Annual Securities Report

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

Fiscal Year	From January 1, 2020
(63rd Fiscal Term)	to December 31, 2020

Coca-Cola Bottlers Japan Holdings Inc.

（Formerly Coca-Cola Bottlers Japan Inc.）

(E00417）

This is an English translation of the original Annual Securities Report ("Yukashoken Hokokusho") filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors` NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between Yukashoken Hokokusho and this English translation, Yukashoken Hokokusyo shall prevail.

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[Cover Page]	Securities Report
[Underlying article]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Recipient]	Director-General of the Kanto Local Finance Bureau
[Submission date]	March 26, 2021
[Fiscal year]	63rd fiscal term (from January 1, 2020 to December 31, 2020)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
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[Name of administrative contact]	Satoshi Kon, Head of Finance Operations and Controllers Division, Finance
[Location provided for viewing]	Tokyo Stock Exchange, Inc. （2-1 Nihonbashi Kabutocho, Chuo Ward, Tokyo）

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The Independent Auditor`s report that is included in Yukashoken Hokokusho is not translated to English. Therefore, it is not included in this English translation.

For the purpose of this Annual Securities Report, unless context indicates otherwise, the “Company”, “we”, and “CCBJH” refer to Coca-Cola Bottlers Japan Holdings Inc., and the “Group” refers to the Company and its subsidiaries.

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Part I. Corporate Information

I. Overview

1. Summary of business results

(1) Business results of the Group

Fiscal term		International Financial Reporting Standards			
		60th	61st	62nd	63rd
Fiscal year-end		December 2017	December 2018	December 2019	December 2020
Revenue	(Millions of yen)	837,069	927,307	890,009	791,956
Profit before income (loss) tax	(Millions of yen)	37,914	14,767	(58,922)	(12,065)
Net profit attributable to owners of the parent	(Millions of yen)	21,967	10,117	(57,952)	(4,715)
Comprehensive income attributable to owners of the parent	(Millions of yen)	30,149	3,152	(52,164)	(2,214)
Equity attributable to owners of the parent	(Millions of yen)	654,611	580,448	505,999	501,643
Total assets	(Millions of yen)	929,304	877,472	952,444	939,603
Equity per share attributable to owners of the parent	(Yen)	3,204.90	3,163.63	2,821.27	2,797.03
Basic earnings per share	(Yen)	125.53	52.68	(322.22)	(26.29)
Diluted earnings per share	(Yen)	—	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	70.4	66.2	53.1	53.4
Ratio of return on equity	(%)	4.6	1.6	(10.7)	(0.9)
Price-earnings ratio	(Times)	32.8	62.4	(8.7)	(61.2)
Cash flows from operating activities	(Millions of yen)	73,014	51,244	42,629	43,716
Cash flows from investing activities	(Millions of yen)	(14,299)	(48,628)	(68,308)	(52,076)
Cash flows from financing activities	(Millions of yen)	(26,717)	(55,835)	73,994	20,912
Cash and cash equivalents at the end of the year	(Millions of yen)	118,742	65,510	113,825	126,378
Number of the employees [Average number of temporary workers]	(People)	17,197 [4,403]	17,100 [3,957]	16,959 [3,578]	16,274 [4,008]

(NOTE) 1. Revenue does not include consumption tax.

2. Diluted earnings per share is not disclosed because there are no potential ordinary shares.
3. The consolidated financial statements are disclosed in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board from the 61st fiscal year.
4. Figures are rounded to the nearest million yen.
5. In the fiscal year ending 31 December 2020, the businesses of Q'SAI and its subsidiaries were classified as discontinued operations as a result of the decision made in December 2020 to sell all shares in Q'SAI Co. Ltd. held by the Company. Accordingly, the Revenue and the Profit before income tax for the previous consolidated financial year have been reclassified to the amounts for continuing operations excluding discontinued operations. Refer to "V. Financial information, 1. Consolidated financial statements, (1) Notes to consolidated financial statements, 9. Disposal groups classified as held for sale and discontinued operations" for the reclassified amounts of the Revenue and Profit before income tax of the discontinued operations.

Fiscal term		Japanese GAAP		
		59th	60th	61st
Fiscal year-end		December 2016	December 2017	December 2018
Sales revenue	(Millions of yen)	460,455	872,623	968,439
Ordinary income	(Millions of yen)	20,602	39,860	26,011
Net profit attributable to owners of the parent	(Millions of yen)	5,245	25,244	10,948
Comprehensive income	(Millions of yen)	5,022	31,976	440
Net assets	(Millions of yen)	261,173	627,486	550,775
Total assets	(Millions of yen)	377,468	883,919	833,915
Net assets per share	(Yen)	2,389.28	3,070.01	2,999.40
Net profit per share	(Yen)	48.05	144.26	57.01
Diluted earnings per share	(Yen)	-	-	-
Ratio of equity to asset	(%)	69.1	70.9	66.0
Ratio of return on equity	(%)	2.0	5.7	1.9
Price-earnings ratio	(Times)	71.7	28.5	57.6
Cash flows from operating activities	(Millions of yen)	34,388	72,450	50,768
Cash flows from investing activities	(Millions of yen)	(19,921)	(41,091)	(48,621)
Cash flows from financing activities	(Millions of yen)	(7,546)	(26,160)	(55,366)
Cash and cash equivalents are the beginning of the year	(Millions of yen)	86,727	118,742	65,510
Number of the employees [Average number of temporary workers]	(People)	8,616 [2,499]	17,197 [4,403]	17,100 [3,957]

(NOTE)

1. Sales revenue do not include consumption tax.
2. Diluted earnings per share is not disclosed because there are no potential ordinary shares.
3. The figures for the 60th fiscal period and thereafter are represented as the figures after the transfer to a holding company through a share exchange with Coca-Cola East Japan Co., Ltd. on April 1, 2017.
4. The figures for the 61st fiscal year under Japanese GAAP have not been subjected to an audit which is required in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instrument and Exchange Act.
5. The figures of less than one million yen have been rounded off to the nearest million yen since the 60th fiscal year. Previously, the figures of less than one million yen had been rounded down to the nearest million yen.

(2) Management indicators of the Company

Fiscal term		59th	60th	61st	62nd	63rd
Fiscal year-end		December 2016	December 2017	December 2018	December 2019	December 2020
Sales revenue and operating revenue	(Millions of yen)	385,889	93,705	10,375	26,517	19,202
Ordinary income	(Millions of yen)	14,647	6,087	5,224	20,273	14,345
Net profit	(Millions of yen)	12,034	4,991	4,395	20,702	15,742
Capital stock	(Millions of yen)	15,231	15,232	15,232	15,232	15,232
Total number of issued shares	(Thousands of shares)	111,125	206,269	206,269	206,269	206,269
Net assets	(Millions of yen)	252,750	405,242	332,507	331,139	342,391
Total assets	(Millions of yen)	369,792	475,220	478,484	549,683	587,306
Net assets per share	(Yen)	2,315.90	1,984.02	1,812.27	1,846.32	1,909.09
Dividends paid per share (Interim dividends paid per share)	(Yen)	46.00 (22.00)	44.00 (22.00)	50.00 (25.00)	50.00 (25.00)	25.00 —
Net profit per share	(Yen)	110.26	28.52	22.89	115.11	87.77
Diluted earnings per share	(Yen)	—	—	—	—	—
Ratio of equity to asset	(%)	68.3	85.3	69.5	60.2	58.3
Ratio of return on equity	(%)	4.8	1.2	1.2	6.2	4.7
Price-earnings ratio	(Times)	31.2	144.3	143.5	24.2	18.3
Dividend payout ratio	(%)	41.7	154.3	218.4	43.4	28.5
Number of the employees [Average number of temporary workers]	(People)	1,635 [119]	729 [41]	— [—]	— [—]	— [—]
Total Shareholder Return [Comparative index: TOPIX Net Total Return Index]	(%) (%)	142.1 [100.3]	171.1 [122.6]	139.4 [103.0]	121.3 [121.7]	74.2 [130.7]
Highest stock price	(Yen)	3,485	4,385	4,815	3,490	3,070
Lowest stock price	(Yen)	2,177	3,065	2,793	2,157	1,462

(NOTE)

1. Sales revenue and operating revenue do not include consumption tax.
2. Diluted earnings per share is not disclosed because there are no potential ordinary shares.
3. The Company was transferred to a holding company through a company split with New CCW Establishment Preparation Company Co., Ltd. on April 1, 2017. As a result, the account title has changed to "Sales revenue and operating revenue" from "Net sales" since the 60th fiscal year.
4. The figures for the 60th fiscal period and thereafter are represented as the figures after the transfer to a holding company through a share exchange with Coca-Cola East Japan Co., Ltd. and a company split with New CCW Establishment Preparation Company Co., Ltd. on April 1, 2017.
5. The figures of less than one million yen have been rounded off to the nearest million yen since the 60th fiscal year. Previously,

the figures of less than one million yen had been rounded down to the nearest million yen.

6. Coca-Cola Bottlers Japan Inc. was renamed Coca-Cola Bottlers Japan Holdings Inc. to clarify its role as a holding company on January 1, 2018. As a result, the number of employees has been omitted from the 61st fiscal year
7. The highest and lowest stock prices are from Tokyo Stock Exchange 1st section.
8. Partial Amendments to “Accounting Standards for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the 62nd fiscal year. The main management indicators for the 61st to 62nd periods are the figures after retroactive application of the relevant accounting standards.

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2. History

Month and Year	Summary
Dec. 1960	Nichibei Inryo Co., Ltd. established with 50 million yen in capital at 1-5 Nagahama-cho, Fukuoka City for manufacture and sale of soft drinks
Jul. 1961	Headquarters move to 92 Tenjin-cho, Fukuoka City
Jun. 1962	Agreement on the manufacture and sale of Coca-Cola and Fanta concluded with The Coca-Cola Company and the Coca-Cola (Japan) Company, Limited. granting the right to manufacture and sell Coca-Cola and Fanta in Fukuoka, Saga, and Nagasaki Prefectures
Jul. 1962	Began sales
Mar. 1963	Corporate name changed to Nichibei Coca-Cola Bottling Co., Ltd.
Apr. 1963	Headquarters move to 4127-29 Aza Ashitsugaura, Ohaza Hakozaki, Fukuoka City (now 7-9-66, Hakozaki, Higashi-ku, Fukuoka City)
Sep. 1972	Amended the previous agreements with The Coca-Cola Company and the Coca-Cola (Japan) Company, Limited and newly concluded a license agreement with the Coca-Cola (Japan) Co., Ltd.
Jul. 1973	Corporate name changed to Kitakyushu Coca-Cola Bottling Co., Ltd.
Jun. 1994	Listed on the Fukuoka Stock Exchange
Nov. 1996	Listed on the second section of Tokyo Stock Exchange
Jun. 1998	Listed on the first section of the Tokyo Stock Exchange
Feb. 1999	Kitakyushu Coca-Cola Sales Co., Ltd. established
Jun. 1999	Some business transferred to Kitakyushu Coca-Cola Sales Co., Ltd.
Jul. 1999	Consolidated with Sanyo Coca-Cola Bottling Co., Ltd. and corporate name changed to Coca-Cola West Japan Co., Ltd. With the consolidation, Sanyo Coca-Cola Bottling's subsidiary Sanyo Coca-Cola Sales Co., Ltd. became a subsidiary of the Company Listed on the first section of Osaka Securities Exchange and Hiroshima Stock Exchange
Apr. 2001	Acquired Mikasa Coca-Cola Bottling Co., Ltd. stock, making it a subsidiary
Feb. 2002	West Japan Products Co., Ltd. (later Coca-Cola West Japan Products, Co., Ltd.) established.
Apr. 2002	Some business transferred to Coca-Cola West Japan Products Co., Ltd. (now Coca-Cola West Products, Co., Ltd.) Merged with both Sanyo Coca-Cola Sales Co., Ltd. and Kitakyushu Coca-Cola Sales Co., Ltd.
Jul. 2002	Four subsidiaries running vending business integrated to establish Nishinihon Beverage Co., Ltd. (made defunct through merger dated January 1, 2010)
Oct. 2002	Amended the previous agreement with Coca-Cola (Japan) Company, Limited, and newly concluded a bottler's agreement with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited.
Jan. 2005	Amended the previous agreements with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited, and newly concluded a manufacturing agreement and a distributorship agreement with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited.
Jul. 2006	Corporate name changed to Coca-Cola West Holdings Co., Ltd. and performed a demerger in which rights related to the sales of beverages and food products were succeeded by the newly established Coca-Cola West Japan Co., Ltd. Implemented share exchange making Kinki Coca-Cola Bottling Co., Ltd. a wholly-owned subsidiary With the share exchange, Kinki Coca-Cola Bottling's subsidiary Kansai Beverage Service Co., Ltd. (later Nishinihon Beverage Co., Ltd.) became a subsidiary of the Company
Apr. 2007	Invested in Minami Kyushu Coca-Cola Bottling Co., Ltd., and made it an equity-method affiliate
Jan. 2008	Integrated two subsidiaries running manufacturing business to establish Coca-Cola West Products Co., Ltd.
Apr. 2008	Integrated subsidiaries running sales equipment service business to establish Coca-Cola West Equipment Service Co., Ltd.
Jan. 2009	Merged with Coca-Cola West Japan Co., Ltd., Kinki Coca-Cola Bottling Co., Ltd. and Mikasa Coca-Cola Bottling Co., Ltd. and changed the corporate name to Coca-Cola West Company, Limited Amended the previous agreements with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited, and newly concluded a bottler's agreement with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited.
Jan. 2010	Reorganized three subsidiaries running sales to establish West Vending Co., Ltd. (later Coca-Cola West Vending Co., Ltd.), Nishinihon Beverage Co., Ltd. and Coca-Cola West Retail Service Co., Ltd. (Bottlers Japan Business Services Inc.)
Oct. 2010	Acquired Q'SAI CO., LTD. stock, making it a wholly-owned subsidiary
Apr. 2013	Implemented share exchange making Minami Kyushu Coca-Cola Bottling Co., Ltd. a wholly-owned subsidiary
Jan. 2014	Merged with Minami Kyushu Coca-Cola Bottling Co., Ltd.
May. 2015	Acquired Shikoku Coca-Cola Bottling Co., Ltd. stock, making it a subsidiary
Apr. 2017	Implemented share exchange making Coca-Cola East Japan Co., Ltd. a wholly-owned subsidiary Company name changed to Coca-Cola Bottlers Japan Inc. In order to transition to a holding company structure, an absorption-type split was conducted in which businesses other than the Group Management Business and the Asset Management Business were transferred to New CCW Establishment Preparation Co., Ltd..
Jan. 2018	Corporate name changed to Coca-Cola Bottlers Japan Holdings Inc.

3. Description of business

The Group’s corporate group consists of the Company, 11 subsidiaries, two affiliates with Beverage business as its primary operations. From the current consolidated financial year, the Group has changed to a single segment of "Beverages” in conjunction with the classification of the healthcare and skincare business as discontinued operations. Details are provided in “V. Financial information, 1. Consolidated financial statements, (1) Notes to consolidated financial statements, 9. Disposal groups classified as held for sale and discontinued operations”. In addition, The Coca-Cola Company is an affiliated company. The following diagram sets out the positioning and business of each company in the Coca-Cola Bottlers Japan Holdings Group’s (the “Group”) principal business activities. Business categories correspond to segment categories.

Please note that the Company is a specified listed company as defined in Article 49, Paragraph 2 of the Cabinet Office Order on Restrictions on Securities Transactions. Thus, the criteria for assessing the material facts under the insider trading regulations are determined based on consolidated figures

(1) Beverage business

(Production and sale of Coca-Cola and beverages)

a. Sales of beverages

Coca-Cola Bottlers Japan Inc., Coca-Cola Bottlers Japan Vending Inc., FV Japan Co., Ltd., Coca-Cola Bottlers Japan Business Services Inc., Kadiac Co., Ltd., Coca-Cola Customer Marketing Co., Ltd, and Apex Nishi-Nihon Corporation.

b. Production of beverages

Production of beverages is engaged by Coca-Cola Bottlers Japan Inc.,

(Business related to vending machines)

It is engaged by Coca-Cola Bottlers Japan Vending Inc., and Resources Co., Ltd.

(Real estate and insurance agency)

It is engaged by Coca-Cola Bottlers Japan Benefit Inc.

(Procurement of ingredients and materials)

It is engaged by Coca-Cola Bottlers Japan Inc.

(Development, maintenance and operations of information systems)

They are engaged by Coca-Cola Bottlers Japan Inc.

(2) Healthcare & Skincare business (Discontinued operations)

(Production and sale of health foods such as Aojiru that uses “Kale” as its ingredient and cosmetic related products)

They are engaged by Q’SAI CO., LTD., Q’sai Farm Shimane Co., Ltd., and Q’sai Analysis and Research Center Co., Ltd.

(Investment business)

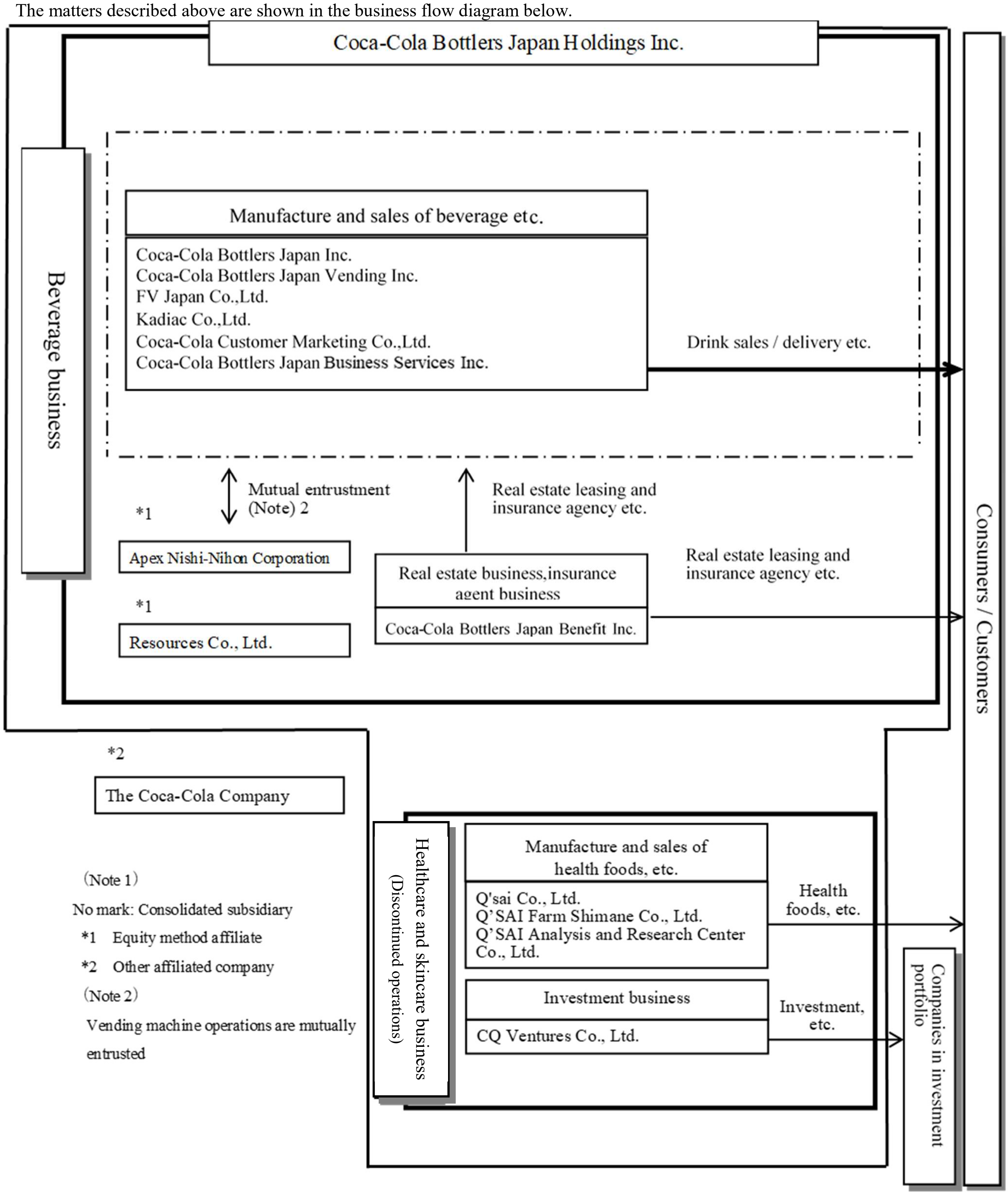
It is engaged by CQ Ventures Co., Ltd.

As the transfer of all shares in Q’SAI, which is responsible for this business, was completed on February 1 2021, the company and its subsidiaries have been excluded from the Group.

Note that The Coca-Cola Company engages in sales of beverages (including beverage base).

(Business Flow Diagram)

The matters described above are shown in the business flow diagram below.



4. Information on affiliates

(1) Consolidated Subsidiaries

Name	Address	Common stock (millions of yen)	Principal businesses	% of voting rights interests	Relation
Coca-Cola Bottlers Japan Inc. (Note) 2,5	Minato-ku, Tokyo	100	Manufacture and sale of beverages and foods	100.0	Interlocking directorate: yes Leasing of facilities: yes
Coca-Cola Bottlers Japan Vending Inc. (Note) 1	Higashi-ku, Fukuoka-shi	80	Operation of vending machines	100.0 (100.0)	―――――
FV Japan Co., Ltd. (Note) 1, 6	Toshima-ku, Tokyo	100	Sale of beverages and foods	100.0 (100.0)	―――――
Coca-Cola Bottlers Japan Business Services Inc. (Note) 1	Higashi-ku, Fukuoka-shi	80	On-site administration	100.0 (100.0)	―――――
Kadiac Co., Ltd. (Note) 1	Sennan-shi, Osaka	80	Sale of beverages	52.0 (52.0)	―――――
Coca-Cola Bottlers Japan Benefit Inc. (Note) 1	Higashi-ku, Fukuoka-shi	100	Real estate business, insurance agent business	100.0 (100.0)	―――――
Coca-Cola Customer Marketing Co., Ltd. (Note) 1	Minato-ku, Tokyo	301	Sale of beverages	100.0 (100.0)	―――――
Q'SAI CO., LTD. (Note) 7,8	Chuo-ku, Fukuoka-shi	350	Manufacturing and sale of health food and products related to cosmetics.	100.0	Interlocking directorate: yes
Q'SAI Farm Shimane Co., Ltd. (Note) 1,3,4	Masuda-shi, Shimane	10	Manufacture and sale of health food	49.5 (49.5) [26.2]	―――――
Q'SAI Analysis and Research Center Co., Ltd. (Note) 1	Chuo-ku, Fukuoka-shi	10	Manufacture and sale of health food	51.5 (51.5)	―――――
CQ Ventures Co., Ltd	Chuo-ku, Fukuoka-shi	50	Investment business	100.0 (100.0)	―――――

(Notes)

1. The figures in parentheses for the % of voting rights interests column indicates the % of indirect voting interests, which is a part of the total voting interest.
2. It applicable to significant subsidiaries.
3. The figures in brackets for the % of voting rights interests column indicates the % of voting interests of interests of persons with close relationships, which is separate from the total voting interest.
4. Although the voting rights interests are 50% or less, it has been made a subsidiary because effective control is deemed to exist.

5. As for Coca-Cola Bottlers Japan Inc., the proportion of net sales (excluding internal sales among consolidated companies) to consolidated sales exceeds 10%.

Major income statement information.	(1) Net revenues	784,785 million yen
(JGAAP)	(2) Recurring income	(9,583) million yen
	(3) Net profit	(9,476) million yen
	(4) Net assets	422,971 million yen
	(5) Total assets	709,777 million yen

6. As for FV Japan Co., Ltd., the proportion of net sales (excluding internal sales among consolidated companies) to consolidated sales exceeds 10%.

Major income statement information	(1) Net revenues	81,990 million yen
(JGAAP)	(2) Recurring income	2,030 million yen
	(3) Net profit	913 million yen
	(4) Net assets	26,199 million yen
	(5) Total assets	40,234 million yen

7. Q'SAI has been excluded from our consolidated subsidiaries in conjunction with the transfer of all of its shares as of February 1, 2021.
8. The officer has been resigned in conjunction with the transfer of all shares in Q'SAI as of February 1, 2021.

(2) Equity Method Affiliates

Name	Address	Common stock (millions of yen)	Principal businesses	% of voting rights interests	Relation
Apex Nishi-Nihon Corporation (Note)	Fukushima-ku, Osaka-shi	64	Sale of beverages	34.0 (34.0)	————
Resources Co., Ltd. (Note)	Takamatsu-shi, Kagawa	40	Vending machine-related business	44.0 (44.0)	————

(Note)
The figures in parentheses for the % of voting rights interests column indicates the % of indirect voting interests, which is a part of the total voting interest.

(3) Other Affiliated Companies

Name	Address	Common stock (millions of dollars	Principal businesses	% of voting rights interests in the Company（%）	Relation
The Coca-Cola Company (Note) 1, 2	Atlanta Georgia U.S.A	1,760	Sales of beverages (including concentrate/beverage base))	18.88 (18.88)	Interlocking directorate: yes

(Note)
1. The figures in parentheses for the % of voting rights owned are indirect ownership percentage.
2. "Yukashoken Todokedesho" (Securities Registration Statement) or "Yukashoken Hokokusho" (Annual Securities Report) has been submitted.

5. Employees

(1) Consolidated Basis

As of December 31, 2020

Segment	Number of employees	
Beverage business	15,772	[3,878]
Healthcare and Skincare business (Discontinued operation)	502	[130]
Total	16,274	[4,008]

(Notes)

1. The number of employees excludes employees seconded from the Group to outside the Group and includes employees who are seconded from outside the Group to the Group and the number of temporary employees is shown separately in parentheses as the average number over one year.
2. Temporary employees include part timers and casual workers, but not workers dispatched by staffing companies.

(2) Parent-alone Basis

Descriptions are omitted because the Company is a holding company

(3) Labor Unions

The Group has the Coca-Cola Bottlers Japan Group East Labor Union and the Coca-Cola Bottlers Japan Group West Labor Union, in addition to labor unions formed in certain subsidiaries, and the total number of members of the labor unions was 13,727 as of December 31, 2020. The relationship between management and labor unions is good.

II. Business overview

1. Management policy, management environment and issues to be addressed

(1) Fundamental management policy of the Company

CCBJH Group has its corporate philosophy, "Mission, Vision and Values". We unified our mission, vision, and values under the words "Paint it RED! Let's repaint our future." This slogan uses RED, our corporate color and a color representing passion, to express our strong will to create sustainable value for our company and our stakeholders.

As our Mission, we will "deliver happy moments to everyone while creating values" through our business.

As our Vision, we depict an ideal status that leads us to the Mission.

・ We are the preferred partner for our customers
・ We win in the market through sustainable growth
・ We lead a learning culture with commitment to grow
・ We are the best place to work with pride for Coca-Cola

In order to realize the Mission and Vision, we defined four Values that we must always keep in mind and respect in our daily activities

・Learning
・Agility
・Result-orientation
・Integrity

We aim to achieve sustainable growth through our day-to-day business based on Mission, Vision and Values.

(2) Main targets

There are many uncertainties related to the impact of the ongoing COVID-19 pandemic, including the new declaration of a state of emergency in Japan, the expected timing of a reduction in infection rates and a potential vaccine approval, and the impact on the market. Therefore, it is not possible to estimate and announce our full-year 2021 earnings forecast at this time. We will provide an update when we are able to estimate the impact to our outlook. In the meantime, our focus will be on delivering improvements in the following areas:

・ Value share growth
・ New recurring cost savings from ongoing transformation initiatives and additional cost focus to offset weaker topline
・ Restraint in new capital investments in 2021 during ongoing COVID-19 uncertainty
・ Reinstatement of full-year dividend outlook of 50 yen per share
・ Good stewardship of capital, including ongoing balance sheet optimization due to focus on core beverage business segment, sales of under-utilized assets and cross shareholdings and prudent investment focus grounded in ROI (Return On Investment)

(3) Issues to be addressed by the Company

In 2021, we expect uncertainty to continue in the overall Japan NARTD beverage market. Although cycling of the COVID-19 impact from 2020 can be expected, 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 at least into March, with little visibility into a timeline for vaccination and a broader return to normal in the market.

Under these circumstances, and reflecting the guiding principle of our mid-term strategic business plan announced in August 2019 that “business as usual is not an option”, we are keeping a strict focus on managing what is in our control, and we will continue to drive fundamental business change to recover and grow by transforming our cost structure, including organization restructuring and digitalization, focusing on an appropriate balance of marketing “big bets” and innovation, and increasing front-facing investments for growth in space-to-sell and market share.

In the commercial area, while the impact of COVID-19 is expected to continue, we will work closely with Coca-Cola (Japan) Company, Ltd. to achieve steady profit growth in the era of “New Normal” by staying relevant to evolving consumer purchase trends and channel mix and by “growing where the growth is”. Regarding strategic initiatives for growth categories, we launched a new product named “Lemon-dou Kamisori Lemon” to further expand our presence in ready-to-drink alcohol beverages at the end of 2020. In addition, we continue to expand sales of the “Fanta Premier” series that contains fruit puree and features a rich, adult-oriented sparkling taste, as well as high value-added functional products like “Karada Odayakacha W”, and the premium “Georgia Latte Nista” coffee series, along with extensive deployment of “COSTA Coffee”, the largest coffee brand in Europe.

Regarding our important vending channel, we aim to deliver sustainable growth by selectively increasing vending machine placements with a ROI focus on high-potential locations, and gearing up the digital strategy by utilizing high-performing tools, such as our smartphone app “Coke ON”. In addition, together with The Coca-Cola Company, a worldwide Olympic partner, we will leverage the excitement of the Tokyo Olympic and Paralympic Games which were postponed to 2021, and implement comprehensive marketing campaigns to activate the market, based on multiple scenarios to align with the actual event operations.

Regarding our efforts to strengthen manufacturing capabilities and optimize our logistics and distribution network, which are key elements of our growth plan, we will fully leverage our expanded manufacturing capacity to optimize manufacturing efficiency and inventory levels and introduce new products and new packages, including those in the new alcohol category, as well as enhancing our logistics and distribution infrastructure. As a part of our logistics network optimization efforts, that we call the “Shinsei Project”, we continue to build a high-quality and low-cost supply chain network that ensures stable supply, centered on our newest high-capacity automated warehouse facility and “Mega Distribution Center” in Saitama, which started operations in February 2021. Going forward, we will work on optimizing the number of sales centers and other inventory locations that will operate in sync with the Saitama Mega DC.

Finally, we will continue to streamline and transform our operations through the standardization of business processes and promotion of digital transformation to build a resilient cost structure that can respond to the changes in the business environment with agility, and improve the balance sheet from the standpoint of appropriate capital management. Furthermore, we are actively strengthening people development initiatives in accordance to our company “Mission, Vision and Values”, and pushing forward ESG-related initiatives through the implementation of our CSV (creating shared value) Goals, which include the ambitious “2030 Packaging Vision” for the Coca-Cola system in Japan in order to contribute to the global Coca-Cola system’s goal to realize a World Without Waste.

2. Risk factors

This section outlines the major risks identified by the management as having the potential to have significant negative impact on the financial conditions, business performance and cash flow of the consolidated companies.

The future-outlook and assumptions described in this section are those determined by the CCBJH Group as of the date of submission of the Securities Report.

1. Risk management structure of the CCBJH Group

The CCBJH Group is implementing a system for enterprise risk management (ERM), which is a process aimed at increasing the corporate value by managing risks from a Group wide perspective. A culturally imbedded ERM program promotes business growth through driving appropriate decision-making throughout the business that takes all the foreseeable risks together with business opportunities into consideration. In this fiscal year, the Group focused on increasing the involvement of the management in ERM by engaging in activities, such as risk interviews with the members of the leadership team, and appointing the executive officers as risk owners, and also conducted surveys with all functions to identify risks. The team has also collaborated with Coca-Cola system stakeholders to build a structure that strengthens the risk management process by also considering the major risks affecting the entire Coca-Cola system.

