March 3, 2017

To Shareholders with Voting Rights

Disclosure on the Internet Accompanying the Notice of the Ordinary General Meeting of Shareholders for the Fiscal Year Ended December 31, 2016

Concerning documents to be provided accompanying the Notice of the Ordinary General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders, the following information is provided at the Company's website (http://www.ccej.co.jp/).

- Notes to Consolidated Financial Statements for the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016) and Notes to Financial Statements for the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

Coca-Cola East Japan Co., Ltd.

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.

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Consolidated subsidiaries

・Number of consolidated subsidiaries: 2

・Names of consolidated subsidiaries: FV East Japan Co. ,Ltd.
Mikuni Service Co., Ltd.

(2) Non-consolidated subsidiaries

・Name of non-consolidated subsidiary: FV Corporation Co., Ltd.

・Reason for exclusion from the scope of consolidation: The above company is a small-scale company and its total assets, net sales, net income or loss (amount corresponding to the equity interest), retained earnings (amount corresponding to the equity interest), etc. do not have a significant impact on the consolidated financial statements.

2. Application of equity method

(1) Equity method affiliates

・Number of equity method affiliates: 3
Coca-Cola Customer Marketing Co., Ltd.
Coca-Cola Integrated Business Systems Co., Ltd.
Coca-Cola Business Sourcing Co., Ltd.

(2) Non-consolidated subsidiaries and affiliates excluded from scope of equity method:
FV Corporation Co., Ltd.

・Reason for exclusion from the scope of the equity method: The above company is excluded from the scope of the equity method as its impact on the consolidated financial statements is minor and there is little significance in totality, taking into account various factors, such as net income or loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest).

3. Fiscal year of consolidated subsidiaries

Regarding the fiscal year of consolidated subsidiaries, the closing dates are the same as the consolidated closing date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

1) Marketable securities: Available-for-sale securities

Available-for sale securities with fair value:
Fair value method based on the market price, etc. as of the financial closing date (Valuation differences are all reported as a component of shareholders' equity and cost of products sold is calculated by the moving average method)

Available-for-sale securities without fair value:
Cost method based on the moving average method

2) Inventories: Mainly cost method based on the gross average method (Balance sheet amounts are calculated by the inventory write-down method based on decline in profitability)

(2) Depreciation method for significant depreciable assets

1) Tangible fixed assets (excluding lease assets): Straight-line method
Useful lives of the major items are as follows.

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

2) Intangible fixed assets (excluding lease assets): Straight-line method
The straight-line method is applied to software based on the internal useful life (less than 10 years).

3) Lease assets: Lease assets in non-ownership-transfer finance lease transactions
Straight-line method setting the lease period as the useful lives and the residual value as zero

4) Long-term prepaid expenses: Fully depreciated within the period

(3) Basis for recording significant provisions and allowances

1) Allowance for doubtful accounts:
In preparation for bad debt loss of receivables such as accounts receivable-trade, the unrecoverable amounts for general accounts receivable and specific receivables such as doubtful accounts receivable are recorded in consideration of the loan loss ratio and the individual collectability, respectively.

2) Provision for bonuses:
In preparation for payout of employees' bonuses, the estimated amount as of the end of the current fiscal year is recorded.

3) Provision for directors' bonuses:
In preparation for payout of directors' bonuses, the estimated amount as of the end of the current fiscal year is recorded.

4) Provision for environmental measures:
In preparation for disposal of polychlorinated biphenyl waste kept in storage, the amount recognized as of the end of the current fiscal year is recorded.

5) Provision for contract loss:
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) Cut off for expected retirement benefit payments
When calculating retirement benefit obligations, the benefit formula method is used to attribute the expected retirement benefit payments for the period up to the end of the current fiscal year.

2) Treatment of actuarial differences, past service costs and transition obligations
Actuarial differences are allocated by the straight-line method using a certain number of years (mainly 13 years) within the employees' average remaining years of service when incurred, and the amount is expensed from the following consolidated fiscal year.
Past service costs are allocated by the straight-line method using a certain number of years (mainly 13 years) within the employees' average remaining years of service and expensed when incurred.

