Annual Securities Report

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

Fiscal Year	From January 1, 2022
(65th Fiscal Term)	to December 31, 2022

Coca-Cola Bottlers Japan Holdings Inc.

（Formerly Coca-Cola Bottlers Japan Inc.）

(E00417）

This is an English translation of the original Annual Securities Report ("Kukushkin 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 29, 2023
[Fiscal year]	65th fiscal term (from January 1, 2022 to December 31, 2022)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
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[Location provided for viewing]	Tokyo Stock Exchange, Inc. （2-1 Nihonbashi Kabutocho, Chuo Ward, Tokyo）

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.

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				
		61st	62nd	63rd	64th	65th
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Revenue	(Millions of yen)	927,307	890,009	791,956	785,837	807,430
Income (Loss) for the year before income tax	(Millions of yen)	14,767	(58,922)	(12,065)	(21,683)	(12,491)
Net income (loss) attributable to owners of the parent	(Millions of yen)	10,117	(57,952)	(4,715)	(2,503)	(8,070)
Comprehensive income(loss) attributable to owners of the parent	(Millions of yen)	3,152	(52,164)	(2,214)	780	(5,005)
Equity attributable to owners of the parent	(Millions of yen)	580,448	505,999	501,643	492,320	476,216
Total assets	(Millions of yen)	877,472	952,444	939,603	867,111	826,737
Equity attributable to owners of the parent per share	(Yen)	3,163.63	2,821.27	2,797.03	2,745.12	2,655.38
Earnings per share	(Yen)	52.68	(322.22)	(26.29)	(13.96)	(45.00)
Diluted earnings per share	(Yen)	—	—	—	—	—
Ratio of equity attributable to owners of the parent	(%)	66.2	53.1	53.4	56.8	57.6
Ratio of income to equity attributable of the parent	(%)	1.6	(10.7)	(0.9)	(0.5)	(1.7)
PER	(Times)	62.4	(8.7)	(61.2)	(94.6)	(31.9)
Cash flows from operating activities	(Millions of yen)	51,244	42,629	43,716	35,982	42,717
Cash flows from investing activities	(Millions of yen)	(48,628)	(68,308)	(52,076)	15,271	(23,090)
Cash flows from financing activities	(Millions of yen)	(55,835)	73,994	20,912	(67,134)	(46,050)
Cash and cash equivalents at the end of the year	(Millions of yen)	65,510	113,825	126,378	110,497	84,074
Number of the employees [Average number of temporary workers]	(People)	17,100 [3,957]	16,959 [3,578]	16,274 [4,008]	15,083 [3,777]	14,484 [3,416]

(NOTE) 1. Diluted net income per share through 63rd fiscal years are not shown in the above table, as there are no residual shares. Diluted earnings per share is not presented, as the effects of dilutive stock on earnings per share are anti-dilutive in the 64th and 65th fiscal year.

2. The consolidated financial statements are disclosed in accordance with the International Financial Reporting Standards ("IFRS").

3. Figures are rounded to the nearest million yen.

4. In the fiscal year ended 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 63rd fiscal 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. Discontinued operations” for the reclassified amounts of the Revenue and Profit before income tax of the discontinued operations.

Fiscal term		Japanese GAAP
		61st
Fiscal year-end		December 2018
Sales revenue	(Millions of yen)	968,439
Recurring income	(Millions of yen)	26,011
Net profit attributable to owners of the parent	(Millions of yen)	10,948
Comprehensive income	(Millions of yen)	440
Net assets	(Millions of yen)	550,775
Total assets	(Millions of yen)	833,915
Net assets per share	(Yen)	2,999.40
Net profit per share	(Yen)	57.01
Diluted earnings per share	(Yen)	—
Ratio of equity to asset	(%)	66.0
Ratio of return on equity	(%)	1.9
Price-earnings ratio	(Times)	57.6
Cash flows from operating activities	(Millions of yen)	50,768
Cash flows from investing activities	(Millions of yen)	(48,621)
Cash flows from financing activities	(Millions of yen)	(55,366)
Cash and cash equivalents are the beginning of the year	(Millions of yen)	65,510
Number of the employees [Average number of temporary workers]	(People)	17,100 [3,957]

(NOTE)

1. Diluted earnings per share is not disclosed because there are no residual shares.
2. 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.
3. Figures are rounded to the nearest million yen.

(2) Management indicators of the Company

Fiscal term		61st	62nd	63rd	64th	65th
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Operating revenue	(Millions of yen)	10,375	26,517	19,202	5,797	5,640
Recurring income	(Millions of yen)	5,224	20,273	14,345	1,201	1,869
Net income	(Millions of yen)	4,395	20,702	15,742	18,395	1,562
Capital stock	(Millions of yen)	15,232	15,232	15,232	15,232	15,232
Total number of issued shares	(Thousands of shares)	206,269	206,269	206,269	206,269	206,269
Net assets	(Millions of yen)	332,507	331,139	342,391	351,812	344,402
Total assets	(Millions of yen)	478,484	549,683	587,306	543,410	502,941
Net assets per share	(Yen)	1,812.27	1,846.32	1,909.09	1,961.66	1,920.38
Dividends paid per share (Interim dividends paid per share)	(Yen)	50.00 (25.00)	50.00 (25.00)	25.00 (−)	50.00 (25.00)	50.00 25.00
Net profit per share	(Yen)	22.89	115.11	87.77	102.57	8.71
Diluted earnings per share	(Yen)	—	—	—	102.33	8.68
Ratio of equity to asset	(%)	69.5	60.2	58.3	64.7	68.5
Ratio of return on equity	(%)	1.2	6.2	4.7	5.3	0.4
Price-earnings ratio	(Times)	143.5	24.2	18.3	12.9	164.9
Dividend payout ratio	(%)	218.4	43.4	28.5	48.7	573.9
Number of the employees [Average number of temporary workers]	(People)	— [−]	— [−]	— [−]	— [−]	— [−]
Total Shareholder Return [Comparative index: TOPIX Net Total Return Index]	(%) (%)	81.0 [84.0]	70.3 [99.2]	42.1 [106.6]	36.3 [120.2]	40.4 [117.2]
Highest stock price	(Yen)	4,815	3,490	3,070	2,131	1,655
Lowest stock price	(Yen)	2,793	2,157	1,462	1,236	1,311

(NOTE)
1. Diluted net income per share through 63rd fiscal years are not shown in the above table, as there are no residual shares.
2. The figures of less than one million yen have been rounded off to the nearest million yen.
3. The number of employees has been omitted since we are holding company.
4. The highest and lowest stock prices are from Tokyo Stock Exchange Prime Market since April 4th,2022.
5. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others were applied from the beginning of the 65th fiscal year. There is no impact on key management indicators for the 65th term.

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 Bottlers Japan Vending Inc.), Nishinihon Beverage Co., Ltd. and Coca-Cola West Retail Service Co., Ltd. (Coca-Cola 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. later Coca-Cola Bottlers Japan Inc.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.
Feb. 2021	Transferred all shares of Q’sai.CO., LTD.

3. Description of business

The Group’s corporate group consists of the Company, 9 subsidiaries, one affiliate with Beverage business as its primary 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.

Beverage business

(Manufacture 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., etc.

b. Manufacture 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 Inc., etc.

(Procurement of ingredients and materials)

It is engaged by Coca-Cola Bottlers Japan Inc.

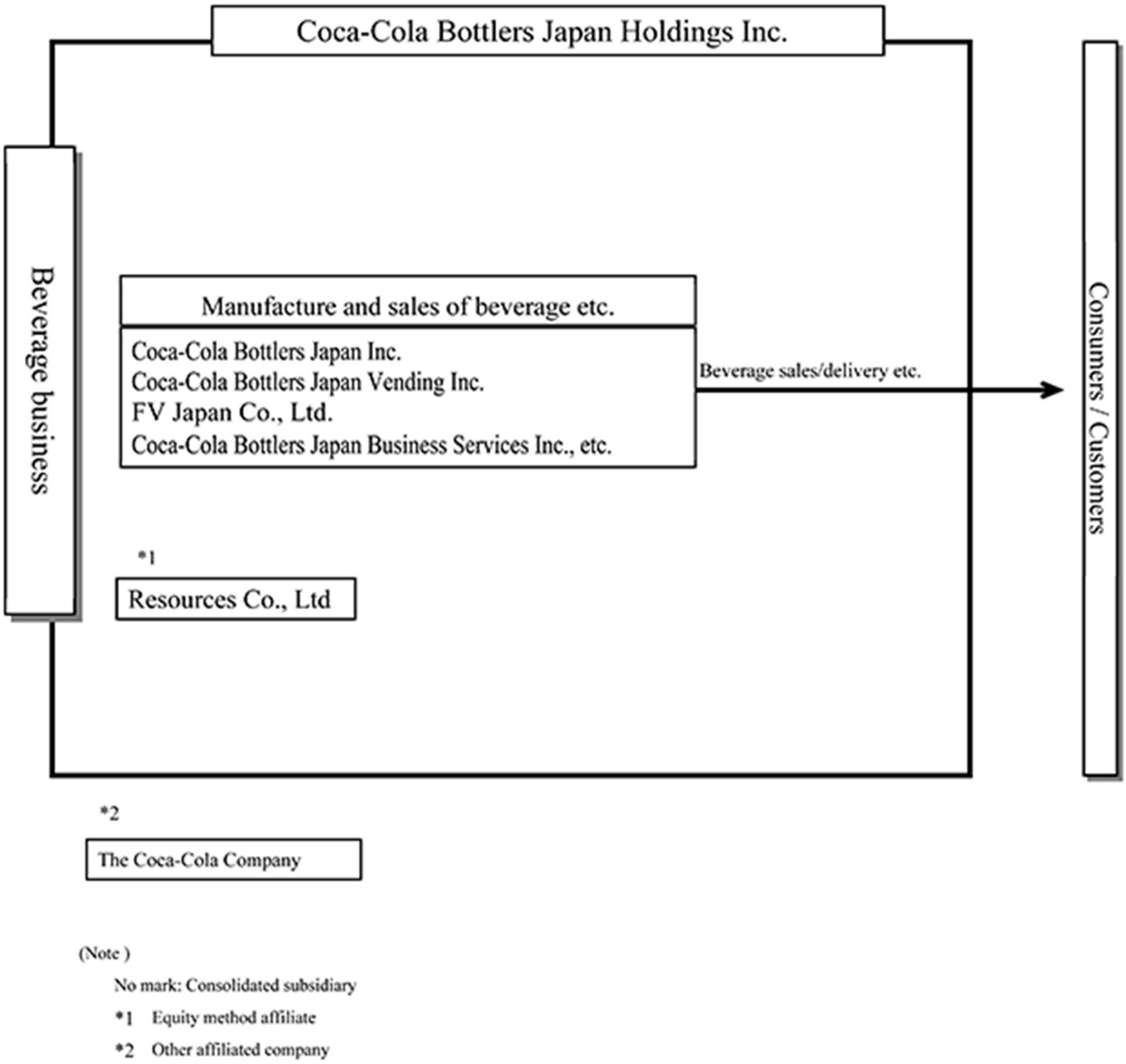
(Development, maintenance, and operations of information systems)

They are engaged by Coca-Cola Bottlers Japan Inc.