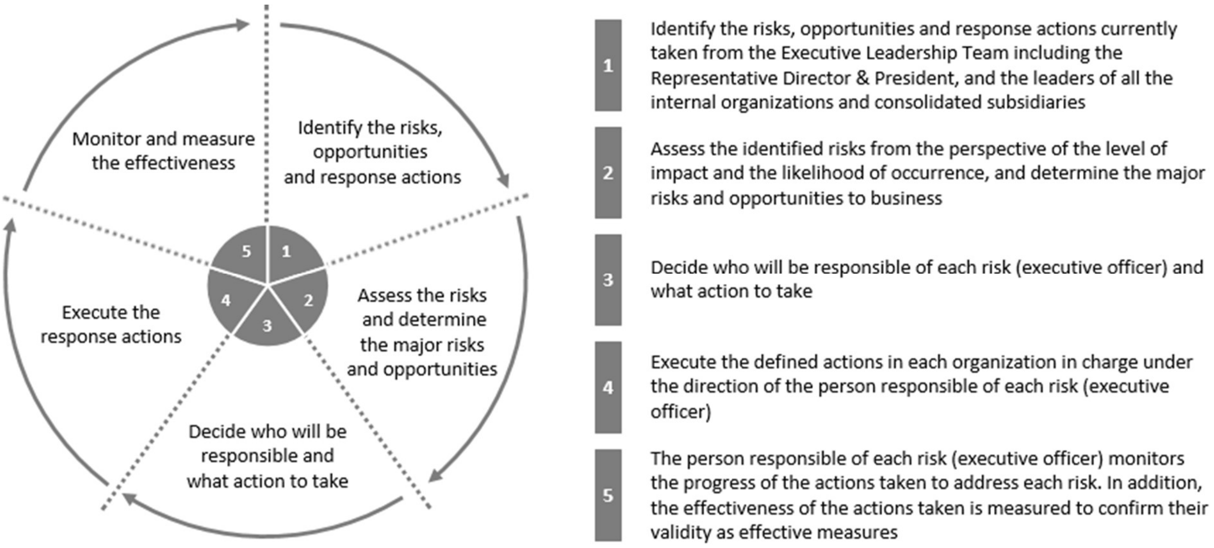
The ongoing efforts to identify the risks and opportunities from the executive leadership team ranging from the Representative Director and President to the heads of all the internal functions and consolidated companies included the recognition of uncertainties that could impede the realization of the Group's corporate philosophy, or the implementation and achievement of its medium-term business plan. The identified risks are assessed from the perspective of the level of impact and the likelihood of occurrence. The major risks and opportunities to the business are determined through discussion in the Risk Management Committee which is chaired by the Representative Director and President. Under the leadership of the executive team, risk owners are assigned to the risks and the actions to be taken to address these risks are finalized.

The actions to address the identified major risks are taken respectively by the internal functions under the direction and leadership of the executive officers who are also responsible for monitoring the progress of the actions taken. In addition, the effectiveness of these actions is measured to determine their validity as effective risk mitigation measures. These efforts are reported to the Audit and Supervisory Committee and the full Board of Directors where the effectiveness of the ERM process and response is verified.

Our ERM activities include monthly risk discussions by the executive team to identify risks to our operational plans with a formal process, to identify the broader risks and opportunities, being conducted annually. These regular discussions and the formal cyclic process provide CCBJH with the opportunity to grasp the latest risk trends and review the major risks. To realize the Group's growth strategy, the actions to address the major risks are incorporated into the annual business plan of each internal organization. The ERM process is subject to internal audit against global best practices with the Head of Audit making improvement recommendations as required.

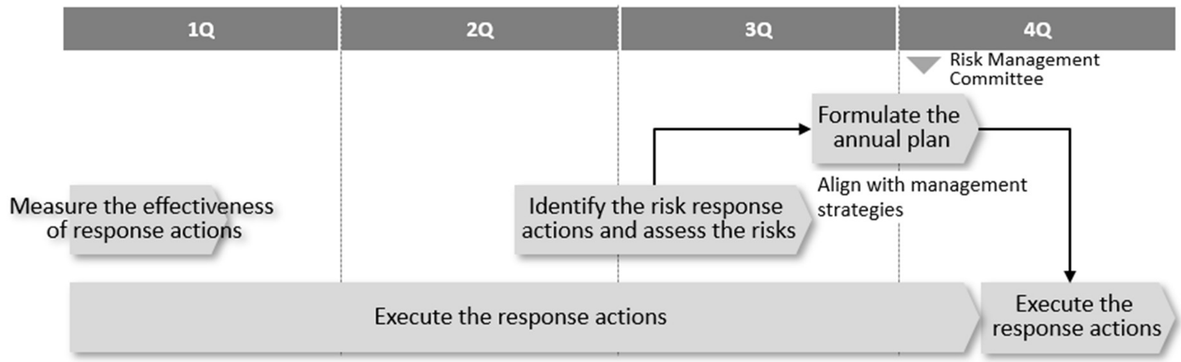
To further strengthen the ERM structure, the Group will be working with the Board of Directors define the risk appetite (the types and amount of risks to be taken proactively for the purpose of achieving the organizational objectives and targets set in the business plans) and promote the activities to foster a corporate culture of high risk awareness. The Group will further also integrate the ERM process with our insurance risk transfer strategy.

CCBJH Group’s ERM cycle



CCBJH Group’s ERM structure

CCBJH Group’s yearly ERM schedule



Since 2021 will be the year of Tokyo Olympics & Paralympic Games, some programs scheduled for this year will be replaced with special activities.

2. Major risks

The major risks that may have a material impact on the CCBJH Group's financial condition, business performance and cash flow are listed in the table below in the order priority. The risks listed in this table do not necessarily cover all the risks and may be affected in the future by new unexpected risks or other risks that are currently considered less important or of a lower operational priority.

Risk category	Description	Potential Impact	Priority Note 1	Key mitigations
Natural disasters	Risk of death and injury of employees and damage to business facilities for production, logistics and sales operations caused by severe natural disasters, such as, earthquakes and floods	• Slowdown or suspension of business activities • Slowdown or suspension of supply chain operations • Reduced sales opportunities • Additional costs required for recovery	High	• Strong Business Continuity Plan (BCP) and crisis response plans enabling structured and streamlined responses • Regular crisis and disaster response training and simulations • Identified alternative shipping locations and secure transportation capacity in preparation for a disaster that damages the logistics centers • Secure earthquake coverage
Changing Consumer mindset	Risk of changes in consumer preferences caused by growing concerns over sugar consumption and increased health awareness	• Acquisition or loss of consumer base • Winning or losing trust from consumer • Discriminatory taxation	High	• Focus on product innovation and portfolio expansion • Strengthen range of low and no calorie beverages. • Diversification in pack sizes • Promote active life-styles through consumer engagement program
Sustainability (Plastics)	Risk of increased stakeholder concerns caused by the consumers' negative sentiment over the use of plastics and the toughening of government regulations on plastics	• Acquisition or loss of consumer base • Winning or losing trust from shareholders • Increase of costs for responding to environmental and social issues • Discriminatory Taxation	High	• Achieving CSV goals contributing to the development of a sustainable society "World Without Waste" initiatives including, increasing the use rate of recycled PET resin, developing more light-weighted packages and collecting used PET bottles more effectively
Evolving Commercial and Competitive Landscape	Risk of changes in the retail market environment led by a surge in Internet mail orders and the development of private brands by major retailers including convenience stores	• Acquisition or loss of consumer base • Winning or losing trust from consumers • Reduced sales profit • Reduced portfolio availability	High	• Enhancing the product portfolio and accelerated productivity further to deliver products that meet the needs of the retailers • Enhancing Right Execution Daily (RED) to drive operational excellence • Expanding the online channels to respond to the surge in Internet mail orders
People Talent (Attraction and Retention)	Risk of not being able to secure, retain and develop sufficient human resources and build constructive relationships with labor unions in and aging and tight labor market	• Slowdown or suspension of business activities • Slowdown or suspension of supply chain operations • Inability to achieve growth plans	High	• Implement strategic people development plans and develop a new salary payment structure • Recruit diverse talent and commitment to people development • Implement unmanned plant operations, online transactions, and outsourcing of shipping operations • Enhance the workplace environment to improve employee satisfaction
Financial Risks	Risk of deterioration in financial conditions cause by an increase in funding costs and retirement benefit obligations	• Increased cost base • Loss of stakeholder trust	High	• Promote growth of cash flow through sales activities to maintain and improve creditworthiness • Establish Pension Governance Committee to strengthen the monitoring function of retirement benefit obligations
Cyber Security and System Availability Note 2	Risk of business activities being suspended and confidential information leaking caused by system failures or cyber incidents	• Losing trust from consumers and customers • Deterioration of financial conditions	High	• Prepare the countermeasures to mitigate the damages caused by system failures (such as, by setting up backup sites overseas) • Improving and strengthening system security by proactive threat identification and conducting simulation tests of cyberattacks • Complying with laws and regulations on information management • Establishing internal regulations related to information security supported by related employee training programs
Climate Change	Risk of becoming short of raw materials including water and agricultural products due to climate change.	• Reduced commodity availability and product supply • Increase of production costs • Limitations to product portfolio • Discriminatory taxation	High	• Focus on sustainable procurement. • Engagement with stakeholders • Sourcing alternative suppliers, and strengthening the selection of suppliers and their management by utilizing the performance data • Adjust the amount of raw materials that are difficult to procure, and shift to other raw materials when necessary

Risk category	Description	Potential Impact	Priority	Key mitigations
Strategic stakeholder relationships (The Coca-Cola Company)	Risk related to our high dependency on, or changes in our relationship with The Coca-Cola Company and its subsidiary, Coca-Cola (Japan) Company as trademark owners in respect to contract/relationship terms and renewals, concentrate pricing, support for product promotions.	• Decrease in sales from any suspension in the use of trademark rights and/or decline in The Coca-Cola Company's product development capabilities and brand power. • Increased manufacturing costs due to the price of concentrate and increased sales promotion expenses from any decrease in support for sales promotion activities.	High	• Maintaining and improving cooperative relationships with The Coca-Cola Company and Coca-Cola (Japan) Company • Management focus on effective day-to-day interactions and implementing partnership models for growth • Active engagement in joint projects and business planning with a focus on strategic issues • Participation in regular 'Top to Top' senior management forums
Business Transformation	Risk of failing to take measures to improve competitive advantage (such as, through business integration, capital investment, product development, etc.)	• Deterioration of financial conditions caused by loss due to impairment • Losing trust from shareholders	Medium	• Building a robust system that enables the group to respond readily and flexibly to various circumstances • Formulate business integration strategies that take multiple scenarios into consideration
Quality and Food Safety	The risk of product related quality and food safety incidents	• Losing trust from consumers • Decline in earnings due to product recall or mass disposal of defective products • Loss of opportunities due to penalties	Medium	• Supplier quality audits and quality certifications • Employee awareness of quality control in all processes from manufacturing to sales • Enhance the quality control and reporting system so that consumer/customer complaints receive a timely response • Robust identification and response programs that enable us to quickly and efficiently deal with quality/food safety issues
Regulatory Compliance and Ethics	Risk of violations of laws, internal regulations, and our code of ethical conducts	• Loss of customer and consumer trust • Damage to brand and corporate reputation • Regulatory penalties • Economic loss through fraud	Medium	• Strong Tone from the Top and continued internal communication on corporate behaviors • Ethics & Compliance Committee meetings held regularly • Minimizing employee frau opportunities by rebuilding the business processes, organizational structure and IT systems
Macroeconomic (Pandemic)	Risk of volatile and challenging macro-economic conditions caused by global events including pandemics (the outbreak of COVID-19)	• Deterioration of financial conditions • Reduced consumption spending • Modified Olympic activation	Medium	• Enhanced strategic and operational risk identification enabling the group to grasp the changes in macroeconomic landscape more quickly and prepare better for the future by improving the ability to predict the future demand and trends more accurately • Monitoring and responding to changes in status to customers' business operations • Strong crisis response practices that focus on employee, customer and consumer safety
Manufacturing, Logistics & Infrastructure	Risk of the stable supply of goods being impeded due to issues in production and logistics operations, or changes in weather and consumer behaviors	• Drop in sales volume and revenue • Losing trust from customers	Medium	• Building a flexible supply system to respond to changes in the market environment • CAPEX investment in infrastructure (production lines, etc.) that will enable the group to respond to the increase in demand during the peak seasons more readily • Systems enhancements to enable timely sharing of inventory status
Commodity Pricing	Risk of procurement costs increasing due to, such as, fluctuations in exchange rates and commodity prices	• Increased cost base • Reduced product supply • Limitations to product portfolio	Medium	• Mitigate the impact of exchange rate and product price fluctuations through the uses of derivative transactions • Procure raw materials at lower costs through collective multi system company purchases

As a result of the efforts to identify the risks from all the internal organizations and consolidated subsidiaries, all the risks listed in the table above that have been classified as the group's major risks for this fiscal year have been determined to be those related to the beverage business.

Note 1. Defined according to the level of impact and likelihood of occurrence

2. In March 2021, a failure occurred in the core system used by our group, affecting multiple business processes. The system has already been restored with the exception of some business processes, but we will continue to investigate the cause and consider measures to prevent recurrence in order to prevent a similar situation.

3. Response to COVID-19

The spread of the novel coronavirus (COVID-19) infections has increased the macroeconomic uncertainties and accelerated changes in consumer preferences and the retail market environment. These changes, along with the postponement of Tokyo 2020 Olympic and Tokyo 2020 Paralympic Games which The Coca-Cola company play a role as a worldwide sponsor, shortening of the operation hours of eating and drinking establishments, restraint on holding mass events and other ongoing restrictive measures have led to a slowdown of the group’s beverage business. Safety of our people, customers and consumers has been at the forefront of our response. In order to mitigate the detrimental impact of all the negative factors, the Group is implementing various countermeasures aimed at driving the cost reduction efforts further and accelerating the speed of business transformation, which include the dynamic shift to telecommuting mainly by back-office employees who can work from home, distribution of hygienic supplies to front-line employees, and a range of other safety measures to ensure the well-being of the entire workforce. At the same time, the Group is also committed to support the customers and consumers through initiatives to continue delivering safe and secure products, such as, by attaching antivirus film over the product selection buttons of the vending machines, as well as to the local communities by contributing with CCJC essential products to medical professionals through Japan Medical Association. The Group intends to continue implementing agile initiatives that enable timely responses to the fast-changing business environment and conditions.

3. Management's analysis of financial condition, results of operations and cash flows

Overview of financial results

(1) Overview of Full-Year 2020 Results

In this fiscal year, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to continue to decline versus the prior-year, reflecting weaker consumer traffic and demand driven by the COVID-19 outbreak as well as unseasonably rainy and cool weather in July.

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

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

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

Full-year 2020 Highlights

- Business Income exceeded plan driven by acceleration of fundamental transformation and incremental cost savings
- Vending channel value share continues to improve, with 21 consecutive months of positive momentum. Recovery of over-the-counter ("OTC") market share in fourth quarter driven by selective marketing reinvestment in the quarter
- Continue to drive fundamental business transformation guided by our mid-term strategic plan amid the current COVID-19 challenges and postponement of the Tokyo 2020 Olympic and Paralympic Games; Transformation in vending and OTC sales routes ahead of plan, reduction of fixed costs to increase flexibility; 35 billion yen in cost savings
- Recovery and expansion of supply capacity completed as planned, with seven new manufacturing lines including the new Hiroshima plant. Saitama "mega distribution center", which will help optimize the logistics network in the Tokyo metropolitan area, started operations in February 2021
- Alcohol business continues to perform well with expanded product lineup introduced in the fourth quarter
- Divested healthcare and skincare business as of February 1, 2021. Cash inflow of 45 billion yen. Proceeds expected to be used for investment to drive transformation and growth as well as initiatives to improve shareholder value
- No 2021 full-year earnings guidance provided, given renewed market uncertainty and reductions in consumer traffic after declaration of 2nd state of emergency in Japan and lack of clarity on a timeline for vaccinations and expected market recovery

Summary of Consolidated Financial Results

(In million JPY except sales volume)

Full-year (January to December)	2019	**2020**	Change (%)
Continuing Operation (Beverage Business)			
Revenue	890,009	**791,956**	(11.0)
Sales volume of beverage business (million cases)	505	**458**	(9)
Gross Profit	421,224	**362,916**	(13.8)
Selling, General & Administrative Expenses	407,510	**359,645**	(11.7)
Other income (Recurring)	1,052	**772**	(26.6)
Other expenses (Recurring)	3,362	**3,628**	7.9
Investment gain (loss) on equity method	43	**(245)**	—
Business Income	11,447	**169**	(98.5)
Impairment losses of goodwill	61,859	—	(100.0)
Other income (Non-recurring)	3,045	**7,714**	153.4
Other expenses (Non-recurring)	11,537	**19,606**	69.9
Operating Income (Loss)	(58,904)	**(11,722)**	—
Net Income (Loss) Attributable to Owners of Parent	(57,952)	**(4,715)**	—

Q4 (October to December)	2019	**2020**	Change (%)
Continuing Operation (Beverage Business)			
Revenue	213,994	193,409	(9.6)
Sales volume of beverage business (million cases)	121	114	(6)
Gross Profit	99,017	87,423	(11.7)
Selling, General & Administrative Expenses	101,239	89,673	(11.4)
Other income (Recurring)	187	209	11.8
Other expenses (Recurring)	1,264	2,190	73.3
Investment gain on equity method	133	65	(51.0)
Business Income (Loss)	(3,166)	(4,167)	—
Other income (Non-recurring)	908	5,932	553.2
Other expenses (Non-recurring)	2,277	4,534	99.1
Operating Income (Loss)	(4,535)	(2,769)	—
Net Income (Loss) Attributable to Owners of Parent	(2,258)	(71)	—

* "Business Income (loss)" is a measure of our underlying or recurring business performance. Business Income (loss) deducts cost of goods and selling, general and administrative expenses from revenue, and includes other income and expenses which we believe are recurring in nature

* Net Income (Loss) Attributable to Owners of Parent is a total of continuing operation and discontinued operation results.

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

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

Consolidated operating loss from continuing operations improved from the prior year to a loss of 11,722 million yen (58,904 million yen loss in the prior year) mainly by cycling a 61,859 million yen impairment loss on Goodwill in the prior-year second quarter. As a reference, other income (non-recurring) includes 2,520 million yen of government subsidies which partially offset temporary paid leave expenses in 2020 due to the COVID-19 pandemic. Other expenses (non-recurring) in 2019 results include 9,184 million yen of special retirement allowances and others due to the introduction of a voluntary employee retirement program. Other expenses (non-recurring) in 2020 include 3,923 million yen of temporary paid leave expenses, 4,546 million yen of transformation-related expenses and special retirement allowances of 7,969 million yen.

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

Beverage volume performance

Full-year volume declined 9% due to a sharp decline starting in March triggered by less consumer traffic and reduced operating hours in restaurants and other businesses as a result of countermeasures to prevent the spread of COVID-19. This impact was partially offset by the contribution of the ready-to-drink alcohol brand, Lemon-dou launched nationwide in October 2019. Fourth-quarter volume declined 6% versus prior year period, reflecting a gradually recovering trend from the second quarter to the end of the year.

Full-year nonalcoholic ready-to-drink (NARTD) beverage volume declined 11%, and fourth-quarter volume declined 6%. Volume declines were led by the on-premise (retail & food), vending and convenience store channels as a result of people refraining from going out and limited operations of restaurants and eating outlets. We continued to gain share in the vending channel, but as sales volumes declined sharply in train stations, schools, leisure venues and offices, full-year vending channel volume declined 13%, which has a strong impact on overall net-sales mix. Retail & food channel sales volume declined 28% driven primarily by a sharp decline in food channel volume impacted by closure and shortened operating hours of eating and drinking outlets. This decline was partially offset by continued strong growth in the online channel. Full-year convenience store channel volume declined 11%, reflecting lower consumer traffic as well as a revised marketing and product launch calendar due to the postponement of the Tokyo 2020 Olympic Games. Drug & Discounter (D&D) channel volume has grown since February, and volume grew 8% for the full year, led by increased shopper traffic, demand for home consumption and bulk purchasing. Supermarket volume increased 1% supported by value share and volume growth in the fourth quarter.

In terms of beverage category performance, sparkling beverages declined 9%, offsetting growth from renewed Coca-Cola Zero and the newly-launched Fanta Premiere series. Non-sugar tea (NST) volume decreased 9%. Coffee volume declined 7%, as growth in PET bottled coffee brands, including Georgia Japan Craftsman and the new Georgia Latte Nista, was offset by a decline in can and bottle can products. The sports drink category volume declined 12% as a result of a decline in the overall category, with weaker performance in large PET packaging. Water volume declined 3%, as immediate consumption small-package volume declines offset emerging growth in large PET packages in supermarket and Drug and Discounter channels.

The ready-to-drink alcohol brand, Lemon-dou continues to perform well since expanding nationwide in October 2019 and sold 7.87 million cases in 2020, including newly added SKU “Kamisori Lemon” in December 2020.

(2) Cash Flow

The cash flow conditions for the full-year are as follows:

<Cash Flows from Operations>

Net cash used for operations was 43,716 million yen (42,629 million net cash generated from operations in the previous year period). This results mainly from the 12,065 million yen net loss before tax from continuing operation, increase of other assets, decrease of other liabilities, payment of income taxes, etc. offset by depreciation, decrease of inventories, refund on taxes, etc.

<Cash Flows from Investment Activities>

Net cash used for investment activities was 52,076 million yen (68,308 million yen in the previous year period), as cash used for purchasing of fixed assets as we recover our supply network and progressively expand production capacity, etc. was offset by cash-in from Proceeds from sales of property, plant and equipment and intangible assets and Proceeds from sale of other financial assets by selling idle assets and cross-share holdings.

<Cash Flows from Financing Activities>

Net cash generated from financing activities was 20,912 million yen (73,994 million yen net cash used for financing activities in the previous year period), driven by an increase of short-term loans for operating capital, partially offset by cash spent for payment of bond redemption, year-end dividends and lease liabilities.

As a result of these activities, cash and cash equivalents at the end of the fiscal year was 126,378 million yen, an increase of 12,553 million yen versus the prior year.

Overview of production, orders received and sales

(1) Production results

Production results by business segment for the current fiscal year are as follows:

Segment name	Millions of yen	Year-to-year comparison (%)
Beverage business	445,590	91.3
Healthcare & Skincare business (Discontinued operation)	2,409	94.7
Total	447,998	91.3

(NOTE) 1. Amounts are primarily consisted of production costs.
2. Amounts above do not include consumption taxes.

(2) Procurement results

Procurement results by segment for the current fiscal year are as follows:

Segment name	Millions of yen	Year-to-year comparison (%)
Beverage business	36,895	70.4
Healthcare & Skincare business (Discontinued operation)	1,846	80.2
Total	38,740	70.8

(NOTE) 1. Amounts are based on purchase prices.
2. Amounts above do not include consumption taxes.

(3) Orders received

Order status is omitted as the Group mainly engages in prospective production.

(4) Sales results

Sales results by segment for the current fiscal year are as follows:

Segment name	Millions of Yen	Year-to-year comparison (%)
Beverage business	791,956	89.0
Healthcare & Skincare business (Discontinued operation)	24,773	100.0
Total	816,729	89.3

(NOTE) 1. The above amounts do not include consumption taxes.
2. Information on sales by major customer is omitted, as there are no counterparties with whom the ratio to overall sales exceeds 10%.

Analysis of financial condition, results of operations and cash flows

(1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with IFRS. In preparing these consolidated financial statements, certain items, including provisions, are based on estimates made by the Group. These estimates are based on the Group's historical results and matters that are deemed reasonable considering the future plans. The accounting standards are described in 1. Consolidated financial statements, (1) Notes to Consolidated financial statements, (Significant accounting policies) and (Significant accounting judgments, estimates and assumptions) under 5. Financial information.

(2) Analysis of financial position at the end of the fiscal year

The ratio of the Group's equity attributable to owners of the parent to total assets at the end of the fiscal year was 53.4%, and we believe that our financial position remains sound.

Major factors of changes from the end of the previous fiscal year for each major item in the consolidated statement of financial position are as follows:

(Assets)

Assets at the end of this fiscal year were 939,603 million yen, a decrease of 12,840 million yen from the end of the prior year. This is mainly attributable to a decrease of Property, plant and equipment as a result of restrained investment in sales equipment and selling idle assets and a decrease of Right-of-use assets as a result of termination of some of office tenant agreements.

(Liabilities)

Liabilities at the end of this fiscal year were 437,510 million yen, a decrease of 8,443 million yen from the end of the prior year. This is mainly due to an increase of Bonds and Debt as we accessed 50 billion yen in short-term borrowing from banks in April 2020 to ensure sufficient liquidity and access to cash during this period of high uncertainty, which was offset by a decline of Trade and other payables driven by sales volume declines and a decrease of Net Defined Benefit Liabilities due to favorable pension fund performance.

(Net assets)

Net Assets at the end of this fiscal year were 502,093 million yen, a decrease of 4,398 million yen. This is mainly due to a decrease of Other Comprehensive Income and a decline of Retained Earnings as a result of a decrease of net income and paying year-end dividends for 2019.

Also, in this fiscal year, the Company concluded a share transfer agreement with Q-Partners Co., Ltd. to sell all shares of its consolidated subsidiary, Q'sai Co., Ltd. to divest its healthcare and skincare business. Accordingly, assets and liabilities related to the Company's healthcare and skincare business have been classified as held for sale from this fiscal year. As a result, assets held for sale increased 48,138 million, and liabilities directly related to assets held for sales increased 7,193 million, compared to the end of the prior year.

Cash and cash equivalents as of December 31, 2020 was 126,378 million yen, which increased by 12,553 million yen, or 11.0%, from the previous fiscal year as of December 31, 2019. See the consolidated statements of cash flows in " Overview of financial results, (2) Cash flows" for more details.

(3) Analysis of results of operation for the current fiscal year

An overview of results of operation for the fiscal year is as described in "Overview of financial results, (1) Results of operations." Major changes from the previous fiscal year for each major item in the consolidated statements of profit or loss are as follows: Net Income (Loss) Attributable to Owners of Parent is a total of continuing operation and discontinued operation results.

(Revenue)

Revenue for the current fiscal year decreased 98,053 million yen, or 11.0%, from the previous fiscal year to 791,956 million yen.

(Operating loss)

Operating loss for the current fiscal year increased 47,182 million yen, from the previous fiscal year to 11,722 million yen (The previous year's operating loss was 58,904 million yen).

(Net loss for the current fiscal year)

Net loss for the current fiscal year for the fiscal year increased 53,166 million yen, or from the previous fiscal year to 4,729 million yen. (The previous fiscal year's net loss was 57,895 million yen)

(Net loss for the current fiscal year attributable to owners of the parent)

Net loss for the current year attributable to owners of the parent for the fiscal year increased 53,237 million yen, from the previous fiscal year to 4,715 million yen. (The previous year's Net income for the year attributable to owners of the parent was

57,952 million yen.)

(4) Factors affecting financial position and results of operations

Factors that have significant impact on the Group's financial position and results of operations are described in "2. Business risks."

4. Important agreements for business

1. The Bottler's Agreement

We have concluded the Bottler's Agreement with The Coca-Cola Company and Coca-Cola (Japan) Company Limited for the manufacture and sale of Coca-Cola, Fanta, Sprite, Real Gold, Georgia, Aquarius, Qoo, Sokenbicha, Huang, and Kochakaden, etc. and for the use of trademarks in Tokyo, Osaka, Kyoto, and 35 prefectures, including the South Tohoku, Kanto, Koshinetsu, Chubu, Kinki, Chugoku, Shikoku, and Kyushu regions. Under this agreement, we have entered into the Delegation of Manufacturing and Distribution Rights under Bottler's Agreement with The Coca-Cola Company and Coca-Cola (Japan) Company Limited to entrust the bottling business to Coca-Cola Bottlers Japan Inc.

2. The share transfer agreement of our consolidated subsidiary

On December 15, 2020, we have concluded the share transfer agreement with Q-Partners Co, Ltd., a company formed for this share purchase led by investment funds in which, Advantage Partners Inc., provides services euglena Co, Ltd., and Tokyo Century Corporation, for the transfer of all shares of our consolidated subsidiary, Q'sai Co, Ltd. ("Q'sai"). On February 1, 2021, we have executed the share transfer of Q'sai (the "Share Transfer").

(1) Overview of Q'sai

①	Name	Q'sai Co., Ltd.
②	Address	1-7-16, Kusagae, Chuo-ku, Fukuoka-shi, Fukuoka
③	Job Title/Name of Representative	Satoshi Kambe, President and Representative Director
④	Description of Businesses	Manufacture and sale of healthcare products, skincare products, etc.
⑤	Paid-in Capital	350 million yen
⑥	Date of Incorporation	September 8, 2006

(2) Overview of the Share Transfer

①	Shares owned by the Company prior to the transaction	302,755 shares (Number of voting rights: 302,755) (Voting rights the Company owns: 100%)
②	Number of the shares to be sold	302,755 shares (Number of voting rights: 302,755)
③	Shares owned by the Company after the transaction	0 shares (Number of Voting Rights: 0) (Voting rights the Company owns: 0%)

(3) Overview of the counterparty of the Share Transfer

①	Name	Q-Partners Co., Ltd.
②	Address	17F, Toranomon Towers Office, 4-1-28, Toranomon, Minato-ku, Tokyo
③	Job Title/Name of Representative	Toshiya Tsukahara, Representative Director
④	Business objectives	Management consulting, acquisition, holding, managing and trading of securities, etc.
⑤	Paid-in Capital	250,000 yen
⑥	Date of Incorporation	October 21, 2020

5. Research and development activities

There are no specific items to state here.

III. Information about facilities

1. Overview of capital expenditures

The Group implemented capital expenditures totaling 65,521 million yen, primarily in the Beverage business, which is the main segment of the Group, during the current fiscal year. This was mainly due to the introduction of vending machines and others to the market in order to strengthen sales capabilities, improvements in manufacturing efficiency, and the acquisition of facilities for dealing with new products. Capital expenditures include the amounts for property, plant and equipment, Right-of-use assets and intangible assets.

2. Major facilities

Major facilities in the Group are as follows: The carrying amount is presented in accordance with IFRS.

(1) Segment breakdown

As of December 31, 2020

Name of reporting segment	Carrying amount						Number of employees (People)
	Buildings and structures (Millions of yen)	Machinery and vehicles (Millions of yen)	Vending machines (Millions of yen)	Land (Millions of yen)	Other (Millions of yen)	Total (Millions of yen)	
Beverage business	86,392	108,079	103,098	144,672	61,944	504,185	15,772 [4,140]
Healthcare & Skincare business (Discontinued operation)	1,232	687	－	1,013	1,974	4,905	502 [141]
Total	87,623	108,766	103,098	145,685	63,918	509,091	16,274 [4,281]

(NOTE) Figures in [ ] of number of employees are the number of temporary workers.

(2) The reportable segments

As of December 31, 2020

Name of office (Location)	Name of reporting segment	Details of facilities	Carrying amount						Number of employees (People)
			Buildings and structures (Millions of yen)	Machinery and vehicles (Millions of yen)	Vending machines (Millions of yen)	Land (Millions of yen) (Square footage: in thousands of m^2)	Other (Millions of yen)	Total (Millions of yen)	
Head-office and others (Minato-ku, Tokyo,)	Beverage business	Overall management, production, sales, logistics bases, etc.	21,773	18	－	50,442 (1,471)	4,860	77,092	－

(NOTE) We changed the trade name to Coca-Cola Bottlers Japan Holdings Inc. on January 1, 2018 in order to clarify its role as the holding company. As a result, the number of employees has been omitted.

(3) Domestic subsidiaries

As of December 31, 2020

Name (Location)	Name of reporting segment	Details of facilities	Carrying amount						Number of employees (People)
			Buildings and structures (Millions of yen)	Machinery and vehicles (Millions of yen)	Vending machines (Millions of yen)	Land (Millions of yen) [Square footage: in thousands of m^2]	Other (Millions of yen)	Total (Millions of yen)	
Coca-Cola Bottlers Japan Inc. (Minato-ku, Tokyo)	Beverage business	Production, sales, logistics bases, etc.	64,478	107,399	89,775	72,262 (2,188) [139]	57,608	391,521	8,572 [1,704]
FV Japan Co., Ltd. (Toshima-ku, Tokyo)	ditto	Vending machines, etc.	44	56	13,753	665 (15) [5]	54	14,571	250 [168]
Q'SAI CO., LTD. (Chuo-ku, Fukuoka-shi)	Healthcare & Skincare business (Discontinued operation)	Production facilities for health food products	1,204	679	—	1,144 (56)	2,010	5,036	398 [66]

(NOTE) 1. "Other" in "Carrying amount" consists of "Construction in progress" and "Other" in property, plant and equipment and "Software" and "Software in progress" in intangible assets.
2. Figures do not include consume tax.
3. Figures in [ ] of land (Square footage: in thousands of m^2) are the area of leased land (Square footage: in thousands of m^2) and are not included in each figure.
4. Figures in [ ] of number of employees are the number of temporary workers and are not included in each figure.
5. Q'SAI has been excluded from our consolidated subsidiaries in conjunction with the transfer of all of its shares as of February 1, 2021.

3. Planned additions, retirements of facilities

The Group's capital expenditures are planned based on our budget formulation policy.

In principle, each company formulates its own facility plans, however, the reportable segment makes adjustments.

The Group's significant plans for the construction, renovation, etc. of facilities as of the end of the current fiscal year are as follows:

We have no plans to sell or retire any significant assets.