(5) Other significant matters for preparation of consolidated financial statements

Accounting treatment for consumption taxes: Tax exclusion method

(Notes to changes in accounting policy)

(Application of the Accounting Standard for Business Combinations, etc.)

Effective from FY2016, the Company has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013), etc. Accordingly, the Company has changed the accounting method to record the difference arising from changes in the Company's equity interest in subsidiaries over which the Company retains control as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of FY2016, the Company has changed the accounting method to record the adjustment to the acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in the consolidated financial statements of the fiscal year in which the relevant business combination occurs. Additionally, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interests.
The adoption of the Accounting Standard for Business Combinations and other standards is in line with the transitional treatment specified in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards prospectively from the beginning of FY2016 onward.
In FY2016, these changes had no impact on the consolidated financial statements.

(Changes in accounting estimates)

(Changes to useful life)

Regarding tangible fixed assets held by the Group, the useful life of machinery and equipment used for manufacturing purposes had been defined as 10 years. The Group has formulated a systematic maintenance policy for machinery and equipment which lead to progress in internalizing maintenance, as well as implemented a new production structure for the entire Group upon the absorption-type merger with Sendai Coca-Cola Bottling Co., Ltd. in January 2016. Taking this occasion, the Company re-examined elements such as the physical durability and lifecycle of manufacturing machines. As a result, effective from FY2016, the Company has revised their useful lives to 7-20 years prospectively based on the estimated economic useful life reflecting the actual usage status.

In accordance with this change, gross profit, operating income, and ordinary income for FY2016 increased by 1,798million yen, respectively, and income before income taxes increased by 1,797 million yen, compared with the previous method.

(Unapplied accounting standards)

・“Implementation Guidance on Recoverability of Deferred Tax Assets” (Implementation Guidance on Accounting Standard No. 26 of March 28, 2016)

(1) Overview

The Implementation Guidance basically continues to apply the framework used in the Auditing Committee Report No. 66 “Audit Treatment for Judgment of Recoverability of Deferred Assets” in which companies are grouped into five categories and the amounts of deferred tax assets are assessed based on such categories, with some treatment revised as follows.

1) Treatment for the entities that do not fulfill the requirements of any of the five categories
2) Requirements for categories 2 and 3
3) Treatment of unschedulable future deductible temporary differences for the entities in category 2
4) Treatment for the period in which a reasonable estimate is possible for the taxable income before temporary differences for the entities in category 3
5) Treatment for the entities that satisfy Category 4 requirements but are applicable to category 2 or 3

(2) Scheduled date of adoption

To be applied from the beginning of FY2017

(3) Impact of adopting these accounting standards, etc.

The impact on the consolidated financial statements for FY2016 is currently being evaluated.

(Notes to changes in presentation)

“Short-term loan to associated firms” (836 million yen for FY2016), which was stated separately as a breakdown of “Current assets” for FY2015, is included in “Other” from FY2016 due to decreased significance.

“Accrued consumption taxes” (3,554 million yen for FY2016), which was stated separately as a breakdown of “Current liabilities” for FY2015, is included in “Accounts payable-other and accrued expenses” from FY2016 due to decreased significance.

“Provision for contract loss” (963 million yen for FY2015) and “Obligation on retirement of noncurrent assets” (33 million yen for FY2015), which were included in “Other” under “Current liabilities” for FY2015, are stated separately from FY2016 due to increased significance.

“Obligation on retirement of noncurrent assets” (776 million yen for FY2015), which was included in “Other” under “Noncurrent liabilities” for FY2015, is stated separately from FY2016 due to increased significance.

“Gain on collection of deposits of bottles,” which was stated separately for FY2015, is included in “Other” under “Non-operating income” from FY2016 due to decreased significance.

The amount of “Gain on collection of deposits of bottles” for FY2015 was 1 million yen.

(Notes to consolidated balance sheet)

Accumulated depreciation of tangible fixed assets 260,531 million yen

Accumulated depreciation includes accumulated impairment loss.

