specific measures and reasons therefor

The measure described in the previous b. (a) was introduced as a specific measure to continuously and sustainably improve the corporate value of the Company and the common interest of shareholders, and is consistent with the Company's basic policy.

In addition, the measure described in the previous b. (b) was introduced as a specific measure to ensure and improve the corporate value of the Company and the common interest of shareholders as needed under the scope permitted by laws and regulations and the Articles of Incorporation focusing on the intention of shareholders, and it is not intended to undermine the shareholders' common interests or preserve the positions of the Company officers.

Consolidated Statement of Changes in Shareholders' Equity
For the fiscal year ended December 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent company								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other comprehensive income accumulated	Accumulated other comprehensive income of disposal groups classified as for sale	Total	Non-controlling interests	Total
Balance as of January 1, 2020	15,232	450,526	121,372	(85,649)	4,517	—	505,999	492	506,491
Comprehensive income for the year									
Net income (loss) for the year	—	—	(4,715)	—	—	—	(4,715)	(14)	(4,729)
Other comprehensive income (loss)	—	—	—	—	2,502	—	2,502	—	2,502
Total comprehensive income (loss) for the year	—	—	(4,715)	—	2,502	—	(2,214)	(14)	(2,228)
Transactions with owners, etc.									
Dividends of surplus	—	—	(4,484)	—	—	—	(4,484)	(28)	(4,512)
Purchase of treasury stock	—	—	—	(8)	—	—	(8)	—	(8)
Disposal of treasury stock	—	(1)	—	3	—	—	2	—	2
Transactions of share-based payment	—	80	—	—	—	—	80	—	80
Reclassification from accumulated other comprehensive income to retained earnings	—	—	8,300	—	(8,300)	—	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	2,268	—	2,268	—	2,268
Transfer to accumulated other comprehensive income of disposal groups classified as for sale	—	—	—	—	107	(107)	—	—	—
Total transactions with owners, etc.	—	79	3,816	(5)	(5,924)	(107)	(2,142)	(28)	(2,170)
Balance as of December 31, 2020	15,232	450,605	120,473	(85,654)	1,095	(107)	501,643	450	502,093

Note: Amounts less than one million yen are rounded.

Notes to Consolidated Financial Statements

(Notes to significant matters as the basis for preparation of consolidated financial statements)

1. Accounting standards of consolidated financial statements

   The consolidated financial statements of the Company Group are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting.

   For the consolidated financial statements, certain disclosure items required by IFRS have been omitted pursuant to the provision of the latter part of that paragraph.

2. Matters on the scope of consolidation

   (1) Number of consolidated subsidiaries: 11

   (2) Names of major consolidated subsidiaries

   The names of major consolidated subsidiaries are as described in "(6) Status of Significant Subsidiaries" of "1. Current Status of the Coca-Cola Bottlers Japan Group" in the Business Report.

3. Matters on the application of the equity method

   (1) Number of affiliates accounted for using the equity method: 2

   (2) Names of affiliates accounted for using the equity method

   APEX Nishi-Nihon Corporation

   Resources Co., Ltd.

4. Matters on accounting standards

   (1) Measurement of financial assets

   a. Classification and measurement of financial assets

   At initial recognition, financial assets are classified as either subsequently measured at amortized cost or at fair value. Financial assets measured at fair value through income or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income or at amortized cost, are initially recognized at fair value plus transaction costs directly attributable to the acquisition. The Group determines the classification under IFRS 9 based on facts and circumstances, and designates equity instruments as equity instruments measured at fair value through other comprehensive income.

   (a) Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost if both of the following conditions are met: the objective of the Group's business model is to hold the assets in order to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

If any of two conditions above are not met, financial assets are classified as measured at fair value. For financial assets measured at fair value, the Group makes the determinations on an instrument-by-instrument basis whether to recognize it as measured at fair value through income or loss, or to make irrevocable designation as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes which must be measured at fair value through income or loss.

For derivatives, see "c. Derivatives and hedging activities."

Financial assets are subsequently measured as follows according to their classification.

(a) Financial assets measured at amortized cost

These are measured at amortized cost using the effective interest method and adjusted for impairment loss, if any. Amortizations using the effective interest method and gains or losses on derecognition are recognized in income or loss.