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) 2,3	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	Minato-ku, Tokyo	80	Operation of vending machines	100.0 (100.0)	————
FV Japan Co., Ltd. (Note) 1	Toshima-ku, Tokyo	100	Sale of beverages and foods	100.0 (100.0)	————
Coca-Cola Bottlers Japan Business Services Inc. (Note) 1	Minato-ku, Tokyo	80	On-site administration related with sales of beverage/food	100.0 (100.0)	————
Other 5 companies					

(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. 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	768,594 million yen
(JGAAP)	(2) Recurring income(loss)	(12,277) million yen
	(3) Net income(loss)	(4,608) million yen
	(4) Net assets	406,655 million yen
	(5) Total assets	663,024 million yen

(2) Equity Method Affiliates

Name	Address	Common stock (millions of yen)	Principal businesses	% of voting rights interests	Relation
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)	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, 2022

Segment	Number of employees
Beverage business	14,484 [3,416]
Total	14,484 [3,416]

(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 12,693 as of December 31, 2022. The Labor Union-management relations have remained cordial.

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II. Business overview

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

(1) Fundamental Management Policy of The Company

CCBJH Group has established its corporate philosophy "Mission," "Vision" and "Values" summarized as "Paint it RED!".

As our Mission states, 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

The future beverage market and business environment are expected to remain uncertain due to increasing prices of commodity and utility as well as the impact of exchange rate fluctuations. In order to cope with the worsening profitability due to such cost pressures, we will take the following actions.

- Implementing price revisions
- Sales activities focused on profitability and investment efficiency
- Reduce costs and strengthen business foundation

(3) Issues to be addressed by the Company

Regarding the outlook for the overall domestic NARTD beverage market, as the transition to a new phase of post-COVID progresses, although the increase in traffic and revitalization economic activity will lead to an increase in demand for beverages, the market trend is expected to be impacted by decline in consumer sentiment due to continuing impact of domestic inflation, beverage price revisions and the cycling of the heat wave in the previous year is expected to have an impact. Additionally, continued volatility in the commodity, forex, and utility is expected, which will make it a challenging environment for profitability.

Under these circumstances, in 2023, we will prioritize improving profitability. As part of this, in order to respond to cost increases caused by external factors and to strengthen our earnings foundation base, we will revise the prices of some products, such as can and large PET, effective from May 1 shipment. In addition, we will work to thoroughly implement a sales strategy that emphasizes profitability and investment efficiency and promote further transformation to realize stable and low-cost operations.

In the commercial area, in order to steadily recover sales revenue and establish a profit structure to achieve sustainable growth, we will work top priority to improving the price per case through an appropriate pricing strategy centered on the implementation of price revisions. Regarding sales volume, although we expect the negative impact on sales volume by price revision, we will implement strategies focusing on core categories, expand our product portfolio based on innovation, and implement marketing investments that emphasize effectiveness and efficiency. Regarding our important vending channel, we will work by developing new locations that emphasize investment efficiency and by utilizing digital platforms such as the smartphone app "Coke ON". In the over-the-counter channel, we will actively develop new products, expand sales floors, implement appropriate pricing and marketing strategies, and strengthen customer engagement. Furthermore, we will continue to strengthen our partnership with Coca-Cola (Japan) Co., Ltd.

In the supply chain area, we will work to build a supply chain network that realizes high quality, low cost, and stable supply. In addition to focusing on stable operation of the S&OP process that was revamped in 2022, we will further strengthen the cooperation between the commercial (planning / sales) and the supply chain to work on the timely and low-cost supply of products in line with changes in the environment. In terms of manufacturing, we will work to improve manufacturing capacity by operating a new manufacturing line at the Ebina Plant, promote efficiency in manufacturing processes, and build a flexible manufacturing system. In terms of logistics, we will work to optimize the logistics network through the stable operation at "Akashi Mega DC" which started operation in 2022, consolidation of sales centers and the reduction and optimal distribution of product inventory. In 2023, procurement costs are expected to continue to increase significantly due to soaring prices of commodity and utility, fluctuations in exchange rates, we will strive to mitigate the impact of cost increases throughout the value chain by implementing all improvement activities centered on stable and low-cost operations.

As the foundation of the entire business, we aim to further accelerate the standardization of business processes and the efficiency improvement by digital transformation (DX), and to establish a robust cost structure that can counteract the changing environment with agility. We will also focus on improving our balance sheet from the perspective of appropriate management of capital. Additionally, we will implement a people strategy based on our company's "Mission, Vision and Values", we will continue to promote activities to realize ESG targets based on creating shared value, with society such as initiatives aiming for a zero-waste society, reducing greenhouse gas (GHG) emissions, and activities that contribute to local communities through business.

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 has implemented an overarching business resilience program that integrates the way in which we manage risk and opportunity to enable profitable growth; protect our people and assets; enhance our capabilities to respond in a crisis; and the way we use insurance to respond to certain risks.

The program encompasses our enterprise risk management (ERM), crisis response, security, business continuity and insurance strategies and is led by the Head of Risk Management (HRM). Our ERM PDCA framework is based on COSO and ISO31000 and provides a framework to drive profitable growth by leveraging opportunities and promoting appropriate risk-based decision-making, as well as fostering strong capabilities in the identification and response to foreseeable risks. The HRM is tasked with maintaining a wide-angled view of all business streams for emergent risks and opportunities and, through regular reporting, ensures that risk visibility is provided to the Executive and our Board. The ERM team works in close collaboration with the risk owners across functions in assessing and managing business risks.

The Board retains overall accountability and responsibility for our risk management and internal control systems, and has defined the Group’s risk appetite, and, through the Audit and Supervisory Committee, reviews the effectiveness of these systems. During the year, the Board was provided full visibility of and actively considered our reportable risks, which are those risks that have the potential to impact the ability of the Group to achieve its strategic objectives.

During this fiscal year, we continued to focus on increasing the involvement of management in the ERM processes. Functional risk review sessions were held with senior leaders across the business with risk interviews conducted with the members of the leadership team. The team 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 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 were determined through discussion and evaluation by the Executive Leadership Team 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 ERM program incorporates a variety of processes which include alignment to our business strategies, objectives and principles; integration in our Group statements on strategic direction, ethics and values; integration into the business planning cycle; continual monitoring of our internal and external environment for factors that may change our risk profile and create opportunities; establishment of training to increase risk management knowledge across all functions to develop informed risk-taking leaders; and an annual evaluation of the type and amount of insurance purchased to ensure adequate financial protection is in place.

Our ERM activities include monthly risk discussions by the executive leadership 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 function. The ERM process is subject to internal audit against global best practices with the Head of Audit making improvement recommendations as required.

(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 priority order. During the year commodity pricing and people talent have emerged as key risks driven by changes to the operational and macro environments. Additionally, risks associated with climate change continual to evolve and are in focus by the Group. The risks listed in this table do not necessarily cover all the risks to the business and we may be affected in the future by new and unexpected risks or other risks that are currently considered less important or of a lower operational priority.

Risk category	Description and Potential Impacts	Key mitigations
Commodity Pricing	Risk of procurement costs increasing due to, such as, fluctuations in exchange rates, raw material shortages, and commodity prices. • Increased cost base • Reduced product supply • Limitations to product portfolio	• 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 leveraging Coca-Cola system
Macroeconomic	Risk of volatile and challenging macro-economic conditions caused by key global events including conflict, inflation, and foreign currency fluctuations. • Deterioration of financial conditions • Reduced consumption spending • Changes in consumer spending patterns	• 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
Cyber Security and System Availability	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	• Prepare the response plans 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 • Develop and maintain a system workforce with the ability to respond to cyber incidents
Changing Consumer Mindset	Risk of changes in consumer preferences caused by COVID19, growing concerns over sugar consumption and increased health awareness • Acquisition or loss of consumer base • Winning or losing trust from consumer • Discriminatory taxation	• Focus on product innovation and portfolio expansion • Strengthen range of low and no calorie beverages. • Diversification in pack sizes • Promote active lifestyles through consumer engagement program
People Talent (Attraction and Retention)	Risk of not being able to secure, retain and develop enough human resources and build constructive relationships with labor unions due to poor business performance and a competitive employment environment. • Slowdown or suspension of business activities • Slowdown or suspension of supply chain operations • Inability to achieve growth plans	• Implement strategic people development plans and develop a new salary payment structure • Recruit diverse talent and commitment to people development (including overseas) • Implement unmanned plant operations, online transactions, and outsourcing of shipping operations • Enhance the workplace environment to improve employee satisfaction • Strengthen communication between top management and employees
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	• Strong Business Continuity Plan (BCP) and crisis response capabilities 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 • Redesign of DCHQ model to enable enhanced regional response and speed of response
Evolving Commercial and Competitive Landscape	Risk of changes in the retail market environment led by a surge in online ordering and a change in spending behavior driven by the external macro environment. • Acquisition or loss of consumer base • Winning or losing trust from consumers • Reduced sales profit • Reduced portfolio availability	• 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
Growth Strategies	Risk of failing to implement measures to improve our competitive advantage and grow the business (such as, through business integration, capital investments, product development, etc.). • Deterioration of financial conditions caused by loss due to impairment • Losing trust from shareholders	• 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 • Supervision by Board of Directors and Executive Officers

Risk category	Description and Potential Impacts	Key mitigations
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	• 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
Sustainability	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	• 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 • Proactive response in line with ESG and TCFD reporting requirements.
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 customer penalties	• 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	• 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
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	• Building a flexible supply system to respond to changes in the market environment • 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 • Strengthen supplier management and supervision
Climate Change	Risk of raw material shortages including water and agricultural products or operational impacts due to adverse weather associated with climate change. • Reduced commodity availability and product supply • Increase of production costs • Limitations to product portfolio • Impact to operations (e.g. damage to facilities) • Discriminatory taxation	• 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 • Crisis response and business continuity planning • Risk engineering in support of insurance coverage
Health and Safety	The risk of serious work-related health and safety incidents (i.e. serious injury or death) including transportation accidents. • Death or serious Injury • Reputation damage • Prosecution and fines	• Continue ISO45001 (Occupational Health and Safety) Certification/Internal Audit (Occupational Health and Safety) strategies. • Continue implementing mental health survey.
Franchise relationships	Risk related to our high dependency on, or changes to our relationship with TCCC and CCJC 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 TM rights and/or decline in product development capabilities and brand power. • Increased COGS due to concentrate price. • Increased sales promotion expenses in event of any decrease in sales support.	• Maintaining and improving cooperative relationships with The Coca-Cola Company and Coca-Cola (Japan) Company

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

Overview of financial results

(1) Overview of Full-Year 2022 Results

Coca-Cola Bottlers Japan Holdings Inc. (“CCBJH,” the “Company,” or “we”) have announced full-year results for the fiscal year (January 1, 2022, to December 31, 2022).

In this fiscal year, the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume is estimated to have grown by 4% versus the previous fiscal year. This was due to demand being supported by recovery in the number of people returning to the streets of Japan with the easing of COVID restrictions, revitalization of economic activity, and a record-breaking heat wave contributing to volume growth, while the price revisions implemented by various beverage companies impacted demand. On the other hand, the business environment remained uncertain and challenging as the severe competitive environment continued and rising commodity and utility prices, as well as the rapid acceleration of the yen's depreciation impacted business and consumer behaviors.

Under these circumstances, we positioned 2022 as "The year of building a foundation for sustainable growth" and worked to build a foundation for steady and sustainable growth, as well as promote further transformation. In commercial activities, we grew sales volume and sales revenue by introducing new products, responding to diversifying consumer needs, and executing effective campaigns to capture opportunities for the recovery in traffic. In addition, to respond to current cost pressures and to strengthen the earnings foundation for the future, we revised prices for our products ahead of the industry despite the continued severe competitive environment. For the price revisions, we have carefully negotiated with customers and made efforts to reflect revised prices as soon as possible, particularly for vending machines. In manufacturing and supply chain fields, while faced with rising commodity and utility prices, we have built a supply chain that can flexibly respond to sudden changes in demand by revamping our Sales and Operations Planning process and leveraging our Saitama and Akashi Mega Distribution Centers, two of the largest automated distribution centers in Japan by storage and shipping capacities. Although we experienced a surge in demand during the summer -the period of peak demand- coinciding with a recovery in traffic and the heat wave, our efforts resulted in a stable supply of products. We also worked to reduce costs through efficient use of manufacturing facilities and reviewing our distribution network.