(Notes to consolidated statement of income)

1. Penalty on lease contract cancellation was mainly attributable to cancellation of lease contracts for manufacturing equipment.
2. Breakdown of restructuring cost is as follows.

Special retirement benefits	105 million yen
Integration cost	81 million yen
Head office and branch relocation cost, etc.	5 million yen

(Notes to consolidated statement of changes in Net Assets)

1. Class and total number of issued shares

	Number of shares as of January 1, 2016	Increase in shares in FY2016	Decrease in shares in FY2016	Number of shares as of December 31, 2016
Issued shares Common stock	127,680,144	―	―	127,680,144
Total	127,680,144	―	―	127,680,144

2. Dividends

(1) Amounts of dividends paid

Resolution	Class of shares	Total dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date
March 29, 2016 Ordinary General Meeting of Shareholders	Common stock	2,029	16	December 31, 2015	March 30, 2016
June 27, 2016 Board of Directors Meeting	Common stock	2,029	16	June 30, 2016	September 9, 2016

(2) Of the dividends whose record date is in the current fiscal year, dividends whose effective date comes after the end of the current fiscal year

Resolution	Class of shares	Dividend resource	Total dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date
March 23, 2017 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	2,029	16	December 31, 2016	March 24, 2017

3. Share acquisition rights

Share acquisition rights as stock options

Outstanding balance of share acquisition rights as of the end of the current fiscal year 335,900 shares

(Notes to financial instruments)

1. Status of financial instruments

The Group restricts its fund management to highly secure and short-term financial services and deposits, etc. with investment within the range of surplus funds and conducts no speculative transactions.

The Group raises funds mainly by loans and bonds from financial institutions such as banks.

Notes receivable-trade, trade accounts receivable and accounts receivable-other are exposed to credit risks of the Group's customers but the Group manages the due date and residual value for each customer in order to estimate the collectability at an early stage and minimize bad debt risks.

Marketable securities and investment securities mainly comprise listed stocks and bonds subject to market price fluctuation risk. The Group monitors its holdings reflecting on relationships with business partners who are the issuers of such instruments and periodically verifies their fair value and financial position.

Payment due dates for most accounts payable-trade, accounts payable-other and accrued expenses are within one year.

2. Fair value of financial instruments

Consolidated balance sheet amounts, fair value and the difference as of December 31, 2016 are as follows. The following chart does not include instruments whose fair values are extremely difficult to determine. (Please refer to Note 2.)

(Million yen)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	16,357	16,357	—
(2) Notes and accounts receivable-trade	43,510	43,510	—
(3) Investment securities	6,107	6,107	—
Total Assets	65,975	65,975	—
(1) Account payable-trade	21,607	21,607	—
(2) Accounts payable-other and accrued expenses	36,366	36,366	—
(3) Bonds	30,000	30,066	66
(4) Long-term loans payable	15,520	15,390	(130)
Total Liabilities	103,495	103,431	(63)

(Note) 1. Calculation method of fair value of financial instruments and marketable securities

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade:

The fair value of the above instruments is almost equivalent to the book value because their settlement is short term, and thus the book values are presented.

(3) Investment securities:

The fair value of listed stocks is determined at the relevant stock exchange and the price of claims is determined at the relevant stock exchange or suggested by the relevant financial institutions.

Liabilities

(1) Accounts payable-trade and (2) Accounts payable-other and accrued expenses:

The fair value of the above instruments is almost equivalent to the book value because their settlement is short term, and thus the book values are presented.

(3) Bonds:

The fair value of bonds is determined based on the market price, etc. The bonds redeemable within one year recorded in the consolidated balance sheets are included in this item.

(4) Long-term loans payable:

As for the calculation of the fair value for the long-term loans payable, when the loan interest rate is fixed, the fair value is calculated by discounting the total of principal and interest using the estimated interest rate should a similar new loan be made, and when the loan interest rate is variable, the fair value is based on the book value since the value reflects the market interest rate in a short period of time and therefore the fair value and the book value are almost identical. The long-term loans payable due within one year recorded in the consolidated balance sheets are included in this item.

(Note) 2. Financial instruments whose fair value is extremely difficult to determine.