(b) Financial assets measured at fair value

These are measured at fair value at the reporting date. Changes in fair value are recognized in income or loss or in other comprehensive income depending on the classification of financial assets. Dividends from equity instruments designated as measured at fair value through other comprehensive income are recognized in Income or loss. When equity instruments designated as measured at fair value through other comprehensive income are disposed of, cumulative changes in fair value recorded in accumulated other comprehensive income are reclassified to retained earnings.

b. Impairment

The Group calculates expected credit losses at the end of each period in order to assess collectability of financial assets measured at amortized cost. For financial

instruments whose credit risk has not increased significantly since initial recognition, allowance for doubtful accounts is recognized at an amount of 12-month expected credit losses. For financial instruments whose credit risk has increased significantly since initial recognition, allowance for doubtful accounts is recognized at an amount of lifetime expected credit losses. However, allowance for doubtful accounts for trade receivables are always measured at lifetime expected credit losses.

Interest income of financial assets with significantly increased credit risk and objective evidence of impairment, is calculated through multiplying the carrying amount of the assets less allowance for doubtful accounts by effective interest rate.

The Group considers the following when determining whether objective evidence of impairment exists:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- granting of concession for economic or legal reasons related to the borrower's financial difficulty that the Group would not otherwise consider;
- increased likelihood of bankruptcy or other financial reorganization of the borrower; or
- the disappearance of an active market for that financial asset because of financial difficulty.

The Group directly reduces the carrying amount of a financial asset when it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. If the credit risk subsequently decreases and the decrease is clearly attributable to the event occurring after the recognition of impairment (such as an improvement in the credit rating of the borrower), the reversal of the impairment is recognized in income or loss.

c. Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date of contract, and subsequently remeasured at fair value on each reporting date. The method to recognize gains or losses arising from remeasurement depends on whether the derivative is designated as a hedging instrument and, the nature of the hedged item, if designated.

The Group designates certain derivatives as hedging instruments in cash flow hedge (i.e., hedge of particular risk associated with recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at the hedge's inception and on an ongoing basis, of whether the derivative used in hedging transactions are effective in offsetting changes in cash flows of the hedged item.

The effectiveness of a hedge is assessed on an ongoing basis, and a hedge is considered to be effective when all of the following requirements are met: there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes resulting from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item actually hedged and the quantity of the hedging instrument.

The effective portion of changes in fair value of a derivative designated and qualifying as a hedging instrument in cash flow hedges is recognized in other comprehensive income. Gains or losses related to ineffective portions are recognized in income or loss immediately.

Accumulated gains or losses recognized through other comprehensive income are reclassified into income or loss in the period in which the cash flows from the hedged item affect income or loss. However, if a hedged forecast transaction subsequently results in the recognition of non-financial assets (e.g. inventories, or property, plant and equipment), gains or losses previously recognized in other comprehensive income are reclassified and directly included in the initial cost of the assets. Such amounts are ultimately recognized as cost of sales in the case of inventories, and as depreciation in the case of property, plant and equipment.

If the qualifying criteria for hedge accounting are no longer met due to the expiry or sale of the hedging instruments, hedge accounting is discontinued prospectively. If the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income continue to be recognized as accumulated other comprehensive income. If forecast transaction is no longer expected to occur, gains or losses recognized in other comprehensive income are immediately

reclassified to income or loss.

(2) Measurement of inventories

Inventories are valued at the lower of cost or net realizable value. Trade discounts, rebates or other similar items, and interest incorporated into the nominal amount are deducted from the cost. The production costs include the costs of direct materials and any direct labor and manufacturing overheads. Net realizable value represents the estimated selling price less the estimated costs necessary to make the sale and the costs incurred in marketing, sale and distribution.

(3) Measurement and depreciation or amortization of property, plant and equipment and intangible assets

a. Property, plant and equipment (excluding lease)

Property, plant and equipment is measured initially at cost and subsequently carried at the cost less of any accumulated depreciation and any accumulated impairment losses.

Costs incurred to enlarge, upgrade or improve the items which increase productivity, capacity or efficiency, or extend the useful lives of the assets are capitalized as an increase in the cost of the related asset, while repairs and maintenance expenses are charged to expense as incurred.

The depreciable amount is the cost of the asset less the respective estimated residual values. The Group depreciates its property, plant and equipment primarily using the straight-line method over the estimated useful lives, as follows:

	Years of estimated useful lives
Buildings and Structures	2 – 60
Machinery, Equipment and Vehicles	2 – 20
Vending machines	4 – 9

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting period, and any necessary changes are applied prospectively as a change in accounting estimate. The Group does not depreciate its land and construction in progress.

b. Goodwill

Goodwill arising from a business combination is not amortized and is subsequently measured at cost less any impairment losses. It is tested for impairment annually and if events or changes in circumstances indicate a potential impairment.