Name of company	Name of office (Location)	Name of reporting segment	Details of Facilities	Total planned expenditures (Millions of yen)	Amount paid (Millions of yen)	Way of financing	Scheduled start date	Scheduled completion date
Coca-Cola Bottlers Japan Inc.	Each branch (-)	Beverage business	Acquisition of vending machines and cooler, etc.	13,370	—	Own fund	Jan. 2021	Dec 2021
ditto	Saitama “mega distribution center” (Hiki-gun Yoshimi-machi, Saitama Prefecture)	ditto	Logistics equipment	16,501	9,322	Own fund and Debt within the group	Jan 2019	Feb 2021

(NOTE) Figures do not include consume tax, etc.

IV. Information about reportable segment

1. Information about shares

(1) Total number of shares

① Total number of shares

Type	Total number of authorized shares (shares)
Common stock	500,000,000
Total	500,000,000

② Issued shares

Class	Number of issued shares at the end of the fiscal year (shares) (As of December 31, 2020)	Number of issued shares at the filing date (shares) (As of March 26, 2021)	Listed financial instrument name of exchange or registered authorized financial instrument name of association of trading firms	Content
Common stock	206,268,593	206,268,593	Tokyo Stock Exchange (First Section)	Number of shares per share unit: 100 shares
Total	206,268,593	206,268,593	–	–

(2) Share acquisition rights

① Details of the stock option plan

Not applicable.

② Description of rights plan

Not applicable.

③ Other share acquisition rights

Not applicable.

(3) Exercises of moving strike convertible bonds

Not applicable.

(4) Changes in number of issued shares, stated capital

Date	Change in numbe of issued shares (Thousands of shares)	Outstanding of total number of issued shares (Thousands of shares)	Change in the amount of stated capital (Millions of yen)	Balance of stated capital (Millions of yen)	Change in capital surplus (Millions of yen)	Balance of capital surplus (Millions of yen)
April 1, 2017 (NOTE)	95,143	206,269	－	15,232	－	108,167

(NOTE) Share exchange with Coca-Cola East Japan Co., Ltd. (Exchange ratio: 0.75 shares of ordinary share per common stock of Coca-Cola East Japan Co., Ltd.)

(5) Shareholding by shareholder category

As of December 31, 2020

Category	Status of shares (number of shares constituting one unit: 100 shares)								Number of shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreigners		Individuals and others	Total	
					Other than individual	Individuals			
Number of shareholders (people)	－	58	42	715	484	92	53,502	54,893	－
Number of shares held (units)	－	366,099	48,270	661,123	465,551	386	513,262	2,054,691	799,493
Percentage of shareholdings (%)	－	17.82	2.35	32.18	22.66	0.02	24.98	100.00	－

(NOTE) 1. "Individuals and Others" and "Shares less than one unit" column include 269,202 units and 98 shares of treasury stock owned by the Company, respectively.

2. "Other corporations" and "Shares less than one unit" include 23 units and 60 shares in the name of Japan Securities Depository Center, Inc., respectively.

(6) Major shareholders

As of December 31, 2020

Name	Address	Number of shares held (thousands of shares)	Percentage of the number of shares held to the total number of issued shares (excluding treasury stock) (%)
Coca-Cola (Japan) Company, Limited	4-6-3, Shibuya, Shibuya-ku, Tokyo	27,956	15.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	10,450	5.83
Custody Bank of Japan, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	5,571	3.11
Ichimura Foundation of New Technology	1-26-10, Kitamagome, Ota-ku, Tokyo	5,295	2.95
Satsuma Shuzo Co., Ltd.	26 Kamimotocho, Makurazaki-shi, Kagoshima	4,699	2.62
STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy Settlement & Clearing & Services Division, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02 101 U.S.A. (2-15-1 Konan, Minato-ku Tokyo)	4,241	2.36
Senshusha Co., Ltd.	339 Noda, Noda-shi, Chiba	4,088	2.28
Coca-Cola Holdings West Japan Inc. (Standing proxy: Coca-Cola (Japan) Company, Limited)	1013 Wilmington Center Road, U.S.A. Delaware (4-6-3 Shibuya, Shibuya-ku, Tokyo)	4,075	2.27
Mitsubishi Heavy Industries Machinery Systems, Ltd.	1-1-1, Wadazakicho, Hyogo-ku, Kobe-shi, Hyogo	3,912	2.18
MCA Holdings, Co., Ltd.	2-6-15, Kyobashi, Chuo-ku, Tokyo	3,408	1.90
Total	-	73,695	41.09

(Notes) 26,920 thousand treasury shares are not included in the status of major shareholders above because they do not have voting rights.

(7) Voting rights

① Issued shares

As of December 31, 2020

Category	Number of shares (Shares)		Number of voting rights (Units)	Description
Shares with no voting rights	―		―	―
Shares with restricted voting rights (treasury stock, etc.)	―		―	―
Shares with restricted voting rights (other)	―		―	―
Shares with full voting rights (treasury stock, etc.)	Common stock	26,920,200	―	―
Shares with full voting rights (other)	Common stock	178,548,900	1,785,489	―
Shares less than one unit	Common stock	799,493	―	―
Number of issued and outstanding shares		206,268,593	―	―
Number of voting rights of all shareholders	―		1,785,083	―

(NOTE) "Shares with voting rights (others)" includes 2,300 shares (23 voting rights) held in the name of Japan Securities Depository Center, Inc.

② Treasury stock

As of December 31, 2020

Name of shareholder	Address of shareholder	Number of shares held in own names	Number of shares held in someone else's name	Total number of shares held	Percentage of the number of shares held to the total number of issued shares (%)
Coca-Cola Bottlers Japan Holdings Inc.	9-7-1, Akasaka, Minato-ku, Tokyo	26,920,200	―	26,920,200	13.05
Total	―	26,920,200	―	26,920,200	13.05

2. Acquisition of treasury stock

Classes of shares: Acquisitions of common stock falling under Article 155 Paragraph 7 of the Companies Act.

(1) Acquisitions by resolution of shareholders' meeting

Not applicable.

(2) Acquisitions by resolution of board of directors' meeting

Not applicable.

(3) Acquisitions not based on resolution of shareholders' meeting or the resolution of board of directors' meeting

Acquisition of shares less than one unit pursuant to the provisions of Article 192, Paragraph 1 of the Companies Act

Category	Number of shares (Shares)	Total amount (Yen)
Acquired treasury stock during the fiscal year	3,856	7,983,843
Acquired treasury stock during the period (January 1, 2021 to the filing date of this report)	886	1,460,690

(NOTE) "Acquired treasury stock during the period" does not include shares acquired due to requests for purchase of shares less than one unit from March 5th, 2021 to the filing date.

(4) Disposals and holding of acquired treasury stock

Category	The fiscal year		The period (January 1, 2020 to the filing date of this report)	
	Number of shares (Shares)	Total disposed amount (Yen)	Number of shares (Shares)	Total disposed amount (Yen)
Acquired treasury stock for which subscribers have been solicited	–	–	–	–
Disposals of acquired treasury stock by cancellation	–	–	–	–
Acquired treasury stock transferred due to merger, share exchange, Share issue, or company split	–	–	–	–
Other (Sale by request for the purchase of odd-lot shares) (Note 1)	878	2,793,707	–	–
Number of treasury stock held (Note 2)	26,920,298	–	26,921,184	–

(NOTE) 1. "Other (Sale by request for the purchase of odd-lot shares)" column in "The period" does not include shares sold due to request for sale of shares less than one unit from March 5th, 2021 to the filing date.

2. "Number of treasury stock held" column in "The period" does not include shares sold in response to requests for the purchase of odd-lot shares from March 5th, 2021 to the filing date and requests for the sale of odd-lot shares.

3. Dividend policy

The Company periodically reviews its capital structure and dividend payout ratio to maximize shareholder returns while maintaining flexibility to pursue growth opportunities. The Company seeks to use retained earnings to fund investment for sustainable growth for our business and further enhancement of corporate value.

CCBJH sets its basic policy regarding dividends, which includes active redistribution of profits while placing the highest priority on paying dividends in a stable manner, by comprehensively reviewing the Company’s business performance and level of retained earnings. In addition, the Company has set a payout ratio target of 30% or more for net profit attributable to owners of the parent. The company pays interim and year-end dividends.

With regards to the dividends for the fiscal year ending December 2020, the Company plans to distribute an annual dividend of 25 yen per share, with no interim dividend and a year-end dividend of 25 yen per share. In order to reduce the impact of the declaration of a state of emergency for the entire nation in response to the spread of COVID-19 and the decision to postpone the Olympic Games Tokyo 2020 on its business activities, the Company has been making efforts to reduce costs, review capital investment plans, and optimize the balance sheet. And taking into consideration of the current profit levels and cash flow performance, the Company plans to distribute the above dividends.

With the aim of placing the highest priority on stable dividends, the Company forecasts its annual dividend for the fiscal year ending December 2021 to recover to 50 yen, with an interim dividend of 25 yen and a year-end dividend of 25 yen per share, equivalent to those of the fiscal year ending December 2019.

Dividends from retained earnings for the current fiscal year are as follows:

Date of resolution	Total dividend (Millions of yen)	Amount of dividend per share (Yen)
March 25, 2021 Resolution of the Ordinary General Meeting of Shareholders	4,484	25

4. Corporate governance

(1) Explanation about corporate governance

① Basic stance on corporate governance

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

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

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

② Corporate governance structure and the reason for adopting this structure

We have established the Audit and Supervisory Committee to further strengthen our governance system. The Audit and Supervisory Committee, which takes a lead role in audits, is composed entirely of outside directors (Audit and Supervisory Committee members), including multiple independent outside directors. The Audit and Supervisory Committee members, who are outside directors, have voting rights at the Board of Directors meetings and the rights to express opinions on directors' nominations and compensation at the General Meeting of Shareholders. As a result, our management oversight functions have been further strengthened. In addition, we have adopted the executive officer system to separate decision-making and management oversight functions from business execution functions. Certain important business execution decisions are entrusted to directors, so that the Board of Directors can deliberate on matters of particular importance. For other matters, we place emphasis on speed of management decisions by the Executive Leadership Team.

We believe that the following corporate governance structure can improve management efficiency and transparency, and accordingly, we have adopted this structure.

a. Board of Directors

The Board of Directors is composed of nine directors, including multiple independent outside directors. The Periodic Meeting of the Board of Directors shall be held once in three months in principle and may be held as needed. The Board of Directors shall resolve items prescribed by laws and the Articles of Incorporation and other items relating to important business matters such as managerial basic policies and shall receive Directors’ report on their execution of the duties. Certain important business execution decisions are entrusted to directors, so that the Board of Directors can deliberate on matters of particular importance. For other matters, we place emphasis on speed of management decisions by the Executive Leadership Team.

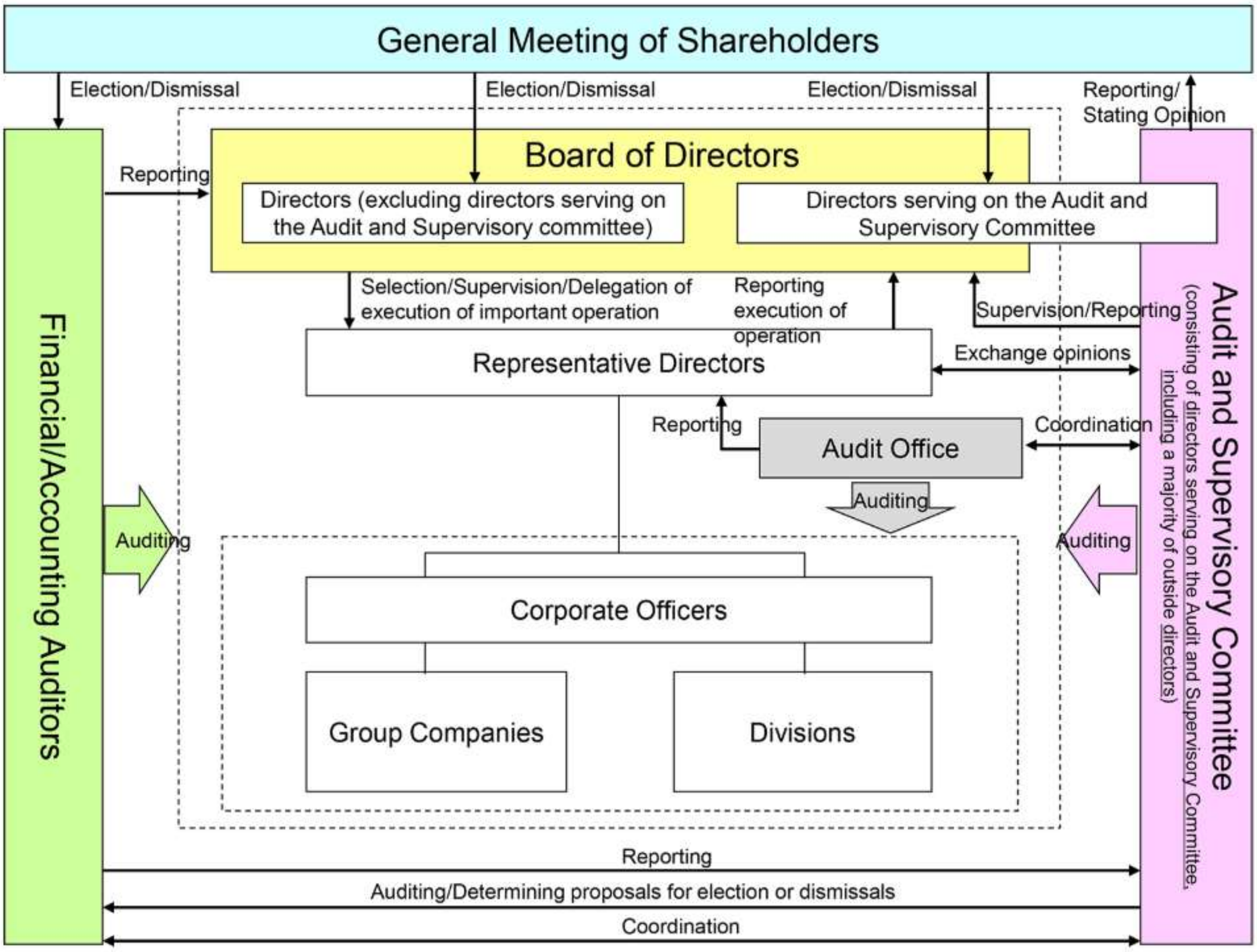
b. Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of four outside directors (Audit and Supervisory Committee members), including multiple independent outside directors. Meetings of the Audit and Supervisory Committee shall be held once every three months in principle and may be held as necessary. The directors who are members of the Audit and Supervisory Committee conduct audits aimed at checking the status of business execution by the directors, executive officers and employees in accordance with related laws and regulations, the article of incorporation, and the audit standards and guidelines established for and by the Audit and Supervisory Committee, by participating in the Board of Directors meeting and reviewing the results of the audits conducted by the Internal Audit Office and Accounting Auditor.

A system to ensure sufficient oversight of business execution by executive officers is established, which include the regular exchange of opinions between the Representative Director and the members of the Audit and Supervisory Committee on the results of the aforesaid audit activities.

(Main institutions)

Institution	Purpose and authority	Chair person	Member
Board of Directors	(a) The Board of Directors shall resolve items prescribed by laws and the Articles of Incorporation and other items relating to important business matters such as managerial basic policies. (b) The Board of Directors shall receive Directors' report on their execution of the duties.	Calin Dragan Representative Director	Calin Dragan, Bjorn Ivar Ulgenes, Hiroshi Yoshioka (Outside Director), Hiroko Wada (Outside Director), Hirokazu Yamura (Outside Director), Irial Finan (Outside Director), Celso Guiotoko (Outside Director), Nami Hamada (Outside Director), Vamsi Mohan Thati (Outside Director)
Audit and Supervisory Committee	(a) Audit of the performance of the director's duties and preparation of audit reports; (b) Determination of the contents of proposals regarding the election, dismissal or disapproval of reappointment of accounting auditors; (c) Determination of opinion of the Audit and Supervisory Committee regarding the election, dismissal or resignation of directors and remuneration, etc. (excluding directors who are Audit and Supervisory Committee Members.); (d) Other duties provided for in applicable laws and regulations and the articles of incorporation, etc.	Irial Finan Outside Director	Irial Finan (Outside Director), Celso Guiotoko (Outside Director), Nami Hamada (Outside Director), Vamsi Mohan Thati (Outside Director)


General Meeting of Shareholders
Election/Dismissal
Election/Dismissal
Election/Dismissal
Reporting/
Stating Opinion
Board of Directors
Reporting
Directors (excluding directors serving on the Audit and Supervisory committee)
Directors serving on the Audit and Supervisory Committee
Selection/Supervision/Delegation of execution of important operation
Reporting execution of operation
Supervision/Reporting
Representative Directors
Exchange opinions
Reporting
Audit Office
Coordination
Auditing
Auditing
Auditing
Corporate Officers
Group Companies
Divisions
Financial/Accounting Auditors
Audit and Supervisory Committee
(consisting of directors serving on the Audit and Supervisory Committee, including a majority of outside directors)
Reporting
Auditing/Determining proposals for election or dismissals
Coordination

(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 CCBJH Group conforms to laws and regulations and the Articles of Incorporation

a) 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 Risk Management Committee shall be convened periodically in order to reinforce the compliance system and to prevent non-compliance.

b) 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.

c) 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 where all of the constituent members are External Directors.

d) 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.

e) The Company clearly identifies a firm stance against anti-social forces and organizations that cause threats to the order and safety of civil society and that the Company never associates 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

a) 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’s 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.

b) The Company’s Directors may inspect such documents, etc. at any time.

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

a) 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.

b) 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.

c) 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 CCBJH Group Directors

a) 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.

b) In addition to Board of Directors Meetings, appropriate forums, such as the Management Meeting, 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 Ethics and Conduct 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 CCBJH 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

a) 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.

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

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

d) 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 executives 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

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

b) The Representative Director shall prepare an environment so that the Audit and Supervisory Committee 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.

c) The Audit and Supervisory Committee shall regularly provide opportunities for the exchange of opinions with the Internal Audit Department and accounting auditors.

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(Design of risk management system)

The Company has developed Group Rules for Risk Management and is proactively working on preventing the occurrence of various risks that may arise for the Company together with ensuring that in the event of a risk occurrence, that response strategies exist that allow us to respond in a prompt and adequate manner thereby minimizing the damage and business disruption. Furthermore, in order to minimize damage and business impacts caused by natural disasters, etc., crisis training, disaster drills and safety confirmation drills are being held regularly thereby testing our business continuity plans in response to a large-scale disaster.”

In addition, we have developed Code of Ethics and Conduct for officers and employees of the Group, which shows the Group's corporate stance of "complying with all laws and regulations, acting in good faith in society, and enhancing corporate value by earning the trust of all stakeholders", and have been thoroughly communicating it to all officers and employees.

③ Company organizations

a. Number of directors

The Articles of Incorporation stipulate that the number of the directors who are not members of the Audit and Supervisory Committee shall be ten or less, and the directors who are members of the Audit and Supervisory Committee shall be seven or less.

b. Requirements for election of directors

The Articles of Incorporation stipulate that the directors who are not members of the Audit and Supervisory Committee and the directors who are members of the Audit and Supervisory Committee shall be elected by a majority of the vote attended by the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights, and that they shall not be elected by cumulative voting.

c. Decision-making body for acquisition of treasury stocks

The Articles of Incorporation stipulate that treasury stocks may be repurchased through market transactions, etc. by a resolution of the Board of Directors without a resolution of the General Meeting of Shareholders, in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act. The purpose of this is to improve capital efficiency and to implement flexible capital policies in response to changes in the business environment through authorizing the Board of Directors to make decision for acquisition of treasury stocks.

d. Decision-making body for interim dividends

The Articles of Incorporation stipulate that interim dividends defined in Article 454, Paragraph 5 of the Companies Act may be paid by the resolution of the Board of Directors without a resolution of the General Meeting of Shareholders. The purpose of this is to flexibly return profits to shareholders through authorizing the Board of Directors to make decision for interim dividends.

e. Requirements for the special resolution at the General Meeting of Shareholders

The Articles of Incorporation stipulate that the special resolution at the General Meeting of Shareholders defined in Article 309, Paragraph 2 of the Companies Act shall be made by two-thirds of the vote attended by the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights. The purpose of this is to facilitate the operation of the General Meeting of Shareholders through easing the quorum for the special resolution at the General Meeting of Shareholders.

f. Business execution and management oversight

The Representative Director monitors and supervises the business activities executed by the executive officers and employees of the operating companies by participating in major meetings and other meetings held in the operating companies. The directors who are members of the Audit and Supervisory Committee conduct audits aimed at checking the status of business execution by the directors, executive officers and employees in accordance with related laws and regulations, the article of incorporation, and the audit standards and guidelines established for and by the Audit and Supervisory Committee, by participating in the Board of Directors meeting and reviewing the results of the audits conducted by the Internal Audit Office and Accounting Auditor.

A system to ensure sufficient oversight of business execution by executive officers is established, which include the regular exchange of opinions between the Representative Director and the members of the Audit and Supervisory Committee on the results of the aforesaid audit activities.

④ Basic Policies on the Control of the Joint-stock Company

a. Details of Basic Policy

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

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

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

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

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 Persons.

b. Initiatives to realize the basic policies

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

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

Soft drink industry volume growth in Japan is expected to be muted, given the developed nature of the market as a whole, and the business environment surrounding the Company is projected to stay competitive as multiple players compete in the market.

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

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

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

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

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

c. Decisions of the 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.

(2) Information about officers

Males: 7 people, Females: 2 people (Ratio of females to total directors: 22.2%)

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
Representative Director, President	Calin Dragan	October 24, 1966	June 1993 Joined Coca-Cola Leventis January 2000 Joined Coca-Cola Hellenic Bottling Company S.A January 2005 General Manager and Administrator in charge of Romania and Mordovian Republic, Coca-Cola Hellenic Bottling Company S.A July 2011 Executive Corporate Officer, Coca-Cola West Co., Ltd. March 2012 Representative Director, Coca-Cola West Co., Ltd. Vice President, Coca-Cola West Co., Ltd. July 2013 Representative Director & President, Coca-Cola East Japan Co., Ltd. May 2017 Regional Director, The Coca-Cola Company Bottling Investments Group Regional Director, Coca-Cola Far East Limited January 2018 President, The Coca-Cola Company Bottling Investments Group March 2019 Executive Officer, Vice President, Coca-Cola Bottlers Japan Holdings Inc. Executive Officer, Vice President, Coca-Cola Bottlers Japan Inc. March 2019 Representative Director, President, Coca-Cola Bottlers Japan Holdings Inc. (incumbent) Representative Director, President, Coca-Cola Bottlers Japan Inc. (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2021	2
Representative Director, Vice President, Chief Financial Officer (Head of Finance	Bjorn Ivar Ulgenes	April 5, 1968	July, 1997 Joined The Coca-Cola Company August 2005 Finance Director North & West Africa Business Unit, The Coca-Cola Company May 2008 Finance Director & Executive Assistant to the Business Unit President, North & West Africa Business Unit, The Coca-Cola Company June 2009 GM Innovation & EA, North & West Africa Business Unit, The Coca-Cola Company February 2010 Senior Vice President Finance, The Coca-Cola (Japan) Co., Ltd. January 2013 Finance Director, Central, East & West Africa Group, The Coca-Cola Company April 2016 Deputy Finance Director, Europe, Middle East &Africa (EMEA) Group, The Coca-Cola Company October 2018 Senior Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Holdings Inc. Senior Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Inc. November 2018 Representative Director & President, Senior Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Sales Support Inc. January 2019 Representative Director & President, Senior Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Business Services Inc. (incumbent) February 2019 Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Holdings Inc. Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Inc. March 2019 Representative Director, Coca-Cola Bottlers Japan Holdings Inc. (incumbent) Vice President, Chief Financial Officer (Head of Finance, Coca-Cola Bottlers Japan Holdings Inc. (incumbent) Representative Director, Coca-Cola Bottlers Japan Inc. (incumbent) Vice President, Chief Financial Officer (Head of Finance, Coca-Cola Bottlers Japan Inc. (incumbent) December 2019 Chairman and Representative Director, Q'SAI CO., LTD	One year from the Ordinary General Meeting of Shareholders held on March 2021	1

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
Director	Hiroshi Yoshioka	October 26, 1952	April 1975 Joined Japan Radio Co., Ltd. January 1979 Joined Sony Corporation October 2001 Representative Director and President, Sony Ericsson Mobile Communications Corporation April 2003 CVP, Sony Ericsson Mobile Communications Corporation AB November 2005 Corporate Executive, SVP, Sony Corporation April 2008 Corporate Executive, EVP, Sony Corporation April 2009 Executive Deputy President Officer, Sony Corporation July 2013 Outside Director, Coca-Cola East Japan Co., Ltd. April 2017 Outside Director, Coca-Cola Bottlers Japan Inc. January 2018 Outside Director, Coca-Cola Bottlers Japan Holdings Inc. (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2021	1
Director	Hiroko Wada	May 4, 1952	April 1977 Joined Procter & Gamble Sunhome Co., Ltd. January 1998 Vice President, In charge of Corporate New Ventures, Asia, The Procter & Gamble Company (U.S.) March 2001 Representative Director & President, Dyson Ltd. April 2004 Representative Director, President & COO, Toys"R"Us-Japan, Ltd. November 2004 Representative, Office WaDa (incumbent) May, 2009 Outside Director, Aderans Holdings Co., Ltd. June 2016 Outside Director, Shimadzu Corporation (incumbent) March 2019 Outside Director, Coca-Cola Bottlers Japan Holdings Inc. (incumbent) March 2019 Outside Director (Audit & Supervisory Committee member), Unicharm Corporation (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2021	—
Director	Hirokazu Yamura	September 28, 1977	October 2006 Joined Michinoku Coca-Cola Bottling Co., Ltd February 2009 Director, Michinoku Coca-Cola Bottling Co., Ltd March 2012 Managing Director, Michinoku Coca-Cola Bottling Co., Ltd. March 2013 Senior Managing Director, Michinoku Coca-Cola Bottling Co., Ltd March 2014 Representative Director & President, Michinoku Coca-Cola Bottling Co., Ltd. (incumbent) March 2020 Outside Director, Coca-Cola Bottlers Japan Holdings Inc. (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2021	—

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
Director (Audit & Supervisory Committee member)	Irial Finan	June 14, 1957	October 1984 Finance Director, Coca-Cola Bottlers Ireland Ltd. January 1991 Managing Director, Coca-Cola Bottlers Ulster Ltd. June 1995 Managing Director, Coca-Cola Molino Beverages March 2001 CEO, Coca-Cola HBC SA August 2004 EVP, The Coca-Cola Company (President, Bottling Investments) February 2012 Director, Smurfit Kappa Group Plc (incumbent) March 2012 Outside Director, Coca-Cola Central Japan Company, Limited. July 2013 Outside Director, Coca-Cola East Japan Co., Ltd. April 2016 Director, Coca-Cola European Partners Plc (incumbent) April 2017 Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Inc. January 2018 Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Holdings Inc. (incumbent) February 2019 Director, Fortune Brands Home & Security, Inc. (incumbent)	Two years from the Ordinary General Meeting of Shareholders held on March 2021	—
Director (Audit & Supervisory Committee member)	Celso Guiotoko	January 3, 1959	December 1983 Joined Banco Bradesco SA January 1985 Senior Manager, Arthur Andersen (Accenture) March 1996 System Director, Toshiba America Electronic Components, Inc. December 1997 Solution Service Vice President, i2 Technologies Japan, Inc. May 2004 Vice President & CIO (Chief Information Officer), Nissan Motor Co., Ltd. April 2006 Corporate Vice President & CIO, Nissan Motor Co., Ltd. April 2014 Senior Corporate Vice President & CIO, Nissan Motor Co., Ltd. June 2017 Statutory Auditor, Nissan Motor Co., Ltd. March 2019 Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Holdings Inc. (incumbent) Executive Officer, Global Chief Digital Officer, Nishimoto Co., Ltd. March 2020 Director, Global Chief Digital Officer, Nishimoto Co., Ltd. (incumbent)	Two years from the Ordinary General Meeting of Shareholders held on March 2021	—

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
Director (Audit & Supervisory Committee member)	Nami Hamada	August 3, 1964	July 1992 Joined Lehman Brothers Holdings Inc. October 1996 Vice President, Lehman Brothers Japan Inc. June 1999 Senior Vice President, Lehman Brothers Japan Inc. May 2004 Representative Director, HDH Advisors Japan Limited. December 2006 Principal, HDH Capital Management Pte Ltd. March 2009 Founder, Managing Director, Mile High Capital Inc. (incumbent) August 2017 Director, Ecoplexus Japan K. K February 2019 Chief Operating Officer, Vesper Group Japan K.K. March 2019 Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Holdings Inc. (incumbent) May 2020 Outside Director (Audit Committee Member), MetLife Insurance K.K. (incumbent)	Two years from the Ordinary General Meeting of Shareholders held on March 2021	–
Director (Audit & Supervisory Committee member)	Vamsi Mohan Thati	April 28, 1971,	June 1994 Joined ASIAN PAINTS (INDIA) LTD. September 1998 Joined The Coca-Cola Company Bottling Investments Group April 2009 General Manager, The Coca-Cola Company Bottling Investments Group May 2012 Indochina CEO, The Coca-Cola Company Bottling Investments Group June 2016 Southeast Asia Region Director, The Coca-Cola Company Bottling Investments Group May 2017 India and Southwest Asia Region Director, The Coca-Cola Company Bottling Investments Group January 2018 President, South Pacific Business Unit, The Coca-Cola Company November 2020 President, Greater China and Mongolia Operating Unit, The Coca-Cola Company (incumbent) March 2021 Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Holdings Inc. (incumbent)	Two years from the Ordinary General Meeting of Shareholders held on March 2021	–
Total					5

(NOTE) 1. Hiroshi Yoshioka, Hiroko Wada, Hirokazu Yamura, Irial Finan, Celso Guiotoko, Nami Hamada and Vamsi Mohan Thati are Outside Directors.

2. The Company has introduced a corporate executive officer system to accelerate the execution of business and clarify responsibilities. The total number of executive officers is 20, including representative directors.