We are realizing ESG targets that are based on creating shared value with society. To achieve our 2030 Package Vision, which aims for a World Without Waste, we have been working on the design aspects of product packaging, such as expanding the use of 100% recycled PET bottles and establishing a recycling scheme in collaboration with local governments and partner companies for the steady collection of high-quality packages. In addition, for further recycling of resources, we have established the CAN to CAN horizontal recycling system of aluminum cans and started manufacturing and selling products produced from recycled materials. To reduce greenhouse gas (GHG) emissions, we have enhanced our climate-related financial disclosure and promoted activities based on the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In other efforts to contribute to local communities through business, we have implemented water source conservation activities, donated products to food banks, and placed vending machines to support local activities. As part of our efforts to promote diversity, we have worked to raise understanding of LGBTQ through internal and external awareness-raising opportunities to create a better working environment. Such ESG initiative have been positively appraised, and for the fifth consecutive year we have been selected as a component of the DJSI Asia Pacific, a leading global ESG investment index.

Details for the fiscal year earnings are as follows.

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.

Summary of Consolidated Financial Results

(In million JPY except sales volume)

Full year (January to December)	2021	**2022**	Change (%)
Revenue	785,837	**807,430**	2.7
Sales volume (million cases)	467	**480**	3
Gross Profit	350,505	**351,755**	0.4
Selling, General & Administrative Expenses	363,750	**365,295**	0.4
Other income (Recurring)	887	**974**	9.8
Other expenses (Recurring)	2,142	**1,924**	(10.2)
Investment gain(loss) on equity method	(162)	**46**	—
Business Income (Loss)	(14,662)	**(14,443)**	—
Other income (Non-recurring)	9,251	**8,338**	(9.9)
Other expenses (Non-recurring)	15,560	**5,408**	(65.2)
Operating Loss	(20,971)	**(11,513)**	—
Net Loss Attributable to Owners of Parent	(2,503)	**(8,070)**	—

Q4 (October to December)	2021	**2022**	Change (%)
Revenue	196,306	195,109	(0.6)
Sales volume (million cases)	116	113	(3)
Gross Profit	89,682	84,439	(5.8)
Selling, General & Administrative Expenses	89,882	86,973	(3.2)
Other income (Recurring)	237	280	18.2
Other expenses (Recurring)	635	982	54.7
Investment gain (loss) on equity method	(41)	(11)	—
Business Loss	(639)	(3,247)	—
Other income (Non-recurring)	3,667	900	(75.4)
Other expenses (Non-recurring)	4,021	2,114	(47.4)
Operating Loss	(993)	(4,460)	—
Net Loss Attributable to Owners of Parent	(968)	(2,876)	—

* 1. “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.

2 Net Income (Loss) Attributable to Owners of Parent for 2021 is a total of continuing operation and discontinued operation results.

3. Sales volume in 2021 is revised retroactively due to changes of counting segmentation and scope in some products.

Consolidated revenue was 807,430 million yen (2.7% increase of 21,594 million yen from the same period of the previous year). Although there was a negative impact on sales volume following the price revisions, sales volume increased by 3% versus the previous year. This was due to the introduction of new products and channel-specific efforts to meet diversifying consumer needs, which supported capturing the opportunity of traffic recovery and increased demand due to the heat wave. Volume growth in the profitable vending channel and the improvement in wholesale revenue per case through price revisions contributed to the increase in revenue. In the fourth quarter (October 1, 2022 to December 31, 2022), with the price revisions implemented in October for small packages, wholesale revenue per case increased in all channels.

Consolidated business loss was 14,443 million yen (14,662 million yen loss in prior year period) and improved versus the previous year. We have achieved profit improvement of about 20 billion yen in areas that are under our control, such as volume growth, price revisions, and cost savings through improved manufacturing, logistics efficiency and acceleration of transformation. However, external factors such as commodities, yen depreciation and higher utility costs had significant impact on our business.

Consolidated operating loss was 11,513 million yen (20,971 million yen loss in prior year period). In addition to business income improving versus the previous year, operating income improved versus the previous year due to gains on sales of fixed assets and a decrease in temporary paid leave expenses. Other income (non-recurring) for the fiscal year includes gains on sales of property, plant, and equipment of 4,561 million yen and 3,329 million yen in government subsidies for employment adjustment. Other expenses (non-recurring) include 2,168 million yen in temporary paid leave expenses, 1,298 million for transformation related expense, 1,104 million yen in special retirement allowances related to the voluntary employee retirement programs, and 812 million yen in losses on sales and disposals of property, plant, and equipment.

Net income attributable to owners of the parent was a loss of 8,070 million yen (2,503 million yen loss in prior year period). While operating income improved from the previous period, income attributable to owners of the parent company got worse due to the absence of a gain on transfer of shares of subsidiary Q'sai Co., Ltd. Recorded in discontinued operations in the previous year being recorded in discontinued operations.

Beverage volume performance

Full-year sales volume increased by 3% with the recovery in traffic and increased demand from the heat wave, despite the price revisions having a negative volume impact. By channel, supermarkets, drugstores, and discounters were impacted by the price revisions and from the severe competition, despite the execution of campaigns to capture the traffic recovery and active introduction of new products. As a result, sales volume at supermarkets declined by 5%, while sales volume at drugstores and discounters increased by 1%, partly due to an easing trend from the impact of volume declines of large PET following the price revisions. Vending volume increased by 3%, despite the volume impact from the price revisions in October for small packages, the market share base we have built and the implementation of campaigns through the Coke ON smartphone app contributed to capturing the traffic recovery and demand from the heat wave. In addition, vending machine placement activities -one of our key initiatives- progressed at a faster pace than planned throughout the year. The number of operating vending machines increased by more than 10,000 units from last year, contributing to growth in both volume and value share. CVS sales decreased by 1% due to the continued severe competitive environment and with volume being impacted by the price revisions, despite efforts to strengthen activities to acquire sales space for core and new products, and efforts to implement campaigns in collaboration with customers. In retail & food, volume increased by 18% with the recovery in customer traffic returning to dine at restaurants. In online, volume grew by 23%, supported by growth in all categories, achieved even during the period of traffic recovery by capturing demand for at-home consumption with the high convenience it offers. Offerings of label-less products, tie-up promotions with major online customers, and the acquisition of subscription type consumers supported the growth.

By beverage category performance, sparkling sales volume grew by 1%, despite the volume impact from the price revisions, volume growth centered around Coca-Cola at vending and restaurants with the recovery in traffic, and contributions from new products such as Fanta Premier Lemon. Sales volume of tea products decreased by 1% due to the price revision impact, despite the tailwind from the traffic recovery and heat wave, contributions from Yakan no Mugicha from Hajime which continues to enjoy steady sales growth since its launch in the previous year and new products such as Ayataka Cafe Hojicha Latte. Coffee sales volume increased by 2%, supported by new products such as Georgia Black, strengthening of the Costa Coffee lineup, and growth in bottle can packages in the immediate consumption channels. Sports grew by 7%, with restrictions being lifted on events and other activities, also benefiting from the heat wave. Water sales volume grew by 8% with the traffic recovery and the heat wave, the launch of the new I LOHAS Natural Water with the renewed bottle design for the first time in 13 years and capturing at-home consumption demand.

In the alcohol category, renewals for the Lemon-dou brand and expanding the product offerings, launch of the non-alcoholic beverage Yowanai Lemon-dou, and introduction of the Lemon-dou Uchiwari Lemon to capture new demand contributed to sales volume. However, the cycling impact of new products launches in the previous year and of the at home-drinking demand that grew with COVID had an impact and volume decreased by 15%.

(2) Cash Flow

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

<The Cash Flows from Operation Activities>

Net cash generated from operating activities was 42,717 million yen (35,982 million net cash generated in the previous year period). This results mainly from the 12,491 million yen net loss before tax, "Depreciation and amortization", "Increase in other liabilities", etc. alongside "Gain on sale of property, plant and equipment" and "Increase in other liabilities" etc.

<The Cash Flows from Investing Activities>

Net cash used in from investing activities was 23,090 million yen (15,271 million yen outflow in the previous year period), This results mainly from "Acquisitions of property, plant and equipment and intangible assets" etc., as a result of strategic, investments that will serve as a foundation for growth, alongside "Proceeds from sales of property, plant and equipment and intangible assets" as part of the efforts to optimize its balance sheet.

<The Cash Flows from Financing Activities>

Net cash used in financing activities was 46,050 million yen (67,134 million yen net cash used in the previous year period), driven by "Payments for bond redemption" and "Dividends paid".

As a result of these activities, cash, and cash equivalents at the end of the year was 84,074 million yen, a decrease of 26,422 million yen from the end of the prior fiscal year-end.

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	526,554	104.2

(NOTE) Amounts primarily constitute production costs.

(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	62,785	104.4

(NOTE) Amounts are based on purchase prices.

(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	807,430	102.7

(NOTE) 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 57.6%, 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 the year were 826,737million yen, a decrease of 40,375 million yen to compared with the end of the prior fiscal year-end period. This is mainly due to a decrease in "cash and cash equivalents" resulting from redemption of bonds, and a decrease in "property, plant and equipment" as a result of balance sheet improvement through consolidation of sales centers, while the Akashi Mega DC was newly established.

(Liabilities)

Liabilities at the end of the year were 350,378 million yen which decreased by 24,282 million yen from the end of the prior year period. This is mainly due to a decrease in “Bonds and debts” under current liabilities upon the redemption of bonds.

(Equity)

Equity at the end of the year was 476,358 million yen, a decrease of 16,093 million yen from the end of the prior year period. This is mainly due to a decrease in “Retained earnings” as a result of dividend payments.

Cash and cash equivalents at the end of this year was 84,074 million yen, a decrease of 26,422 million yen (23.9%). 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 loss for the current fiscal year and 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 increased 807,430 million yen, or 2.7%, from the previous fiscal year to 21,594 million yen.

(Operating loss)

Operating loss for the current fiscal year decreased 11,513 million yen, from the previous fiscal year to 9,458 million yen (The previous year's operating loss was 20,971 million yen).

(Net loss for the current fiscal year)

Net loss for the current fiscal year for the fiscal year increased 5,535 million yen, or from the previous fiscal year to 8,059 million yen. (The previous fiscal year's net loss was 2,525 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 incraesed 5,567 million yen, from the previous fiscal year to 8,070 million yen. (The previous year's Net income for the year attributable to owners of the parent was 2,503 million yen.)

(4) Factors affecting financial position and results of operations

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

4. Important agreements for business

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.

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 42,540 million yen during the current fiscal year. The main contents of this investment were the introduction of vending machines and other products to the market to strengthen sales capabilities, improvement of manufacturing efficiency, acquisition of facilities for new products, and investment in the "Akashi Mega DC" to optimize the logistics network. 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, 2022

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	89,146	102,136	89,239	139,065	40,967	460,553	14,484 [3,316]

(2) The reportable segments

As of December 31, 2022

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.	17,206	9	—	47,912 (1,430)	3,867	68,994	—

(NOTE) The number of employees is omitted since we are a holding company.