For the purpose of impairment testing, goodwill is allocated to each CGU, which is expected to benefit from the synergies of the combination. A CGU is the smallest group of assets that generates independent cash inflows, which is smaller than business segments. Each CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

When the impairment test shows that the recoverable amount of the CGU is less than its carrying amount, the impairment loss is recognized for the difference, which is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset within the CGU. Any impairment loss on goodwill is recognized in income or loss and is not reversed in subsequent periods.

c. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are initially recognized at cost or production cost. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The Group assesses whether the useful life of the intangible asset is identifiable and, if identifiable, evaluates the useful life based on the period over which the asset is expected to be used.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably. Expenses incurred for the acquisition of software is carried as intangible assets. Development costs for internally developed software are carried as intangible assets when it is technically feasible and it is more likely than not that future economic benefits will flow to the Group.

Major intangible assets with identifiable useful lives are software and the amortization is determined using the straight-line method over their estimated useful lives (5-10 years).

The amortization methods estimated useful lives and residual values are reviewed at the end of each reporting period, and any necessary changes are applied prospectively as a change in accounting estimate.

Contract related intangible assets

The Group's contract related intangible assets associated with the acquisition of Coca-Cola East Japan Co., Ltd. are the contracts entered into with The Coca-Cola Company ("TCCC") and related to the Group's exclusive rights to manufacture, distribute and sell under Coca-Cola brand in certain areas.

The term of the contract is 10 years and it will be automatically renewed without review for renewal or extension.

The Group accounts for contract related intangible assets attributable to the bottling contract as intangible assets with indefinite useful lives. The Group believes that it is unlikely that it will not renew or extend the contract considering prior relationships with TCCC and the possible adverse effects on franchisors from non-renewal of the contract. Accordingly, there are limitations in predicting the period over which the assets may generate net cash flows.

Contract related intangible assets are not amortized, but are tested for impairment annually and if events or changes in circumstances indicate a potential impairment.

d. Leases (as a lessee)

When concluding a contract, the CCBJI Group determines whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The CCBJI Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are measured at cost on the commencement date. After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses using a cost model. The lease period of the right-of-use asset is estimated as the non-cancellable lease period, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Right-of-use assets are depreciated by using the straight line method, generally over 15 years from the commencement date.

Lease liabilities are measured on the commencement date at the present value of the lease payments that have not been made as of that date. After the commencement date, the carrying amount of the lease liabilities are adjusted to reflect the interest rate on

the lease liabilities and the lease payments made. If the lease liabilities are revised or the terms of the lease are changed, the lease liabilities will be remeasured and the right-of-use asset will be revised.

(4) Criteria for recording significant provisions

Provisions are recognized when the Group has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the amount required to settle or transfer the obligation based on the best possible estimation, taking into account the information available on the event and its consequences. Adjustments arising from discounting the provision are recognized as finance costs when accrued.

(5) Employee benefits

a. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the amount can be estimated reliably.

b. Defined contribution plans

Contributions to defined contribution plans are recognized as expenses for a period of employees' providing services.

c. Defined benefit plans

The Group's net obligation related to defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of defined benefit obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognized immediately in other comprehensive income and directly reclassified to retained earnings from accumulated other comprehensive income. The Group determines the net interest expense (income) on defined benefit obligations for the

current reporting period by multiplying the discount rate used to measure the defined benefit obligations (assets) at the beginning of the period by the defined benefit liabilities (assets) and any plan assets.

Any changes in defined benefit obligations (assets) during the period as a result of contributions and benefit payments are taken into consideration when calculating the defined benefit obligations (assets) at the beginning of the period. Net interest expense and other expenses related to defined benefit plans are recognized in income or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in income or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

d. Long-term employee benefits

A liability is recognized for the amount expected to be paid under long-term employee benefits, if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the amount can be estimated reliably. The Group's long-term employee benefits are calculated by discounting the estimated future benefit to its present value.

The discount rate is determined based on the market yield of AA-rated corporate bonds at the reporting date, whose remaining period approximates the average remaining service period of employees.

(6) Accounting of consumption tax, etc.

It is based on the before-tax method.

(7) Recognition of revenue

The Group recognizes revenue from contracts with customers by applying the following five steps, except for interest and dividend revenue which is accounted for under IFRS 15:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group sells carbonated beverages, coffee, blended tea, mineral water, other soft drinks. Revenue from these products is generally recognized upon delivery, as the

performance obligation is considered to be satisfied upon delivery when the customer obtains control over these products. Revenue is measured at the consideration promised in contracts with customers less discounts, rebates and returns.