Information of outside directors

Currently, three of the five directors (excluding directors who are members of the Audit and Supervisory Committee) and all four directors who are members of the Audit and Supervisory Committee are outside directors.

a. Appointment of outside directors

Category	Name	Relationship with the Company	Status of appointment
Outside Director	Hiroshi Yoshioka	—	The Company has appointed Hiroshi Yoshioka as a Director (Outside Director) in order for him to utilize, for the management of the Company, the considerable experiences and global knowledge he has gained thus far at the Coca-Cola bottling company within Japan and Sony Corporation. There is no relationship of special interest between him and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated him as an independent director.
Outside Director	Hiroko Wada	—	The Company has appointed Hiroko Wada as a Director (Outside Director) in order for her to utilize, for the management of the Company, the considerable experiences and global knowledge she has gained thus far as officer at The Procter & Gamble Company and as Representative Director at Toys"R"Us Japan Ltd. There is no relationship of special interest between her and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated her as an independent director.
Outside Director	Hirokazu Yamura	Hirokazu Yamura is the Representative Director and President of Michinoku Coca-Cola Bottling Company, Co., Ltd. (hereafter "Michinoku CCBC)", which is a trading partner of the Company. The amount of sale of products, etc. to Michinoku CCBC is equivalent to 0.3% of the Company's consolidated net revenue, and the amount of purchase of products, etc. from Michinoku CCBC is equivalent to 0.5% of the consolidated revenue of Michinoku CCBC.	The Company proposes to appoint Hirokazu Yamura as a Director (Outside Director) in order for him to utilize, for the management of the Company, the considerable experiences and knowledge he has gained thus far as the Representative Director and President of Michinoku CCBC. The Company also has transactions with the group companies of Michinoku CCBC, but the transaction volume is very small. In addition, the trading prices and other terms and conditions applied to these transactions are fair and consistent with the trading prices and other terms and conditions applied to transactions with other trading partners. We therefore believe that these group companies of Michinoku CCBC pose no risk of obstruction of our free and fair business activities. The Company has designated Hirokazu Yamura as an independent director based on our judgment that the current transactional ties with Michinoku CCBC and its group companies do not have any significant impact on our business, and that there is no relationship of special interest between him and the Company, and no risk of causing any conflict of interest with general shareholders.
Outside Director (Audit & Supervisory Committee member)	Irial Finan	—	Irial Finan has considerable experience and global expertise having acted as a corporate executive engaged in Coca-Cola business over many years acting as an outside director of Coca-Cola bottling company within Japan, management of The Coca-Cola Company and global bottlers and a representative of the Bottling Investments Group engaging in oversight of Coca-Cola bottlers worldwide, and possesses audit experiences as a Director serving on the Audit and Supervisory Committee and the Chairperson of such Audit and Supervisory Committee at our Company. Based on his extensive experience as a global corporate executive and his expertise in the field of Finance, he is expected to provide advises as a Director serving on the Audit and Supervisory Committee on all areas including decision making related to important managerial decisions, handling of expected risks and the internal control system, and the Company has appointed Finan as a Director serving on the Audit and Supervisory Committee (Outside Director).
Outside Director (Audit & Supervisory Committee member)	Celso Guiotoko	—	Celso Guiotoko has considerable experiences and global expertise gained at Nissan Motor Co., Ltd. ("Nissan") as well as Nishimoto Co., Ltd. and possesses audit experience as Statutory Auditor at Nissan. Based on his extensive experience as a corporate executive and an auditor and his expertise in the field of information technology, he is expected to provide advice as a Director serving on the Audit and Supervisory Committee on all areas including decision making related to important managerial decisions, handling of expected risks and the internal control system, and the Company has appointed Guiotoko as a Director serving on the Audit and Supervisory Committee (Outside Director). There is no relationship of special interest between him and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated him as an independent director.
Outside Director (Audit & Supervisory Committee member)	Nami Hamada	—	Nami Hamada has considerable experiences on Finance and Accounting gained as a proprietor of her own finance consulting company and considerable experiences and global expertise gained as a corporate executive at Lehman Brothers Japan Inc. Based on her extensive experience as a corporate executive and her expertise in the field of finance, she is expected to provide advice as a Director serving on the Audit and Supervisory Committee on all areas including decision making related to important managerial decisions, handling of expected risks and the internal control system, and the Company has appointed Hamada as a Director serving on the Audit and Supervisory Committee (Outside Director). There is no relationship of special interest between her and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated her as an independent director.
Outside Director (Audit & Supervisory Committee member)	Vamsi Mohan Thati	Vamsi Mohan Thati is President of the Greater China and Mongolia Operating Unit at The Coca-Cola Company. The Company has entered into contracts for manufacturing and sales of Coca-Cola and other products and use of trademarks, etc. with The Coca-Cola Company.	Vamsi Mohan Thati is President of the Greater China and Mongolia Operating Unit at The Coca-Cola Company, who has demonstrated strong leadership in a variety of fields such as operations, market execution, and general management at The Coca-Cola Company Bottling Investments Group and has considerable management experiences as a manager at business units in the Asia region. Based on his extensive experience as a global corporate executive, he is expected to provide advises as a Director serving on the Audit and Supervisory Committee on all areas including decision making related to important managerial decisions, handling of expected risks and the internal control system, and the Company has appointed Thati as a Director serving on the Audit and Supervisory Committee (Outside Director).

b. Criteria or policies for independence when appointing an outside director

We consider our outside director (including candidates) sufficiently independent when all of following criteria are found to be irrelevant to him/her as a result of our reasonably possible range of investigation:

(a) Currently and in the past 10 years, the person works/worked in the Company or its subsidiary;

(b) Currently and in the past one year, the person is/was a major business partner (the Group accounts for 2% or more of whose consolidated net sales in the most recent fiscal year), or works/worked in the business partner;

(c) Currently and in the past one year, the person is/was a major business partner (which accounts for 2% or more of our consolidated net sales in the most recent fiscal year), or works/worked in the business partner;

(d) Currently and in the past one year, the person is/was a consultant, a certified public accountant, an attorney, or other receiving annual compensation of 10 million yen or more from the Company, in addition to officers' compensation;

(e) Currently and in the past one year, the person is/was a recipient of donations of 10 million yen or more per year from the Company, or works/worked in the recipient entity; and

(f) Relatives within the second degree of kinship of those falling under (a) to (e) above.

c. Functions and roles of outside directors in corporate governance

The Audit and Supervisory Committee is composed entirely of outside directors, so that the system to monitor the execution of duties by directors has been established. We receive appropriate advice from outside directors (excluding directors who are members of the Audit and Supervisory Committee) who are knowledgeable other than our Group, and outside director who are members of the Audit and Supervisory Committee in a third-party perspective.

d. Collaboration of outside directors' supervision or audit with internal audits and external accounting audits, as well as its relationship with internal control department

Outside directors who are not members of the Audit and Supervisory Committee receive reports and express their opinion on internal audit, external accounting audit and internal controls at the Board of Directors meetings. Also outside directors who are members of the Audit and Supervisory Committee receive reports and express their opinion on them at the meetings of Board of Directors and the Audit and Supervisory Committee.

e. Outline of Limited Liability Agreements

In its Articles of Incorporation, the Company has established provisions concerning limited liability agreements with Directors (excluding those who is not an Executive Director, etc.) in order to ensure that Directors (excluding those who is not an Executive Director, etc.) can demonstrate the roles expected of them and the Company can invite and select competent persons as Directors (including, not limited to, Outside Directors).

The Company has entered into limited liability agreements with seven Directors to limit their liability for damages in the event that he/she fails to perform his/her duties stipulated in Article 427, Paragraph 1 of the Companies Act. The limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and ordinances.

f. Outline of the Directors’ and officers’ Liability Insurance Policy

In order to ensure that directors (including those who are members of the Audit and Supervisory Committee) and the Group’s executive officers can demonstrate the roles expected of them and the Company can select competent persons to serve as directors and executive officers, the Company has entered into a directors' and officers' liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company and the Company bears the entire premium.

The policy covers the nine members of the Board of Directors, namely Calin Dragan (Representative Director) Bjorn Ivar Ulgenes, Hiroshi Yoshioka, Hiroko Wada, Hirokazu Yamura, Irial Finan, Celso Guiotoko, Nami Hamada and Vamsi Mohan Thati and, as well as the executive officers of the Group, as insured, in the event of claims for damages by shareholders, the Company, employees or other third parties arising from acts in the course of their duties as directors and officers of the Company during the term of the policy.

g. Assignment of support staff for outside directors

Outside directors (excluding who are not members of the Audit and Supervisory Committee) are supported by staff from the corporate governance department, and outside directors who are members of the Audit and Supervisory Committee members are supported by secretariat of the Audit and Supervisory Committee (assistant employees).

(3) Audit Status

a. Audit and Supervisory Committee Audit Status

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 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.

The four directors who are members of the Audit and Supervisory Committee audit the execution of duties by directors and executive officers based on relevant laws and regulations, the Articles of Incorporation, and the audit standards for our Audit and Supervisory Committee, through periodic meetings with representative directors and reports on the results of audits conducted by the Audit Office. One of four directors who is a member of the Audit and Supervisory Committee runs a finance consulting company herself and has extensive experience in finance and accounting, and therefore possesses considerable knowledge of finance and accounting.

In the current fiscal year, we held the Audit and Supervisory Committee Meetings six times with the following attendance of each member.

Name	Number of times held	Number of attendances
Irial Finan	6	6
Celso Guiotoko	6	6
Nami Hamada	6	6
Enrique Rapetti	5	5

Enrique Rapetti was elected at the 62nd Ordinary General Meeting of Shareholders held on March 26, 2020 and attended all five Audit and Supervisory Committee Meetings held after his election in the fiscal year ending 31 December 2020.

Main matters discussed by the Audit and Supervisory Committee include the development of audit policies, confirmation that the internal control system is put in place and properly operated, preparation of audit reports, reappointment of accounting auditors, approval regarding the remuneration of accounting auditors, formation of opinions concerning the election and remuneration of directors, etc.

The members of the Audit and Supervisory Committee use their broad knowledge and extensive experience to express objective audit opinions from an independent and neutral standpoint and to present candid opinions at the Board of Directors Meetings and Audit and Supervisory Committee Meetings.

b. Internal Audit Status

We have established the Audit Office (15 members) as an internal audit department to ensure compliance with laws and regulations, appropriate activities and operations, protection of assets, and reliability of financial reporting.

As for the annual audit policy and audit plan of the Audit Office, the prior consultation with the Audit and Supervisory Committee shall be held, and the Audit and Supervisory Committee shall receive reports on the results of audits conducted by the Audit Office from time to time.

In addition, the Audit and Supervisory Committee and the Audit Office receive explanations of the audit plan from the external accounting auditor at the beginning of the fiscal year, and request explanations and reports from time to time regarding the status of the audit during the fiscal year and the results of year-end audit.

c. Accounting Audit Status

(a) Name of audit firm

Ernst & Young ShinNihon LLC

(b) Continuous audit period

3 years

(c) The certified public accountants who performed the accounting audit

Certified public accountant who performed the accounting audits		
Designated Limited Liability Partner	Engagement Partner	Tokuya Takizawa
Designated Limited Liability Partner	Engagement Partner	Takahiro Soga
Designated Limited Liability Partner	Engagement Partner	Miyuki Nakamura
Designated Limited Liability Partner	Engagement Partner	Keita Tsujimoto

(d) Composition of assistants involved in audit work

35 certified public accountants and 55 others were involved as audit assistants.

(e) Audit firm selection policy and reasons

(Evaluation of the audit firm by Audit & Supervisory Committee)

The Audit and Supervisory Committee evaluates the accounting auditor’s quality control structure, global auditing system, and appropriateness, independence, etc. of the audit comprehensively, confirms that the audit by Ernst & Young ShinNihon LLC is appropriate and reasonable, and passes a resolution for its reappointment

In the case that it is determined 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 determine that it is necessary to do so in cases such as where the accounting auditor is recognized to have difficulty in properly fulfilling its auditing duties.

(f) Evaluation of the Accounting Auditor by the Audit and Supervisory Committee

The Audit and Supervisory Committee evaluates the accounting auditor’s quality control structure, global auditing system, and appropriateness, independence, etc. of the audit comprehensively, confirms that the audit by Ernst & Young ShinNihon LLC is appropriate and reasonable, and passes a resolution for its reappointment.

(g) Details of remuneration to independent auditors

①Compensation for auditing certified public accountants

Category	Previous fiscal year		Current fiscal year	
	Remuneration for on audit assurance services (Millions yen)	Remuneration for on non-audit assurance services (Millions yen)	Remuneration for on audit assurance services (Millions yen)	Remuneration for on non-audit assurance services (Millions yen)
The Company	71	3	75	–
Consolidated subsidiaries	129	–	125	–
Total	200	3	200	–

②Remuneration for organizations belonging to the same network as auditing certified public accountants (excluding ①.)

Not applicable.

③Other material remuneration to independent auditors

Previous fiscal year (January 1, 2019 to December 31, 2019) and current fiscal year (January 1, 2020 to December 31, 2020)

Not applicable.

④Details of non-audit services rendered by independent auditors

Previous fiscal year (January 1, 2019 to December 31, 2019)

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

Current fiscal year (January 1, 2020 to December 31, 2020)

Not applicable.

⑤Reason for the Audit and Supervisory Committee to Have Agreed the Amount of Renumeration Payable to the Accounting Auditor, etc.

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.

(4) Details and procedures on compensation of Directors and Executive Officers

①. Compensation policy and process for determining the policy

a. Basic policy on compensation for Executive Directors and Executive Officers

(a) Compensation level and structure that enable hiring and retaining high-quality talents from the perspective of diverse nationalities and experiences.

(b) Compensation composition ratio emphasizing performance-linked compensation, resulting in providing sufficient incentives for profitable growth.

(c) Introduce the system to further improve mid- to long-term corporate value, and reinforce alignment of interests with the shareholders.

b. Supervisory Officers (Directors serving on the Audit and Supervisory Committee and Outside Directors not serving on the Audit and Supervisory Committee)

The compensation level and structure that is appropriate as roles in managerial supervision and audit

c. Process for determining the policy

The policy for determining compensation for Executive Directors and Executive Officers, etc. shall be determined upon deliberation by the Audit and Supervisory Committee and approval through the Company’s Board of Directors Meeting.

② Details and procedures on compensation of Executive Directors and Executive Officers

a. Compensation structure (FY2021 onwards)

<table>
<tr><td rowspan="2">Fixed compensation</td><td>Base salary</td><td>● Monthly payment of an amount determined based on responsibilities.</td><td rowspan="3">The portion of the compensation shown on the left provided to Directors will not exceed the following amount.

Compensation limit for Directors (excluding Directors serving on the Audit and Supervisory Committee): 850 million yen per year (approved by resolution no. 5 of 2019 Annual General Meeting of Shareholders) (five in number at the time of the resolution, excluding Directors serving on the Audit and Supervisory Committee)
* In case where the Audit and Supervisory Committee has deliberated and deemed it necessary, payments within 850 million yen may be made for fringe benefits such as housing allowances, etc.</td></tr>
<tr><td>Retirement Payment (Annual deferral for retirement remunerations)</td><td>● 10% of annual base salary is retained, and the accumulated amount is calculated and paid upon their retirement.
● This payment may be reduced or withheld altogether if the recipient has caused significant damage to the CCBJH Group or been subject to disciplinary action. It may also be specially increased where the recipient has given particularly distinguished contribution. Any reduction, withholding, or special increase will be decided at the Board of Directors Meeting, based on deliberation by the Audit and Supervisory Committee.</td></tr>
<tr><td>Variable compensation</td><td>Annual bonus</td><td>● Provided as an incentive for achieving performance targets for each fiscal year.
● The target amount is set in the range of 30% to 85% of base salary, depending on their responsibilities.
● The amount of payment varies in the range of 0% to 150% of the target amount depending on the achievement of performance targets in each fiscal year (companywide performance and individual evaluations).
● To provide motivation to achieve profitable growth, business income, sales volume, and net sales have been adopted as measures for evaluating companywide performance, based on the Company's policy regarding the determination of compensation, etc. for Executive Directors and Executive Officers, etc.</td></tr>
</table>

<table>
<tr><td rowspan="3"></td><td>Long-term incentives</td><td>● Two types of stock-based compensation systems, (1) PSU and (2) RSU, are adopted as long-term incentives.
● The basic amount of all long-term incentives (1) PSU + (2) RSU is set in the range of 15% to 100% of base salary based on the responsibilities. 50% of this basic amount is set as the basic PSU amount, and 50% is set as the basic RSU amount.
● With regard to (2) RSU, additional grants for the purpose of retention, etc. may be made in addition to the above-mentioned basic RSU amount and in case for Directors, up to the compensation limit detailed on the right if deemed necessary by the Audit and Supervisory Committee.</td><td rowspan="3">The portion of the compensation shown on the left provided to Directors will not exceed the following amount.

Compensation limit for Directors (excluding Directors serving on the Audit and Supervisory Committee): Maximum amount of 600,000 shares per year multiplied by the market value at the time of issue (approved by resolution no. 4 of 2020 Annual General Meeting of Shareholders) (five in number at the time of the resolution, excluding Directors serving on the Audit and Supervisory Committee)</td></tr>
<tr><td>(1) PSU (Performance Share Units)</td><td>● Provided as an incentive for achieving mid to long term performance targets.
● The number of shares to be issued shall be determined within the range of 0% to 150% of the basic PSU amount depending on the achievement of performance targets (only considering companywide performance) over the three years after the share units have been granted (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations).
● To provide motivation to enhance corporate value over the mid to long term, consolidated ROE and consolidated sales growth rate have been adopted as measures for evaluating performance, based on the Company's policy regarding the determination of compensation for Executive Directors and Executive Officers, etc.</td></tr>
<tr><td>(2) RSU (Restricted Stock Units)</td><td>● Provided for the purpose of aligning interests with shareholders, creating incentives to increase corporate value, and strengthening retention of talented people.
● A predetermined number of shares are issued at retirement (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations).</td></tr>
</table>

*Regarding fringe benefits, to support the execution of assignments outside the home country, housing allowances, etc. are provided in accordance with the Internal Regulations for CCBJH Group Expatriate, approved at the Company's Board of Directors Meeting through deliberations by the Audit and Supervisory Committee.

b. Process for determining compensation

Approval of compensation including the amount of performance-linked compensation for Executive Directors shall be delegated to a Representative Director upon resolution by the Company's Board of Directors Meeting, and the amount shall be determined by the Representative Director in accordance with the "Compensation Framework for Directors and Executive Officers" approved by the Company's Board of Directors Meeting within the total amount determined by the resolution of the General Meeting of Shareholders after the terms of compensation are deliberated by an Audit and Supervisory Committee composed solely Outside Directors in order to enhance the transparency and objectivity of procedures for determining compensation. The compensation for Executive Officers shall also be determined through deliberations by the Audit and Supervisory Committee.

(a) Activities of the Company's Board of Directors Meeting

The Company's Board of Directors Meeting activities concerning the determination of Executive compensation for 2020 are as follows:

1. Number of meetings of the Company's Board of Directors Meeting over one year from January 2020 to December 2020: 10
2. Main subjects discussed by the Company's Board of Directors Meeting concerning Executive compensation and Executive compensation structure in 2020:
   - Payment amounts of Annual bonuses for 2019 and special incentive for 2018
   - Revision of amounts of compensation for Directors and timely disclosure for a stock-based compensation

(RSU) introduction

- Report on number of PSU and RSU units granted for Executive Directors and Executive Officers for 2020
- The compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee) and Executive Officers for 2020
- Special increase on retirement payments for resigned Director and Executive Officer in 2020
- A special RSU for the purpose of retention for Executive Directors and Executive Officers
- Introduction of new fringe benefits to Executive Directors, Executive Officers and Employees and revision of the Internal Regulations for CCBJH Group Expatriate
- Annual bonuses for 2020 and issue of 2018 PSU for Executive Directors and Executive Officers based on 2020 company performance

3. 2021 Executive compensation and Executive compensation structure
   - Revision of Executive compensation structure for 2021 onwards
   - Revision of compensation amounts for Directors (excluding Directors serving on the Audit and Supervisory Committee)
   - Revision of stock issuance timing for stock-based compensation (RSU)
   - Revision of ratio of stock-based compensation (PSU/RSU)

(b) Activities of the Audit and Supervisory Committee

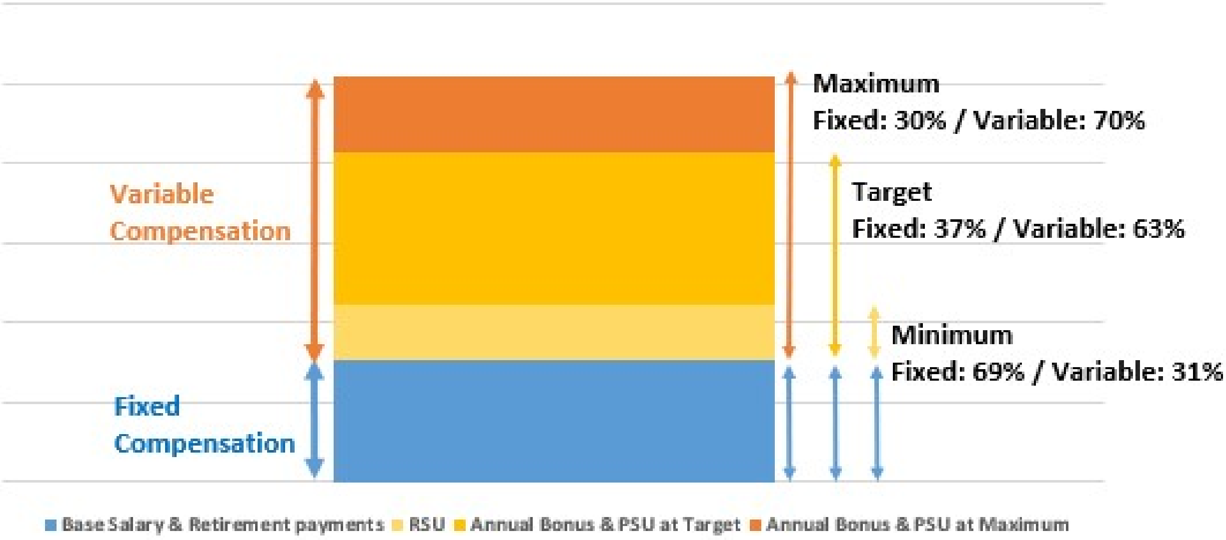
Activities of the Audit and Supervisory Committee concerning the determination of Executive compensation for 2020 are as follows:

1. Number of meetings of the Audit and Supervisory Committee over one year from January 2020 to December 2020: 6
2. Main subjects discussed by the Audit and Supervisory Committee concerning Executive compensation and Executive compensation structure in 2020:
   - 2019 individual performance, proposed payout of Annual bonuses for 2019 and special incentive for 2018 for Executive Directors and Executive Officers
   - Individual performance objectives setting of Executive Directors and Executive Officers for 2020
   - The compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee) and Executive Officers for 2020
   - Report on number of PSU and RSU units granted for Executive Directors and Executive Officers for 2020
   - The compensation for Directors serving on the Audit and Supervisory Committee for 2020
   - Special increase on retirement payments for resigned Director and Executive Officer in 2020
   - A special RSU for the purpose of retention for Executive Directors and Executive Officers
   - Introduction of new fringe benefits to Executive Directors, Executive Officers and Employees and revision of the Internal Regulations for CCBJH Group Expatriate
   - Annual bonuses for 2020 and issue of 2018 PSU for Executive Directors and Executive Officers based on 2020 company performance
3. 2021 Executive compensation and Executive compensation structure
   - Revision of Executive compensation structure for 2021 onwards
   - Revision of compensation amounts for Directors (excluding Directors serving on the Audit and Supervisory Committee)
   - Revision of stock issuance timing for stock-based compensation (RSU)
   - Revision of ratio of stock-based compensation (PSU/RSU)

c. Compensation level

Compensation is decided according to the responsibilities by utilizing data from compensation surveys performed by external research organizations and taking into account the level of compensation provided at companies such as domestic and overseas companies of similar scale in similar industries with the intent to provide a level of compensation that enables recruitment and retention of talented people who are highly diverse in terms of nationality, experience, etc.

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



③ Guidelines and procedures for determining compensation for Supervisory Officers

The compensation for Supervisory Officers (Directors serving on the Audit and Supervisory Committee and Outside Directors not serving on the Audit and Supervisory Committee) consists of only base salary, taking into account their roles in managerial supervision and audit. Compensation levels are set according to the role of the Director by utilizing data from compensation surveys performed by external research organizations and taking into account the level of compensation provided at domestic companies of similar scale.

The compensation for Directors serving on the Audit and Supervisory Committee is proposed to the Audit and Supervisory Committee and determined upon consultation with Directors serving on the Audit and Supervisory Committee within the total amount determined by the resolution of the General Meeting of Shareholders. The compensation for Outside Directors not serving on the Audit and Supervisory Committee shall be delegated to a Representative Director upon resolution by the Company's Board of Directors Meeting, and the amount shall be determined by the Representative Director in accordance with the "Compensation Framework for Directors and Executive Officers" approved by the Company's Board of Directors Meeting after the terms of compensation are deliberated by an Audit and Supervisory Committee.

④ Details of compensation for Directors for 2020

a. Total amount of compensation, etc. by position, total amount of compensation by category and headcount of Directors

Position	Total compensation (millions yen)	Total amount by category of compensation (millions yen)				Headcount of Directors (people)
		Basic compensation Note 3:	Annual bonus	Long-term incentives Note 4:	Other Note 5:	
Directors (excluding Directors serving on the Audit and Supervisory Committee) (of which Outside Directors)	618 (39)	405 (39)	– (–)	132 (–)	81 (–)	6 (3)
Directors (serving on the Audit and Supervisory Committee) (of which Outside Directors)	70 (70)	70 (70)	– (–)	– (–)	– (–)	5 (5)
Total (of which Outside Directors)	688 (109)	475 (109)	– (–)	132 (–)	81 (–)	11 (8)

Note 1: In accordance with the resolution passed at the 62nd Ordinary General Meeting of Shareholders held on March 26, 2020, the upper limit of compensation for Directors (five in number at the time of the resolution, excluding Directors serving on the Audit and Supervisory Committee) shall be 850 million yen per year (of which 50 million yen per year for Outside Directors (two in number at the time of the resolution); in accordance with the resolution passed at the 58th Ordinary General Meeting of Shareholders held on March 23, 2016, the upper limit of compensation for Directors serving on the Audit and Supervisory Committee (five at the time of the resolution) shall be 100 million yen per year.

Note 2: Separately, in accordance with the resolution taken at the 62th Annual General Meeting of Shareholders held on March 26, 2020, for the Company's Directors (excluding Directors serving on the Audit and Supervisory Committee), the upper limit of stock-based compensation consisting of monetary compensation receivables and cash (the performance share unit system, hereinafter called "PSU," and the restricted stock unit system, hereinafter called "RSU") to Executive Directors shall be annual amount not exceeding in total the value of 200,000 shares multiplied by the market value of the monetary compensation receivables and cash at the time of issue

Note 3: Above table includes compensation paid to one Director (excluding Directors serving on the Audit and Supervisory Committee) and one Director (serving on the Audit and Supervisory Committee, of which one Outside Director), who are resigned at the conclusion of the 62th Annual General Meeting of Shareholders held on March 26, 2020.

Note 4: Basic compensation includes retirement payments, and an amount equivalent to fringe benefits, etc. (housing allowance, etc.).

Note 5: Long-term incentives include PSU, RSU and Special RSU.

Note 6: Other is leadership award (refer to e.).

b. Total compensation of persons whose total compensation is 100 million yen or more

Name	Position	Company category	Total amount by category of compensation (millions yen)				Total compensation (millions yen)
			Basic compensation Note:1	Annual bonus	Performance-linked stock-based incentive compensation Note:2	Other Note:3	
Calin Dragan	Representative Director	Filing company	199	–	101	58	358
Bjorn Ivar Ulgenes	Representative Director	Filing company	132	–	31	24	186

Note 1: Basic compensation includes Retirement payments and an amount equivalent to fringe benefits, (housing allowance).

Note 2: Long-term incentives include PSU, RSU and Special RSU.

Note 3: Other is leadership award.

c. Significant employee salary received by the officer concurrently serving as an employee

Not applicable

d. Target, actual results and payment rates of incentive compensation

(a) The company performance evaluation of Annual bonuses for 2020 was measured by the achievement level of business income, sales volume, and net sales, which were selected as appropriate indicators to evaluate the Company performance based on Mid-term strategic business plan. The result of the companywide performance evaluation was 54% in 2020 measured by the achievement level of such indicators.

The payout rate for Annual Bonus based on the company performance was 0%. Furthermore, the final payout rate (rate of actual annual incentive paid against target payout) after taking into account individual performance was also finalized as 0%.

(b) PSU granted in 2018 is subject to a 3-year performance period from 2018 to 2020 and is assessed using the corporate performance metrics of consolidated ROE and consolidated sales growth rate. Performance was assessed against predetermined targets and actual achievement for 2018-2020 and the weighted average achievement for 3-year period was -137%. The payout rate of PSU granted fluctuates between 0 - 150% based on the evaluation described above and the payout rate of the PSU (rate of PSU's granted against target) is 0%.

Furthermore, expected achievement of performance metrics for the 2019 PSU and the 2020 PSU plans at this stage will also result in a payout rate of 0%.

The main reasons that the payout rate of PSU grants are expected to be 0% are the unexpected costs related to goodwill amortization in 2019 and the spread of coronavirus and the challenges that ensued in the market during 2020. Accordingly, it is reasonable to exclude the impact of these matters when calculating corporate performance for the purposes of the PSU. Furthermore, the company believes it is crucial to retain the Directors and Executive Officers that are recipients of the PSU.

For these reasons, the equivalent value of two-thirds of the target PSU will be paid out as below for PSU granted in 2018, 2019 and 2020:

2018 PSU: Cash equivalent to the value of two-thirds of the target PSU will be paid out to participants in March 2021

2019 PSU: A special RSU valued at the equivalent of two-thirds of the target PSU will be granted in 2021 (separate to the regular RSU granted on an annual basis)

2020 PSU: A special RSU valued at the equivalent of two-thirds of the target PSU will be granted in 2022 (separate to the regular RSU granted on an annual basis)

The grant of the cash award and special RSU awards as a substitute of the PSU were decided upon deliberation by the Audit and Supervisory Committee taking into account the PSU payout rates.

e. Other

The company, with the aim to reward performance that drives business transformation in 2020 and to ensure retention, will pay a cash-based leadership award in March 2021 with the total amount of 138 million yen according to the amount of contribution. The Audit and Supervisory Committee discussed and reviewed the appropriateness of the payment of leadership award, and has deemed to be reasonable.

(5) The Company's shareholding status

① Standards and concept applied to the classification of investment shares

The Company holds shares of other companies (hereafter "investment shares") either for the purpose of pure investment or other purpose that is strictly not for pure investment, and classifies them separately according to this difference. The shares classified as shares for pure investment are held for the purpose of gaining benefit when they are sold at the timing the stock price fluctuates favorably or when the company that issued the shares pays the dividend to the shareholders. The Company also holds shares of other companies that are not strictly for pursuing such returns from investment.

② Shareholding status of Coca-Cola Bottlers Japan Inc.

Among the Company and its consolidated subsidiaries, the company that records the largest amount of investment shares in the balance sheet (the largest shareholding company) is Coca-Cola Bottlers Japan Inc. (hereafter "CCBJI"), and its shareholding status is as follows:

a. Investment shares that are not held for pure investment purpose

(a) The policy of shareholding, method of verifying the rationality of holding the shares, and the result of the verification by the Board of Directors, etc. on the validity of holding the shares of individual company brands

In principle, the Company has a policy of not owning the so-called crossholding shares.

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

(b) Number of companies and the amount recorded in the balance sheet

	Number of companies	Total amount recorded on the balance sheet (in millions yen)
Unlisted shares stock	118	4,436
Shares other than unlisted shares	84	14,891

(Brands that the Company increased the number of shares in this fiscal year)

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

(Brands that the Company decreased the number of shares in this fiscal year)

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

(c) Information on specified investment shares, the number of shares of each brand of deemed holding shares, amount recorded in the balance sheet, etc.