(Million yen)

Item	Consolidated balance sheet amounts
Investment securities Unlisted stocks	1,800
Stocks of subsidiaries and affiliates	650

The above financial instruments are not included in the chart in “2. Fair value of financial instruments” as they have no market price and their fair values are extremely difficult to determine.

(Note) 3. Monetary claims and marketable securities with maturity redeemable after the balance sheet date

(Million yen)

Item	Within one Year	Over one year and within five years	Over five years and within ten years	Over ten years
Deposits	12,199	—	—	—
Notes and accounts receivable-trade	43,510	—	—	—
Investment securities				
Available-for-sale securities with maturity				
Claims (bonds)	—	—	500	—
Total	55,709	—	500	—

(Note) 4. Bonds, long-term loans payable and other interest-bearing debt due after the balance sheet date

(Million yen)

Item	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term loans payable	1,855	1,799	1,520	1,274	1,071	8,000
Bonds	14,000	—	—	16,000	—	—
Total	15,855	1,799	1,520	17,274	1,071	8,000

(Notes to real property)

The statement is omitted as the total amount of real property including lease was immaterial as of the end of the current fiscal year.

(Notes to per share information)

1. Net assets per share	1,836.64 yen
2. Net income per share	84.51 yen
The calculation basis for net income per share is as follows.	
Net income attributable to owners of parent	10,718 million yen
Amount not attributable to common shareholders	- million yen
Net income attributable to owners of parent pertaining to common stock	10,718 million yen
Average number of shares of common stock during the period	126,837,892 shares

(Additional information)

Restatement of amounts of deferred tax assets and liabilities due to changes in rates of income taxes, etc.

Following the promulgation of the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act on Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016) on March 31, 2016, income tax rates have been changed from the fiscal years starting on and after April 1, 2016. As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed as follows depending on the time of elimination of temporary differences.

Temporary difference to be eliminated by December 31, 2016: 33.0%

Temporary difference to be eliminated from January 1, 2017 to December 31, 2018: 30.8%

Temporary difference to be eliminated from January 1, 2019: 30.6%

Due to this change in the tax rate, the amount of deferred tax assets (net of deferred tax liabilities) decreased by 558 million yen, income taxes-deferred increased by 451 million yen, and valuation difference on available-for-sale securities increased by 41 million yen, and remeasurements of defined benefit plans decreased by 148 million yen.

Notes to Financial Statements

(Notes to significant accounting policies)

1. Valuation standards and methods for assets
   (1) Valuation standards and methods for marketable securities
   Stocks of subsidiaries and affiliates:
   Cost method based on the moving average method
   Available-for-sale securities with fair value:
   Fair value method based on the market price, etc. as of the financial closing date (Valuation differences are all reported as a component of shareholders' equity and cost of products sold is calculated by the moving average method)
   Available-for-sale securities without fair value:
   Cost method based on the moving average method
   (2) Valuation standards and methods for inventories:
   Merchandise and finished goods: Cost method based on the gross average method
   (Balance sheet amounts are calculated by the inventory write-down method based on decline in profitability)
   Raw materials: Cost method based on the gross average method
   (Balance sheet amounts are calculated by the inventory write-down method based on decline in profitability)
   Supplies: Mainly cost method based on the moving average method
   (Balance sheet amounts are calculated by the inventory write-down method based on decline in profitability)

2. Depreciation method for fixed assets

Tangible fixed assets (excluding lease assets):	Straight-line method Useful lives of the major items are as follows. Buildings: 2-58 years Machinery and equipment: 2-20 years Sales equipment: 4-9 years
Intangible fixed assets (excluding lease assets):	Straight-line method The straight-line method is applied to software based on internal useful life (within 10 years).
Lease assets:	Lease assets in non-ownership-transfer finance lease transactions Straight-line method setting the lease period as the useful lives and the residual value as zero

3. Basis for recording provisions and allowances

・Allowance for doubtful accounts:
In preparation for bad debt loss of receivables such as accounts receivable-trade, the unrecoverable amounts for general accounts receivables and specific receivables such as doubtful accounts receivable are recorded in consideration of the loan loss ratio and the individual collectability, respectively.