（8） Assets held for sale and discontinued operations

Non-current assets or discontinued groups whose carrying amount will be recovered primarily through a sale transaction, rather than through continuous use, are classified as held for sale. To be classified as held for sale, a company must be available for immediate sale in its current state and the probability of such a sale must be very high, provided that the Group's management is committed to implementing the sale plan and that the sale is generally expected to be completed within one year. Once classified as held for sale, they are measured at the lower of carrying amount or fair value less costs to sell and are not depreciated or amortized

Discontinued operations include those components of an entity that have been disposed of or classified as held for sale, and are classified as such if they comprise one of the Group's businesses or geographical areas and there are plans to dispose of that one business or geographical area.

（9） Government Grants

Government grants are measured at fair value when there is reasonable assurance that the conditions attached to them are met and the grants will be received. Government grants relating to revenue are recognized in profit or loss over the period in which the related costs intended to be compensated by the grant are recognized as an expense, and are recorded as other income. Government grants related to an asset are reduced directly when calculating the carrying amount for the asset.

Grants are recognized in profit or loss as a reduction of depreciation expense over the useful life of the applicable depreciation asset.

（Additional information）

The Japanese government declared a renewed state of emergency in January 2021 due to the rapidly increasing COVID-19 infection rate, and this situation is expected to continue and there are many uncertainties related to the impact of the ongoing COVID-19 pandemic.　As it is difficult to make a reasonable estimate of the specific impact of this, including the timing of a reduction in infection rate and the impact on the market, accounting estimates have been made on the assumption that this impact will continue over a certain period of time in the year ended 31 December 2021.

(Notes regarding Consolidated Statement of Financial Position)

Accumulated depreciation of property, plant and equipment and right-of-use assets:350,791 million yen

(Notes regarding Consolidated Statement of Income)

Other income includes 2,520 million yen of government subsidies to cover employee's temporary leave cost due to the spread of COVID-19 and 5,201 million yen of gain on sale of property, plant and equipment. Other expenses include 3,923 million yen of temporary paid leave expenses, 4,631 million yen of Loss on sales of tangible fixed assets, 4,546 million yen of transformation-related expenses and special retirement allowances of 7,969 million yen.

(Notes regarding Consolidated Statement of Changes in Shareholders' Equity)

1. Matters related to the total number of issued and outstanding shares

Type of shares	Number of shares as of January 1, 2020	Number of increased shares for the current consolidated fiscal year	Number of decreased shares for the current consolidated fiscal year	Number of shares at the end of current consolidated fiscal year
Common stock	206,269 thousand shares	–	–	206,269 thousand shares

2. Matters concerning dividends of surplus

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share amount (Yen)	Reference date	Effective date
March 26, 2020 Ordinary general meeting of shareholders	Common stock	4,484	25	December 31, 2019	March 27, 2020

(2) Among the dividends whose reference dates belong to the current consolidated fiscal year, the dividends whose effective date come after the end of the current consolidated fiscal year.

Resolution	Type of shares	Total amount of dividends (million yen)	Source of dividends	Dividend per share amount (Yen)	Reference date	Effective date
March 25, 2021 Ordinary general meeting of shareholders	Common stock	4,484	Retained earnings	25	December 31, 2020	March 26, 2021

(Notes regarding revenue)

The Group's organizational structure is based on one business, the Beverage business. This business are components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's Board of Directors (chief management decision maker) to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in these two businesses are presented as "Revenue" in the consolidated financial statement of profit and loss. In the Beverage business, the Group purchases, manufactures, and sells carbonated beverages such as Coca-Cola, coffee beverages, black tea beverages, mineral water and other beverages in Japan.

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

Payments relating to such performance obligations are received generally within two months of delivery. The contracts with customers do not include any material financial elements.

The contract liabilities, refund liabilities, amount of assets recognized from the costs of obtaining a contract or to fulfill a contract and amount of revenue recognized from performance obligations satisfied in prior periods were immaterial. In addition, information regarding the remaining performance obligations is omitted as there are no significant transactions in which the estimated individual contract periods exceed one year in the Group.

The breakdown of revenue is as follows.

(Millions of yen)

	Reportable segments
	Beverage business
Beverage	791,193
Other	763
Total	791,956

(Notes regarding financial instruments)

1. Matters concerning the situation of financial instruments

(1) Financial risk management

The Group is exposed to the following risks arising from financial instruments which are discussed below.

- Credit risk
- Liquidity risk
- Market risk

The Group faces a variety of financial risks (credit risk, liquidity risk and market risk (share price risk, interest rate risk, foreign exchange risk and price risk)) in its operations. The Group manages its risks based on established policies to prevent and reduce these financial risks. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect market conditions and the business activities of the Group. The Group offers training and develops manuals and procedures to maintain control environment in which all employees understand their roles and disciplines.