Specified investment shares

Brand	Current fiscal year Number of shares Amount recorded in the balance sheet (in million yen)	Previous fiscal year Number of shares Amount recorded in the balance sheet (in million yen)	Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1)	Whether the counterparty company is holding the Company's shares or not
RICOH Co., Ltd.	3,432,862	3,432,862	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	No
	2,324	4,092		
ROYAL HOLDINGS Co., Ltd.	662,440	662,440	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	1,219	1,638		
Nishi-Nippon Railroad Co., Ltd.	400,000	400,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, as well as for the purpose of building, maintaining or strengthening the relationship with the local economy.	Yes
	1,218	1,008		
IZUMI Co., Ltd.	231,320	231,320	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	864	910		
East Japan Railway Company	115,000	115,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	792	1,134		
Central Japan Railway Company	54,100	54,100	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	789	1,190		
Japan Airport Terminal Co., Ltd.	100,000	100,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	625	609		
Oriental Land Co., Ltd.	33,968	33,802	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	579	503		
Seven & i Holdings Co., Ltd.	143,856	138,484	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	526	554		
Fuji Co., Ltd.	244,366	244,366	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	Yes
	478	476		
AEON CO., LTD.	111,391	100,911	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	377	228		
Mitsubishi UFJ Financial Group, Inc.	716,420	716,420	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	No
	327	425		
McDonald's Corporation	14,084	14,084	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	312	301		
KYUSHU LEASING SERVICE CO., LTD.	500,000	1,600,000	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy.	No
	306	946		

Brand	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1)	Whether the counterparty company is holding the Company's shares or not
	Number of shares	Number of shares		
	Amount recorded in the balance sheet (in million yen)	Amount recorded in the balance sheet (in million yen)		
Axial Retailing Inc.	58,379	58,379	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	293	222		
Mitsubishi Heavy Industries, Ltd.	90,000	90,000	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	No (Note 2)
	284	382		
Seibu Holdings Inc.	247,000	247,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	250	443		
OKUWA Co., Ltd.	176,211	175,707	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	229	257		
West Japan Railway Company	42,000	42,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	227	397		
AEON KYUSHU CO., LTD.	116,800	116,800	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	224	240		
PLENUS Co., Ltd.	118,261	118,261	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	206	232		
YONDOSHI HOLDINGS INC.	103,400	103,400	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy.	No (Note 2)
	206	264		
FUJIO FOOD GROUP INC.	146,200	113,600	The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The number of shares has increased due to share split. The Company has sold all the shares in February 2021, and does not hold any shares as of the date of submission of this report.	No
	184	410		
Nishikawa Rubber Co., Ltd.	99,445	99,445	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy.	No
	154	187		
Nishi-Nippon Financial Holdings, Inc.	220,800	604,962	The Company has been holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy. The Company has sold all the shares in January 2021, and does not hold any shares as of the date of submission of this report.	No (Note 2)
	146	518		
Kansai Super Market Ltd.	113,200	113,200	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	136	119		
KOBE BUSSAN Co., Ltd.	32,000	16,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand due to stock split.	No
	102	60		
Valor Holdings Co., Ltd.	31,200	31,200	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	82	67		
RETAIL PARTNERS CO., LTD.	50,005	49,397	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	73	44		

Brand	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1)	Whether the counterparty company is holding the Company's shares or not
	Number of shares	Number of shares		
	Amount recorded in the balance sheet (in million yen)	Amount recorded in the balance sheet (in million yen)		
ZENRIN CO., LTD.	55,300	275,121	The Company has been holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy. The Company has sold all the shares in January 2021, and does not hold any shares as of the date of submission of this report.	No
	70	501		
Amiyaki Tei Co., Ltd.	24,000	24,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	69	90		
LIFE CORPORATION	17,018	16,583	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	61	43		
The Hyakujushi Bank, Limited	37,972	37,972	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	No
	56	82		
H2O RETAILIG Corporation	78,533	71,406	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	55	88		
Keikyu Corporation	30,590	29,854	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	54	63		
POPLAR. CO., LTD.	131,757	129,780	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	52	69		
Rengo Co., Ltd.	60,000	60,000	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	Yes
	52	50		
Yoshinoya holdings Co., Ltd.	26,768	26,155	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	51	76		
DAISYO CORPORATION	48,100	48,100	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	47	81		
Torikizoku co., ltd.	32,400	32,400	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	47	78		
Bronco Billy Co., Ltd.	18,014	17,831	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	41	50		

Brand	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1)	Whether the counterparty company is holding the Company's shares or not
	Number of shares	Number of shares		
	Amount recorded in the balance sheet (in million yen)	Amount recorded in the balance sheet (in million yen)		
Misumi Co., Ltd.	20,885	19,886	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	37	36		
Hankyu Hanshin Holdings, Inc.	10,800	10,800	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	37	51		
United Super Market Holdings Inc.	32,780	32,780	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	37	32		
ASAHI KASEI Corporation	33,023	31,452	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	35	39		
MINISTOP CO., LTD.	23,570	23,570	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	33	35		
Matsumotokiyoshi Holdings Co., Ltd.	7,405	7,239	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	33	31		
YAOKO CO., LTD.	4,400	4,400	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	32	25		
GREENLAND RESORT Co., Ltd.	64,200	64,200	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	28	34		
Belc CO., LTD.	4,400	4,400	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	27	24		
Daiichi Kotsu Sangyo Co., Ltd.	44,000	44,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	Yes
	26	39		
Fukuoka Financial Group, Inc.	13,882	13,882	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy.	No (Note 2)
	25	29		
Mr Max Holdings Ltd.	31,333	29,542	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	24	15		
COLOWIDE Co., Ltd.	14,238	14,238	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	23	32		
WDI Corporation.	16,000	16,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	23	30		
HALOWS CO., LTD.	6,000	6,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	21	16		
DYNAM JAPAN HOLDINGS Co., Ltd.	190,994	164,460	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.	No
	20	23		

Brand	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1)	Whether the counterparty company is holding the Company's shares or not
	Number of shares	Number of shares		
	Amount recorded in the balance sheet (in million yen)	Amount recorded in the balance sheet (in million yen)		
Oji Holdings Corporation	33,333	33,333	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy.	Yes
	20	20		
YAMADA HOLDINGS CO., LTD.	33,966	33,966	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	19	20		
Nissha Co., Ltd	11,440	11,440	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy.	No
	17	13		
SAN-AI OIL Co., Ltd.	*	1,308,125	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner.	Yes
	*	1,562		
The Iyo Bank, Ltd.	-	169,000	The Company has been holding the shares of this company brand for the purpose of building, maintaining and strengthening the relationship with the company brand as an important business partner, but sold all of these shares in 2020.	No
	-	105		
Sumitomo Mitsui Trust Holdings, Inc.	-	23,447	The Company has been holding the shares of this company brand for the purpose of building, maintaining and strengthening the relationship with the company brand as an important business partner, but sold all of these shares in 2020.	No
	-	102		
Isetan Mitsukoshi Holdings Ltd.	-	98,015	The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, but sold all of these shares in 2020.	No
	-	96		
Mammy Mart Corporation	-	37,320	The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, but sold all of these shares in 2020.	No
	-	68		
YAMAZAWA CO., LTD.	-	24,100	The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, but sold all of these shares in 2020.	No
	-	41		
GENKI SUSHI CO., LTD.	-	10,160	The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, but sold all of these shares in 2020.	No
	-	30		
Nihon Yamamura Glass Co., Ltd.	*	18,700	The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy.	No
	*	25		

(Note) 1. The results of the assessment of the quantitative effect of holding the shares of individual company brands are omitted from this document for the purpose of maintaining confidentiality. The Company, however, is regularly verifying the effect of holding these shares from the standpoint of business interests and costs, etc.

2. The company that issued the shares held by the Company does not cross-hold the Company's shares, but its subsidiary company is holding the Company's shares.

3. "－" means that the Company does not hold any shares of the brand indicated by this mark. "＊" means that the amount of capital which the Company is investing in the brand indicated by this mark has been omitted from disclosure in this report because it only amounts to 1/100 or less than the total amount of capital recorded in the balance sheet and is also not included in the top 60 brands to which the Company is investing in terms of the amount of capital recorded in the balance sheet.

Deemed holding shares

No shares fall under this category.

b Investment shares held for the purpose of pure investment

No shares fall under this category.

c Investment shares initially held for the purpose of pure investment that the Company changed to investment shares held not for the purpose of pure investment during this fiscal year

No shares fall under this category.

d Investment shares initially held not for the purpose of pure investment that the Company changed to investment shares held for the purpose of pure investment during this fiscal year

No shares fall under this category.

V. Financial information

1. Preparation of consolidated financial statements and financial statements

(1) The Group's consolidated financial statements has been prepared in accordance with IFRS pursuant to the provisions of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements").

(2) The Company's financial statements have been prepared in accordance with the "Regulations on Terminology, Forms and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements").

The Company qualifies as a company submitting special financial statements and prepares the financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc.

2. Note on independent audit

The Company has been audited by Ernst & Young ShinNihon LLC for the consolidated financial statements and the financial statements as of and for the year ended December 31, 2020 pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Remarkable efforts to ensure for presentation of consolidated financial statements, etc. and the establishment of structures to appropriately prepare consolidated financial statements, etc. in accordance with IFRS

The Company has been continuing special efforts to ensure the appropriateness of consolidated financial statements and the establishment of a system to appropriately prepare consolidated financial statements based on IFRS. The details are as follows:

(1) In order to properly understand the contents of accounting standards and to establish structures that can respond to changes in accounting standards, the Company has become a member of the Financial Accounting Standards Foundation and actively participated in training sessions held by the bodies that set accounting standards.

(2) With respect to the adoption of IFRS, the Company has obtained from time to time press releases and statements issued by the International Accounting Standards Board and ascertained the current standards.

1. Consolidated financial statements

(1) Consolidated financial statements

① Consolidated statement of financial position

(Millions of yen)

	Notes	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	6,31	113,825	114,778
Trade and other receivables	7,31	98,528	96,009
Inventories	8	74,120	68,180
Other financial assets	31	752	702
Other current assets	13	17,587	17,195
Subtotal		304,812	296,865
Assets of disposal groups classified as for sale	9	—	48,138
Total current assets		304,812	345,003
Non-current assets			
Property, plant and equipment	10	467,136	460,502
Right-of-use assets	10,17	39,629	29,810
Goodwill	11	27,021	—
Intangible assets	11	67,123	66,193
Investments accounted for using the equity method		310	287
Other financial assets	31	33,499	25,640
Deferred tax assets	28	6,093	4,986
Other non-current assets	13	6,820	7,183
Total non-current assets		647,632	594,601
Total assets		952,444	939,603

(Millions of yen)

	Notes	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables	14,31	122,364	102,480
Bonds and debts	16,31	17,261	51,072
Lease liabilities	17,31	6,634	5,547
Other financial liabilities	31	916	408
Income taxes payable		1,104	3,238
Provisions	15	20	9
Other current liabilities	19	19,886	15,923
Subtotal		168,186	178,676
Liabilities directly associated with assets held for sale	9	—	7,193
Total current liabilities		168,186	185,869
Non-current liabilities:			
Bonds and debts	16,31	188,487	187,514
Lease liabilities	17,31	34,138	25,858
Other financial liabilities	31	—	605
Net defined benefit liabilities	18	24,908	14,876
Provisions	15	2,104	2,119
Deferred tax liabilities	28	24,876	17,296
Other non-current liabilities	19	3,254	3,375
Total non-current liabilities		277,767	251,641
Total liabilities		445,953	437,510
Equity			
Capital stock	20	15,232	15,232
Capital surplus	20	450,526	450,605
Retained earnings	20	121,372	120,473
Treasury stock	20	(85,649)	(85,654)
Accumulated other comprehensive income	20	4,517	1,095
Accumulated other comprehensive income of disposal groups classified as for sale		—	(107)
Equity attributable to owners of the parent		505,999	501,643
Non-controlling interests		492	450
Total equity		506,491	502,093
Total liabilities and equity		952,444	939,603

② 【Consolidated statements of profit or loss】

(Millions of yen)

	Notes	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Continuing operations			
Revenue	5,23	890,009	791,956
Cost of sales		468,785	429,040
Gross profit		421,224	362,916
Selling and general administrative expenses	24	407,510	359,645
Impairment losses of goodwill	12	61,859	—
Other income	26	4,096	8,486
Other expenses	26	14,899	23,235
Share of income (loss) of entities accounted for using equity method		43	(245)
Operating income (loss)		(58,904)	(11,722)
Financial revenue	27	1,144	767
Finance costs	27	1,162	1,110
Income (loss) for the year before income taxes		(58,922)	(12,065)
Income tax expense	28	1,357	(4,918)
Net income(loss) for the year from continuing operations		(60,278)	(7,148)
Discontinued operations			
Net income(loss) for the year from discontinuing operations	9	2,383	2,418
Net income (loss) for the year		(57,895)	(4,729)
Net income (loss) for the year attributable to Owners of parent			
Loss from continuing operations attributable to owners of parent		(60,313)	(7,130)
Profit from discontinuing operations attributable to owners of parent		2,361	2,415
Non-controlling interests		56	(14)
Earnings (loss) per share (yen)			
Continuing operations		(335.35)	(39.76)
Discontinued operations		13.13	13.47
Loss per share	35	(322.22)	(26.29)

③ 【Consolidated statements of comprehensive income】

(Millions of yen)

	Notes	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net income (loss) for the year		(57,895)	(4,729)
Other comprehensive income.	29		
Items that will not be reclassified subsequently to income or loss:			
Remeasurements of defined benefit plans		5,596	7,662
Share of other comprehensive income of equity method investees		4	—
Net change in financial assets measured at fair value through other comprehensive income		621	(3,003)
Subtotal		6,221	4,659
Items that may be reclassified subsequently to income or loss:			
Cash flow hedges		(434)	(2,157)
Subtotal		(434)	(2,157)
Total other comprehensive income (loss) for the year		5,788	2,502
Total comprehensive income (loss) for the year		(52,108)	(2,228)
Comprehensive income (loss) attributable to:			
Owners of parent		(52,164)	(2,214)
Non-controlling interests		56	(14)

④ 【Consolidation statements of changes in equity】

For the year ended December 31, 2019

(Millions of yen)

		Equity attributable to owners of the parent company							
		Capital stock	Share premium	Retained earnings	Treasury Shares	Other Comprehensive income Accumulated	Total	Non-controlling interests	Total
Balance as of January 1, 2019 (Before restatement)		15,232	450,533	182,418	(72,651)	4,915	580,448	458	580,906
Adjustments resulting from the adoption of IFRS 16		—	—	(338)	—	—	(338)	—	(338)
Balance as of January 1, 2019 (After restatement)		15,232	450,533	182,080	(72,651)	4,915	580,110	458	580,568
Comprehensive income for the year									
Net income (loss) for the year		—	—	(57,952)	—	—	(57,952)	56	(57,895)
Other comprehensive income (loss)		—	—	—	—	5,788	5,788	—	5,788
Total comprehensive income (loss) for the year		—	—	(57,952)	—	5,788	(52,164)	56	(52,108)
Transactions with owners, etc.									
Dividends of surplus	22	—	—	(9,071)	—	—	(9,071)	(22)	(9,093)
Purchase of treasury stock	20	—	(64)	—	(13,002)	—	(13,066)	—	(13,066)
Disposal of treasury stock	20	—	(1)	—	3	—	3	—	3
Transactions of share-based payment	21	—	57	—	—	—	57	—	57
Reclassification from accumulated other comprehensive income to retained earnings	20	—	—	6,315	—	(6,315)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	20	—	—	—	—	129	129	—	129
Total transactions with owners etc.		—	(7)	(2,756)	(12,999)	(6,186)	(21,947)	(22)	(21,970)
Balance as of December 31, 2019		15,232	450,526	121,372	(85,649)	4,517	505,999	492	506,491

For the year ended December 31, 2020

(Millions of yen)

		Equity attributable to owners of the parent company								
		Capital stock	Share premium	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 (Before restatement)		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	22	—	—	(4,484)	—	—	—	(4,484)	(28)	(4,512)
Purchase of treasury stock	20	—	—	—	(8)	—	—	(8)	—	(8)
Disposal of treasury stock	20	—	(1)	—	3	—	—	2	—	2
Transactions of share-based payment	21	—	80	—	—	—	—	80	—	80
Reclassification from accumulated other comprehensive income to retained earnings	20	—	—	8,300	—	(8,300)	—	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	20	—	—	—	—	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

⑤ 【Consolidated statements of cash flows】

(Millions of yen)

	Note	For the year ended December 31, 2019	For the year ended December 31, 2020
Cash flows from operating activities			
Income (loss) for the year before income taxes from continuing operations		(58,922)	(12,065)
Income (loss) for the year before income taxes from discontinuing operations		3,502	3,545
Adjustments for:			
Depreciation and amortization		56,951	59,583
Impairment loss	12	62,870	1,057
Change in allowance for doubtful accounts		(515)	88
Interest and dividends income		(509)	(432)
Interest expenses		1,175	1,095
Share of loss (income) of entities accounted for using equity method		(43)	245
Gain on sale of property, plant and equipment and intangible assets		(2,183)	(5,201)
Loss on disposal and sale of property, plant and equipment and intangible assets		2,513	3,728
Increase in trade and other receivables		(6,149)	1,043
Increase in inventories		(5,339)	3,909
Decrease (increase) in other assets		(266)	(5,196)
Increase in trade and other payables		6,259	(9,277)
Increase (decrease) in net defined benefit liabilities		(213)	2,038
Increase (decrease) in other liabilities		(3,543)	(1,904)
Others, net		(451)	318
Subtotal		55,138	42,573
Interest received		1	0
Dividends received		508	431
Interest paid		(1,018)	(945)
Income taxes paid		(13,675)	(6,022)
Income taxes refund		1,675	7,678
Net cash provided by operating activities		42,629	43,716
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	10	(78,213)	(67,565)
Proceeds from sales of property, plant and equipment and intangible assets		7,621	12,325
Purchases of other financial assets		(58)	(55)
Proceeds from sale of other financial assets		2,255	3,237
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		—	
Others, net		88	(17)
Net cash used in investing activities		(68,308)	(52,076)

(Millions of yen)

		For the year ended December 31, 2019	For the year ended December 31, 2020
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	30	(24,000)	50,000
Repayments of long-term loans payable	30	(1,686)	(1,274)
Proceeds from issuance of bonds	30	149,441	—
Bond redemption	30	(20,000)	(16,000)
Dividends paid	22	(9,071)	(4,484)
Dividends paid to non-controlling interests		(22)	(28)
Proceeds from disposal of treasury stock		3	2
Purchases of treasury stock		(13,095)	(8)
Repayments of lease liabilities	30	(7,576)	(7,296)
Net cash (used in) provided by financing activities		73,994	20,912
Net (decrease) increase in cash and cash equivalents		48,315	12,553
Cash and cash equivalents at the beginning of the year		65,510	113,825
Cash and cash equivalents at the end of the year	6	113,825	126,378

【Notes to consolidated financial statements】

1. Introduction

The Company is a holding company domiciled in Japan and is listed on the First Section of the Tokyo Stock Exchange. Under the Coca-Cola brand, the Company and its subsidiaries (collectively, the "Group") engage in purchases, sales, bottling, packaging, distribution and marketing of carbonated beverages, coffee beverages, tea-based beverages, mineral water and other soft drinks in Japan. The Group also develops, manufactures and sells a variety of healthcare products. Between 1999 and 2017, we have integrated our operations with five Coca-Cola bottlers, and became a Coca-Cola bottler with a business covering approximately 45 million people in 22 prefectures in the Kinki, Chugoku, Shikoku and Kyushu regions. In April 2017, the Company entered into a share exchange contract whereby Coca-Cola West Co., Ltd. became the sole parent company and Coca-Cola East Japan Co., Ltd. became a wholly-owned subsidiary. Coca-Cola West Co., Ltd. changed its trade name to Coca-Cola Bottlers Japan Inc., and its entire business, excluding the group operational management business and assets management business, was inherited by its wholly-owned subsidiary "New CCW Establishment Preparation Company Co., Ltd." (whose trade name changed to Coca-Cola West Co., Ltd.), and Coca-Cola West Co., Ltd. had its corporate form transferred to a holding company. In January 2018, Coca-Cola Bottlers Japan Inc. was renamed Coca-Cola Bottlers Japan Holdings Inc. to clarify its role as a holding company.

The Group's consolidated financial statements consists of the Company, subsidiaries and associates. The consolidated financial statements were approved by our Representative Director & President, Calin Dragan and our Representative Director Vice President and Chief Financial Officer (Treasurer), Bjorn Ivar Ulgenes on March 26, 2021 and are considering the events after the reporting period to that date (see notes 37, "events after the reporting period").

2. Basis of preparation

(1) Framework for application of financial reporting

The Group's consolidated financial statements have been prepared in accordance with the IFRS established by International Accounting Standards Board. The Group meets all of the requirements of a designated international accounting standard specified company as set forth in Article 1-2 of the consolidated financial statements Regulations, so the provisions of Article 93 of the said Regulations are applied.

(2) Measurement basis

Consolidated financial statements has been prepared on the basis of cost except for measurement at fair value such as financial instruments described in notes 3, "Significant accounting policies."

(3) Functional currency and presentation currency

Consolidated financial statements are stated in Japanese yen, the currency of the Company's principal economic environment ("functional currency"). All consolidated financial information is rounded to the nearest million yen unless otherwise stated.

3. Significant accounting policies

The significant accounting policies and the basis of measurement used by the Group for the preparation of the consolidated financial statements is as follows: Unless otherwise indicated, these accounting policies are applied continuously for all reporting periods presented.

(1) The basis of consolidation

(a) Subsidiary

Consolidated financial statements consists of the financial statements of the Company and companies controlled by the Company's groups ("subsidiary"). The Group controls an investee when the Group has power over the investee, has exposure or rights to change returns arising from its involvement with the investee, and has the ability to affect those returns through its power in the investee. If any of these events or changes in the environment occur, the Company reassesses the control of the investee.

Subsidiary's financial statements are included within the scope of consolidation from the date the Company acquired control of subsidiary and are excluded from the scope of consolidation on the date the Company loses control.

Non-controlling interest of subsidiary's income and share are presented in "non-controlling interest" in the consolidated statements of profit or loss and the consolidated statements of financial position.

Transactions with non-controlling interest that do not involve a loss of our control are accounted for as equity transactions. The difference between the fair value of consideration paid and the amount equivalent to the acquisition or loss equity in the carrying amount of subsidiary's net assets is recognized in equity. If the Group loses control of the subsidiary, the remaining interest in the entity is remeasurement at the fair value of the date of loss of control, and all changes in carrying amount are recognized in profit or loss.

All intercompany transactions, outstanding and unrealized gains have been eliminated in consolidation. Unrealized losses are also eliminated unless there is evidence that the related asset has been impaired.

(b) Investment in associate accounted for using equity method

Associate is a company that is not controlled by parent but has a significant influence. Normally, an investee's interest of 20% to 50% of the voting rights (directly or indirectly) is considered to be influential.

In consolidated financial statements, investments in associate are accounted for using the equity method. Under equity method, investments in associate are initially recognized at cost, and subsequently, the Group's share of profit or loss after the associate share acquisition is recognized in profit or loss, while changes in the Group's share of associate's other comprehensive income are recognized in other comprehensive income. Dividends income or dividends receivable from associate is deducted from carrying amount of its investments. To the extent that the Group’s interest in associate is equal to or exceeds the initial investment including long-term receivables, companies do not recognize any further losses unless a liability arises, or the Group pays on behalf of other companies.

Unrealized gains on transactions between the Group and associate are eliminated to the extent of the interest in associate. Unrealized losses are also eliminated unless there is evidence that the related asset has been impaired.

The impairment loss related to investments in associate is measured by comparing the recoverable amount with carrying amount of investments. Impairment loss is recognized in profit or loss and reversed if there are changes in the assumptions used to determine the recoverable amount of investments.

(2) Business Combination

Business combination is accounted for using the acquisition method. Acquisition date is the date of acquisition of control of acquiree. The consideration paid for the acquisition was determined on acquisition date as the sum of the asset transferred in exchange for control of acquiree, the liability assumed and the fair value of the acquisition date of equity instrument issued by the Company. Other acquisition-related costs, such as brokerage commissions, legal fees, due diligence and other professional compensation, do not constitute consideration of business combination and are expensed in the consolidated statements of profit or loss as incurred.

For each business combination, the Group recognizes non-controlling interest of acquiree in either fair value or a proportionate share of acquiree's identifiable net assets. If the sum of the consideration transferred, the non-controlling interest of acquiree and the fair value in the acquisition date of the previously owned equity interest in acquiree exceeds the fair value of identifiable net assets, the difference is recognized as goodwill in assets. If the sum of the consideration transferred, the non-controlling interest of acquiree, and the fair value in the acquisition date of the previously held equity interest in acquiree is less than the net assets of the acquired subsidiary, the difference is immediately recognized in the consolidated statements of profit or loss as a gain on negative goodwill.

(3) Foreign currency translation

Foreign currency transaction is translated into the functional currency of each company at the exchange rate of the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of each companies at the exchange rate of the reporting date. Non-monetary assets and liabilities denominated in foreign currencies for measurement in fair value are translated at the exchange rate on the date determined by fair value. Non-monetary items denominated in foreign currencies and measured at cost are translated at the exchange rate of the transaction date. Foreign currency translation gains and losses are recognized in profit or loss.

(4) Business segments

Operating segment is reported in a manner consistent with the internal reporting presented to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and evaluating the performance of the operating segment. The Board of Directors is positioned as the chief operating decision maker in the Group.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with a maturity of three months or less from acquisition date, which are readily convertible into cash and bear insignificant risks of changes in value.

(6) Inventories

Inventories is measured at the lower of cost and net realizable value. Discounts, rebates, other similar items and interest rates until the par value is reached are deducted from its cost. Manufacturing costs include direct materials, direct labor and manufacturing overhead. Net realizable value is calculated at estimated selling prices less estimated selling costs and estimated selling expenses.

The Group typically calculates the cost of inventories based on the weighted-average method. If the net realizable value of inventories is less than its cost, the difference is recognized as expense in the consolidated statements of profit or loss.

(7) 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.

(8) Property, plant and equipment

After initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Expenditures incurred to expand, improve, or improve asset productivity, allowances or efficiencies, or to extend the useful life of an asset are included in cost of the related asset as capital expenditures, while repairs and administrative expenses are recognized as expenses when incurred.

Depreciable amount is the cost of asset less estimated residual value. Depreciation is principally calculated using the straight-line method over the estimated useful life for each item of property, plant and equipment as follows:

	Estimated useful life (Years)
Buildings and structures	2 - 60
Machinery and vehicles	2 - 20
Sales equipment	4 - 9

Depreciation methods, estimated useful life, and estimated residual values are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in accounting estimate. Land and construction in progress are not depreciated.

Gains and losses from the sale or disposal of asset are measured as the difference between carrying amount and sale value in "Other income" or "Other expense" in the consolidated statements of profit or loss.

(9) Goodwill

Goodwill generated by business combination is not amortized but is measured at cost less accumulated impairment losses after initial recognition. Goodwill annually also tests for impairment whenever events or changes in circumstances indicate a potential impairment may occur.

To test for impairment, the goodwill generated by the business combination is allocated to the respective cash-generating unit or cash-generating unit group that are expected to benefit from business combination synergies. Cash-generating unit is the smallest identifiable group of assets that generates cash inflows independently. The cash-generating unit or cash-generating unit group to which goodwill is allocated are the smallest levels within the enterprise where the goodwill is monitored for internal control purposes.

If the recoverable amount of a cash-generating unit or cash-generating unit group is less than its carrying amount as a result of the impairment test, the difference is recognized as an impairment loss. Impairment loss first reduces the carrying amount of the goodwill allocated to the cash-generating unit or cash-generating unit group, and then allocates and reduces it to asset other than the goodwill on a pro rata basis based on the carrying amount of each asset within the cash-generating unit or cash-generating unit group. Impairment loss for goodwill has not been reversed in recognized in reporting periods after it is recognized.

(10) Intangible assets

Intangible asset is an identifiable non-monetary asset that does not have any physical reality to provide economic benefits in the future. Intangible asset is initially recognized at cost or manufacturing cost. Subsequent to initial recognition, intangible asset is measured at cost less accumulated amortization and impairment losses. The Group evaluates intangible asset's useful life to determine whether it is finite or indefinite and, if it is finite, evaluates useful life based on the expected usable period.

Intangible asset acquired separately is initially measured at cost. If the intangible asset acquired from business combination meets the definition of intangible asset, is identifiable, and the fair value can measure reliably, it is identified separately from the goodwill and measured at the fair value of the acquisition date. Expenditures incurred in acquiring software are recognized as an intangible asset. Development cost of internally produced software is recognized as an intangible asset when it is technically feasible and is more likely than not that the software will benefit in the future.

The principal intangible asset with finite useful life is software, and amortization is calculated using the straight-line method over the estimated useful life (5-10 years).

Amortization method, estimated useful life, and estimated residual value are reviewed at the end of each fiscal year and applied prospectively as a change in accounting estimate in the event of any change.

Contract related intangible asset

In connection with the acquisition of the former Coca-Cola East Japan Co., Ltd., the Group's contract related intangible asset is concluded with The Coca-Cola Company. This contract relates to the exclusive rights to manufacture, distribute, and sell the Coca-Cola brand products in certain areas.

The contract is for 10 years and will be renewed without consideration of renewals or extensions.

The Group accounts for contract related intangible asset attributable to bottling contract as an intangible asset with indefinite useful life. The Group believe that it is unlikely that we will not renew or extend the contract due to our historical relationships with The Coca-Cola Company and the possible adverse impact on our franchisors from the non-renewal of the contract. Therefore, it is difficult to predict the periods during which asset may generate net cash flows.

Contract related intangible asset is not amortized but is tested for impairment annually and whenever events or changes in circumstances indicate a potential impairment may occur.

(11) Leases (as a lessee)

When concluding a contract, the 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 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.

(12) Impairments of property, plant and equipment, intangible asset, goodwill and Right-of-use asset

The Group performs impairment tests for goodwill and intangible asset with indefinite useful life goodwill annually or when for events or changes in circumstances that may indicate a potential impairment. Other non-monetary assets are tested for impairment when there is an indication that the carrying amount of asset or cash-generating unit exceeds recoverable amount.

The recoverable amount of individual asset or cash-generating unit is the higher of fair value less costs of disposal or value in use. Value in use is determined as the present value of the future cash flows expected to be generated by the related asset. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The discount rate reflects the current market valuation of the time value of money and the risks inherent in the asset. In determining fair value less costs of disposal, the Group also considers recent market transactions conditions. If such transactions are not identifiable, an appropriate valuation model is used to determine the fair value less costs of disposal.

If the carrying amount of asset or cash-generating unit exceeds recoverable amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. The impairment loss of cash-generating unit is allocated based on the carrying amount of each relevant asset. Impairment loss is recognized as "Other expense."

At each reporting date, the Group assess whether there is any indication that the impairment loss recognized in prior years will decrease or cease to exist. If there is an indication of reversal of impairment and the estimate used in calculating recoverable amount changes, an impairment loss is reversed. Impairment loss is reversed up to the amount not exceeding the carrying amount after deducting the required depreciation or amortization from the carrying amount in the event the impairment loss is not recognized. Reversal of impairment loss is recognized as "Other income."

(13) Financial instruments

(a) Financial asset and financial liability - recognition and derecognition

The Group initially recognizes trade and other receivables on the date they are incurred. Other financial asset and financial liability are initially recognized on the transaction date in which they become contract parties.

The financial asset is derecognized if the contract rights to the cash flows arising from the financial asset expire, if the financial asset is transferred and substantially all the risks and rewards of ownership of the financial asset are transferred, or if control over the asset of transfer loses. Financial asset created or retained by the Group are derecognized and recognized as a separate asset or liability.

Financial liability is derecognized from contract obligations upon discharge, cancellation or expiration. Financial asset and financial liability are offset and presented on a net basis in the consolidated statements of financial position only if they have a legally enforceable right to offset the recognized amounts and intend to settle on a net basis or to simultaneously cash the asset and settle the liability.

(b) Classification and measurement of financial asset

At initial recognition, financial assets are classified as subsequently measured at amortized cost or fair value.

Financial asset measured at fair value through profit or loss is initially measured at fair value. Financial asset measured at fair value through other comprehensive income and financial asset measured at amortized cost are initially measured at fair value plus transaction costs directly attributable to the acquisition.

The Group's classification under IFRS 9 is based on facts and circumstances, and the Group designates equity instrument as an equity instrument measured at fair value through other comprehensive income.

(i) Financial assets measured at amortized cost

Financial asset is classified as measured at amortized cost if both of the following conditions are met:

- if the objective of our business model is to hold financial asset in order to collect contractual cash flows; and
- if, by contract terms, the condition that a cash flows that is solely payment of principal and interest on the principal amount outstanding gives rise on a specified date.

(ii) Financial assets measured at fair value

If any of the above two conditions are not met, the financial asset is classified as measured at fair value. For financial assets measured at fair value, the Group decided whether to make an irrevocable designation for each financial instrument, except for the equity instrument held for trading purposes that must be measured at fair value through the profit or loss, or at fair value through other comprehensive income.

For derivative, see "(e) Derivative and hedge accounting."

Financial asset is classified into the following categories for subsequent measurement.

(i) Financial asset measured at amortized cost

They are measured amortized cost based on effective interest method and if any, impairment loss is deducted. Gains or losses arising from effective interest method or derecognition are recognized in profit or loss.

(ii) Financial asset measured at fair value

They are measured at fair value as of the reporting date. Changes in fair value are recognized in profit or loss or other comprehensive income, depending on the classification of the financial asset. Dividends income arising from the equity instrument designated as measured at fair value through other comprehensive income is recognized in profit or loss. In addition, in the event the derecognition of equity instrument designated as measured at fair value through other comprehensive income, the cumulative changes in fair value recorded in accumulated other comprehensive income are reclassified to retained earnings.

(c) Classification and measurement of financial liability

At initial recognition, financial liability is classified as financial liability that is subsequently measured at fair value through profit or loss or at amortized cost. Financial liability measured at fair value through profit or loss is initially measured at fair value, but financial liability measured at amortized cost is initially measured at the fair value less costs directly attributable to the acquisition.

Financial liability is classified into the following categories for subsequent measurement.

(i) Financial liability measured at fair value through profit or loss

They are measured at fair value as of the reporting date. Changes in fair value are recognized in profit or loss. Derivative liability is classified as the financial liability measured at fair value through profit or loss. At initial recognition, no irrevocable designation is made as a financial liability measured at fair value through profit or loss. For derivative, see "(e) Derivative and hedge accounting."

(ii) Financial liabilities measured at amortized cost

They are measurement at amortized cost based on effective interest method. Gains or losses arising from effective interest method or derecognition are recognized in profit or loss.

(d) Impairment

The Group makes expected credit loss estimates on the reporting date basis on the recoverability of financial asset measured at amortized cost. For financial instruments whose credit risk has not increased significantly since initial recognition, an expected credit loss of 12 months is recognized as allowance for credit loss. For financial instrument whose credit risk has increased since initial recognition, lifetime expected credit loss is recognized as allowance for credit loss. However, allowance for credit loss for trade receivables is always measured at an amount equal to the lifetime expected credit losses.

For financial assets whose credit risk has increased significantly, if there is evidence of credit impairment, interest income is measured multiplied by effective interest rate by the net amount of carrying amount less allowance for credit loss.

The indicators used by the Group in determining if objective evidence of impairment exists include the following:

・ significant financial difficulty of the issuer or the borrower;
・ a breach of contract, such as a default or past due event;
・ the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
・it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
・the disappearance of an active market for that financial asset because of financial difficulties.