(3) Domestic subsidiaries

As of December 31, 2022

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.	71,809	102,124	75,840	70,705 (2,115) [139]	37,095	357,572	7,656 [1,187]
FV Japan Co., Ltd. (Toshima-ku, Tokyo)	Beverage business	Vending machines, etc.	47	2	13,590	496 (9) [5]	0	14,136	261 [129]

(NOTE) 1. "Other" in "Carrying amount" consists of "Construction in progress" in property, plant and equipment, right-of-use aseets and "Software" in intangible assets.

2. 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.

3. Figures in [ ] of number of employees are the number of temporary workers and are not included in each figure.

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	Vending machines and cooler, etc.	20,602	—	Own fund	Jan. 2023	Dec 2023

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, 2022)	Number of issued shares at the filing date (shares) (As of March 29, 2023)	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 (Prime 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 number 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, 2022

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)	–	41	33	695	294	163	59,275	60,501	—
Number of shares held (units)	–	358,920	73,713	658,321	408,909	562	554,473	2,054,898	778,793
Percentage of shareholdings (%)	–	17.47	3.59	32.04	19.90	0.03	26.98	100.00	—

(NOTE) 1. "Individuals and Others" and "Shares less than one unit" column include 269,284 units and 78 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, 2022

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	19,404	10.82
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	5,755	3.21
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	4,736	2.64
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.	7-10-16, Ginza, Chuo-ku, Tokyo	3,408	1.90
ＢＮＹＭＳＡＮＶ ＡＳ ＡＧＥＮＴ／ＣＬＩＥＮＴＳ ＬＵＸ ＵＣＩＴＳ ＮＯＮ ＴＲＥＡＴＹ １ (Standing proxy: MUFG Bank, Ltd.)	VERTIGO BUILDING- POLARIS 2-4 RUE EUGENE PUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan, Settlement dept)	3,192	1.78
Total	―	81,821	45.62

(Notes) 1. 26,928 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, 2022

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 26,928,400	—	—
Shares with full voting rights (other)	Common stock 178,561,400	1,785,614	—
Shares less than one unit	Common stock 778,793	—	—
Number of issued and outstanding shares	206,268,593	—	—
Number of voting rights of all shareholders	—	1,785,614	—

(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, 2022

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	26,928,400	—	26,928,400	13.06
Total	—	26,928,400	—	26,928,400	13.06

(8) Details of executive and employee share ownership schemes

(Directors' Compensation BIP Trust)

1) Outline of the System

The Company has introduced a long-term incentive (stock-based compensation) system for the Company's executive directors using a directors' compensation BIP trust structure in accordance with the resolution at the 2022 Annual General Meeting of Shareholders hold on March 28, 2023.

The Board Incentive Plan (BIP) Trust is a stock-based compensation plan under which the trust established by the Company acquires the Company's shares with money contributed by the Company, and the Company's shares are delivered to the executive directors.

An overview of this system is provided in "4. Corporate Governance, etc. (4) Compensation, etc., of Directors and Corporate Auditors.

2) Total number or total amount of shares to be acquired by the executive directors

The Company will contribute up to 2,880 million yen as compensation to the executive directors during the initial trust period (from May 2023 to May 2026). The maximum number of points to be granted to executive directors from the BIP Trust shall be 1,800,000 points (1 point = 1 share of common stock) per three fiscal years.

3) Scope of persons entitled to beneficial interests and other rights under the plan

Executive directors of the Company who satisfy the requirements for beneficiaries.

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	3,972	5,728,334
Acquired treasury stock during the period (January 1, 2023 to the filing date of this report)	274	377,127

(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 1st, 2023 to the filing date.

(4) Disposals and holding of acquired treasury stock

Category	The fiscal year		The period (January 1, 2023 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)	125	397,669	–	–
Number of treasury stock held (Note 2)	26,928,478	–	26,928,752	–

(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 1st, 2023 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 1st, 2023 to the filing date and requests for the sale of odd-lot shares.

3. Dividend policy

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

We set 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 business performance and level of retained earnings. In addition, we have set a payout ratio target of 30% or more for net income attributable to owners of the parent. We pay interim and year-end dividends.

We paid an interim dividend of 25 yen per share and a year-end dividend of 25 yen per share, 2022, for a total annual dividend of 50 yen per share to pay. In the fiscal year ending December 31, 2022, despite the fact that the business environment remained as challenging as the previous fiscal year due to the significant impact of rising commodity and utility prices on business activities, we decided to pay above dividend based on our basic policy on stable dividend payment

For the fiscal year ending December 31, 2023, we expect rising commodity and utility prices to continue to have a significant impact on our business. We seek to maintain its basic policy on stable dividend payment by setting the dividend forecast of annual total of 50 yen per share paid as interim dividend and another 25 yen per share as year-end dividend, which is same amount as in the fiscal year ending December 31, 2022

On future shareholder returns, we stay committed by comprehensively reviewing its business performance trends and financial conditions and examining the best approaches that could be taken by including the share repurchase program.

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)
August 10,2022 Board of Directors	4,484	25
March 28, 2023 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 basic managerial policies and shall receive the 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.

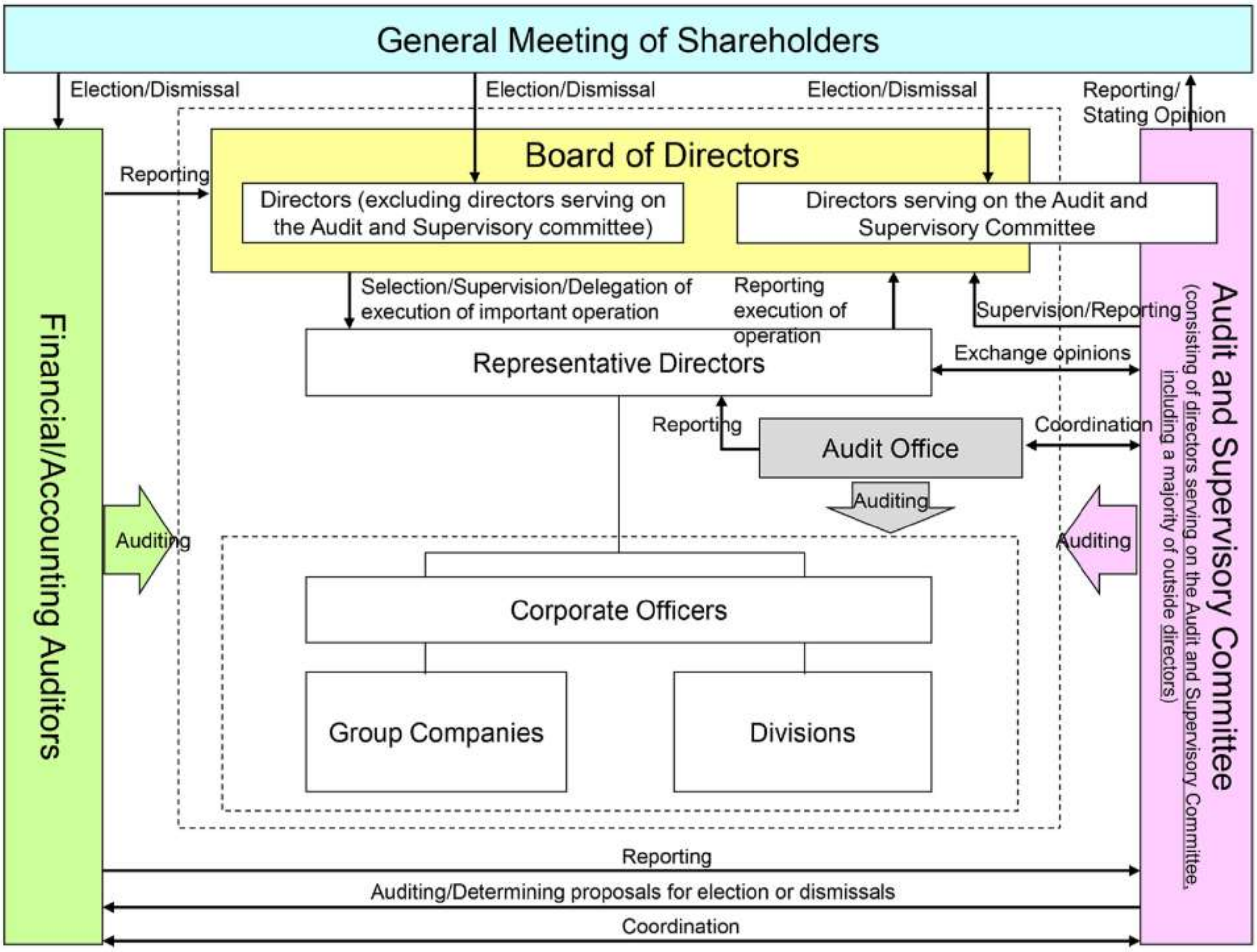
b. Audit and Supervisory Committee

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	Chairperson	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 basic managerial 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, Hiroko Wada (Outside Director, Independent Director), Hirokazu Yamura (Outside Director, Independent Director), Celso Guiotoko (Outside Director, Independent Director), Hiroshi Yoshioka (Outside Director, Independent Director), Nami Hamada (Outside Director, Independent Director),Sanket Ray (Outside Director), Stacy Apter (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.	Hiroshi Yoshioka (Outside Director, Independent Director),	Hiroshi Yoshioka (Outside Director, Independent Director), Nami Hamada (Outside Director, Independent Director), Sanket Ray (Outside Director), Stacy Apter (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
Financial/Accounting Auditors
Audit and Supervisory Committee
(consisting of directors serving on the Audit and Supervisory Committee, including a majority of outside directors)
Corporate Officers
Group Companies
Divisions
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 the 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' 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 main meetings dealing with risk management, and the main meetings shall determine policies to deal with risks as required.

b) The Company establishes rules, guidelines, etc. and maintains an organization to execute effective responses 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 to assist 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 whistleblowing 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 will 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.

(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 to 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 a decision for the 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 a 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: 6 people, Females: 3 people (Ratio of females to total directors: 33.3%)

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) January 2022 Representative Director, President and CEO, Coca-Cola Bottlers Japan Inc. (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2023	7
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. December 2019 Chairman and Representative Director, Q'SAI CO., LTD January 2022 Vice President and Chief Financial Officer (Head of Finance) Representative Director, Vice President, and CFO of Coca-Cola Bottlers Japan Inc. (incumbent) March 2022 Representative Director & Chairman, Coca-Cola Bottlers Japan Business Services Inc. November 2022 Representative Director, Chairman and President, Coca-Cola Bottlers Japan Business Services Inc. (incumbent)	One year from the Ordinary General Meeting of Shareholders held on March 2023	3

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
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 2023	—
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 2023	—
Director	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. Executive Officer, Global Chief Digital Officer, Nishimoto Co., Ltd. March 2020 Director, Global Chief Digital Officer, Nishimoto 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 2023	—

Position	Name	Date of birth	Brief history	Term of office	Number of shares held (Thousands of shares)
Director (Audit & Supervisory Committee member)	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. March 2023 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 2023	3
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. June 2022 Outside Director (Audit Committee Member, Nominating committee member, Compensation committee member), MetLife Insurance K.K. (incumbent) June 2022 Outside director, Shimadzu Corporation (incumbent)	Two years from the Ordinary General Meeting of Shareholders held on March 2023	—

Position	Name	Date of birth	Brief history		Term of office	Number of shares held (Thousands of shares)
Director (Audit & Supervisory Committee member)	Sanket Ray	April 25, 1973	2004 2005 August 2016 January 2019 November 2020 March 2023	Joined The Coca-Cola Company Joined HINDUSTAN COCA-COLA BEVERAGES PRIVATE LIMITED (INDIA) CEO, COCA-COLA BEVERAGES VIETNAM LIMITED Chief Operating Officer for mainland China, The Coca-Cola Company President of India and Southwest Asia, The Coca-Cola Company (incumbent) 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 2023	–
Director (Audit & Supervisory Committee member)	Stacy Apter	July 14, 1966	2005 May 2018 July 2018 October 2018 January 2021 March 2021 October 2022 March 2023	Joined The Coca-Cola Company Director, Treasury, The Coca-Cola Company Assistant Treasurer, The Coca-Cola Company Chief of Staff to the Chairman and CEO, The Coca-Cola Company Deputy Treasurer, The Coca-Cola Company Vice President & Treasurer, The Coca-Cola Company Vice President, Treasurer and Corporate Finance, The Coca-Cola Company (incumbent) 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 2023	–
Total						13

(NOTE) 1. Hiroko Wada, Hirokazu Yamura, Celso Guiotoko, Hiroshi Yoshioka, Nami Hamada, Sanket Ray and Stacy Apter are Outside Directors.