・Provision for bonuses:
In preparation for payout of employees' bonuses, the estimated amount as of the end of the current fiscal year is recorded

・Provision for directors' bonuses:
In preparation for payout of directors' bonuses payout, the estimated amount as of the end of the current fiscal year is recorded.

・Provision for retirement benefits:
In preparation for payout of retirement benefits for employees, the amount recognized as of the end of the current fiscal year is recorded based on estimated amounts of retirement benefit obligations and pension assets as of the end of the current fiscal year.
Actuarial differences are allocated by the straight-line method using a certain number of years (mainly 13 years) within the employees' average remaining years of service when incurred and the amount is expensed from the following fiscal year.
Past service costs are allocated by the straight-line method using a certain number of years (mainly 13 years) within the employees' average remaining years of service and expensed when incurred.

・Provision for environmental measures:

In preparation for disposal of polychlorinated biphenyl waste kept in storage, the amount recognized as of the end of the current fiscal year is recorded.

・Provision for contract loss:
In preparation for payment of system usage fees after cancellation under the contracts, the estimated amount is recorded.

4. Other significant matters as the basis for preparation of the financial statements
Accounting treatment for consumption taxes: Tax exclusion method

(Notes on changes to the accounting policy)

(Application of accounting standard for business combination, etc.)

Effective from FY2016, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013), etc. Accordingly, the Company has changed the accounting method to record acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of FY2016, the Company has changed the accounting method to record the adjustment to the acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in the non-consolidated financial statements of the fiscal year in which the relevant business combination occurs.

The adoption of the Accounting Standard for Business Combinations and other standards is in line with the transitional treatment specified in paragraph 58-2 (4) of the Accounting Standard for Business Combinations and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards prospectively from the beginning of FY2016 onward.

In FY2016, these changes had no impact on the non-consolidated financial statements.

(Changes in accounting estimates)

(Changes to useful life)

Regarding tangible fixed assets held by the Group, the useful life of machinery and equipment used for manufacturing purposes had been defined as 10 years. The Group has formulated a systematic maintenance policy for machinery and equipment which lead to progress in internalizing maintenance, as well as implemented a new production structure for the entire Group upon the absorption-type merger with Sendai Coca-Cola Bottling Co., Ltd. in January 2016. Taking this occasion, the Company re-examined elements such as the physical durability and lifecycle of manufacturing machines. As a result, effective from FY2016, the Company has revised their useful lives to 7-20 years prospectively based on the estimated economic useful life reflecting the actual usage status.

In accordance with this change, gross profit, operating income, and ordinary income for FY2016 increased by 650 million yen, respectively, and income before income taxes increased by 649 million yen, compared with the previous method.

(Notes to changes in presentation)

“Long-term deposits received” (366 million yen for FY2016), which was stated separately as a breakdown of “Noncurrent liabilities” for FY2015, is included in “Other” from FY2016 due to decreased significance.

(Notes to balance sheet)

1. Accumulated depreciation of tangible fixed assets	249,355 million yen

Accumulated depreciation includes accumulated impairment loss.

2. Monetary claims and obligations against affiliates

Short-term monetary claims	3,121 million yen
Short-term monetary obligations	8,946 million yen
Long-term monetary obligations	76 million yen

(Notes to statement of income)

1. Trading volume with affiliates

Sales	22,175 million yen
Purchase of goods	281,394 million yen
Other business transactions	24,009 million yen
Non-business transactions	489 million yen

2. Penalty on lease contract cancellation was mainly attributable to cancellation of lease contracts for manufacturing equipment.

3. Breakdown of restructuring cost is as follows.

Special retirement benefits:	106 million yen
Integration Cost	81 million yen

(Notes to statement of changes in Net Assets)

Class and total number of treasury stock

	Number of shares as of January 1, 2016	Increase in shares in FY2016	Decrease in shares in FY2016	Number of shares as of December 31, 2016
Treasury stock Common stock	855,654	3,346	19,793	839,207
Total	855,654	3,346	19,793	839,207

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.