If the Group does not have a reasonable expectation of collecting the entire or a portion of the financial asset, the amount is deducted directly from the carrying amount of the financial asset (write-off). If the credit risk is subsequently reduced and clearly distinguishable from events that occurred after direct write-offs (e.g., improved credit ratings of the obligor), the reversal of write-offs is recognized in profit or loss.

(e) Derivative and hedge accounting

Derivative is initially recognized at the fair value of the date the derivative contract is concluded, and after initial recognition, it is remeasured at fair value on the reporting date. Recognition of gains or losses resulting from remeasurement depends on whether the derivative is designated as hedging instrument and, if specified as hedging instrument, the nature of the hedged item. The Group designates certain derivative as hedging instrument for cash flow hedges (certain risks related to asset or liability, or highly probable forecast transaction hedges).

At the inception of the hedging relationships, the Group documents the relationships between hedging instrument and hedged item, as well as our risk management objectives and strategies for executing these hedging transactions. The Group also documents the assessment, at the hedge's inception and on an ongoing basis, of whether the derivative used in the hedge transaction is effective to offset changes in the cash flows of the hedged item.

The Group evaluates the hedge effectiveness on an ongoing basis and judges that it is effective when all of the following conditions are met:

・ there is the economic relationship between hedged item and hedging instrument;
・ the impact of credit risk is not materially superior to changes in value arising from economic relationships; and
・ the hedge ratio of hedging relationships is the same as the ratio resulting from the volume of hedged item and hedging instrument actually being hedged.

The effective portions of changes in the fair value of derivative which is designated and qualifying as a hedging instrument for cash flow hedge are recognized in other comprehensive income. Gains or losses on the ineffective portion are recognized in profit or loss immediately.

Accumulated gains or losses recognized in other comprehensive income are reclassified to profit or loss in the period in which the cash flows arising from the hedged item affects profit or loss. However, if the forecast transaction which is a hedged item results in the recognition of a non-financial asset (e.g., inventories or property, plant and equipment), the gain or loss previously recognized in other comprehensive income is reclassified into the measurement of the initial cost of the related asset. Such amounts are ultimately recognised as cost of sales in the case of inventories and as depreciation in the case of property, plant and equipment.

Hedge accounting is discontinued prospectively if the hedge relationship no longer meets the qualifying criteria due to the extinction or sale of hedging instrument. If the hedged cash flows are expected to be incurred in the future, the accumulated gains or losses recognized in other comprehensive income will continue to be recognized as an accumulated other comprehensive income. If a forecast transaction is no longer expected to occur, the cumulative gains or losses recognized in other comprehensive income is reclassified to profit or loss.

(14) Provision and contingent liabilities

Provision is recognized when the Group has a present legal or constructive obligation as a result of historical events, it is probable that an outflow of economic resources will occur to settle such obligation and a reliable estimate of the amount of such obligation can be made. Contingent liabilities are not recognized in consolidated financial statements, but the Group notes them unless the possibility of an outflow of resources due to payments.

Provision is measured at the present value of the best estimate of the amount that would be required to pay or transfer the obligation, taking into account probability that event occurs and its impact. The reversal of the discount by passage of time is recognized as financial expense.

(15) Employee benefits

(a) Short-term employee benefits

Short-term employee benefit is recognized as expense when the related services are rendered. When the Group has present legal and constructive obligation to be paid as consideration for past service of employees and the amount can be estimated reliably, the estimated amount of payment is recognized as a liability.

(b) Defined contribution plans

Contributions to the defined contribution plans are recognized as expenses in the period in which the employee renders the services.

(c) Defined benefit plans

The Group’s net obligation related to defined benefit plans is calculated for each plan by estimating the amount of future benefits earned by employees prior to the current period, discounting the amount to the present value, and deducting the fair value of plan asset.

Defined benefit plans obligations are calculated annually by actuaries using the projected unit credit method.

Remeasurement of defined benefit obligations, consisting of the actuarial gains and losses, return on plan asset (excluding interest) and impact of asset ceiling, is recognized in other comprehensive income and immediately reclassified from accumulated other comprehensive income to retained earnings. The Group calculates net interest expense (income) for the fiscal year by multiplying the discount rate used to measurement the defined benefit plans obligation (asset) at the beginning of the fiscal year by the defined benefit plans obligation (asset) and the plan asset at the beginning of the period.

Defined benefit plans obligations at the beginning of the fiscal year take into account all changes in defined benefit plans obligations (asset) during the fiscal year due to contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

In the event of a change or curtailment in defined benefit plans benefits, the portion of the change in benefits related to prior service or the gain or loss on curtailment is recognized immediately in profit or loss. When a defined benefit plans is liquidated, the gain or loss on the settlement is recognized in profit or loss.

(d) Other long-term employee benefits

Long-term employee benefits other than post-employment benefits are recognized as a liability when the Group has a present legal and constructive obligation to be paid as consideration for employees’ service rendered in the prior year and the current year, and the amount can be estimated reliably. The Group’s long-term employee benefits is calculated by discounting the estimated future benefit to its present value.

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

(16) Income taxes

Tax expenses consist of current tax and deferred tax. These are recognized in profit or loss except for items related to business combination and items recognized directly in equity or other comprehensive income.

If income taxes relate to items that are directly recognized in equity or other comprehensive income, such taxes are also recognized directly in equity or other comprehensive income.

(a) Current tax

Current tax is the estimated amount of income tax payable or refund receivable in respect to the current taxable income or loss, adjusted for income taxes payable and refund receivable through the previous year. The amount of current tax is due to our best estimate of the amount of taxes reflecting uncertainties related to income taxes. Current tax also includes taxes arising from dividends.

(b) Deferred tax

Deferred tax is recognized for the temporary differences between the carrying amount of asset and liability in consolidated financial statements and its tax basis. Deferred tax asset and liability are recognized for the temporary differences between the carrying amount of asset and liability and their tax bases at the reporting date, the carryforward of unused tax losses and the carryforward of unused tax credits. The amounts are calculated based on the tax rates expected to apply to the period in which the asset is realized or the liability is settled.

Deferred tax is not recognized in the following cases:

- temporary differences related to the initial recognition of asset or liability in a transaction other than business combination that does not affect either accounting or tax basis;
- temporary differences related to investments in subsidiary, the associate and the joint arrangement, which the Group will be able to control the timing of the reversal of the temporary difference and which it is probable that the temporary differences will not reverse in the foreseeable future; or
- taxable temporary differences arising from initial recognition of goodwill.

Deferred taxes are recognized in the following cases:

- temporary differences arising from investments in consolidated subsidiary and associate is recognized to the extent that it is probable that it will be reversed and taxable income will be available.
- for transactions that recognize both asset and liability at the same amount from a single transaction, deferred tax liability for temporary differences on the recognized asset and deferred tax asset for temporary differences on the recognized liability are recorded.

Deferred tax asset is recognized unused tax losses, unused tax credits and deductible temporary difference to the extent future taxable income is available. Future taxable income is calculated based on business plans for individual subsidiary in the Group. Deferred tax asset is reviewed at each reporting date and reduced for the portion that is no longer probable that the tax benefit will be realized. Such reductions are reversed when the likelihood of earning sufficient taxable income improves.

Unrecognized deferred tax asset is reviewed at each reporting date and recognized to the extent that they are probable to be available for future taxable income. Deferred taxes are measured using the tax rates expected to apply when the temporary differences are reversed under laws enacted or substantively enacted at the reporting date.

Deferred tax asset and liability are offset if there is a legally enforceable right to offset current tax asset against current tax liability and deferred tax assets and liability are related to income taxes levied by the same taxing business by the same taxing authority.

(17) Equity

(a) Ordinary share

Ordinary share is classified as equity. The incremental costs directly attributable to the issuance of ordinary share are deducted from equity, net of tax.

(b) Purchase and disposal of ordinary share (treasury stock)

When the Group acquires treasury stock, the consideration paid including direct transaction costs (net of tax) is recognized as a deduction of shareholders' equity under the presentation of "Treasury stock". When the Group sells treasury stock, the difference between the sales price and the carrying amount is recognized as “Capital surplus”.

(18) Dividends

Dividends to the Company’s owners is recognized as a liability of the period in which is approved by the Company’s owners.

(19) Revenue recognition

Revenue is recognized for the contract with customer under IFRS 15 excluding interest and dividends income by applying the following five steps:

Step 1: Identifying contract with customer
Step 2: Identifying performance obligation in contract
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to performance obligation in contract
Step 5: Recognizing revenue when (or as) performance obligation is met

The Group sells soft drinks such as carbonated beverages, coffee beverages, tea-based beverages and mineral water, and healthcare products. For sales of these products, revenue is recognized primarily at the time of delivery as customer has obtained control over the products and believes that the performance obligation is satisfied. In addition, revenue is measured at consideration promised in the contract with customer, less discounts, rebates, returns and other items.

(20) 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.

(21) Stock-based compensation

The Company has introduced a performance-linked stock-based incentive compensation system for the Company’s directors (excluding members of the Audit and Supervisory Committee and outside directors) as well as for the executive officers of the Company and its subsidiaries, with the aim of sharing the merits and risks of stock price fluctuations with the shareholders and further enhancing the motivation of Executive Directors to contribute to increases in the Company’s stock price and corporate value in the mid to long term. The compensation calculated under the plan is recognized as an expense and the corresponding increase in equity.

4. Critical accounting judgments, estimates and assumptions

In preparing the consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. The estimates and the assumptions underlying the estimates are continually reviewed and are based on historical experience and other factors, including future events, which are believed to be reasonable under the environments. Accounting estimates are based on the most appropriate information at the time the consolidated financial statements are filed, but if any estimates in further into the future changes, the impact of the revises is recognized in the consolidated statements of profit or loss and consolidated statements of comprehensive income subsequent to the reporting period in which they are revised.

Information regarding assumptions and estimates that have a significant impact on the amounts recognized in the consolidated financial statements is as follows:

(a) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment is depreciated over the estimated useful lives, which is the period over which the future economic benefits of the asset are expected. If property, and equipment is obsolescent in the future or reused for other purposes, depreciation expense may increase, and the estimated useful life may be shorter. Details of useful life are provided in notes 3(8)"Property, plant and equipment."

The right-of-use asset is estimated for the lease term with a non-cancellable period plus a reasonably certain period of time to exercise the option to extend or not to cancel the lease. Details of the useful life are described in note 3(11) “Leases (as a lessee)”.

Intangible assets are evaluated whether the useful life is definite or indefinite, based on the analyzing of all relevant factors and predictability of the period over which such intangible asset is expected to result in cash inflows. Intangible assets with definite useful life are amortized using the estimated useful life, which is the period over which the future economic benefits are expected. Amortization expense is subject to risks that may increase as a result of changes in the estimated useful life caused by external factors, such as changes in business conditions. Details of useful life are provided in notes 3(10) "Intangible assets."

(b) Impairment test of non-financial assets, including property, plant and equipment, goodwill and intangible asset

Recoverable amounts are calculated based on assumptions using factors such as asset's useful life, future cash flows, discount rates and long-term average growth rates. While such assumptions are based on management's best estimates and judgments, these assumptions may also be affected by changes in economic conditions that have a significant impact on future consolidated financial statements. Details of cash-generating unit's and recoverable amount's decisions are provided in notes 3(9) "Goodwill", (12) "Impairments of property, plant and equipment, intangible asset, goodwill and lease asset" and notes 12 "Impairment of non-financial assets."

(c) Provision and contingent liabilities

In the consolidated statements of financial position, the Group recognizes mainly provision on asset retirement obligations and environmental measures provision. Provision is measured based on the best estimate of the expenditures required to settle the obligation. Expenditures required to settle obligations are calculated by considering all factors affecting future results but may be affected by unforeseeable events and changes in the environment assumed.

The accounting policies and reported amounts of provision are described in notes 3(14)"Provision and contingent liabilities" and notes 15 "Provisions," respectively.

(d) Recoverability of deferred tax assets

At recognition of deferred tax assets, the Group estimates the timing and amount of future taxable income based on the Group’s business plans. Such estimates could be impacted by the Group's future operating results. Further information regarding the recoverability of deferred tax assets is provided in notes 3(16), "Income taxes" and notes 28, "Income taxes."

(e) Measurement of defined benefit plans obligation

The Groups adopts a variety of retirement benefit plans, including defined benefit plans. The present value and service cost of defined benefit obligations for all plans are based on actuarial projections. Actuarial projections require estimates and judgments related to variable factors such as discount rates, rates of salary increase and inflation. The Group is advised by external actuaries as to the adequacy of actuarial projections, including these variable factors. While actuarial projections are determined based on management's best estimates and judgments, they may be affected by changes in uncertain future economic conditions and the establishment and revise of related laws and regulations that could have a material effect on future consolidated financial statements.

Further information on the actuarial projections for the measurement of defined benefit obligations is provided in notes 18 “Post-employment benefits”.

(f) Measurement of financial instrument without quoted prices in active market

The Group applies valuation techniques that use unobservable inputs in the market to evaluate the fair value of financial instrument without quoted prices in active market. Unobservable inputs may be impacted by uncertain future changes in economic conditions that could have a material impact on future consolidated financial statements.

Details related to the assessment of financial asset are provided in notes 31, "Financial instruments (7) Fair value of financial instruments."

5. Business segments

(1) Reportable segments

Operating segments are defined as the components of the Group for which separate financial information is available that is evaluated regularly by the chief operating decision maker in making resource allocation decisions and in assessing performance.

From the current fiscal year, the Group has changed to a single segment of "Beverages". This is because the healthcare and skincare business is classified as a discontinued operation following the conclusion of an agreement to transfer all shares in Q'sai to Q-Partners Inc. on December 15, 2020. The transfer of all shares in Q’sai was completed on February 1, 2021. Refer to “9. Disposal groups classified as held for sale and discontinued operations” for the reclassified amounts of the Revenue and Profit before income tax of the discontinued operations.

No operating segments have been aggregated to form reportable segments.

Reportable segment	Principal Products and Services
Beverage business	Purchase, manufacture, sale, bottling, packaging, distribution and marketing of carbonated beverages such as Coca-Cola, coffee and black-tea beverages, mineral water, etc., vending machine-related business in Japan

The Board of Directors evaluates the performance of its segments in comparison to its peers based on operating profit reported in accordance with generally accepted accounting standards (IFRS). The accounting methods used for operating segment reported are the same as those described in notes 3 "Significant accounting policies."

(2) Information for each product and service

This information is omitted because the same information is disclosed in "(1) Reportable Segments."

(3) Information for each region

Sales revenue by geographic region is omitted because the revenue of domestic sales to external customer accounts for the majority of sales revenue in the consolidated statements of income.

Since the carrying amount of non-current assets in Japan accounts for the majority of non-current assets in the consolidated statement of financial position, the description of non-current assets by region is omitted.

(4) Major customer

There is no customer to which sales exceeds 10% of the Group’s total revenue.

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Cash and demand deposits	113,825	114,778
Cash and cash equivalents in the consolidated statement of financial position	113,825	114,778
Cash and cash equivalents included in assets held for sale	－	11,599
Cash and cash equivalents in the consolidated statement of cash flows	113,825	126,378

7. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Accounts and notes receivable	77,620	72,638
Accounts receivable - other	21,174	23,763
Allowance for credit losses	(265)	(392)
Total	98,528	96,009

8. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Raw material	5,121	3,225
Work-in-progress	530	－
Merchandise and finished products	63,866	59,424
Supplies	4,604	5,531
Total	74,120	68,180

The amount of inventory recorded in "Cost of sales" for the previous fiscal year and the current fiscal year was 468,656 million yen and 428,944 million yen, respectively. Of this amount, the amount of write-down of inventory assets in the previous fiscal year and the current fiscal year was 296 million yen and 1,223 million yen, respectively. As a result of the spread of the COVID-19 infection during the year, Product valuation losses of products that were to be disposed of have been transferred from cost of sales to other expenses. The amounts transferred are shown in “26. Other income and other expense”

9. 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. The transfer of all shares in Q’sai was completed on February 1 2021.

(1) Disposal groups classified as held for sale

The breakdown of disposal groups classified as held for sale is as follows: In the previous fiscal year, there were no assets or liabilities relating to disposal groups classified as held for sale.

(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, 2019	For the year ended December 31, 2020
Discontinued operations		
Net sales	24,774	24,773
Cost of sales	4,938	5,030
Gross profit	19,836	19,743
Operating cost	16,321	16,188
Operating profit	3,515	3,555
Financial revenue	1	1
Finance costs	13	11
Income for the year before income taxes	3,502	3,545
Income tax expense	1,119	1,126
Net income for the year from discontinuing operations	2,383	2,418

(3) Cash flows from discontinued operations

The results of discontinued operations are as follows:

(Millions of yen)

	For the year ended December 31, 2019	For the year ended December 31, 2020
Cash flows from operating activities	2,336	4,452
Cash flows from investing activities	(807)	(523)
Cash flows from financing activities	(337)	(161)

10. Property, Plant and Equipment and Right-of-use assets

Changes in the cost, accumulated depreciation and accumulated impairment losses and the carrying amount of property, plant and equipment are as follows:

Acquisition cost

(Millions of yen)

	Property, Plant and Equipment					Total	Right-of-use assets
	Buildings and structures	Machinery and vehicles	Vending machine	Land	Construction in progress		
Balance at January 1, 2019 (Before restatement)	159,010	170,482	219,899	156,753	6,228	712,371	－
Adjustments resulting from the adoption of IFRS 16	－	－	－	－	－	－	56,544
Balance at January 1, 2019 (After restatement)	159,010	170,482	219,899	156,753	6,228	712,371	56,544
Acquisition	9,569	25,691	25,846	420	22,988	84,513	14,656
Disposal and sale	(2,560)	(4,488)	(8,997)	(4,558)	(73)	(20,675)	(8,277)
Transfer from construction in progress	3,054	4,927	－	－	(7,981)	－	－
Other	(36)	216	(5)	(83)	1,029	1,121	(7,269)
Balance at December 31, 2019	169,037	196,828	236,743	152,532	22,190	777,330	55,655
Acquisition	7,132	27,644	12,525	10	9,640	56,950	5,960
Disposal and sale	(9,901)	(6,107)	(12,080)	(4,538)	－	(32,627)	(12,906)
Transfer from construction in progress	5,217	8,121	－	0	(13,338)	－	－
Transfers to disposal groups held for sale	(3,094)	(2,624)	－	(1,013)	－	(6,731)	(1,512)
Other	－	－	－	－	(232)	(232)	(963)
Balance at December 31, 2020	168,390	223,862	237,187	146,991	18,260	794,691	46,234

The main acquisition for construction in progress during the previous fiscal year was the construction of a new line and warehouse at the Hiroshima Plant.

Accumulated depreciation and impairment losses

	Property, Plant and Equipment						
	Buildings and structures	Machinery and vehicles	Vending machine	Land	Construction in progress	Total	Right-of-use assets
Balance at January 1, 2019 (Before restatement)	(76,962)	(97,242)	(99,538)	(3,324)	−	(277,066)	−
Adjustments resulting from the adoption of IFRS 16	−	−	−	−	−	−	(12,511)
Balance at January 1, 2019 (After restatement)	(76,962)	(97,242)	(99,538)	(3,324)	−	(277,066)	(12,511)
Depreciation.	(6,525)	(13,730)	(26,060)	−	−	(46,316)	-(7,156)
Impairment losses	(72)	(125)	−	(407)	−	(605)	−
Sale of subsidiary							
Disposal and sale	1,099	3,898	7,824	173	−	12,993	1,650
Other	74	(253)	37	941	−	799	1,991
Balance at December 31, 2019	(82,387)	(107,453)	(117,736)	(2,618)	−	(310,194)	(16,026)
Depreciation.	(7,607)	(15,637)	(26,076)	−	−	(49,320)	(7,154)
Impairment losses	(240)	(247)	−	(64)	−	(551)	(524)
Disposal and sale	6,373	5,617	9,724	363	−	22,076	5,998
Transfers to disposal groups held for sale	1,863	1,937	−	−	−	3,800	315
Other	−	−	−	−	−	−	966
Balance at December 31, 2020	(81,998)	(115,783)	(134,089)	(2,319)	−	(334,189)	(16,425)

Carrying amount

(Millions of yen)

	Property, Plant and Equipment						
	Buildings and structures	Machinery and vehicles	Vending machine	Land	Construction in progress	Total	Right-of-use assets
December 31, 2019	86,650	89,375	119,006	149,915	22,190	467,136	39,629
December 31, 2020	86,392	108,079	103,098	144,672	18,260	460,502	29,810

Depreciation of property and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

11. Goodwill and intangible asset

Changes in the cost, accumulated amortization and accumulated impairment losses and carrying amounts of goodwill and intangible asset were as follows:

Acquisition cost

(Millions of yen)

	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives		Intangible asset totals
		Contract related intangible asset	Software	Other	
Balance at January 1, 2019	103,359	52,050	25,176	687	77,914
Acquisition	－	－	4,711	1	4,712
Disposal and sale	－	－	(8,175)	(5)	(8,180)
Other	－	－	(170)	69	(101)
Balance at December 31, 2019	103,359	52,050	21,542	753	74,345
Acquisition	－	－	3,247	7	3,254
Disposal and sale	－	－	(1,629)	(3)	(1,632)
Transfers to disposal groups held for sale	(41,500)	－	(1,372)	(4)	(1,376)
Other	－	－	1	(320)	(320)
Balance at December 31, 2020	61,859	52,050	21,790	432	74,272

Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives		Intangible asset totals
		Contract related intangible asset	Software	Other	
Balance at January 1, 2019	(14,479)	－	(11,120)	(254)	(11,374)
Depreciation	－	－	(3,381)	(98)	(3,480)
Impairment losses	(61,859)	－	(406)	－	(406)
Disposal and sale	－	－	7,885	5	7,890
Other	0	－	217	(69)	148
Balance at December 31, 2019	(76,338)	－	(6,805)	(417)	(7,222)
Depreciation	－	－	(3,037)	(72)	(3,109)
Impairment losses	－	－	18	－	18
Disposal and sale	－	－	1,326	3	1,329
Transfers to disposal groups held for sale	14,479	－	595	2	597
Other	－	－	(13)	320	308
Balance at December 31, 2020	(61,859)	－	(7,916)	(163)	(8,079)

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives		Intangible asset totals
		Contract related intangible asset	Software	Other	
December 31, 2019	27,021	52,050	14,737	336	67,123
December 31, 2020	－	52,050	13,874	269	66,193

Software at the end of the previous fiscal year and the end of the current fiscal year includes internally generated intangible assets of 688 million yen and 602 million yen, respectively.

Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

Individually significant goodwill was mainly due to the business integration with Coca-Cola East Japan Co., Ltd. and the resulting consolidation of associates as consolidated subsidiaries in the previous fiscal year. The carrying amount of the goodwill was 61,170 million yen at both ends of the years ended December 2018 and 2017. An impairment loss on goodwill was recorded for the current consolidated fiscal year, as described in Note 12 "Impairment of non-financial assets".
Details of the contract related intangible assets are included in Note 3 (10) "Intangible assets".

12. Impairment of non-financial assets

(1) Impairment losses

The impairment losses recognized by the Group were as follows:

The impairment losses are recorded in "Other expense" in the consolidated statements of profit or loss.

(Millions of yen)

	For the year ended December 31, 2019	For the year ended December 31, 2020
Property, plant and equipment		
Buildings and structures	72	240
Machinery and vehicles	125	247
Land	407	64
Subtotal	605	551
Right-of-use assets	—	524
Goodwill	61,859	—
Intangible assets		
Software	406	—
Total	62,870	1,075

We group business assets in a unit of each business as defined under the management accounting system to continuously keep track of incomes and expenditures of such business assets. As to the lease assets and idle assets, we determine their potential impairment by grouping individual asset as a minimum unit.

Impairment losses on goodwill occurred in Beverage Business during the current consolidated fiscal year. The earnings forecast based on the mid-term plan up to 2024 announced in August 2019 is expected to be lower than the business plan expected at the time of acquisition of Coca-Cola Bottlers Japan Inc. (formerly Coca-Cola East Japan Co., Ltd.) As a result, based on the mid-term plan, we assessed the recoverable value of the cash-generating unit group to which the brick belongs. As a result, the Company recorded an impairment loss of goodwill of 61,859 million yen in the current consolidated second quarter.

The recoverable amount is calculated based on its value in use. Value in use is mainly estimated by discounting the estimated cash flows to its present value. The estimated cash flows in calculated using the mid-term plan, the estimated cash flows after the period of the mid-term plan is calculated using cash flows by considering the long-term average growth rate of the market.

Certain key assumptions used in the estimation of the recoverable amount are the discount rate and growth rate. The amounts based on these assumptions reflect management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The discount rate before tax and growth rate used in the calculation of the value were 5.4% and 0.5%, respectively. For property, plant and equipment and intangible assets related to the beverage business, an impairment loss of 1,011 million has been recognized mainly on the assets whose use is no longer expected.

In the current consolidated fiscal year, we reduced the book value of buildings, structures, and land of idle assets, whose prices are decreasing, to the recoverable amounts and recorded such decrease as the impairment losses.

The recoverable amount of idle assets, including buildings and structures and land, is measured at fair value less costs of disposal. The recoverable amounts of the idle assets are calculated based on the real estate appraisals, etc. The fair value hierarchy is classified as Level 3. Among such idle assets, the recoverable amount of machinery, equipment and vehicles and Right-of-use assets is measured by value in use, and the value is set at zero.

(2) Impairment testing of a cash-generating unit or cash-generating unit group, including goodwill and intangible assets with indefinite useful lives

Goodwill acquired as part of the business combination and intangible asset (contract related intangible asset) with indefinite useful lives are allocated to cash-generating unit or cash-generating unit group for which synergies are expected. Amounts of goodwill and intangible asset with indefinite useful lives allocated to cash-generating unit or cash-generating unit group are as follows:

(Millions of yen)

	Reportable segments	Cash-generating unit or cash-generating unit group	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Goodwill	Beverage business	Beverage	－	－
	Healthcare & Skincare business	Health food	27,021	－
	Total		27,021	－
Intangible assets with indefinite useful lives (Contract related intangible asset)	Beverage business	Beverage	52,050	52,050
	Total		52,050	52,050

The recoverable amount of cash-generating unit or cash-generating unit group to which goodwill and intangible assets with indefinite useful lives has been allocated is calculated based on its value in use. Value in use is mainly estimated by discounting the estimated cash flows to its present value. The estimated cash flows in calculated using the financial budget within five years, based on internal budget which reflects past experience and external information. The estimated cash flows after the period of the financial budget is calculated using cash flows by considering the long-term average growth rate of the market.

Goodwill of the healthcare and skincare business has been reclassified to disposal groups classified as for sale. Certain key assumptions used in the estimation of the recoverable amount are the discount rate and growth rate. The amounts based on these assumptions reflect management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The pre-tax discount rates and growth rates used to calculate the value in use of the cash-generating unit or cash-generating unit group to which goodwill and intangible assets with indefinite useful lives were allocated are as follows:

Cash-generating unit or cash-generating unit group	Previous fiscal year (As of December 31, 2019)		Current fiscal year (As of December 31, 2020)	
	Discount rate	Growth rate	Discount rate	Growth rate
Beverage	5.1%	0.5%	5.0%	0.6%
Health food	9.8%	0.5%	－%	－%

(NOTE) 1. The discount rate was the pre-tax discount rate, which is adjusted for the risk premium reflecting the increased risk of investing in equity and the market-related risk of the specific cash-generating unit, based on the rate of 10-year government bonds issued by the Japanese government in the same currency-denominated market as the cash flows (Japanese yen).

2. The Group estimates the cash flows by using growth rates expected from the market and our businesses. The growth rate was determined based on the long-term average growth rates of the markets consistent with the assumptions assumed to be used by the market participants.

(3) Sensitivity analysis

The following table shows the values where each of the key assumptions has been independently replaced to match the recoverable amount to the book value.

For Beverage, the recoverable amount exceeded the book value of 292,368 million yet in the current fiscal year. However, if the discount rate is greater than 7.4% or the growth rate is less than (2.3%), an impairment loss may occur.

For Heath food, the recoverable value is sufficiently higher than the book value even if the discount rate or growth rate used to calculate the recoverable value fluctuates within a reasonable range, a significant loss is unlikely to occur.

Cash-generating unit or cash-generating unit groups	Previous fiscal year (As of December 31, 2019)		Current fiscal year (As of December 31, 2020)	
	Discount rate	Growth rate	Discount rate	Growth rate
Beverage	5.6%	(0.1)%	7.4%	(2.3)%
Health food	14.0%	(5.7)%	－%	－%

13. Other current assets and other non-current assets

Other current assets and other non-current assets consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Current		
Prepaid expense	8,363	7,552
Income tax receivable	7,640	2,450
Consumption tax receivable	1,557	7,154
Other	27	39
Total	17,587	17,195
Non-current		
Long-term prepaid expenses	6,760	7,124
Other	60	58
Total	6,820	7,183

14. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Trade payables	44,759	32,076
Accounts payable - other	73,337	67,755
Accrued expenses	4,268	2,648
Total	122,364	102,480

15. Provisions

Changes in provision were as follows:

(Millions of yen)

	Asset retirement obligations	Environmental measures provision	Total
Balance at December 31, 2019	2,076	49	2,125
Provision	153	4	157
Decrease during the fiscal year (intended use)	(127)	－	(127)
	－	(34)	(34)
Increase due to passage of time and change in discount rate	7	－	7
Balance at December 31, 2020	2,109	19	2,128
Current	9	－	9
Non-current	2,100	19	2,119
Total	2,109	19	2,128

Asset retirement obligations

Asset retirement obligations are recognized based primarily on the estimated future expenditures calculated by using historical experience in cases where the Group has legal obligations in laws or contracts related to remove the fixed assets for normal use, such as obligations of removal hazardous materials for construction facilities and offices used by the Group or restoration of the original condition associated with the leased contract. These expenses are expected to be paid in the future, but the amount paid may change due to future business plans and other factors.

Environmental measures provision

In order to prepare for expenditures related to the disposal of industrial wastes, the estimated amount of expenditure is recognized as environmental measures provisions. These expenses are expected to be paid in the future, but the amount paid may change due to future business plans and other factors.

16. Bonds and loans payable

Bonds and loans payable consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)	Average interest rate (%)	Maturity
Current				
Current portion of bonds	15,987	—	—	-
Current portion of long-term loans payable	1,274	1,072	0.17	-
Short-term loans payable	—	50,000	0.14	
Subtotal	17,261	51,072		
Non-current				
Bond	179,415	179,514	0.25	2022 to 2029
Long-term loans payable	9,072	8,000	0.15	2022 to 2026
Subtotal	188,487	187,514		
Total	205,748	238,585		

The average interest rate is the weighted average interest rate to the balance as of the current fiscal year, and maturity is the maturity of the balance as of the current fiscal year. The principal terms of the issuance of the debentures were as follows:

(Millions of yen)

Name	Name of bond	Date of issue	Issue amount	Carrying amount: Previous fiscal year (As of December 31, 2019)	Carrying amount: Current fiscal year (As of December 31, 2020)	Interest rate (%)	Collateral	The due date for redemption
The Company	Coca-Cola west 3rd Unsecured bonds	Jun 17, 2015	30,000	29,952	29,971	0.52	None	Jun 17, 2022
The Company	Coca-Cola East Japan Co., Ltd. 2nd Unsecured bonds	Dec 14, 2015	16,000	15,987 (15,987)	—	0.28	None	Dec 14, 2020
The Company	1st unsecured bond	Sep 19, 2019	40,000	39,863	39,892	0.10	None	Sep 19, 2024
The Company	2nd unsecured bond	Sep 19, 2019	60,000	59,798	59,828	0.20	None	Sep 18, 2026
The Company	3rd unsecured bond	Sep 19, 2019	50,000	49,803	49,823	0.27	None	Sep 19, 2029
	Total			195,402 (15,987)	179,514			

(NOTE) 1. Figures in parentheses represent the redemption schedule within one year.
2. All interest rates are fixed rates.

17. Leases

The Group mainly rents offices and other facilities in the beverage business, and leases buildings and structures related to it. The contract term for the lease is mainly 15 years. There are no special restrictions on lease contracts (such as restrictions on dividends, additional borrowings and additional leases).

The breakdown of profits and losses related to leases is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Depreciation of Right-of-use assets		
Buildings and structures	7,156	7,154
Land	—	—
Total	7,156	7,154
Interest expense on lease liabilities	453	390
Total cash outflows related to leases	(7,576)	(7,296)

The breakdown of the books of Right-of-use assets is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Right-of-use assets		
Buildings and structures	38,852	29,084
Land	777	725
Total	39,629	29,810

The increase in Right-of-use assets for the end of the previous fiscal year and the end of the current fiscal year was 14,656 million yen and 5,960 million yen

18. Retirement benefits

Regarding retirement benefit plans for employees of the Group, some subsidiaries are to adopt defined contribution pension plans and defined benefit pension plans, which calculate the amount of contributions and benefits based on their position, years of services and other factors. However, as of April 1, 2019, the beverage business was unified into a defined contribution pension plan and a lump-sum retirement plan, and the conventional defined benefit plan was frozen. The frozen defined benefit pension liability is calculated based on the retirement benefits determined at the time of the freeze and is recognized as a defined benefit obligation until the employee is paid a pension or lump-sum payment upon future retirement.