2. The Group has introduced a corporate executive officer system to accelerate the execution of business and clarify responsibilities. The total number of executive officers is 12, 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	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 Group. The amount of sale of products, etc. to Michinoku CCBC is equivalent to 0.4% of the Company's consolidated net revenue, and the amount of purchase of products, etc. from Michinoku CCBC is equivalent to 0.3% of the consolidated revenue of Michinoku CCBC.	The Company has appointed 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	Celso Guiotoko	—	The Company has appointed Celso Guiotoko 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 as Nissan Motor Co., Ltd. ("Nissan") as well as Nishimoto Co., Ltd. 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)	Hiroshi Yoshioka	—	Hiroshi Yoshioka has considerable experiences and global knowledge gained at the Coca-Cola bottling company within Japan and Sony Corporation. Based on his extensive experience as a corporate executive, he is expected to provide advice on all areas including decision making related to important managerial decisions, handling of expected risks and the internal control system, and the Company hereby requests the election of Yoshioka 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. and possesses management supervisory experience as Statutory Auditor at Shimadzu Corporation and MetLife Insurance K.K. 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)	Sanket Ray	Sanket Ray is President of India and Southwest Asia, 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.	Sanket Ray is President of India and Southwest Asia, The Coca-Cola Company, who has demonstrated strong leadership in mainly commercial at The Coca-Cola Company 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 Ray as a Director serving on the Audit and Supervisory Committee (Outside Director).
Outside Director (Audit & Supervisory Committee member)	Stacy Apter	Stacy Apter is Vice President, Treasurer and Corporate Finance, 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.	Stacy Apter is Vice President, Treasurer and Corporate Finance, The Coca-Cola Company, who has demonstrated strong leadership and support to the Board of Directors, particularly in a variety of fields such as global financial risk oversight and enterprise risk management at The Coca-Cola Company. Based on her extensive experience as a global corporate executive, she 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 Apter 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, Hiroko Wada, Hirokazu Yamura, Celso Guiotoko, Hiroshi Yoshioka, Nami Hamada, Sanket Ray and Stacy Apter 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 five times with the following attendance of each member.

Name	Number of times held	Number of attendances
Irial Finan	5	5
Celso Guiotoko	5	5
Nami Hamada	5	5
Vamsi Mohan Thati	5	5

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

5 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	Makoto Matsumura
Designated Limited Liability Partner	Engagement Partner	Keita Tsujimoto

(d) Composition of assistants involved in audit work

13 certified public accountants and 48 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	75	―	71	―
Consolidated subsidiaries	147	―	116	10
Total	222	―	187	10

Non-audit services to consolidated subsidiaries was assistance for preparation of integrated report.

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

Not applicable.

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	–	–	–	–
Consolidated subsidiaries	–	2	2	15
Total	–	2	2	15

Non-audit services provided by the same network of certified public accountants (EY Strategy and Consulting Co., Ltd.) was an advisory service for disclosing information on climate change risks.

③Other material remuneration to independent auditors

Previous fiscal year (January 1, 2021 to December 31, 2021) and current fiscal year (January 1, 2022 to December 31, 2022)

Not applicable.

④Details of non-audit services rendered by independent auditors

Previous fiscal year (January 1, 2021 to December 31, 2021)

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, 2022 to December 31, 2022)

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) Officer compensation, etc.

①Compensation policy and process for determining the policy

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

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

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

(iii) 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 Officers, etc. shall be determined upon deliberation by the Audit and Supervisory Committee and approval by the Board of Directors.

The current policy (policy for determining compensation for Directors, etc.) has been resolved by the Board of Directors on February 9, 2023.

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

a. Compensation structure

<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)
*[1] 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 allowance, etc.</td></tr>
<tr><td>Retirement payments</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 a 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 rowspan="3">Variable compensation</td><td>Annual bonus</td><td>● Provided at a certain point in the year 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 Directors, etc.</td></tr>
<tr><td>*[2] 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 (Special RSU).</td><td rowspan="2">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 180,000,000</td></tr>
<tr><td>(1) PSU (Performance Share Units)</td><td>● Granted as an incentive for achieving medium to long term performance targets.
● The number of shares to be issued shall be</td></tr>
</table>

		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 Directors, etc.	shares per 3 years multiplied by the market value at the time of issue (approved by resolution no. 4 of 2023 Annual General Meeting of Shareholders) (five in number at the time of the resolution, excluding Directors serving on the Audit and Supervisory Committee)
	(2) RSU (Restricted Stock Units)	● Granted 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).	

*1, Regarding fringe benefits, to support the execution of assignments outside the home country, compensation for difference in tax rates between other countries and Japan, housing allowance, etc. are provided in accordance with the internal regulations approved at the Board of Directors Meeting through deliberations by the Audit and Supervisory Committee.

*2, In the Proposal No. 5 of the 65th Company's Annual General Meeting of Shareholders for the fiscal year 2023 to held on March 28, 2023 (hereinafter referred to as the "Annual General Meeting"), it was approved to introduce a new long-term incentive (stock-based compensation) plan under which a trust established by the Company will acquire the Company's shares and deliver them to the executive directors, the maximum amount of the new plan is 2,880 million yen in total for three fiscal years and the maximum number of shares is 1,800,000 shares for three fiscal years. The number of directors at the conclusion of this General Meeting of Shareholders is 5 (including 2 executive directors), excluding directors who are members of 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 (Calin Dragan) upon resolution by the Board of Directors, and the amount shall be determined by the Representative Director in accordance with the "Policy for Determining Compensation for Directors, etc." approved by the Board of Directors within the total amount determined by the resolution of the General Meeting of Shareholders after the terms of compensation are deliberated by the Audit and Supervisory Committee composed solely of Outside Directors in order to enhance the transparency and objectivity of procedures for determining compensation. The reason for the delegation is that the Representative Director is deemed appropriate to determine the performance results of each Director while taking into account the overall performance of the Company. In order for the Representative Director to exercise such authority appropriately, the decision on this has been made after deliberations by the Audit & Supervisory Committee. The compensation for Executive Officers shall also be determined through deliberations by the Audit and Supervisory Committee. Therefore, the Board of Directors deems that the content of these compensations is in line with the above decision-making policy.

(a) Activities of the Board of Directors

The Board of Directors' activities concerning the determination of Officer compensation for FY2022 are as follows:

(1) Number of meetings of the Board of Directors held over one year from January 2022 to December 2022: 7

(2) Main subjects discussed by the Board of Directors concerning Officer compensation and Officer compensation structure in FY2022:

・Payment of 2021 annual incentive and non-vesting of 2019 long-term incentive for Directors and Executive Officers
・2021 special award
・Revision of internal regulations regarding fringe benefits
・FY2022 compensation for directors (excluding Directors serving on Audit and Supervisory Committee) and Executive Officers
・Report on the number of share units to be granted to the Directors and Executive Officers in FY2022
・2022 special RSU
・Vesting scheme for stock-based compensation

(b) Activities of the Audit & Supervisory Committee

Activities of the Audit & Supervisory Committee concerning the determination of Officer compensation for FY2022 are as follows.

(1) Number of meetings of the Audit and Supervisory Committee held over one year from January 2022 to December 2022: 5

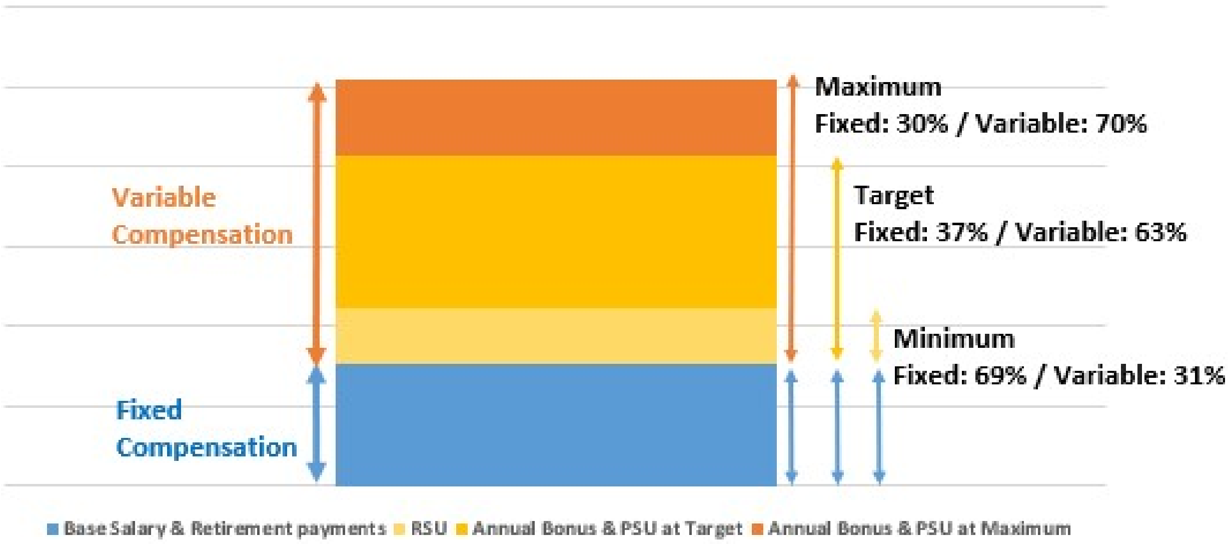
(2) Main subjects discussed by the Audit & Supervisory Committee concerning Officer compensation and Officer compensation structure in FY2022:

・Payment of 2021 annual incentive and non-vesting of 2019 long-term incentive for Directors and Executive Officers
・2021 special award
・2022 Executive compensation proposal
・Revision of internal regulations regarding fringe benefits
・FY2022 Compensation for Audit and Supervisory Committee members
・2022 special RSU
・2022 Executive individual objectives
・Vesting scheme for stock-based compensation

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 who are Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members) is composed of basic compensation only in view of their role as supervisors and auditors of CCBJI business. 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 individual 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 (Calin Dragan) upon resolution by the Board of Directors, and the amount shall be determined by the Representative Director in accordance with the "Policy for Determining Compensation for Directors, etc." approved by the Board of Directors after the terms of compensation are deliberated by the Audit and Supervisory Committee. The reason for delegating these authorities to the President and Representative Director is that the President and Representative Director is considered to be the most appropriate person to evaluate the responsibilities of each Director. To ensure that such authority is appropriately exercised by the President and Representative Director, decisions on the details of compensation for outside directors who are not members of the Audit and Supervisory Committee are made after deliberation by the Audit and Supervisory Committee. Therefore, the Board of Directors deems that the content of these remunerations is in line with the above decision-making policy.