Based on the Group's risk management policy, derivatives are used to hedge certain risk exposures. The Group's policy is to use derivatives for hedging foreign exchange risk and price risk, but not for speculative transactions. The Company's finance division identifies, evaluates and hedges financial risks.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will be unable to meet its obligations and the other party will incur financial losses. In the course of the Group's business, trade and other receivables and other financial assets (including deposits paid, marketable securities and other receivables) are exposed to the credit risk of

counterparties. The carrying amount of the financial assets presented in the consolidated financial statements after impairment is the maximum exposure to credit risk of the Group of financial assets that does not take into account the appraised value of collateral acquired. In addition, with respect to certain counterparties, we have no significant exposure to credit risk and there are no undue concentrations of credit risk that we have specifically managed.

In order to manage credit risk, the Group manages payment dates and balances by customer in accordance with internal customer management regulations, and monitors the credit standing of major customer on a regular basis. In order to mitigate credit risk in derivative transactions, in principle, the Group only transacts with financial institutions with high credit ratings.

In addition, the Group determines the allowance for doubtful accounts based on its credit risk profile. For trade receivables, the Group measures the allowance for doubtful accounts at the same amount as lifetime expected credit losses. For receivables other than trade receivables, the allowance for doubtful accounts is generally measured at an amount equal to the 12-month expected credit losses. However, when the credit risk increases significantly from the initial recognition, the allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses. The Group determines whether or not credit risk has significantly increased based on changes in the risk of default, considering factors such as information of past due date and deterioration in the financial condition of the obligor. All receivables other than trade receivables for which the allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses are measured on a collective basis.

The amount of expected credit losses on trade receivables is calculated based on the simplified approach and entails first classifying the receivables according to the credit risk characteristics of the counterparty, and then multiplying each respective receivable by a provision rate that is determined by adding projection of future economic conditions to the historical rate of credit losses for the specific risk classification.

The amount of expected credit losses on receivables other than trade receivables is calculated based on the principle approach and entails two different methods depending on risk assessment. For receivables for which credit risk has not been considered to have increased significantly, the carrying amount is multiplied by the provision rate that is determined by adding projection of future economic conditions to the historical rate of credit losses of similar assets. For expected credit losses on assets that are deemed to have significantly increased credit risk and credit-impaired financial assets, the expected credit loss is measured as the difference between the present value of estimated

future cash flow discounted at the initial effective interest rate of the asset, and its carrying amount.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure that it will have sufficient liquid assets to meet its obligations when due, under both normal and stressed conditions, without incurring material losses or risking damage to the Group's reputation. The finance headquarters of the Company mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual and forecasted cash flows.

c. Market risk

Market risk is the risk that changes in market prices – such as interest rates and equity prices – will affect the Group's income or the value of marketable securities it possesses. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

(a) Interest rate risk

The majority of the Group's loans and bonds are under fixed interest rates, and the impact of interest rate fluctuation risk on the Group's income or loss is limited. Therefore, the Group considers that the interest rate risk is immaterial and has not performed a sensitivity analysis such as basis point value.

(b) Share price risk

The Group is exposed to share price risk as a result of its holdings of equity securities. Equity securities are held for purposes other than trading, and are mainly classified into financial assets measured at fair value through other comprehensive income.

(c) Foreign exchange risk

The Group is exposed to foreign exchange risks, particularly relating to U.S. dollars, because Coca-Cola Bottlers Japan Inc., which is the Company's consolidated subsidiary, purchases raw materials denominated in foreign currencies. Foreign exchange risks arise from forecast transactions, such as future purchases, or from assets and liabilities already recognized. The Group uses forward exchange contracts to hedge foreign exchange risk. Hedge accounting is

applied to transactions that qualify for hedge accounting. Receivables and payables denominated in foreign currencies are subject to the risk of foreign exchange rates fluctuations. However, the impact of this risk is limited as it is offset by forward exchange contracts and other transactions.

(d) Price risk

Coca-Cola Bottlers Japan Inc., which is the Company's consolidated subsidiary, purchases raw materials that are subject to price fluctuations due to weather, natural disasters and other factors. Therefore, the Group is exposed to price risk of raw materials. The Group engages in commodity swap transactions to mitigate risks of fluctuations in raw materials prices.

2. Classification by level of the fair value hierarchy

(1) Classification by level of the fair value hierarchy

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy, depending on the observability and significance of the inputs used in the measurement.