Past service cost significantly increased in prvious fiscal year due to this change

(1) Defined benefit plans

(a) Increase (decrease) in present value of a defined benefit obligation

Changes in present value of a defined benefit obligation are as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Balance at the beginning of the year	142,599	131,154
Service cost	4,103	4,005
Interest expense	772	910
Remeasurement:		
Actuarial gains arising from changes in demographic assumptions	—	1,304
Actuarial gains arising from changes in financial assumptions	(578)	(5,479)
Experience adjustment	971	106
Past service cost	(2,235)	—
Benefit payments	(14,115)	(12,675)
Transfers to disposal groups held for sale	—	(366)
Other	(363)	—
Balance at the end of the year	131,154	118,958

The weighted-average lives of defined benefit plans obligations at the end of the previous fiscal year and the end of the current fiscal year were 11.3 years and 10.9 years, respectively.

(b) Changes in fair value of plan asset

Changes in the fair value of plan asset were as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Balance at the beginning of the year	108,948	106,246
Interest revenue	593	723
Remeasurement:		
Return on plan asset	8,919	8,504
Contributions by employer	390	231
Benefit payments	(12,138)	(10,752)
Other	(466)	—
Balance at the end of the year	106,246	104,952

(c) Change in adjustment due to asset ceiling

Changes in adjustments due to asset ceiling were as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Balance at the beginning of the year	23	—
Remeasurement:		
Effect of limiting the amount of net plan assets to the amount of asset ceiling	—	869
Other	(23)	—
Balance at the end of the year	—	869

Adjustments due to asset ceiling are adjustments that made due to a partial limitation on the amount recorded as asset, although the amounts which the plan asset exceeds present value of a defined benefit obligation under "Employee Benefits" (IAS 19) are recognized as "Defined benefit asset".

(d) Adjustments of defined benefit plans Obligations and Plan asset

The relationships between defined benefit plans obligations and plan asset and net defined benefit liability and asset recorded in the consolidated statements of financial position are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Defined benefit plans obligations (funded)	117,343	104,082
Plan assets	106,246	104,952
Net deficit of funded defined benefit plans	11,097	(869)
Adjustments due to asset ceiling	—	869
Subtotal	11,097	—
Defined benefit plans obligations (unfunded)	13,810	14,876
Total	24,908	14,876
Net defined benefit liabilities	24,908	14,876
Net defined benefit assets	—	—
Net defined benefit liabilities recognized in the consolidated statements of financial position	24,908	14,876

(e) Major items of plan asset

The Group's plan asset management aims to maximize the value of the plan assets over the medium-to-long term in order to ensure that defined benefit plans beneficiaries receive future benefits within acceptable risks. The plan asset diversifies its investments into a variety of domestic and international equities and bonds based on asset allocation targets to reduce risks. With regard to asset allocation, the Group has set medium-to-long term allocation targets based on forecasts of returns, long-term risks, and past performance. The asset allocation targets are reviewed as appropriate in the event of a significant change in the operational environment of the plan asset.

The major categories of plan asset are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)			Current fiscal year (As of December 31, 2020)		
	With quoted prices in active market	Without quoted in active market	Total	With quoted prices in active market	Without quoted in active market	Total
Equity instrument						
Domestic securities	−	9,767	9,767	−	7,408	7,408
Foreign securities	−	24,488	24,488	−	15,753	15,753
Debt instrument						
Domestic bonds	−	4,611	4,611	−	7,139	7,139
Foreign bonds	−	23,309	23,309	−	23,115	23,115
General account	−	26,716	26,716	−	27,067	27,067
Alternative	−	17,246	17,246	−	14,260	14,260
Other	109	−	109	106	10,103	10,208
Total	109	106,137	106,246	106	104,846	104,952

The majority of plan assets are managed through commingled funds. Commingled funds are pool of assets that are gathered to benefit from professional management and economies of scale. Investors have interest in the funds and measure the fair value of its interests based on the net asset value of the investments provided by the fund administrators. The plan assets managed by the funds are invested in marketable securities, such as domestic or foreign stocks and debts in active markets. Alternatives include investments in funds of funds, etc.

The estimated contribution to the plan asset for the following fiscal year is 353 million yen.

(f) Significant actuarial assumptions

Significant actuarial assumptions were as follows:

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Discount rate	0.69%	1.10%
Rate of salary increase	2.00%	2.00%

(g) Sensitivity analysis

The following table presents the monetary impact of changes in significant actuarial assumptions on defined benefit plans obligations.

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)		Current fiscal year (As of December 31, 2020)	
	Increasing	Reduction	Increasing	Reduction
Discount rate				
0.25% decrease	3,790	—	3,298	—
0.25% increase	—	3,621	—	3,156
Rate of salary increase				
0.5% decrease	—	70	—	129
0.5% increase	75	—	139	—

The sensitivity analysis in the table above assumes that all actuarial assumptions other than the assumptions under which the analysis was performed remain constant. This sensitivity analysis represents the changes in the defined benefit obligation as of the end of the previous fiscal year and the end of the current fiscal year and is the result of changes in actuarial assumptions that we believe are reasonable. This analysis is based on provisional calculations and actual results may differ from the analysis.

(2) Defined contribution plans

Expenses for the defined contribution plans of the Group for the previous fiscal year and current fiscal years were 10,810 million yen and 10,373 million yen, respectively.

19. Other current liabilities and other non-current liabilities

Other current liabilities and other non-current liabilities consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Current		
Deposit received	5,353	4,373
Accrued paid leave	5,413	5,212
Consumption tax payable	1,289	2,754
Accrued bonuses	5,436	2,894
Other	2,395	689
Total	19,886	15,923
Non-current		
Long-term deposits received	1,005	879
Other long-term employee benefits obligations	1,826	1,693
Liabilities by using equity method	161	389
Other	262	415
Total	3,254	3,375

20. Equity

(1) Capital stock

Changes in the number of shares authorized and outstanding are as follows:

(Thousands of shares)

	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Number of shares authorized		
Ordinary share with no-par value	500,000	500,000
Number of issued shares (ordinary share)		
Outstanding at the beginning of the fiscal year	206,269	206,269
Increase during the fiscal year	—	—
Decrease during the fiscal year	—	—
Outstanding at the end of the fiscal year	206,269	206,269

(2) Capital surplus

Capital surplus represents surplus that is derived from capital transactions and includes capital legal reserve which is not designated as stated capital. Under the Companies Act of Japan ("the Companies Act"), at least one-half of the issue price of shares is required to be accounted for as capital stock, and the remainder of the paid-in capital is accounted for as capital surplus. The Companies Act also permits companies to transfer a portion of capital surplus to the capital stock by resolution of the shareholders' meeting.

(3) Retained earnings

Retained earnings consist of legal reserve and other retained earnings. The Companies Act stipulates that one-tenth of the amount of surplus reduced by the dividends of surplus shall be set aside as capital legal reserve or earned legal reserve until the sum of capital legal reserve and earned legal reserve equals one-fourth of the amount of stated capital. The earned legal reserve may be used to reduce or eliminate a deficit by resolution of the shareholders meeting.

(4) Treasury stock

Changes in treasury stock were as follows:

(Thousands of shares)

	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Number of treasury stock		
Outstanding at the beginning of the fiscal year	22,793	26,917
Increase during the fiscal year	4,125	4
Decrease during the fiscal year	(1)	(1)
Outstanding at the end of the fiscal year	26,917	26,920

The increase in the previous consolidated fiscal year is due to the acquisition of treasury stock through open market purchase and also the purchase of shares less than one unit, while the decrease is due to the additional purchase of shares less than one unit. The increase in the current consolidated fiscal year is due to the acquisition of shares less than one unit, while the decrease is due to the additional purchase of shares less than one unit.

(5) Accumulated other comprehensive income

Changes in accumulated other comprehensive income were as follows:

(Millions of yen)

	Remeasurement of defined benefit plans	Net changes in financial assets measured at fair value through other comprehensive income	Cash flow hedges	Share of other comprehensive income of equity method investees	Total
Balance at January 1, 2019 (After Restatement)	―	5,056	(141)	―	4,915
Amount arising during the year	5,596	621	(434)	4	5,788
Changes in owners' interest in subsidiaries	(5,596)	(715)	―	(4)	(6,315)
Reclassification from accumulated other comprehensive income to retained earnings	―	―	129	―	129
Balance at December 31, 2019	―	4,963	(445)	―	4,517
Amount arising during the year	7,662	(3,003)	(2,157)	―	2,502
Reclassification from accumulated other comprehensive income to retained earnings	(7,662)	(638)	―	―	(8,300)
Reclassification from accumulated other comprehensive income to non-financial asset	―	―	2,268	―	2,268
Transfers to disposal groups held for sale	―	107	―	―	107
Balance at December 31, 2020	―	1,430	(335)	―	1,095

All amounts above are net of taxes.

21. Stock-based compensation

The Group has introduced a performance-linked stock-based incentive compensation system for the Company’s directors (excluding members of the Audit and Supervisory Committee and outside directors) and the executive officers of the Company and its subsidiaries ("directors") since the current fiscal year.

1. Performance-linked stock-based incentive compensation system (“LTI”)

(1) Outline of the LTI

The Company will provide directors with the Company’s ordinary shares (“the Company’s shares”) and cash pursuant to the Performance Share Unit Plan (“PSU”) for the term of three consecutive fiscal years (from January 1, 2020 to December 31, 2022). The purpose of the PSU is to further enhance the motivation of Executive Directors to contribute to increases in the Company’s stock price and corporate value in the mid to long term by sharing the merits and risks of stock price fluctuations with the shareholders.

(2) Vesting conditions

(PSU)

・The number of shares to be issued shall be determined within the range of 0% to 150% of the basic PSU amount depending on the achievement of performance targets (only considering companywide performance) over the three years after the share units have been granted (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations).

・To provide motivation to enhance corporate value over the mid to long term, consolidated ROE and consolidated sales growth rate have been adopted as measures for evaluating performance, based on the Company’s policy regarding the determination of compensation for Executive Directors and Executive Officers, etc.

(RSU)

・Provided for the purpose of aligning interests with shareholders, creating incentives to increase corporate value, and strengthening retention of talented people.

・A predetermined number of shares are issued at retirement (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations).

(3) Fair value and fair value measurement methods

The fair value on the grant date of this plan for the previous consolidated fiscal year and the current consolidated fiscal year was 2,117yen and 1,887 yen. The fair value at the grant date is calculated by adjusting the market value of the Company’s shares taking into account the expected dividends.

2. Share compensation Expenses

For the current fiscal year, expenses of share-based payment included in "Selling, general and administrative expenses" in the consolidated statements of profit or loss are 57 million yen and 80 million yen.

22. Dividends

Dividends payments were as follows:

For the year ended December 31, 2019

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 26, 2019 Ordinary General Meeting of Shareholders	Ordinary share	4,587	25	December 31, 2018	March 27, 2019
August 7, 2019 Board of Directors	Ordinary share	4,484	25	June 30, 2019	September 2, 2019

For the year ended December 31, 2020

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

Among the dividends whose record date belongs to the current fiscal year, those whose effective date falls in the following fiscal year are as follows:

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends resources	Dividends per share (Yen)	Dividend record date	Effective date
March 25, 2021 Ordinary General Meeting of Shareholders	Ordinary share	4,484	Retained earnings	25	December 31, 2020	March 26, 2021

23. Revenue

(1) Revenue

The Group's organizational structure is based on the one business segments of the Beverage business. These two businesses are components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in these two businesses is presented as "Revenue" in the consolidated financial statement of profit or 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 customer has obtained control over the products and the performance obligation is satisfied.

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

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

(Millions of yen)

	For the year ended December 31, 2019	For the year ended December 31, 2020
Beverage	889,065	791,193
Other	944	763
Total	890,009	791,956

(2) Contract balances

The Group's contract balance consists primarily of receivables (Accounts and notes receivable) arising from contract with customer and is presented in notes 7 "Trade and other receivables."

24. Selling, general and administrative expenses

Selling, general and administrative expenses comprise the following

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Depreciation	40,182	41,136
Amortization	3,269	2,798
Sales commissions and promotional expenses	117,008	97,339
Employee benefits expenses	121,368	103,538
Shipping and commissions	84,310	72,628
Maintenance fee	16,752	14,135
Other	24,620	28,072
Total	407,510	359,645

25. Employee benefits expenses

Employee benefits expenses consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)		Current fiscal year (From January 1, 2020 to December 31, 2020)	
	Cost of sales	Selling, general and administrative expenses	Cost of sales	Selling, general and administrative expenses
Salaries and wages	9,913	81,271	9,331	71,212
Welfare and legal welfare expenses	1,942	9,120	983	8,711
Bonus	2,014	18,556	1,083	10,129
Retirement benefit costs	410	12,422	1,401	13,485
Total	14,279	121,368	12,797	103,538

26. Other income and other expense

Other income and other expense consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Other income		
Gains on sales of property, plant and equipment	2,182	5,201
Rent income	378	344
Government subsidies (Note 1)	—	2,520
Other	1,536	421
Total	4,096	8,486
Other expense		
Impairment losses	1,011	1,075
Losses on sales and disposals of property, plant and equipment	3,916	4,631
Transformation-related expenses (Note 2)	655	4,546
Special retirement allowance (Note 3)	9,104	7,969
Temporary paid leave expenses (Note 4)	—	3,923
Product valuation losses (Note 5)	—	255
Costs of postponing the Olympics (Note 6)	—	125
Other	212	711
Total	14,899	23,235

(NOTE) 1. Government subsidies are grants to cover employee's temporary leave cost due to the spread of COVID-19 for the current consolidated fiscal year.

2. Transformation-related expenses are expenses related to measures aimed at creating an efficient new system with the aim of creating more value and further improving productivity for the sustainable growth of the Group.

3. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program for the previous consolidated fiscal year and the current consolidated fiscal year

4. Temporary paid leave expenses are the allowance associated with employee's temporary leave due to the spread of COVID-19. The expenses are reclassified from cost of sales and selling and general administrative expenses to other expenses, 432 million yen and 3,492 million yen, respectively.

5. Product valuation loss is a valuation loss of product inventory at the time of the emergency declaration of the government to prevent COVID-19 outbreak. This is because the product inventory is planned to be disposed due to the effects of the suspension of operation of restaurants. The losses are reclassified from cost of sales.

6. Costs related to the postponement of the Olympics were incurred by the postponement of the Olympic and Paralympic Games

due to COVID-19. The expenses are mainly for hotels and warehouses cancellation fees and reclassified from selling and general administrative expenses.

27. Financial income and financial expense

Financial income and finance expense consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Financial income		
Interest income		
Financial assets measured at amortized cost	0	0
Dividends income		
Financial assets measured at fair value through other comprehensive income	508	431
Foreign exchange gains	538	239
Other	98	97
Total	1,144	767
Finance expense		
Interest expenses		
Financial liabilities measured at amortized cost.	1,162	1,084
Other	—	26
Total	1,162	1,110

28. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of major causes of deferred tax assets and deferred tax liabilities in the previous fiscal year and the current fiscal year is as follows:

(Millions of yen)

	The consolidated statement of financial position		Consolidated statement of profit or loss	
	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Deferred tax assets				
Property, plant and equipment and intangible asset	6,013	5,530	(1,069)	(330)
Lease	13,484	10,497	(1,784)	(2,625)
Financial assets	1,548	2,147	(491)	(27)
Employee benefits	13,706	8,499	(199)	(524)
Inventories	1,502	1,889	20	411
Carryforwards of unused tax losses	1,170	7,879	747	6,708
Other	2,858	4,060	(308)	1,818
Subtotal	40,280	40,500	(3,084)	5,431
Deferred tax liabilities				
Property, plant and equipment and intangible asset	(36,653)	(35,841)	1,903	637
Lease	(13,290)	(10,159)	1,804	2,772
Financial assets	(6,050)	(4,071)	(1,231)	909
Employee benefits	(389)	—	1,101	0
Other	(2,681)	(2,739)	38	(183)
Subtotal	(59,063)	(52,810)	3,615	4,135
Total deferred tax expense	—	—	531	9,565
Total deferred taxes	(18,782)	(12,309)		

The Group evaluates the recoverability of deferred tax assets by considering the possibility that some or all of deductible temporary differences or carryforwards of unused tax losses will be available to future taxable income. In assessing the recoverability of deferred tax assets, the Group considers the anticipated reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Based on historical trends in taxable income and projected future taxable income for the periods in which deferred tax assets is recognized, the Group believes that it is more likely than not that tax benefits of these deferred tax assets will be realized at the end of the prior fiscal year and at the end of the current fiscal year. In current consolidated fiscal year the Company incurred a loss carried forward for tax purposes due to special retirement payments and the impact of the COVID-19 infection. As described in Note 4, "Critical Accounting Judgments, Estimates and Assumptions," the Company has recognized deferred tax assets of 7,879 million of yen for such net operating loss carryforwards based on the projected future taxable income assuming that the impact of the new coronavirus infection will continue for a certain period of time during the fiscal year ending December 31, 2021. The Group believes that changes in the economic environment surrounding the Group, market conditions and other factors will increase the uncertainty of our estimates of future taxable income.

Details of changes in deferred tax assets and deferred tax liabilities (net) in the previous fiscal year and the current fiscal year are as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Balance at the beginning of the year (prior to restatement) (liabilities)	(16,819)	(18,782)
Adjustments due to the adoption of IFRS 9, etc.	172	−
Balance at the beginning of the fiscal year (after restatement) (liabilities)	(16,646)	(18,782)
Amounts recognized in deferred tax expense	531	9,565
Amounts recognized in deferred tax expense (Discontinued operations)	113	8
Amounts recognized in other comprehensive income	(2,751)	(2,220)
Transfer to disposal group held for sale	−	(880)
Other	(29)	−
Balance at the end of the year (liabilities)	(18,782)	(12,309)

(2) Unrecognized deferred tax assets and deferred tax liabilities

As a result of our assessment of the recoverability of the deferred tax assets described above, the Group does not recognize the deferred tax assets for a portion of deductible temporary differences and carryforwards of unused tax losses. The amounts of deductible temporary difference and carryforwards of unused tax losses for which no deferred tax assets has been recognized as of the end of the previous fiscal year and the end of the current fiscal year are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Deductible temporary differences	19,874	15,856
Carryforwards of unused tax losses	203	−
Total	20,077	15,856

The expiry of carryforwards of unused tax losses for which deferred tax assets is not recognized at the end of the previous fiscal year and at the end of the current fiscal year are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
No later than 1 year	−	−
Later than 1 year and not later than 5 years	−	−
Later than 5 years and not later than 10 years	203	−
More than 10 years	−	−
Total	203	−

Taxable temporary differences regarding investments in subsidiaries and associates for which deferred tax liabilities was not recognized at the end of the previous fiscal year and at the end of the current fiscal year is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Investments in subsidiaries and associates	80,129	52,840

(3) Income tax expenses

Income tax expenses for the previous fiscal year and the current fiscal year consisted of the following.

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Current tax expenses	1,858	4,648
Deferred tax expenses (profit)	(501)	(9,565)
Total	1,357	(4,918)

The above deferred tax expenses were primarily due to the origination and reversal of temporary differences.

(4) Reconciliation of effective tax rate

A reconciliation of the statutory tax rate to the applicable tax rate in the consolidated statements of profit or loss for the previous fiscal year and the current fiscal year is as follows:

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Statutory tax rate	31.46%	31.46
Items which are not taxable or deductible	(0.42)%	(1.08)
Impairment losses of goodwill	(33.03)%	—
Changes in unrecognized deferred tax assets (Note)	0.02%	7.68
Tax rate difference between the Company and subsidiaries	(0.49)%	3.14
Other	0.15%	(0.45)
Applicable tax rate	(2.30)%	40.76

Note: The change in unrecognized deferred tax assets is mainly due to the effect of a change in the tax effect related to the valuation loss on land, which was not recognized in the previous fiscal year, as a result of the sale of the land in the current fiscal year.

29. Other comprehensive income

The components of other comprehensive income and related tax effects (including non-controlling interest) are as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans:		
Amount arising during the year	8,549	11,704
Tax effect	(2,953)	(4,043)
Net of tax	5,596	7,662
Share of other comprehensive income in equity method investees:		
Amount arising during the year	4	—
Tax effect	—	—
Net of tax	4	—
Financial asset measured at fair value through other comprehensive income:		
Amount arising during the year	981	(4,406)
Tax effect	(360)	1,403
Net of tax	621	(3,003)
Subtotal	6,221	4,659
Cash flow hedge:		
Amount arising during the year	(663)	(3,298)
Tax effect	229	1,141
Net of tax	(434)	(2,157)
Subtotal	(434)	(2,157)
Total other comprehensive income	5,788	2,502

30. Reconciliation of changes in liabilities related to cash flows arising from financing activities

Changes in liabilities related to financing activities were as follows:

(Millions of yen)

	Short-term loans payable	Long-term loans payable (Note)	Bonds (Note)	Lease debt	Lease liabilities
Balance at January 1, 2019	24,000	12,032	65,881	901	—
Adjustments resulting from the adoption of IFRS 16	—	—	—	(901)	45,406
Balance as of January 1, 2019	24,000	12,032	65,881	—	45,406
Changes with cash flows	(24,000)	(1,686)	129,441	—	(7,576)
Changes without cash flows	—	—	81	—	2,942
Balance at December 31, 2019	—	10,346	195,402	—	40,773
Changes with cash flows	50,000	(1,274)	(16,000)	—	(7,296)
Changes without cash flows	—	—	111	—	(829)
Transfers to disposal groups held for sale	—	—	—	—	(1,243)
Balance at December 31, 2020	50,000	9,072	179,514	—	31,405

(NOTE) These include amounts of long term loan and bond due within one year.

31. Financial instruments

(1) Financial risk management

The Groups are exposed to the following risks arising from financial instruments:

・Credit risk
・Liquidity risk
・Market risk

The Group faces a variety of financial risks (credit risk, liquidity risk and market risk (equity price risk, interest rate risk, currency risk and commodity price risk) in the course of conducting business and manages risks in accordance with certain policies to avoid and mitigate these financial risks. The Group's risk management policies are formulated after identifying and analyzing the risks faced by the Group with the aim of appropriately identifying risks and controls and monitoring risks and complying with controls. Risk management policies and systems are reviewed periodically to reflect market conditions and the Group's business activities. The Group conducts training and develops manuals and procedures to maintain a control environment in which all employees understand their roles and disciplines.

Based on our risk management policies, the group utilizes derivative transactions to hedge certain risk exposures. The Group's policy is to utilize derivative transactions to hedge foreign currency exchange and commodity price risks and not to engage in speculative transactions. Our finance division identifies, evaluates and hedges financial risk.

(2) Credit risk

Credit risk is the risk that one party to the financial instrument will be unable to perform its obligations and another party will incur financial losses. In the course of our business, the Group is exposed to counterparty credit risk with respect to trade and other receivables and other financial assets (including deposits, securities and other receivables). The carrying amount after impairment for financial assets presented in the consolidated financial statements is the maximum exposure of the Group of financial assets to credit risk, without taking into account of any collateral held. In addition, the Group has no significant credit risk exposure to any particular counterparty and has no excessive concentration of credit risk with specific managements.

In order to manage credit risk, the Group manages payment due dates and outstanding for each customer in accordance with our internal customer control regulations and monitor the credit standing of our major customer on a regular basis. In order to mitigate the credit risk of derivative transactions, in principle, transactions are limited to financial institutions with high credit ratings.

In addition, the Group calculates allowance for credit loss by classifying receivables based on credit risk characteristics. For trade and lease receivables, the Group always measurements allowance for credit loss at the same amount as lifetime expected credit losses. Receivables other than trade and lease receivables, in principle, are measured the allowance for credit loss at the same amount as the 12-month expected credit losses. However, if credit risk increases significantly from the initial recognition date, the Group recognizes the allowance for credit losses at the same amount as the lifetime expected credit losses. The Group determines whether or not the credit risk has increased significantly based on fluctuations in the risk of default, and consideration of the passage of time and deterioration in the financial condition of the obligor. All receivables other than trade receivables for which the Group measures the allowance for credit loss at the same amount as the 12-month expected credit losses are measured on a collective basis.

The amount of expected credit losses related to trade receivables is calculated based on simplified approaches by classifying receivables according to the credit risk characteristics of the counterparty and multiplying by the provision rate reflected historical credit loss rate calculated for each category and forecasts of future economic conditions.

The amount of expected credit losses related to receivables other than trade receivables whose credit risk has not increased significantly is calculated based on the principle approach by multiplying by provision rate reflected the historical rate of credit loss of the same type of asset by its carrying amount. The amount of expected credit losses related to asset whose credit risk has been increased significantly and credit-impaired financial asset is calculated as the difference between the present value of estimated future cash flows discounted by the asset's initial effective interest rate and carrying amount.

(a) Credit risk exposure

The Group's credit risk exposure is as follows:

Trade and other receivables

The Group evaluates the credit risk of trade and other receivables based on past due information.

As of December 31, 2019

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Financial asset of applying simplified approaches	Total
Unexpired	20,102	－	75,527	95,629
Within 60 days of the due date	1,026	－	1,987	3,013
More than 60 days from the due date	－	110	42	151
Total	21,129	110	77,555	98,793

Financial asset assessed by an amount equal to lifetime expected credit losses is primarily a credit-impairment financial asset.

As of December 31, 2020

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Financial asset of applying simplified approaches	Total
Unexpired	23,663	30	68,556	92,249
Within 60 days of the due date	66	－	4,022	4,088
More than 60 days from the due date	－	65	－	65
Total	23,729	94	72,578	96,401

Financial asset assessed by an amount equal to lifetime expected credit losses is primarily a credit-impairment financial asset.

Other financial assets

The Group evaluates the credit risk of other financial assets according to the credit risk rating grades of the other party. The credit risk rating grades of financial asset assessed by an amount equal to lifetime expected credit losses is relatively low compared to the credit risk rating grades of financial asset's expected credit losses, which assessed by a 12-month expected credit losses, and the credit risk rating grades of financial assets in the same category is generally the same.

None of the other financial assets past due have significant credit risk exposures.

As of December 31, 2019

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Total
Other financial asset	5,217	1,297	6,514

Financial asset assessed by an amount equal to lifetime expected credit losses is primarily a credit-impairment financial asset.

As of December 31, 2020

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Total
Other financial asset	5,053	1,194	6,247

Financial asset assessed by an amount equal to lifetime expected credit losses is primarily a credit-impairment financial asset.

(b) Allowance for credit losses

Changes in allowance for credit losses were as follows:

Trade and other receivables

For the year ended December 31, 2019

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Financial asset of applying simplified approaches	Total
Balance at January 1, 2019	19	128	95	242
Provision	35	53	178	265
Reduction during the period (reversal)	(19)	(128)	(95)	(242)
Balance at December 31, 2019	35	53	178	265

For the year ended December 31, 2020

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Financial asset of applying simplified approaches	Total
Balance at January 1, 2020	35	53	178	265
Provision	42	216	175	433
Reduction during the period (reversal)	(35)	(53)	(178)	(265)
Transfers to asset groups classified as held for sale	(0)	—	(41)	(41)
Balance at December 31, 2020	42	216	134	392

The Group does not anticipate that any cash flows will be collected in the future from trade receivables written off in the past and not collect any cash flows.

Other financial asset

For the year ended December 31, 2019

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Total
Balance at January 1, 2019	0	1,246	1,247
Provision	0	334	335
Decrease during the period (intended use)	—	(486)	(486)
Reduction during the period (reversal)	(0)	(386)	(386)
Balance at December 31, 2019	0	709	709

For the year ended December 31, 2020

(Millions of yen)

	Financial asset assessed by 12-month expected credit losses	Financial asset assessed by an amount equal to lifetime expected credit losses	Total
Balance at January 1, 2020	0	709	709
Provision	0	202	202
Decrease during the period (intended use)	—	(74)	(74)
Reduction during the period (reversal)	(0)	(207)	(208)
Transfers to asset groups classified as held for sale	(0)	(40)	(40)
Balance at December 31, 2020	0	589	590

(c) Impact of significant changes in the gross carrying amount of financial instrument during the year

There were no significant changes in the gross carrying amount affecting changes in allowance in the previous fiscal year or the current fiscal year.

(3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to pay its obligations on the due date for repayment in the financial liabilities when such obligations become due. The Group manages to secure sufficient funds to meet payment due dates under any circumstances that do not affect the Group's conditions of loss or reputation. Our financial division manages our liquidity risk by maintaining adequate levels of net income and cash balances within our line of credit with banks and by comparing and analyzing actual cash flows and forecast cash flows.

The balances of financial liabilities (including derivative liabilities) by maturity were as follows:

As of December 31, 2019

(Millions of yen)

	Carrying amount	Cash flows on contract	Not later than 1 year	Later than 1 year and not later than 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	122,364	122,364	122,364	—	—
Bonds and loans payable	205,748	208,645	17,773	75,345	115,527
Finance lease liabilities	40,773	43,187	7,321	18,114	17,753
Derivative financial liabilities					
Commodity swap	916	916	916	—	—
Total	369,801	375,112	148,374	93,458	133,280

As of December 31, 2020

(Millions of yen)

	Carrying amount	Cash flows on contract	Not later than 1 year	Later than 1 year and not later than 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	102,480	102,480	102,480	—	—
Bonds and loans payable	238,585	241,511	51,591	75,255	114,665
Finance lease liabilities	31,405	33,121	5,991	11,041	16,090
Derivative financial liabilities					
Forward exchange contracts	886	886	513	373	—
Commodity swap	127	127	127	—	—
Total	373,483	378,125	160,701	86,669	130,755

(4) Market risk

Market risk is the risk of fluctuations in interest rates, stock prices and other market prices that may affect the value of the Group's revenue and value of securities held by the Group. While optimizing profits, the Group manages market risk exposures to acceptable levels.

(a) Interest rate risk

Loans payable and bonds are fixed interest rates. Accordingly, the impact of changes in interest rates on profit or loss is limited and the Group believes that our interest rate risk is insignificant and has not performed sensitivity analyses such as basis point values.

(b) Stock price risk

The Group is exposed to the risk of fluctuations in stock prices because the Group hold a large number of securities with quoted market prices. Securities with quoted market prices are held for purposes other than trading and are designated primarily as financial asset measured at fair value through the other comprehensive income.

Assuming that all other variables are constant, if the price of listed securities held by the Group as of the end of the fiscal year increases or decreases by 10%, the impact on the other comprehensive income (before tax effects) is 2,248 million yen and 1,534 million yen, respectively, for the previous fiscal year and current fiscal years.

(c) Currency risk

The Coca-Cola Bottlers Japan Co., Ltd., a consolidated subsidiary, purchases raw materials denominated in foreign currencies and is therefore exposed to currency risk, mainly in U.S. dollars. Currency risk arises from forecast transaction, such as future purchases, or from assets and liabilities that are already recognized. The Group utilizes foreign currency forward contracts to hedge its currency risk. Hedge accounting is applied to transactions that meet the criteria for hedge accounting. Receivables and payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuations, but the impact of this risk is limited as it is offset by forward exchange contracts.

(d) Commodity price risk

The Coca-Cola Bottlers Japan Co., Ltd., a consolidated subsidiary, purchases raw materials that are subject to fluctuations in prices due to weather and natural disasters. As a result, the Group is exposed to the commodity price risk of raw materials. The Group enters into commodity swap contracts to hedge the risk of fluctuations in the prices of these raw materials.

(5) Capital management

The Group’s fundamental capital management policy is to improve capital efficiency through long-term improvements through business growth while maintaining a stable financial position.

The Group’s indicators for capital management are return on equity attributable to owners of the parent (“ROE”) and return on assets (“ROA”). ROE is the ratio of net profit to equity attributable to owners of the parent, and ROA is the ratio of profit before tax to total assets. In the previous fiscal year, an impairment loss on goodwill was recorded, and in the current fiscal year, a change in the business environment due to the spread of COVID-19 infection occurred.

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
ROE	(10.67)%	(0.94)%
ROA	(6.44)%	(1.28)%

The Group does not have any significant capital controls imposed by external parties.