(Notes to tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(1) Current assets

Deferred tax assets	
Amount of loss carried forward	563 million yen
Provision for bonuses	786 million yen
Accrued enterprise tax	170 million yen
Others	758 million yen
Total deferred tax assets	2,278 million yen

(2) Noncurrent liabilities

Deferred tax assets	
Valuation difference on land	3,081 million yen
Loss on valuation of stocks of subsidiaries and affiliates	252 million yen
Provision for retirement benefits	3,581 million yen
Provision for contract loss	176 million yen
Provision for environmental measures	91 million yen
Excess amount of depreciation	2,559 million yen
Excess amount of software depreciation	103 million yen
Excess amount of amortization of deferred assets	266 million yen
Obligation on retirement of noncurrent assets	252 million yen
Impairment loss	96 million yen
Other	1,020 million yen
Subtotal of deferred tax assets	11,483 million yen
Valuation reserve	(4,319) million yen
Total deferred tax assets	7,163 million yen
Deferred tax liabilities	
Valuation difference on land	(4,820) million yen
Valuation difference on available-for-sale securities	(1,147) million yen
Obligation on retirement of noncurrent assets	(36) million yen
Total deferred tax liabilities	(6,004) million yen
Net deferred tax liabilities	1,159 million yen

2. Breakdown of major factors for significant variances between the effective statutory tax rate and the actual tax rate for income taxes, etc. after application of tax effect accounting

Effective statutory tax rate	33.0%
(Adjustment)	
Gain on extinguishment of tie-in shares	-21.3
Permanent differences-income (dividend income, etc.)	-8.2
Permanent difference-expenses (entertainment expenses, etc.)	1.0
Inhabitation tax on per capita basis	0.9
Impacts of tax rate change	2.5
Increase (decrease) in valuation reserve	0.1
Other	-0.2
Income tax rate, etc. after application of tax effect accounting	7.8%

3. Restatement of amounts of deferred tax assets and liabilities due to changes in rates of income taxes, etc.
Following the promulgation of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) on March 31, 2016, income tax rates have been changed from the fiscal years starting on and after April 1, 2016. As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed as follows depending on the time of elimination of temporary differences.
Temporary difference to be eliminated by December 31, 2016: 33.0%
Temporary difference to be eliminated from January 1, 2017 to December 31, 2018: 30.8%
Temporary difference to be eliminated from January 1, 2019 onwards: 30.6%
The impact of this change in the tax rate is immaterial.

(Notes to transactions with related parties)
1. Subsidiaries and affiliates

<table>
<tr><th rowspan="2">Affiliation</th><th rowspan="2">Name of company</th><th rowspan="2">Voting rights (owned) (%)</th><th rowspan="2">Business</th><th colspan="2">Relationship</th><th rowspan="2">Transaction</th><th rowspan="2">Transaction value (Million yen)</th><th rowspan="2">Item</th><th rowspan="2">Closing balance (Million yen)</th></tr>
<tr><th>Concurrent duties</th><th>In business</th></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Coca-Cola East Japan Products Co., Ltd.</td><td rowspan="2">Direct 100</td><td rowspan="2">Beverage business</td><td rowspan="2">2</td><td rowspan="2">Purchase of products, Lending of funds</td><td>Purchase of products (Notes 1,4)</td><td>252,482</td><td>–</td><td>–</td></tr>
<tr><td>Lending of funds (Notes 3,4)</td><td>12,617</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Affiliate</td><td rowspan="2">Coca-Cola Business Sourcing Co., Ltd.</td><td rowspan="2">Direct 39.8</td><td rowspan="2">Beverage business</td><td rowspan="2">3</td><td rowspan="2">Purchase of raw materials and sales equipment</td><td>Purchase of raw materials (Note 2)</td><td>17,317</td><td>Accounts payable-trade</td><td>4,544</td></tr>
<tr><td>Purchase of sales equipment (Note 2)</td><td>7,446</td><td>Accounts payable-other</td><td>712</td></tr>
</table>

Consumption taxes, etc. are not included in the above transaction values, but included in the closing balance.