④Details of compensation for Officers for FY2022

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

Position	Total compensation (million yen)	Total amount by category of compensation, etc. (million yen)					Headcount of Officers (people)
		Basic compensation Note 4:	Retirement payments	Annual bonus	Long-term incentives Note 5:	Other Note 6:	
Directors (excluding Directors serving on the Audit and Supervisory Committee) (of which Outside Directors)	1,013 (43)	540 (43)	21 (−)	181 (−)	250 (−)	21 (−)	5 (3)
Directors (serving on the Audit and Supervisory Committee) (of which Outside Directors)	72 (72)	72 (72)	− (−)	− (−)	− (−)	− (−)	4 (4)
Total (of which Outside Directors)	1,085 (115)	611 (115)	21 (−)	181 (−)	250 (−)	21 (−)	9 (7)

Note 1: In accordance with the resolution passed at the 62nd Annual 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 Annual 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 65th Annual General Meeting of Shareholders held on March 28, 2023, for Directors (excluding Directors serving on the Audit and Supervisory Committee), the upper limit of stock-based compensation consisting of monetary compensation receivables and cash ("PSU" and "RSU") to Executive Directors shall be annual amount not exceeding in total the value of 180,000,000 shares multiplied by the market value of the monetary compensation receivables and cash at the time of issue within 3years.

Note 3: Basic compensation includes an amount equivalent to fringe benefits (compensation for difference in tax rates between other countries and Japan, housing allowances, etc.), etc.

Note 4: Long-term incentives include PSU, RSU and Special RSU.

Note 5: Other is retention award (refer to e. Others).

b. Total amount of compensation, etc. for those whose total compensation, etc. amounts to 100 million yen or more

Name	Position	Company category	Total amount by category of compensation, etc. (million yen)					Total compensation (million yen)
			Basic compensation Note:1	Retirement payments	Annual bonus	Long-term incentives Note 2	Other Note:3	
Calin Dragan	Representative Director	Filing company	317	14	127	182	14	655
Bjorn Ivar Ulgenes	Representative Director	Filing company	179	7	53	68	7	315

Note 1: Basic compensation includes an amount equivalent to fringe benefits (compensation for difference in tax rates between other countries and Japan, housing allowances, etc.), etc.

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

Note 3: Other is retention award (refer to e. Others).

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

Not applicable

d. Payment rate, etc. of incentive compensation

(a) In alignment with the mid-term management plan and the goal of achieving it, business income, sales volume and net sales are set as proper performance metrics of Annual Bonus to measure company performance of the Company in the previous years. Performance is calculated based on predetermined targets and actual achievement, weighted average achievement for FY2022. The achievement level of the company's business performance for the period under review was 109%, despite the continuing difficult business environment, due to the contribution of improved profitability resulting from price revisions, especially in terms of sales volume, sales revenue, and market share. The individual performance evaluation-based payout rate for Executive Directors was 100%. Based on the company performance and individual performance evaluation, the Audit and Supervisory Committee discussed and reviewed the final payout rate (rate of actual annual incentive paid against target payout) for FY2022. As a result, it was determined that 105% is reasonable.

(b) PSU granted in 2020 is subject to a 3-year performance period from 2020-2022 and assessed using the corporate performance metrics of consolidated ROE and consolidated sales growth rate. Performance was assessed against predetermined targets and actual achievement for 2020-2021, weighted average achievement for 3-year period was -193%. The vesting rate of PSU granted against target value fluctuates between 0 - 150% depending on achievement levels of performance targets. Based on the above-mentioned result, the payout rate of the PSU (rate of PSU's granted against target) is 0%.

For the 2021 PSU, the vesting rate is expected to be 0%, as the challenging business environment is expected to continue in 2023, the final year of the evaluation period.

The vesting rate of PSU granted in 2022 is calculated based on ROE for the final fiscal year of the relevant performance period and the annual average sales growth rate for the relevant performance period. Therefore, it is not possible to estimate the payout rate reasonably at this time.

e. Others

A total of 21 million yen was paid in cash in March 2023 as a retention award for FY2022 to maintain the motivation to lead the change, taking into account the disadvantages caused by differences between Japan and the other countries due to the level of compensation in each country, rising prices, and the rapid depreciation of the yen.

The Audit and Supervisory Committee deliberated on the decision to grant this retention award and determined that it was appropriate.

(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 in 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 shall evaluate and report on the cost of holding major cross-shareholdings and the return on investment thereof in Board Meeting, and work on reducing the cross-shareholdings based on such evaluation.

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

	Number of company brands (Brand)	Total amount recorded on the balance sheet (in million yen)
Unlisted shares stock	105	2,909
Shares other than unlisted shares	45	8,358

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

	Number of company brands (Brand)	Total amount spent to increase the number of shares held (in million yen)	Reason for increasing the number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	13	17	The Company increased the number of shares of this company brand as it is a member of the shareholding association of the counterparty company.

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

	Number of company brands (Brand)	Total amount received from selling and decreasing the number of shares (in million yen)
Unlisted shares	5	913
Shares other than unlisted shares	11	1,422

(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
Nishi-Nippon Railroad Co., Ltd.	400,000 988	400,000 1,044	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
Central Japan Railway Company	54,100 877	54,100 830	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
East Japan Railway Company	115,000 865	115,000 813	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
IZUMI Co., Ltd.	231,320 691	231,320 746	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Oriental Land Co., Ltd.	34,190 655	34,085 661	The Company is holding the shares of this company for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company as it is a member of the shareholding association of the counterparty company.	No
Japan Airport Terminal Co., Ltd.	100,000 653	100,000 480	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
McDonald's Corporation	14,084 487	14,084 434	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Mitsubishi Heavy Industries, Ltd.	90,000 471	90,000 239	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)
Fuji Co., Ltd.	248,262 454	244,366 477	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. In the current fiscal year, due to the share exchange between Fuji Co., Ltd and MAXVALU NISINIHON CO., LTD, the number of shares of Fuji Co., Ltd allocated to the shares of MAXVALU NISINIHON CO., LTD increased compared to the shares held by MAXVALU NISINIHON CO., LTD.	Yes
Seibu Holdings Inc.	247,000 356	247,000 266	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
AEON CO., LTD.	111,826 311	111,595 302	The Company is holding the shares of this company for the purpose of creating new beverage business opportunities with this company. The Company increased the number of shares of this company as it is a member of the shareholding association of the counterparty company.	No
AEON KYUSHU CO., LTD.	116,800 283	116,800 259	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
West Japan Railway Company	42,000 241	42,000 202	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Axial Retailing Inc.	58,379 198	58,379 197	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No

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
H2O RETAILIG Corporation	89,505 115	84,326 68	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
Valor Holdings Co., Ltd.	31,200 57	31,200 67	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
DAISYO CORPORATION	48,100 50	48,100 47	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
LIFE CORPORATION	18,213 48	17,479 60	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
Bronco Billy Co., Ltd.	18,384 45	18,198 43	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
Hankyu Hanshin Holdings, Inc.	10,800 42	10,800 35	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Fukuoka Financial Group, Inc.	13,882 42	13,882 27	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)
Misumi Co., Ltd.	22,655 39	21,940 40	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
United Super Market Holdings Inc.	32,780 37	32,780 35	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
GREENLAND RESORT Co., Ltd.	64,200 35	64,200 26	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Daiichi Kotsu Sangyo Co., Ltd.	44,000 33	44,000 31	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	Yes
WDI Corporation.	16,000 32	16,000 29	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
YAOKO CO., LTD.	4,400 30	4,400 31	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
COLOWIDE Co., Ltd.	14,238 25	14,238 23	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
Belc CO., LTD.	4,400 25	4,400 25	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No

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)		
DYNAM JAPAN HOLDINGS Co., Ltd.	238,931	214,851	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	22		
Mr Max Holdings Ltd.	35,759	33,514	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	20		
POPLAR. CO., LTD.	136,430	135,842	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
	19	21		
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
	17	17		
ROUND ONE Corporation	36,000	12,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. The number of shares increased due to a stock split in the current fiscal year.	No
	17	16		
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
	16	13		
KICHIRI HOLDINGS & 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
	13	10		
TOKYU CORPORATION	7,500	7,500	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	12	11		
ATOM CORPORATION	14,640	14,640	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	11	11		
KAWACHI LIMITED	2,000	2,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	4	4		
RETAIL PARTNERS CO., LTD.	3,000	3,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	4	4		
KAN-NANMARU CORPORATION	8,000	8,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	3	4		
Maruyoshi Center Inc.	1,000	1,000	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	3	3		
Keisei Electric Railway Co., Ltd.	714	871	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	3	2		
Maxvalu Tokai Co., Ltd.	715	715	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	2	2		
Kyusyu Electric Power Company, Inc	365	365	The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.	No
	0	0		
Seven & i Holdings Co., Ltd.	—	148,010	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 2022.	No
	—	748		

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
OKUWA Co., Ltd.	— —	176,887 168	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 2022.	No
KOBE BUSSAN Co., Ltd.	— —	32,000 143	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 2022.	No
KANSAI FOOD MARKET LTD.	— —	113,200 121	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 2022.	No
ROYAL HOLDINGS Co., Ltd.	— —	31,640 60	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 2022.	No
Keikyu Corporation	— —	31,528 36	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 2022.	No
MINISTOP CO., LTD.	— —	23,570 33	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 2022.	No
MatsukiyoCocokara & Co.	— —	7,551 32	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 2022.	No
Three F Co., Ltd.	— —	50,630 15	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 2022.	No
SUGI HOLDINGS Co., LTD.	— —	52 0	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 2022.	No
MAXVALU NISHINIHON CO., LTD.	— —	3,896 8	MAXVALU NISHINIHON CO., LTD. became a wholly owned subsidiary of Fuji Corporation through a share exchange.	No

(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 group company is holds the Company's shares.

3. "—" means that the Company does not hold any shares of the brand indicated by this mark.

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. Accounting 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, 2022 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.

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.