The fair value hierarchy is defined as follows:

Level 1: fair value (unadjusted) in the active market of the same asset or liability

Level 2: fair value based on inputs other than quoted prices included in Level 1, either directly observable inputs or indirectly, of observable inputs for asset or liability

Level 3: fair value based on unobservable inputs for asset or liability

When more than one input is used to measure the fair value, the level of the fair value hierarchy is determined based on the lowest level of input that is significant to the fair value measurement as a whole. Transfers between levels of the fair value hierarchy are recognized as having occurred at the beginning of each quarter.

There were no transfers between Level 1 and Level 2 during the third quarter of the prior year and third quarter of the current year.

(2) Fair value measurement

Securities are classified as Level 1 of the fair value hierarchy by the measurement of share prices, if any, in active market for the same asset or liability. If there is no active market stock

price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and
discounted future cash flow models. If significant inputs, such as quoted market prices and discount rates used in measurement are observable, such financial instruments are classified as Level 2, but are classified as Level 3 if inputs used in its measurement include significant unobservable inputs.

Unlisted securities are classified into Level 3 of the fair value hierarchy using valuation techniques based on discounted future cash flows, valuation techniques based on quoted market prices of similar companies, valuation techniques based on net asset value, and other valuation techniques. In the fair value measurement of unlisted securities, the Group uses unobservable inputs such as discount rates and valuation multiples and considers certain illiquidity discounts and non-controlling interest discounts as needed. The measurement methods for such fair value are determined by the Finance division in accordance with the Group's accounting policies.

The valuation techniques and significant unobservable inputs used in Level 3 fair value measurement are as follows:

Type	Valuation technique	Significant unobservable inputs	Interactions between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value through other comprehensive income (Securities)	Comparison of similar companies	EBIT Multiple: 6.7－46.7 times EBITDA Multiple: 12.6 times PBR: 1.0－3.0 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

EBIT Multiple: Corporate Value/EBIT

EBITDA Multiple: Corporate Value/EBITDA

PBR: Price Book Value Ratio

(3) Financial instrument measured fair value on a recurring basis

The breakdown of financial instrument measured at fair value on a recurring basis is as follows

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	–	654	–	654
Subtotal	–	654	–	654
Financial instrument measured at fair value through other comprehensive income:				
Securities	15,337	–	4,561	19,898
Other	–	–	133	133
Subtotal	15,337	–	4,694	20,031
Total	15,337	654	4,694	20,685
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	–	1,013	–	1,013
Total	–	1,013	–	1,013

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

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	5,392
Disposals	(8)
Losses recognized in other comprehensive income	(441)
Reclassification to disposal groups classified as for sale	(249)
Balance at December 31, 2020	4,694

(4) Financial instrument measured at amortized cost

The amount recorded on consolidated statement of financial position as of December 31, 2020 fair values and the difference between these amounts are as follows.

	Amount recorded on consolidated statement of financial position (million yen)	Fair values (million yen)	Difference in amount (million yen)
Long-term loans payable and bonds	188,585	188,075	510

(Note) Long-term loans payable and bonds payable include the current portion of long-term loans payable and bonds payable. In addition, financial instruments whose fair values approximate their carrying values are not included in the table above.

The principal valuation techniques used for fair value measurements of financial instruments are as follows.

Loans payable

For loans payable with variable interest rates, fair values are deemed as their carrying amounts, as the rates reflect the market interest rate within the short term. For loans payable with fixed interest rates, the fair value is calculated using the present value of future cash flows discounted using the current interest rate adjusted for the remaining maturity period and credit risk.

Bonds payable

For bonds payable with quoted price, the fair value is estimated based on the quoted prices. For bonds payable without quoted prices, the fair value is calculated using the present value of future cash flows discounted using the current interest rate adjusted for the remaining maturity period and credit risk.

(Disposal groups classified as held for sale and discontinued operations)

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

As a result of executing the share transfer agreement, Q'sai was classified as discontinued operations from the fiscal year ended December 31, 2020.

(1) Disposal groups classified as held for sale

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

(Millions of yen)

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

(2) Profit/loss from discontinued operations

The results of discontinued operations are as follows

(Millions of yen)

	For the year ended December 31, 2020
Discontinued operations	
Net sales	24,773
Cost of sales	5,030
Gross profit	19,743
Operating cost	16,188
Operating profit	3,555
Financial revenue	1
Finance costs	11
Income for the year before income taxes	3,545
Income tax expense	1,126
Net income for the year from discontinuing operations	2,418

(Per share information)

Equity attributable to owners of the parent per share	2,797.03 yen
Earnings(loss) per share	(26.29) yen
Continued operations	(39.76) yen
Discontinued operations	13.47 yen

(Significant subsequent events)

(Transfer of shares in subsidiaries)

The Company's Board of Directors resolved to sell all of the shares of the Company's consolidated subsidiary, Q'sai Co., Ltd to Q-Partners Co., Ltd. ("the Acquiring Company"), a company formed for this purchase led by investment funds in which Advantage Partners Inc. provides services, euglena Co., Ltd., and, Tokyo Century Corporation on December 15, 2020 and sold all of the shares of the Company's consolidated subsidiary, Q'sai Co., Ltd. on February 1, 2021. As a result, Q'sai is removed from the scope of consolidation of the Company.