Transactions terms and conditions and policy for the decision thereof, etc.

(Notes) 1. Product purchase is based on the Management Agreement concluded with Coca-Cola East Japan Products Co., Ltd.
2. Each purchase is determined in consideration of market prices, etc.
3. The Company uses CMS (Cash Management System) for efficient management of the Group's funds. Capital loan interest rates are determined logically in view of the market interest rate. The transaction price is net based.
4. As of October 1, 2016, an absorption-type merger was implemented where the Company is the surviving company and Coca-Cola East Japan Products Co., Ltd. was the dissolved company. The transaction amount stated above corresponds to the transactions between the related parties in the period concerned.

2. Fellow subsidiary

Affiliation	Name of company	Voting rights (owned) (%)	Business	Relationship		Transaction	Transaction value (Million yen)	Item	Closing balance (Million yen)
				Concurrent duties	In business				
Subsidiary of entity holding the Company as affiliate	Coca-Cola (Japan) Co., Ltd. (Note)	(Owned direct) 13.18	Manufacturing and sales of soft drinks	–	–	Receiving of rebates	71,435	Accounts receivable-other	6,913
						Purchase of liquid concentrate	37,457	Account payable-trade	7,238

Consumption taxes, etc. are not included in the above transaction values, but included in the closing balance.

Transactions terms and conditions and policy for the decision thereof, etc.

(Note)
Transactions with Coca-Cola (Japan) Co., Ltd. are based on the agreement concluded with The Coca-Cola Company and Coca-Cola (Japan) Co., Ltd. concerning manufacturing and sales of Coca-Cola products and the fee for use of the registered trademark.

(Notes to per share information)

1. Net assets per share	1,896.69 yen
2. Net income per share	144.99 yen
The calculation basis for net income per share is as follows.	
Net income	18,390 million yen
Amount not attributable to common shareholders	- million yen
Net income pertaining to common stock	18,390 million yen
Average number of shares of common stock during the period	126,837,892 shares

(Notes on business combinations)
Transactions under common control

1. Merger with Sendai Coca-Cola Bottling Co., Ltd.
In accordance with the resolutions by the Board of Directors on June 15, 2015 and November 6, 2015, the Company implemented an absorption-type merger with its wholly-wned subsidiary Sendai Coca-Cola Bottling Co., Ltd. on January 1, 2016.

(1) Overview of the transaction
1) Name and business of the merged company
Name of the merged company: Sendai Coca-Cola Bottling Co., Ltd.
Business: Manufacturing and sales of soft drinks
2) Date of business combination: January 1, 2016
3) Legal form of business combination
Absorption-type merger with the Company as the surviving company. Sendai Coca-Cola Bottling Co., Ltd. was the dissolved company.
4) Post-merger company name
Coca-Cola East Japan Co., Ltd.
5) Overview of other matters concerning the transaction
The Company conducted an absorption-type merger with Sendai Coca-Cola Bottling Co., Ltd. with the aim of further strengthening the market competitiveness of the Group.

(2) Overview of accounting procedures
Processed as transactions under common control, based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013).

2. Merger with Coca-Cola East Japan Products Co., Ltd.
In accordance with the resolution by the Board of Directors on May 13, 2016, the Company implemented an absorption-type merger with its wholly-owned subsidiary Coca-Cola East Japan Products Co., Ltd. on October 1, 2016.

(1) Overview of the transaction
1) Name and business of the merged company
Name of the merged company: Coca-Cola East Japan Products Co., Ltd.
Business: Manufacturing and distribution of soft drinks, maintenance of sales equipment

2) Date of business combination: October 1, 2016

3) Legal form of business combination

Absorption-type merger with the Company as the surviving company. Coca-Cola East Japan Products Co., Ltd. was the dissolved company.

4) Post-merger company name

Coca-Cola East Japan Co., Ltd.

5) Overview of other matters concerning the transaction

The Company conducted an absorption-type merger with Coca-Cola East Japan Products Co., Ltd. with the aim of further strengthening the market competitiveness of the Group.

(2) Overview of accounting procedures

Processed as transactions under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013).