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, 2021)	Current fiscal year (As of December 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	6,31	110,497	84,074
Trade and other receivables	7,31	105,320	103,346
Inventories	8	67,583	71,051
Other financial assets	31	1,320	542
Other current assets	13	16,275	13,108
Total current assets		300,995	272,122
Non-current assets			
Property, plant and equipment	10	434,994	425,009
Right-of-use assets	10,17	25,144	21,841
Intangible assets	11	66,219	65,865
Investments accounted for using the equity method		281	322
Other financial assets	31	19,511	15,888
Deferred tax assets	28	13,960	20,581
Other non-current assets	13	6,006	5,110
Total non-current assets		566,116	554,615
Total assets		867,111	826,737

(Millions of yen)

	Notes	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables	14,31	103,260	108,254
Bonds and debts	16,31	30,990	1,000
Lease liabilities	17,31	4,050	5,122
Other financial liabilities	31	—	654
Income taxes payable		1,139	1,272
Provisions	15	9	—
Other current liabilities	19	16,085	20,339
Total current liabilities		155,535	136,641
Non-current liabilities:			
Bonds and debts	16,31	156,622	155,701
Lease liabilities	17,31	22,462	18,146
Other non-current financial liabilities	31	—	8
Net defined benefit liabilities	18	17,605	17,817
Provisions	15	2,137	1,761
Deferred tax liabilities	28	17,379	17,157
Other non-current liabilities	19	2,920	3,147
Total non-current liabilities		219,125	213,737
Total liabilities		374,660	350,378
Equity			
Capital stock	20	15,232	15,232
Capital surplus	20	450,832	451,264
Retained earnings	20	109,273	94,209
Treasury share	20	(85,661)	(85,667)
Accumulated other comprehensive income(loss)	20	2,644	1,177
Equity attributable to owners of the parent		492,320	476,216
Non-controlling interests		131	142
Total equity		492,451	476,358
Total liabilities and equity		867,111	826,737

② 【Consolidated statements of profit or loss】

(Millions of yen)

	Notes	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Continuing operations			
Revenue	5,23	785,837	807,430
Cost of goods sold		435,332	455,675
Gross profit		350,505	351,755
Selling, general and administrative expenses	24	363,750	365,295
Other income	26	10,138	9,312
Other expenses	26	17,702	7,332
Investment income(loss) on equity method		(162)	46
Operating Income(loss)		(20,971)	(11,513)
Financial revenue	27	377	264
Finance expense	27	1,089	1,242
Income (Loss) for the year before income taxes		(21,683)	(12,491)
Income tax expense(benefit)	28	(6,653)	(4,432)
Net income(loss) for the year from continuing operations		(15,029)	(8,059)
Discontinued operations			
Net income(loss) for the year from discontinued operations	9	12,505	—
Net Income(loss) for the year		(2,525)	(8,059)
Net income (loss) for the year attributable to Owners of parent			
Income (Loss) from continuing operations attributable to owners of parent		(15,008)	(8,070)
Income (Loss) from discontinued operations attributable to owners of parent		12,505	—
Non-controlling interests		(21)	11
Earnings (loss) per share (yen)			
Continuing operations		(83.68)	(45.00)
Discontinued operations		69.72	—
Earnings (Loss) per share	35	(13.96)	(45.00)

③ 【Consolidated statements of comprehensive income】

(Millions of yen)

	Notes	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net Income(loss) for the year		(2,525)	(8,059)
Other comprehensive income(loss)	29		
Items that will not be reclassified subsequently to income or loss:			
Remeasurements of defined benefit plans		(395)	1,523
Share of other comprehensive income of equity method investees		(12)	—
Net change in financial assets measured at fair value through other comprehensive income		854	292
Subtotal		448	1,815
Items that may be reclassified subsequently to income or loss:			
Cash flow hedges		2,836	1,250
Subtotal		2,836	1,250
Total other comprehensive income (loss) for the year		3,283	3,065
Total comprehensive income (loss) for the year		759	(4,994)
Comprehensive income (loss) attributable to:			
Owners of parent		780	(5,005)
Non-controlling interests		(21)	11

④ 【Consolidation statements of changes in equity】

For the year ended December 31, 2021

(Millions of yen)

		Equity attributable to owners of the parent company								
	Note	Capital stock	Share premium	Retained earnings	Treasury Shares	Accumulated other comprehensive income	Accumulated other comprehensive income of disposal groups classified as held for sale	Total	Non-controlling interests	Total
Balance as of January 1, 2021		15,232	450,605	120,473	(85,654)	1,095	(107)	501,643	450	502,093
Comprehensive income(loss) for the year										
Net loss for the year		－	－	(2,503)	－	－	－	(2,503)	(21)	(2,525)
Other comprehensive income (loss)		－	－	－	－	3,283	－	3,283	－	3,283
Total comprehensive income (loss) for the year		－	－	(2,503)	－	3,283	－	780	(21)	759
Transactions with owners, etc.										
Dividends of surplus	22	－	－	(8,967)	－	－	－	(8,967)	－	(8,967)
Purchase of treasury stock	20	－	－	－	(8)	－	－	(8)	－	(8)
Disposal of treasury stock	20	－	(0)	－	1	－	－	0	－	0
Transactions of share-based payment	21	－	227	－	－	－	－	227	－	227
Reclassification from accumulated other comprehensive income(loss) to retained earnings	20	－	－	378	－	(378)	－	－	－	－
Reclassification from accumulated other comprehensive income(loss) to non-financial assets	20	－	－	－	－	(1,356)	－	(1,356)	－	(1,356)
Changes due to loss control		－	－	△107	－	－	107	－	△297	△297
Total transactions with owners etc.		－	227	(8,697)	(7)	(1,734)	107	(10,103)	(297)	(10,400)
Balance as of December 31, 2021		15,232	450,832	109,273	(85,661)	2,644	－	492,320	131	492,451

For the year ended December 31, 2022

(Millions of yen)

	Note	Equity attributable to owners of the parent company						Non-controlling interests	Total
		Capital stock	Share premium	Retained earnings	Treasury shares	Accumulated other comprehensive income	Total		
Balance as of January 1, 2022 (Before restatement)		15,232	450,832	109,273	(85,661)	2,644	492,320	131	492,451
Comprehensive income for the year									
Net income (loss) for the year		—	—	(8,070)	—	—	(8,070)	11	(8,059)
Other comprehensive income (loss)		—	—	—	—	3,065	3,065	—	3,065
Total comprehensive income (loss) for the year		—	—	(8,070)	—	3,065	(5,005)	11	(4,994)
Transactions with owners, etc.									
Dividends of surplus	22	—	—	(8,967)	—	—	(8,967)	—	(8,967)
Purchase of treasury stock	20	—	—	—	(6)	—	(6)	—	(6)
Disposal of treasury stock	20	—	(0)	—	0	—	0	—	0
Transactions of share-based payment	21	—	432	—	—	—	432	—	432
Reclassification from accumulated other comprehensive income to retained earnings	20	—	—	1,974	—	(1,974)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	20	—	—	—	—	(2,558)	(2,558)	—	(2,558)
Total transactions with owners, etc.		—	432	(6,993)	(5)	(4,532)	(11,099)	—	(11,099)
Balance as of December 31, 2022		15,232	451,264	94,209	(85,667)	1,177	476,216	142	476,358

⑤ 【Consolidated statements of cash flows】

(Millions of yen)

	Note	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from operating activities			
Income (Loss) before income taxes from continuing operations		(21,683)	(12,491)
Income (Loss) before income taxes from discontinued operations		12,841	—
Adjustments for:			
Depreciation and amortization		57,160	45,786
Impairment loss	12	744	20
Gain on sales of subsidiaries' stock	9	(12,841)	—
Gain on sales of stocks of subsidiaries and affiliates	26	(708)	—
Change in allowance for doubtful accounts		235	(655)
Interest and dividends income		(261)	(237)
Interest expenses		928	750
Investment gain(loss) on equity method		162	(46)
Gain on sale of property, plant and equipment		(1,519)	(4,587)
Loss on disposal and sale of property, plant and equipment and intangible assets		1,604	2,111
Decrease (increase) in trade and other receivables		(9,320)	2,603
Decrease (increase) in inventories		597	(3,450)
Decrease (increase) in other assets		3,568	2,611
Increase(decrease) in trade and other payables		9,426	1,379
Increase (decrease) in net defined benefit liabilities		2,126	2,541
Increase (decrease) in other liabilities		749	4,910
Other operating activities		(74)	2,521
Subtotal		43,735	43,767
Interest received		1	0
Dividends received		259	237
Interest paid		(844)	(654)
Income taxes paid		(10,122)	(4,820)
Income taxes refund		2,953	4,187
Net cash provided by operating activities		35,982	42,717
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	10	(39,263)	(32,674)
Proceeds from sales of property, plant and equipment and intangible assets		4,377	7,127
Proceeds from collection of loans receivable resulting from sales of stock in subsidiaries	9	7,400	—
Purchases of other financial assets		(53)	(25)
Proceeds from sale of other financial assets		7,614	2,432
Proceeds from sale of stock of subsidiaries	9	34,490	—
Other investing activities		705	51
Net cash used in investing activities		15,271	(23,090)

(Millions of yen)

		For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	30	(50,000)	(38)
Repayments of long-term loans payable	30	(1,072)	(1,065)
Bond redemption	30	—	(30,000)
Dividends paid	22	(8,967)	(8,967)
Proceeds from disposal of treasury stock		0	0
Purchases of treasury stock		(8)	(6)
Repayments of lease liabilities	30	(7,088)	(5,974)
Net cash used in provided by financing activities		(67,134)	(46,050)
Net (decrease) increase in cash and cash equivalents		(15,881)	(26,422)
Cash and cash equivalents at the beginning of the year		126,378	110,497
Cash and cash equivalents at the end of the year	6	110,497	84,074

【Notes to consolidated financial statements】

1. Introduction of reporting company

The Company is a holding company domiciled in Japan and is listed on the Tokyo Stock Exchange Prime Market. 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. After 1999, 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 consist 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 25, 2023 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 have 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 consist 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 will reassess 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 the 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 work functional currency of each group 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 company 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 information

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 are measured at the lower 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	3 - 20
Sales equipment	2 – 11

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 it is 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

An Intangible asset is an identifiable non-monetary asset that does not have any physical reality to provide economic benefits in the future. Intangible assets are initially recognized at cost or manufacturing cost. Subsequent to initial recognition, intangible assets are 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 assets acquired separately are 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).

The 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 relationship 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 assets may generate net cash flows.

Contract related intangible assets are not amortized but are 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 and Right-of-use asset

The Group performs impairment tests for intangible assets with indefinite useful life annually or 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 assesses 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 assets and financial liability are initially recognized on the transaction date on 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 assets 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 assets measured at fair value through profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and financial assets 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 derivatives, see "(e) Derivative and hedge accounting."

Financial asset are 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 assets 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 instruments 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 derivatives as hedging instruments 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 the cost of goods sold 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 there is 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 plan 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 assets 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 assets are recognized as 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 assets are 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 assets are 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 shares are classified as equity. The incremental costs directly attributable to the issuance of ordinary shares 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 it 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 alcohol. For sales of these products, revenue is recognized primarily at the time of delivery as the 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.

In addition, the Company has a point system for its customers, whereby points awarded for the purchase of goods and products can be used for future purchases of the Company's goods and products. The Company identifies points as a performance obligation and allocates the transaction price based on the earned sales price, taking into account the expected use and execution of the points, and recognizes revenue when the points are used. The transaction price allocated to the point performance obligation is recorded as "Other current liabilities" in the consolidated statement of financial position.

(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 environment. Although the impact of COVID-19 infection is expected to remain uncertain, accounting estimates are based on the assumption that the traffic is recovering gradually. 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 are 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."

(The Change in useful life of Property, Plant and Equipment)

The group depreciated its sales equipment mainly over a useful life period of 9 years. However, as consumer spending patterns have been impacted by the pandemic, we have decided to further strengthen the margin & ROI-focus commercial strategy from 2022 and determined the policy to utilize our sales equipment on a longer-term basis and more efficiently than in the past. Also, these are to be reflected in our new mid-term business plan which is under development. As a result, the main useful life of sales equipment has been revised to 11 years and it was applied prospectively from the current fiscal year.

As a result of this change, operating loss and loss before tax for the Current fiscal year decreased by 8,333 million yen, respectively, compared with those based on the previous useful life.

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

In performing impairment tests, the recoverable amount of a cash-generating unit is calculated based on its value in use. Value in use is mainly estimated by discounting the estimated cash flows to its present value. Key assumptions in estimating recoverable amounts include future cash flows, discount rates, and long-term average growth rates. Mid-term plans, which are the basis for future cash flows, are based on sales and cost plans for the relevant period. 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” 3 (12) “Impairments of property, plant and equipment, intangible asset, goodwill and lease asset” and notes 12 "Impairment of non-financial assets."