1. Reasons for the share transfer

The Company has been evaluating future opportunities for growth and operating synergies for the health 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. and entered into a share transfer agreement with Q-Partners Co., Ltd.

2. Overview of the subsidiary (Q'sai) to be sold

(1)	Name	Q'sai Co., Ltd.
(2)	Description of businesses	Manufacture and sale of healthcare products, skincare products, etc.
(3)	Transaction details	The Company has a business relationship with Q'sai, including the purchase of products and raw materials, and borrowing and lending of funds.

3. Name of the company to which the shares will be transferred
Q-Partners Co., Ltd.

4.Number of shares to be sold, selling price and status of shares held before and after the transaction

(1)	Shares owned by the Company prior to the transaction	302,755 shares (Voting rights the Company owns: 100%)
(2)	Number of the shares to be sold	302,755 shares
(3)	Selling price	Approximately 37.8 billion
(4)	Gain on sale	Approximately 12.5 billion
(5)	Shares owned by the Company after the transaction	0 shares (Voting rights the Company owns: 0%)

Non-consolidated Statement of Changes in Shareholders' Equity
For the fiscal year ended December 31, 2020

	Shareholders' equity									Total net assets
	Common stock	Additional paid-in capital			Retained earnings			Treasury stock	Total shareholders' equity	
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Legal reserve	Other retained earnings (Note 1)	Total retained earnings			
Balance as of Jan. 1, 2020	15,232	108,167	158,784	266,951	3,317	131,289	134,606	△85,649	331,139	331,139
Changes during this term										
Dividends of surplus	–	–	–	–	–	(4,484)	(4,484)	–	(4,484)	(4,484)
Income	–	–	–	–	–	15,742	15,742	–	15,742	15,742
Withdrawal of reserves	–	–	–	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	–	(8)	(8)	(8)
Disposal of treasury stock	–	–	(1)	(1)	–	–	–	3	2	2
(Net) Changes in items other than shareholders' equity during this term	–	–	–	–	–	–	–	–	–	–
Total changes during this term	–	–	(1)	(1)	–	11,258	11,258	(5)	11,252	11,252
Balance as of Dec. 31, 2020	15,232	108,167	158,783	266,950	3,317	142,547	145,864	(85,654)	342,391	342,391

Note 1: Breakdown of other retained earnings

(Millions of yen)

	Other retained earnings			
	Reserve for advanced depreciation	General reserve	Retained earnings to be carried forward	Total other retained earnings
Balance as of Jan. 1, 2020	761	110,388	20,140	131,289
Changes during this term				
Dividends of surplus	—	—	(4,484)	(4,484)
Income	—	—	15,742	15,742
Withdrawal of reserves	(84)	—	84	—
Acquisition of treasury stock	—	—	—	—
Disposal of treasury stock	—	—	—	—
(Net) Changes in items other than shareholders' equity during this term	—	—	—	—
Total changes during this term	(84)	—	11,343	11,258
Balance as of Dec. 31, 2020	677	110,388	31,482	142,547

Note 2: Amounts less than one million yen are rounded.

Notes to Non-Consolidated Financial Statements

(Notes on matters concerning significant accounting policies)

1. Valuation standards and methods for securities

(1) Securities held to maturity

Amortized cost method (straight-line method) is applied.

(2) Shares of subsidiaries and affiliated companies

Cost method based on the moving average method is applied.

(3) Other securities

Securities with available market values:

Market value method based on the market price, etc. at the fiscal year-end of the current term is applied. (Valuation differences are to be reported as a component of shareholders' equity, and the costs of securities sold are to be calculated by the moving average method)

Securities without available market values:

Cost method mainly based on the moving average method is applied.

2. Depreciation method used for fixed assets

(1) Tangible fixed assets

Useful lives of major items below are calculated as follows, based on the straight-line method.

Buildings	2-50 years

(2) Intangible fixed assets

Straight-line method is applied.

3. Basis for recording allowances

Provision for performance-linked compensation

In order to prepare for the payment of shares and cash for Executive Directors and Executive Officers, the Company records an estimated payment amount as of the end of this fiscal year.