(6) Classification of financial instruments

Balances by financial assets and financial liabilities classification were as follows:

Financial assets

As of December 31, 2019

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at fair value through other comprehensive income	Financial instrument measured at amortized cost	Total
Cash and cash equivalents	－	－	113,825	113,825
Trade and other receivables	－	－	98,528	98,528
Other financial asset (current)				
Derivative assets	556	－	－	556
Term deposits which mature due within three months	－	－	55	55
Current portion of long-term loans receivable	－	－	19	19
Other	－	－	121	121
Subtotal	556	－	195	752
Other financial asset (non-current)				
Derivative assets	23	－	－	23
Securities	－	27,728	－	27,728
Long-term loans receivable	－	－	68	68
Other	－	138	5,541	5,680
Subtotal	23	27,867	5,609	33,499
Total	579	27,867	218,158	246,604

As of December 31, 2020

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at fair value through other comprehensive income	Financial instrument measured at amortized cost	Total
Cash and cash equivalents	—	—	114,778	114,778
Trade and other receivables	—	—	96,009	96,009
Other financial asset (current)				
Derivative assets	518	—	—	518
Term deposits which mature due within three months	—	—	5	5
Current portion of long-term loans receivable	—	—	78	78
Other	—	—	101	101
Subtotal	518	—	184	702
Other financial asset (non-current)				
Derivative assets	136	—	—	136
Securities	—	19,898	—	19,898
Long-term loans receivable	—	—	50	50
Other	—	133	5,424	5,557
Subtotal	136	20,031	5,473	25,640
Total	654	20,031	216,445	237,130

Financial liabilities

As of December 31, 2019

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at amortized cost	Total
Trade and other payables	—	122,364	122,364
Bonds and loans payable	—	205,748	205,748
Lease liabilities	—	40,773	40,773
Other financial liabilities (current)			
Derivative liabilities	916	—	916
Subtotal	916	—	916
Total	916	368,885	369,801

As of December 31, 2020

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at amortized cost	Total
Trade and other payables	—	102,480	102,480
Bonds and loans payable	—	238,585	238,585
Lease liabilities	—	31,405	31,405
Other financial liabilities (current)			
Derivative liabilities	408	—	408
Subtotal	408	—	408
Other financial liabilities (non-current)			
Derivative liabilities	605	—	605
Subtotal	605	—	605
Total	1,013	372,470	373,483

Since the Group holds securities for strategic investment purposes, these securities are designated as equity instrument measured at fair value through the other comprehensive income.

The following is a fair value of the major issues of equity instrument measured at fair value through other comprehensive income.

(Millions of yen)

Issue	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Ricoh Co., Ltd.	4,092	2,324
Royal Holdings Co., Ltd.	1,638	1,219
Nishi-Nippon Railroad Co., Ltd.	1,008	1,218
IZUMI Co., Ltd.	910	864
East Japan Railway Company	1,134	792
Central Japan Railway Company	1,190	789

Dividends income related to investments held at the reporting date was as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Dividends income	481	422

The Group disposed a part of the equity instrument designated as measurement at fair value through other comprehensive income during the fiscal year from the viewpoint of reviewing business relationships. The fair value, the cumulative gains or losses (before tax effects) at the time of disposition and the dividends income were as follows:

(Millions of yen)

Previous fiscal year (From January 1, 2019 to December 31, 2019)			Current fiscal year (From January 1, 2020 to December 31, 2020)		
Fair value	Cumulative gain (Loss)	Dividends income	Fair value	Cumulative gain (Loss)	Dividends income
2,247	1,097	28	3,235	1,091	73

Cumulative gains or losses recognized in accumulated other comprehensive income are reclassified from accumulated other comprehensive income to retained earnings at the time of disposition.

Reference: Note 20. Equity (5) Accumulated other comprehensive income

(7) Fair value of financial instruments

(a) Classification by level of the fair value Hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

When more than one inputs is used to measurement the fair value, the level of the fair value hierarchy is determined based on the lowest level of inputs 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 previous fiscal year and current fiscal years.

(b) Fair value measurement

Securities are classified as Level 1 of the fair value hierarchy by the measurement of share prices, if any, in active market for the same asset or liability. If there is no active market stock price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and discounted future cash flows 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 its measurement include significant unobservable inputs.

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

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

As of December 31, 2019

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: 9.2-46.5 times EBITDA Multiple: 8.6 times PBR: 1.0-2.7 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

As of December 31, 2020

Type	Valuation technique	Significant unobservable inputs	Interactions between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value through other comprehensive income (Securities)	Comparison of similar companies	EBIT Multiple: 6.7-46.7 times EBITDA Multiple: 12.6 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

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

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

As of December 31, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	579	—	579
Subtotal	—	579	—	579
Financial instrument measured at fair value through other comprehensive income:				
Securities	22,475	—	5,253	27,728
Other	—	—	138	138
Subtotal	22,475	—	5,392	27,867
Total	22,475	579	5,392	28,446
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	916	—	916
Total	—	916	—	916

As of December 31, 2020

(Millions of yen)

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

The main valuation techniques used to fair value measurement the financial instruments in the table above are as follows:

a. Securities

Listed securities are measured based on quoted market prices and are classified into fair value hierarchy level 1.

b. Derivatives

The fair value of foreign currency forward contracts is calculated by discounting the value calculated using the forward exchange rate as of the end of the reporting period to the present value. As a result, foreign currency forward contracts are classified into fair value hierarchy level 2.

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

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	4,914
Purchase	—
Disposals	(4)
Gains or losses recognized in other comprehensive income	481
Balance at December 31, 2019	5,392
Purchase	—
Disposals	(8)
Gains or losses recognized in other comprehensive income	(441)
Transfers to disposal groups held for sale	(249)
Balance at December 31, 2020	4,694

Gains or losses recognized in other comprehensive income are recognized in "Net changes in financial asset measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

(d) Financial instrument measured at amortized cost

The components of carrying amount and fair value of financial instruments measured at amortized cost are as follows:

As of December 31, 2019

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	205,748	205,627	122

As of December 31, 2020

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	188,585	188,075	510

Long-term loans payable and bonds include current portion. Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term loans payable are not included in the above table because their fair value approximates its carrying amount because they are collected and settled in a short period of time.

The main valuation techniques used to fair value measurement the financial instruments in the table above are as follows:

a. Loans payable

Loans payable with variable interest rates are calculated the carrying amount as its fair value because interest rates are considered to reflect market interest rates in the short term. Loans payable with fixed interest rates is calculated based on the present value of future cash flows discounted using interest rates adjusted for remaining term and credit risk. Loans payable with variable interest rates and fixed interest rates are classified into level 2 of the fair value hierarchy.

b. Bonds

For bonds with quoted market prices, the fair value is estimated based on quoted market prices. For bonds without quoted market prices, the fair value is calculated based on the present value of future cash flows discounted using interest rates adjusted for the remaining term and credit risk. Bonds with quoted market prices are classified into level 1 of the fair value hierarchy and bonds without quoted market prices are classified into level 2.

(8) Derivatives and hedge accounting

The management of hedge accounting for the risk management of the Group is described in "(1) Financial risk management". Derivative transactions are conducted by Coca-Cola Bottlers Japan Inc.

(a) Impacts on the consolidated statements of financial position

The impact of hedging instrument designated as hedges on the consolidated statements of financial position was as follows: The carrying amount (fair value) of assets related to hedging instrument is included in "Other financial assets" and the carrying amount (fair value) of liabilities related to hedging instrument is included in "Other financial liabilities".

As of December 31, 2019

(Millions of yen)

Hedge type	Risk category	Hedging instrument	Notional amount	Carrying amount (fair value)	
				Assets	Liabilities
Cash flow hedges	Currency risk	Forward exchange contracts	15,567	404	－
	Price risk	Commodity swap	19,116	175	916
	Total		34,684	579	916

The average exchange rate used for forward exchange contracts was 105.42 yen per U.S. dollar.

As of December 31, 2020

(Millions of yen)

Hedge type	Risk category	Hedging instrument	Notional amount	Carrying amount (fair value)	
				Assets	Liabilities
Cash flow hedges	Currency risk	Forward exchange contracts	25,042	－	886
	Price risk	Commodity swap	7,868	654	127
	Total		32,910	654	1,013

The average exchange rate used for forward exchange contracts was 106.53 yen per U.S. dollar.

In hedging transactions conducted by the Group, the entire hedged item items are hedged, and there are no transactions to hedge certain risk elements.

The periods of hedge for cash flows movements of foreign currency forward contracts and commodity swaps are from February 2021 to January 2024 and from January 2021 to March 2023, respectively.

Accumulated other comprehensive income related to cash flow hedges was as follows: There were no accumulated other comprehensive income related to cash flow hedges arising from hedge relationships that discontinued hedge accounting.

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Forward exchange contracts	84	(634)
Commodity swap	(529)	299
Total	(445)	(335)

(b) Impact on the consolidated statements of profit or loss and consolidated statements of comprehensive income

The impacts on profit or loss and other comprehensive income related to hedging instrument designated as cash flow hedges were as follows:

For the year ended December 31, 2019

(Millions of yen)

Risk category	Amount of hedging gains or losses recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Changes in fair value of hedging instrument used as the basis for recognizing the hedge ineffective	Amounts reclassified from accumulated other comprehensive income to profit or loss as reclassification adjustments
Currency risk	180	157	404	—
Price risk	(843)	—	(740)	—
Total	(663)	157	(336)	—

For the year ended December 31, 2020

(Millions of yen)

Risk category	Amount of hedging gains or losses recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Changes in fair value of hedging instrument used as the basis for recognizing the hedge ineffective	Amounts reclassified from accumulated other comprehensive income to profit or loss as reclassification adjustments
Currency risk	(1,123)	31	(886)	—
Price risk	(2,175)	—	526	—
Total	(3,298)	31	(359)	—

Changes in the value of the hedged item used as the basis for recognizing the hedge ineffectiveness approximate changes in the fair value of hedging instrument.

There are no reclassification adjustments due to discontinuation of hedges, etc. If hedged item is a forecast transaction, such as acquisition of inventories, accumulated gains or losses on hedges in "Accumulated other comprehensive income" are reclassified to cost of inventories and other.

The hedge ineffective portion recognized in profit or loss and the amount reclassified to profit or loss as reclassification adjustments are included in finance income and finance expenses.

Because the terms between hedged item and hedging instrument are not perfectly matched, the differences in terms result in the hedge ineffective portion.

32. Significant subsidiaries

Significant subsidiaries of the Groups are as follows: Unless otherwise indicated, subsidiary's capital consists of ordinary share directly owned by the Group and its percentage ownership is the same as the percentage of voting power owned by the Group. The principal business locations are the same as those of the Company.

Operating segment	Name of subsidiary	Location of head office	The details of the business	Percentage of voting right Previous fiscal year (As of December 31, 2019)	Percentage of voting right Current fiscal year (As of December 31, 2020)
Beverage business	Coca-Cola Bottlers Japan Inc.	Minato-ku, Tokyo	Manufacture and sales of beverage and food	100.0%	100.0%
	FV Japan Co., Ltd.	Toshima-ku, Tokyo	Sales of beverages and foods	100.0%	100.0%
	Coca-Cola Bottlers Japan Vending Inc.	Higashi-ku, Fukuoka	Vending machine operation	100.0%	100.0%
	Coca-Cola Bottlers Japan Business Services Inc. (Note)	Higashi-ku, Fukuoka	In-office business	100.0%	100.0%
Healthcare & Skincare business (Discontinued operations)	Q'SAI CO., LTD.	Chuo-ku, Fukuoka	Manufacture and sales of health foods and cosmetics-related products	100.0%	100.0%

(NOTE) 1. Percentage of voting rights includes indirect holdings through subsidiary.

2. Transfer of all shares in Q'SAI CO., LTD., it was excluded from the scope of consolidation on February 1 2021.

33. Investments accounted for using the equity method

The primary associates of the Group are as follows: The principal business locations are the same as those of the Company. There is no individually significant associate.

Operating segment	Name of associate	Location of head office	The details of the business	Percentage of voting right Previous fiscal year (As of December 31, 2019)	Percentage of voting right Current fiscal year (As of December 31, 2020)
Beverage business	Apex Nishi-nihon Co., Ltd.	Fukushima-ku, Osaka	Beverage sale	34.0%	34.0%
	Resources Inc.	Takamatsu-shi, Kagawa	Vending machine-related business	44.0%	44.0%

(NOTE) Percentage of voting rights includes indirect holdings through subsidiary.

34. Commitment

Purchase commitments

Commitments related to acquisition of property, plant and equipment and intangible asset after the reporting date are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Property, plant and equipment	34,680	5,645
Intangible assets	31	97
Total	34,710	5,742

Purchase commitments excluding the above amounts were 4,575 million yen and 3,540 million yen for the previous fiscal year and the current fiscal year, respectively. Primarily due to the contract of outstanding obligations related to the gas purchasing contract.

35. Earnings per share

The computation of basic earnings (loss) per share attributable to owners of the parent is based on net profit for the year attributable to owners of the parent and the weighted-average number of shares of ordinary share outstanding.

Basis for calculation of basic earnings (loss) per share is as follows:

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net loss for the year attributable to owners of the parent (Millions of yen)	(57,952)	(4,715)
Weighted-average shares of ordinary share outstanding (in thousands)	179,852	179,350
Basic earnings(loss) per share (Yen)		
Continued operations	(335.35)	(39.76)
Discontinued operations	13.13	13.47
Basic loss per share (Yen)	(322.22)	(26.29)

(NOTE) Earnings per share after dilution is not disclosed because there are no dilutive shares.

36. Related party transactions

Transaction amounts and amounts outstanding with the related parties were as follows: Transactions with subsidiaries are not disclosed as they have been eliminated in consolidated financial statements.

For the year ended December 31, 2019

(Millions of yen)

Name	Relationship with affiliated companies	Transaction	The amount of the transaction	Amount outstanding
Coca-Cola (Japan) Company, Limited	Subsidiary of other subsidiaries and associates	Income from rebates of sales promotion	128,200	12,388
		Purchase of concentrate	357,593	25,341

For the year ended December 31, 2020

(Millions of yen)

Relationship with affiliated companies	Name	Transaction	The amount of the transaction	Amount outstanding
Subsidiary of other subsidiaries and associates	Coca-Cola (Japan) Company, Limited	Income from rebates of sales promotion	132,021	16,351
		Purchase of concentrate	306,759	10,273
An officer of the parent company holds a majority of the voting rights in another company, etc.	MICHINOKU COCA-COLA BOTTLING CO., LTD.	Sale of soft drinks	2,480	260
		Purchase of soft drinks	168	6

Note 1. The transaction amount does not include consumption taxes, but the amount outstanding includes consumption taxes.

2. Transactions with The Coca-Cola Company's subsidiary, Coca-Cola (Japan) Company, Limited are conducted based on the contract concluded with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited concerning the manufacture, sale of the Coca-Cola etc. and use of the Coca-Cola trademark.

3. Transactions with Michinoku Coca-Cola Bottling Co., Ltd. are determined in the same way as transactions with other parties with no association with our company and under the general trading terms and conditions that take into consideration the market prices, etc.

Compensation for major key management personnel is as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Remuneration	508	475
Stock-based compensation	50	132
Bonus	96	—
Other	—	81
Total	653	688

37. Events after the reporting period

(Significant Subsequent Events)

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 Qsai will no longer be a consolidated subsidiary of the Company, the assets and liabilities of Qsai are classified as a disposal group classified as held for sale for the fiscal year ending December 31, 2020, and the healthcare and skincare businesses are classified as discontinued operations. Details are provided in "V. Financial information, 1. Consolidated financial statements, (1) Notes to consolidated financial statements, 9. Disposal groups classified as held for sale and discontinued operations".

1. Reasons for the share transfer

In the healthcare and skincare business, we have been promoting improvements in efficiency and business contribution and have been examining the possibility of evaluating future opportunities for synergies across the two business segments.

In order to support the growth of this business at the next stage, we have determined that the transfer of the business to the transferee company is the most appropriate way to support the growth of the business, and we therefore transferred all of our shares in Q'sai.

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	37,830 million yen
(4)	Gain on sale	12,841 million yen
(5)	Shares owned by the Company after the transaction	0 shares (Voting rights the Company owns: 0%)

(2) Other information

Quarterly Information etc. for the current consolidated fiscal year

(Year-to-date)		1st quarter	2nd quarter	3rd quarter	Current fiscal year
Revenue	(Yen)	193,029	374,598	598,547	791,956
Net loss before income taxes and minority interests for the quarter or year	(Yen)	(8,067)	(15,067)	(9,157)	(12,065)
Net loss in attributable to owners of the parent for the quarter or year	(Yen)	(5,690)	(6,452)	(4,644)	(4,715)
Loss per share	(Yen)	(31.73)	(35.97)	(25.90)	(26.29)

(Quarter-to-date)		1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings (loss) per share	(Yen)	(31.73)	(4.24)	10.08	(0.39)

(Note): Net Income (Loss) Attributable to Owners of Parent is a total of continuing operation and discontinued operation results.

2. Financial Statements (Non-consolidated)

(1) Financial statements (Non-consolidated)

① Balance sheet

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	94,504	7,603
Prepaid expense	47	45
Short-term loans to affiliates	—	132,194
Account receivables - other	315	112
Other	3,895	1,640
Total current assets	98,760	141,595
Fixed assets		
Property, plant and equipment		
Buildings	18,436	14,887
Structures	1,274	1,080
Machinery, equipment and vehicles	23	18
Land	51,329	50,141
Total property, plant and equipment	71,061	66,126
Intangibles assets		
Leasehold	27	27
Software	3	2
Total intangibles asset	30	29
Investments and other asset		
Investment securities of subsidiaries and associates	379,043	378,471
Deferred tax assets	245	540
Other	543	544
Total investments and other assets	379,831	379,556
Total fixed assets	450,922	445,710
Total assets	549,683	587,306

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities		
Short-term loans payable	―	50,000
Current portion of bonds	16,000	―
Accounts payable	448	434
Accrued expenses	11	5
Deposits	20,522	12,660
Bonus provision	8	―
Provision of directors' bonuses	96	―
Other	247	624
Total current liabilities	37,332	63,723
Non-current liabilities		
Bonds	180,000	180,000
Asset retirement obligations	1,013	1,025
Performance-linked compensation provision	64	94
Other	135	72
Total non-current liabilities	181,211	181,191
Total liabilities	218,543	244,914
Net assets		
Shareholders' equity		
Capital stock	15,232	15,232
Capital surplus		
Legal capital reserve	108,167	108,167
Other capital surplus	158,784	158,783
Total capital surplus	266,951	266,950
Retained earnings		
Legal reserve	3,317	3,317
Other retained earnings		
Excess tax depreciation reserve	761	677
General reserve	110,388	110,388
Retained earnings brought forward	20,140	31,482
Total retained earnings	134,606	145,864
Treasury Stock	(85,649)	(85,654)
Total shareholders' equity	331,139	342,391
Total net assets	331,139	342,391
Total liabilities and net assets	549,683	587,306

② Statements of profit or loss

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019	Current fiscal year (From January 1, 2020 to December 31, 2020
Operating revenue	26,517	19,202
Operating expenses	4,787	4,372
Operating profit	21,730	14,831
Non-operating income		
Interest and dividends income	5	84
Other	26	12
Total non-operating income	31	96
Non-operating expenses		
Interest expense	602	548
Bond issuance costs	559	—
Other	328	33
Total non-operating expenses	1,489	581
Ordinary profit	20,273	14,345
Extraordinary income		
Gain on sales of non-current assets	1,052	2,959
Total extraordinary income	1,052	2,959
Extraordinary losses		
Loss on sales of non-current assets	155	507
Impairment losses	231	58
Loss on disposal of fixed assets	—	237
Special retirement allowance	74	—
Total extraordinary losses	460	802
Income before income tax	20,865	16,502
Income taxes	114	1,055
Income tax adjustments	49	(295)
Total income taxes	163	760
Net profit	20,702	15,742

③ Statements of changes in equity

Previous fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings
Balance at January 1, 2019	15,232	108,167	158,785	266,952	3,317	119,657
Changes during the year						
Dividend of surplus	—	—	—	—	—	(9,071)
Net profit	—	—	—	—	—	20,702
Purchase of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	(1)	(1)	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	(1)	(1)	—	11,631
Balance at December 31, 2019	15,232	108,167	158,784	266,951	3,317	131,289

	Shareholders' equity			Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	
	Total retained earnings			
Balance at January 1, 2019	122,974	(72,651)	332,507	332,507
Changes during the year				
Dividend of surplus	(9,071)	—	(9,071)	(9,071)
Net profit	20,702	—	20,702	20,702
Purchase of treasury stock	—	(13,002)	(13,002)	(13,002)
Disposal of treasury stock	—	3	3	3
Net changes in items other than shareholders' equity	—	—	—	—
Total changes during the year	11,631	(12,999)	(1,368)	(1,368)
Balance at December 31, 2019	131,289	(85,649)	331,139	331,139

Current fiscal year (From January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings
Balance at January 1, 2020	15,232	108,167	158,784	266,951	3,317	131,289
Changes during the year						
Dividend of surplus	―	―	―	―	―	(4,484)
Net profit	―	―	―	―	―	15,742
Purchase of treasury stock	―	―	―	―	―	―
Disposal of treasury stock	―	―	(1)	(1)	―	―
Net changes in items other than shareholders' equity	―	―	―	―	―	―
Total changes during the year	―	―	(1)	(1)	―	11,258
Balance at December 31, 2020	15,232	108,167	158,783	266,950	3,317	142,547

	Shareholders' equity			Total net assets
	Retained earnings	Treasury Shares	Total shareholders' equity	
	Total retained earnings			
Balance at January 1, 2020	134,606	(85,649)	331,139	331,139
Changes during the year				
Dividend of surplus	(4,484)	―	(4,484)	(4,484)
Net profit	15,742	―	15,742	15,742
Purchase of treasury stock	―	(8)	(8)	(8)
Disposal of treasury stock	―	3	2	2
Net changes in items other than shareholders' equity	―	―	―	―
Total changes during the year	11,258	(5)	11,252	11,252
Balance at December 31, 2020	145,864	(85,654)	342,391	342,391

Supplemental notes of the statement of changes in equity

(NOTE) Breakdown of other retained earnings

Previous fiscal year (From January 1, 2019 to December 31, 2019)

	Other retained earnings			
	Advanced depreciation reserve fund (Millions of yen)	Other voluntary reserve fund (Millions of yen)	Deferred retained earnings (Millions of yen)	Total other earnings (Millions of yen)
Balance at January 1	766	110,388	8,503	119,657
Changes during the year				
Dividend of surplus	—	—	(9,071)	(9,071)
Net income	—	—	20,702	20,702
Reversal of reserve funds	(5)	—	5	—
Purchase of treasury stock	—	—	—	—
Disposal of treasury stock	—	—	—	—
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes during the year	(5)	—	11,637	11,631
Balance at December 31	761	110,388	20,140	131,289

Current fiscal year (From January 1, 2020 to December 31, 2020)

	Other retained earnings			
	Advanced depreciation reserve fund (Millions of yen)	Other voluntary reserve fund (Millions of yen)	Deferred retained earnings (Millions of yen)	Total other earnings (Millions of yen)
Balance at January 1	761	110,388	20,140	131,289
Changes during the year				
Dividend of surplus	—	—	(4,484)	(4,484)
Net income	—	—	15,742	15,742
Disposal of treasury stock	(84)	—	84	—
Reversal of reserve funds	—	—	—	—
Purchase of treasury stock	—	—	—	—
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes during the year	(84)	—	11,343	11,258
Balance at December 31	677	110,388	31,482	142,547

【Notes】

(Significant accounting policies)

1. Accounting policy for measuring securities

(1) Bonds held to maturity

These are measured at amortized cost (straight-line method).

(2) Investment securities of subsidiaries and associates

These are measured at cost determined mainly by the moving-average method

(3) Other securities

With market value:

These are measured by market value method based on market prices as of the end of the fiscal year (valuation differences are all included in net assets, and the sold cost of securities is determined by the moving-average method).

Without market value:

These are measured at cost determined principally by the moving-average method.

2. Accounting policy for depreciation of assets

(1) Property, plant and equipment

Depreciation is calculated by the straight-line method. The main useful life is as follows:

Buildings	2 – 50 years

(2) Intangibles assets

Amortization is calculated by the straight-line method.

3. Accounting policy for provisions

(1) Bonus provision

Bonus provision is recognized at the estimated amount to be paid as of the fiscal year, in order to prepare for the payment of bonuses to employees.

(2) Provision of directors' bonuses

Provision of directors' bonuses is recognized the estimated amount to be paid as of the fiscal year, in order to prepare for the payment of bonuses to directors and corporate auditors.

(3) Performance-linked compensation provision

Performance-linked compensation provision is recognized the estimate amount to be paid as of the fiscal year, in order to prepare for the payment of shares and cash to executive directors and executive officers.

4. Other significant information for preparation of financial statements

Accounting policy for consumption taxes

Consumption taxes are subject to the net of tax method.

(Notes to Balance Sheet)

※1 Amounts related to subsidiaries and associates included in them are as follows:

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Short-term monetary receivables	305 million yen	112 million yen
Short-term monetary payables	20,618	12,766

2 Contract for overdraft

The Company has entered into the overdraft contracts with six banks to efficiently secure working capital. The unused outstanding of the overdraft contracts as of the end of the previous fiscal year and the current fiscal year is as follows:

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Maximum overdraft amount	255,000 million yen	255,000 million yen
Used outstanding of loans	—	50,000
Net amount	255,000	205,000

(Notes to statement of profit or loss)

※1 Transactions with affiliated companies

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Sales revenue and operating revenue	26,517 million yen	19,202 million yen
Transactions excluding operating transactions	30	86

※2Major items and amounts of selling, general and administrative expenses and operating expenses are as follows:

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Depreciation.	1,694 million yen	1,701 million yen
Taxes and dues	933	929
Rents expenses	500	515
Consignment expenses of business activities	201	93
Directors’ remuneration	508	556
Provision for directors' bonus provision	96	—
Provision for performance-linked compensation provision	40	30
Advertising expenses	29	13
Retirement benefit expenses	5	3
Bonuses and provision for bonuses provision	14	38

※3 The breakdown of gain on sales of non-current assets is as follows:

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Buildings	194 million yen	2,664 million yen
Structures	—	32
Land	858	263

※4 The breakdown of loss on sales of non-current assets is as follows:

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Buildings	－ million yen	40 million yen
Structures	－	5
Land	155	461

※5 Impairment losses

The Company decides the grouping of assets for business by business units on managerial accounting purpose whose profit or loss is managed on an ongoing basis. In addition, for rental assets and idle assets, the Company identifies each individual property as the smallest unit for grouping and assesses the indication of impairment.

For the buildings, structures and land of the applicable base of the idle assets whose land value has declined, the carrying amount has been reduced to its recoverable amount, and the amount of such reduction is recorded as impairment losses.

The recoverable amount of idle asset is calculated based on real estate appraisal value.

Previous fiscal year (From January 1, 2019 to December 31, 2019)

Region	Use	Number of sites	Type	Impairment losses
Kinki	Idle asset	3	Buildings Structures Land	11 million yen 1 218
Kyushu	Idle asset	2	Land	1

Current fiscal year (From January 1, 2020 to December 31, 2020)

Region	Use	Number of sites	Type	Impairment losses
Kinki	Idle asset	2	Buildings Land	0 million yen 1
Kyushu	Idle asset	4	Buildings Land	17 41

(Securities)

Investment securities of subsidiaries and associates (the amount of investment securities of subsidiaries in the balance sheet for the previous fiscal year and the current fiscal year were 379,043 million yen and 378,471 million yen, respectively) are not noted, as they do not have quoted market prices and it is deemed extremely difficult to determine their fair value.

(Tax effect accounting)

1. The breakdown of major causes of deferred tax assets and deferred tax liabilities

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets		
Excess of depreciation	1,865 million yen	2,096 million yen
Carryforwards of unused tax losses	294	—
Impairment losses	454	232
Securities of subsidiaries	—	187
Other	617	643
Subtotal deferred tax assets	3,231	3,157
Valuation allowance	(554)	(355)
Total deferred tax assets	2,677	2,802
Deferred tax liabilities		
Advanced depreciation reserve fund	(969)	(926)
Difference on revaluation of land	(1,380)	(1,260)
Other	(83)	(76)
Total deferred tax liabilities	(2,432)	(2,261)
Deferred tax assets (liabilities), net	245	540

2. Differences between the statutory tax rate and the applicable tax rate after tax effect

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2020)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Dividends income	(29.7)	(25.1)
Permanent differences such as entertainment expense	0.7	0.4
Valuation allowance	(0.9)	(1.3)
Other	0.1	0.0
Applicable tax rate after tax effect	0.8	4.6

(Significant events after the reporting period)

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 February 1 2021.

For further details, please refer to notes 37, "events after the reporting period"

④ Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment

(Millions of yen)

Classification	Type of asset	Balance at the beginning of the year	Increase during the year	Decrease during the year	Depreciation and amortization during the year	Balance at end of the year	Accumulated depreciation, amortization and impairment losses
Property, plant and equipment	Buildings	75,709	―	6,467 (17)	1,557	69,242	54,355
	Structures	12,446	―	554 (―)	149	11,892	10,811
	Machinery, equipment, vehicles	35	―	―	5	35	17
	Land	51,329	―	1,188 (42)	―	50,141	―
	Total	139,519	―	8,210 (58)	1,712	131,309	65,184
Intangible assets	Leasehold	27	―	―	―	27	―
	Software	5	―	―	1	5	3
	Total	32	―	―	1	32	3

(NOTE) 1. Breakdown of main decrease is as follows:

Buildings	Impact of sales Hakozaki office	2,234 million yen
	Impact of sales Hiroshima office	568 million yen
Land	Impact of sales of Kitakyushu recycle center	199 million yen

2.The figures in the ( ) in "Decrease during the year" represent the amount of impairment loss recorded.

3. The balance at the beginning of the fiscal year and the balance at the end of the fiscal year are stated based on the acquisition price.

Annexed detailed schedule of provisions

(Millions of yen)

Account title	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Allowance for bonuses	8	―	8	―
Allowance for officers' bonuses	96	―	96	―
Officer's compensation	64	94	64	94

(2) Components of major assets and liabilities

This information is omitted because the consolidated financial statements are prepared.

(3) Other information

Not applicable.

VI. Overview of operational procedures for shares

Accounting period	From January 1 to December 31
Ordinary General Meeting of Shareholders	March
Record date	December 31
Record date of dividend	June 30 December 31
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling place	(Special Account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency business Planning Department 4-5-33 Kitahama, Chuo-ku, Osaka-shi
Administrator of Shareholders' Register	(Special Account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	——————
Purchase or purchase increase fee	Calculate the amount of fee per unit based on the following formula and make this amount proportional to the number of odd-lot shares purchased or purchased. (Calculation formula) Amount of total purchased price or price per purchase multiplied by one unit share number Amount less than 1 million yen 1.150% Amount in excess of 1 million yen and 5 million yen or less 0.900% Amount of 5 million yen or more and 10 million yen or less 0.700% Amount more than 10 million yen and 30 million yen or less 0.575% Amount more than 30 million yen and 50 million yen or less 0.375% （If fractional numbers less than the circle are generated, truncation） However, if the calculated amount per unit is less than 2,500 yen, it shall be 2,500 yen.
New ticket delivery fee	Free
Publication notice publication method	Electronic public notice on the Company's website (https://www.ccbj-holdings.com/). However, if it is not possible to make public notices by electronic public notice due to an accident or other unavoidable circumstances, public notices shall be listed in Nihon Keizai Shimbun.
Benefits to shareholders	Not applicable

(Note) Rights for shares of less than one unit

Pursuant to the Company's articles of incorporation, shareholders holding shares of less than one unit of shares have no rights other than those listed below:

- Rights listed in Article 189, Paragraph 2 of the Companies Act.
- The right to make demands pursuant to Article 166, Paragraph 1 of the Companies Act
- The right to receive allotment of shares for subscription or stock acquisition rights for subscription according to the number of shares held by the shareholder
- The right to demand cash-out of shares of less than one unit of shares

VII. Reference information about the Company

1. Information about parent company of reportable segment

The Company has no parent company, etc. stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The following documents have been submitted between the start date of this fiscal year and the date of submission of the securities report.

(1) Securities report and its attached documents and confirmation

Business year (62nd term) (January 1, 2019 to December 31, 2019) Submitted to Kanto Finance Bureau March 27, 2019

(2) Internal control report

Submitted to Kanto Finance Bureau March 26, 2020

(3) Quarterly report and confirmation

(First quarter of the 63rd term) (January 1, 2020 to March 31, 2020) Submitted to Kanto Finance Bureau Chief May 14, 2020

(Second quarter of the 63rd term) (April 1, 2020 to June 30, 2020) Submitted to Kanto Finance Bureau Chief August 13, 2020

(Third quarter of the 63rd term) (July 1, 2020 to September 30, 2020) Submitted to Kanto Finance Bureau Chief November 13, 2020

(4) Extraordinary report

Filed with the Director-General of the Kanto Local Finance Bureau on March 31, 2020

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (results of voting in the General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(5) Amended Shelf Registration Statement

Submitted to Kanto Finance Bureau Chief March 31, 2020

Part II. Information about company which provides guarantee to reportable segment

Not applicable