4. Other significant matters for preparation of the non-consolidated financial statements

Accounting treatment for consumption tax, etc.

Before-tax method is applied

(Notes to the Non-Consolidated Balance Sheet)

1. Amount of accumulated depreciation of tangible fixed assets 65,184 million yen
2. Monetary receivables from or payables to subsidiaries and affiliates (excluding the items stated separately in the Balance Sheet)

Short-term monetary receivables 112 million yen

Short-term monetary payables 12,766 million yen

(Notes to Non-Consolidated Statement of Income)

Transaction amount with affiliated company

Operating expenses 19,202 million yen

Others (non-operating transactions) 86 million yen

(Notes to Non-Consolidated Statement of Changes in Shareholders' Equity)

Matters concerning class and total number of treasury shares

Type of shares	Shares as of January 1, 2020	Increase in shares for fiscal year 2020	Decrease in shares for fiscal year 2020	Shares as of December 31, 2020
Common shares	26,917thousand shares	4 thousand shares	1 thousand shares	26,920thousand shares

1. The increase of 4 thousand shares in the common shares of treasury stock is due to the purchase of shares based on a resolution of the Board of Directors and the purchase of shares constituting less than one unit.
2. The decrease of thousand shares in the common shares of treasury stock is due to additional purchase of shares constituting less than one unit.

(Notes on deferred tax accounting)

Breakdown of deferred tax assets and deferred tax liabilities by main cause

Deferred tax assets

Depreciation	2,096 million yen
Subsidiary shares	187 million yen
Impairment loss	232 million yen
Other	643 million yen
Sub-total of deferred tax assets	3,157 million yen
Allowance for evaluation losses	(355) million yen
Total deferred tax assets	2,802 million yen

Deferred tax liabilities

Reserve for advanced depreciation	(926) million yen
Valuation difference on land	(1,260) million yen
Other	(76) million yen
Total deferred tax liabilities	(2,261) million yen
Net deferred tax assets	540 million yen

(Notes on transactions with related parties)

Subsidiaries, etc.

Type	Name of company	Address	Capital or investment amount (million yen)	Line of business	Ownership of voting rights (%)	Relationship		Description of transaction	Transaction amount (million yen)	Accounting item	Year-end balance (million yen)
						Interlocking directorate	Business relationship				
Subsidiary	Coca-Cola Bottlers Japan Inc.	Minato-ku, Tokyo	100	Manufacture and sales of beverage and food products	100.0	2	Lending of funds	Lending of funds	—	Receivables from subsidiaries and affiliates	128,535
							Net revenues	Net revenues	6,233	–	–

(Notes)

1. The transaction amount does not include consumption tax. Year-end balance includes consumption tax, etc.
2. Transaction terms and conditions and the policy for deciding on these terms and conditions

Terms and conditions for the transaction with Coca-Cola Bottlers Japan Inc.

With regard to the lending of funds, the interest rate on loans is determined in consideration of market interest rates. In addition, the Company has adopted a cash management system for the purpose of improving the group’s funds efficiency. Also, transaction amounts are stated in net value.

Regarding net revenues, it is accompanied by real estate leasing and is determined based on certain rational standards.

(Notes on impairment loss)

In the fiscal year under review, the Company recorded an impairment loss on the following asset groups.

Region	Use	Number of locations	Type	Impairment loss (million yen)
Kinki	Idle asset	2	Buildings Land	0 1
Kyushu	Idle asset	4	Buildings Land	17 41

The Company has divided assets for business use into groups by business unit that generates cash continuously based on management accounting system. As for rental property and idle assets, each individual property is recognized as the smallest grouping unit in order to detect and judge any sign of impairment.

For the current fiscal year, of the idle assets of which market value, etc. decreased, the book values of certain pieces of land in the target locations are reduced to their recoverable amounts, and the amount of reduction is recognized as impairment loss.

The recoverable amounts of idle assets are calculated based on the valuation by real estate appraiser, etc.

(Notes on per share information)

Net assets per share	1,909.09 yen
Income per share	87.77 yen

(Significant subsequent events)

（Transfer of shares in subsidiaries）

The Company announced that the Company’s Board of Directors resolved to sell all of the shares of the Company’s consolidated subsidiary, Q'sai to Acquiring Company, a company formed for this purchase led by investment funds in which Advantage Partners Inc. provides services, euglena Co., Ltd., and, Tokyo Century Corporation on December 15, 2020, and entered into a share transfer agreement with the Acquiring Company and sold on 1 February 2021.

For further details, please refer to the notes to the consolidated financial statements (Significant subsequent events).