(c) Provision

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 mid-term plans. Estimates of future taxable income are based on mid-term plans. The main assumptions are the sales plan and cost plan for the period. In assessing the recoverability of deferred tax assets, the Company considers the expected reversal of deferred tax liabilities, projected future taxable income, and tax planning including assets sales etc. 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 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 instruments without quoted prices in an 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 assets are provided in notes 31, "Financial instruments (7) Fair value of financial instruments."

5. Business segments Information

(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.

The Group has a single segment as "Beverage Business”.

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, alcohol, 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 exceed 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, 2021)	Current fiscal year (As of December 31, 2022)
Cash and demand deposits	110,497	84,074
Cash and cash equivalents in the consolidated statement of cash flows	110,497	84,074

The balance of "cash and cash equivalents" in the consolidated statements of financial position for the previous fiscal year and the current fiscal year coincides with the balance of "Cash and cash equivalents" in the consolidated statements of cash flows.

7. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Accounts and notes receivable	72,527	77,105
Accounts receivable - other	33,194	26,382
Allowance for credit losses	(401)	(141)
Total	105,320	103,346

8. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Raw material	3,477	3,977
Work in progress	—	18
Merchandise and finished products	58,961	61,187
Supplies	5,145	5,869
Total	67,583	71,051

The amount of inventory recorded in "Cost of goods sold" for the previous fiscal year and the current fiscal year was 435,319 million yen and 455,662 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 1,946 million yen and 234 million yen, respectively.

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

(1) Profit/loss from discontinued operations

The gain on the sale of all shares of Q'sai for the current fiscal year was 12,841 million yen, and the income tax expense related to the sale was 337 million yen. Due to immateriality, no gain or loss other than from sale transactions related to discontinued operations up to the date of loss of control was recognized in the current fiscal year.

The results of discontinued operations are as follows:

(Millions of yen)

	For the year ended December 31, 2021
Discontinued operations	
Revenue	−
Cost of goods sold	−
Gross profit	−
Selling,general & administrative expenses	−
Other income	12,841
Other expenses	−
Operating income	12,841
Financial revenue	−
Finance expense	−
Income for the year before income taxes	12,841
Income tax expense	337
Net income for the year from discontinued operations	12,505

(2) Cash flows from discontinued operations

The results of discontinued operations are as follows:

(Millions of yen)

	For the year ended December 31, 2021
Cash flows from operating activities	−
Cash flows from investing activities	34,490
Cash flows from financing activities	−

(Note) Cash flows from investing activities in the previous fiscal year was due to the proceeds from the sale of all shares of Q'sai.

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, 2021	168,390	223,862	237,187	146,991	18,260	794,691	46,234
Acquisition	2,996	10,279	9,573	636	4,133	27,618	9,195
Disposal and sale	(3,042)	(3,800)	(9,578)	(3,326)	–	(19,746)	(13,887)
Transfer from construction in progress	8,645	3,599	–	68	(12,311)	–	–
Other	–	–	–	–	(646)	(646)	–
Balance at December 31, 2021	176,989	233,940	237,182	144,370	9,436	801,916	41,543
Acquisition	3,777	7,030	16,548	–	4,527	31,883	6,869
Disposal and sale	(4,251)	(3,328)	(7,740)	(3,174)	–	(18,493)	(10,503)
Transfer from construction in progress	2,925	5,146	–	–	(8,071)	–	–
Other	331	689	(290)	(341)	(469)	(80)	2,184
Balance at December 31, 2022	179,771	243,478	245,700	140,854	5,423	815,226	40,093

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, 2021	(81,998)	(115,783)	(134,089)	(2,319)	－	(334,189)	(16,425)
Depreciation.	(7,364)	(16,067)	(24,023)	－	－	(47,453)	(6,580)
Impairment losses	(463)	(281)	－	－	－	(744)	－
Disposal and sale	2,784	3,544	8,622	412	－	15,362	6,691
Other	19	82	－	－	－	102	(85)
Balance at December 31, 2021	(87,021)	(128,504)	(149,490)	(1,907)	－	(366,922)	(16,398)
Depreciation.	(7,077)	(15,390)	(14,355)	－	－	(36,822)	(5,502)
Impairment losses	(1)	－	－	(20)	－	(20)	－
Disposal and sale	3,718	3,151	7,098	89	－	14,057	8,335
Other	(245)	(597)	285	48	－	(509)	(4,686)
Balance at December 31, 2022	(90,626)	(141,341)	(156,462)	(1,789)	－	(390,217)	(18,252)

Note) Other are transfers of subjects, etc.

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, 2021	89,968	105,436	87,692	142,463	9,436	434,994	25,144
December 31, 2022	89,146	102,136	89,239	139,065	5,423	425,009	21,841

Depreciation of property, plant and equipment is included in "Cost of goods sold" 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, 2021	61,859	52,050	21,790	432	74,272
Acquisition	−	−	3,371	−	3,371
Disposal and sale	−	−	(111)	(64)	(175)
Other	−	−	(145)	−	(145)
Balance at December 31, 2021	61,859	52,050	24,905	368	77,323
Acquisition	−	−	3,788	−	3,788
Disposal and sale	−	−	(1,317)	(1)	(1,318)
Other	−	−	(48)	0	(48)
Balance at December 31, 2022	61,859	52,050	27,327	367	79,745

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, 2021	(61,859)	−	(7,916)	(163)	(8,079)
Depreciation	−	−	(3,058)	(68)	(3,126)
Impairment losses	−	−	−	−	−
Disposal and sale	−	−	58	43	102
Other	−	−	−	−	−
Balance at December 31, 2021	(61,859)	−	(10,916)	(188)	(11,104)
Depreciation	−	−	(3,394)	(68)	(3,461)
Impairment losses	−	−	−	−	−
Disposal and sale	−	−	700	1	701
Other	−	−	(15)	(1)	(16)
Balance at December 31, 2022	(61,859)	−	(13,624)	(256)	(13,880)

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, 2021	−	52,050	13,989	180	66,219
December 31, 2022	−	52,050	13,703	112	65,865

Software at the end of the previous fiscal year and the end of the current fiscal year includes internally generated intangible assets of 516 million yen and 431 million yen, respectively.

Amortization of intangible assets is included in "Cost of goods sold" 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 but an impairment loss was recognized in prior years.

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, 2021	For the year ended December 31, 2022
Property, plant and equipment		
Buildings and structures	463	1
Machinery and vehicles	281	—
Land	—	20
Subtotal	744	20
Right-of-use assets	—	—
Total	744	20

We group business assets into 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 assets as a minimum unit.

In the previous consolidated fiscal year and 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 intangible assets with indefinite useful lives

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 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, 2021)	Current fiscal year (As of December 31, 2022)
Intangible assets with indefinite useful lives (Contract related intangible asset)	Beverage business	Beverage	52,050	52,050
	Total		52,050	52,050

The cash-generating units or groups of cash-generating units to which goodwill or intangible assets are allocated shall be tested for impairment annually, and in addition, if there are events or changes in circumstances that indicate a potential impairment which no impairment losses were recognized in the previous or current fiscal years. The recoverable amount of cash-generating unit or cash-generating unit group to which goodwill and intangible assets with indefinite useful life has been allocated in calculated based on its value in use. Value in use is calculated by discounting future cash flows to present value. Value in use is calculated by applying the appropriate discount rate to those future cash flows to the present value. Future cash flows are calculated using the medium-term plan, budget and, for periods after those indicated in the plan, the going value, which takes into account the long-term average growth rate of the market.

When assets are grouped for recoverability assessments, they are used to estimate recoverable amounts, including future cash flows, discount rates, and long-term average growth rates. However, the medium-term plan, which is the basis for future cash flows is based on sales and cost plans etc. For the relevant period which with regard to the estimation of future cash flows, we made estimate with assumption that the traffic is recovering graduallyt.

The amount which is based on these assumptions reflects management's assessment of future trends in the relevant industries and is based on historical data from both external and internal information.

The discount rate before-tax and growth rates used to calculate the value in use of the cash-generating unit or group of cash-generating units to which the goodwill and intangible assets were allocated at the end of the previous fiscal year and at the end of the current fiscal year are as follows:

Cash-generating unit or cash-generating unit group	Previous fiscal year (As of December 31, 2021)		Current fiscal year (As of December 31, 2022)	
	Discount rate	Growth rate	Discount rate	Growth rate
Beverage	5.5%	0.5%	6.0%	0.4%

(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 127,714 million yet in the current fiscal year. However, if the discount rate is greater than 7.2% or the growth rate is less than -1.1%, an impairment loss may occur.

Cash-generating unit or cash-generating unit groups	Previous fiscal year (As of December 31, 2021)		Current fiscal year (As of December 31, 2022)	
	Discount rate	Growth rate	Discount rate	Growth rate
Beverage	7.1%	(1.4)%	7.2%	(1.1)%

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, 2021)	Current fiscal year (As of December 31, 2022)
Current		
Prepaid expense	8,005	6,835
Income tax receivable	3,827	1,940
Consumption tax receivable	4,156	3,989
Other	287	345
Total	16,275	13,108
Non-current		
Long-term prepaid expenses	5,953	4,622
Other	53	487
Total	6,006	5,110

14. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Trade payables	34,814	37,541
Accounts payable - other	65,337	66,799
Accrued expenses	3,110	3,915
Total	103,260	108,254

15. Provisions

Changes in provision were as follows:

(Millions of yen)

	Asset retirement obligations	Environmental measures provision	Total
Balance at December 31, 2021	2,121	25	2,146
Provision	144	2	146
Decrease during the fiscal year (intended use)	(459)	(9)	(468)
	(77)	—	(77)
Increase due to passage of time and change in discount rate	14	—	14
Balance at December 31, 2022	1,743	17	1,761
Current	—	—	—
Non-current	1,743	17	1,761
Total	1,743	17	1,761

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, 2021)	Current fiscal year (As of December 31, 2022)	Average interest rate (%)	Maturity
Current				
Current portion of bonds	29,990	—		-
Current portion of long-term loans payable	1,000	1,000	0.15	-
Short-term loans payable	—	—		
Subtotal	30,990	1,000		
Non-current				
Bond	149,622	149,701	0.20	2024 to 2029
Long-term loans payable	7,000	6,000	0.15	2024 to 2026
Subtotal	156,622	155,701		
Total	187,612	156,701		

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, 2021)	Carrying amount: Current fiscal year (As of December 31, 2022)	Interest rate (%)	Collateral	The due date for redemption
The Company	Coca-Cola west 3rd Unsecured bonds	Jun 17, 2015	30,000	29,990 (29,990)	—	0.52	None	Jun 17, 2022
The Company	1st unsecured bond	Sep 19, 2019	40,000	39,921	39,950	0.10	None	Sep 19, 2024
The Company	2nd unsecured bond	Sep 19, 2019	60,000	59,858	59,888	0.20	None	Sep 18, 2026
The Company	3rd unsecured bond	Sep 19, 2019	50,000	49,843	49,863	0.27	None	Sep 19, 2029
	Total			179,612 (29,990)	149,701			

(NOTE) 1. The amount in parentheses is the redemption amount due 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, 2021)	Current fiscal year (As of December 31, 2022)
Depreciation of Right-of-use assets		
Buildings and structures	6,580	5,502
Land	—	—
Total	6,580	5,502
Interest expense on lease liabilities	291	238
Total cash outflows related to leases	(7,088)	(5,974)

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

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Right-of-use assets		
Buildings and structures	24,470	21,219
Land	674	622
Total	25,144	21,841

The increase in Right-of-use assets for the end of the previous fiscal year and the end of the current fiscal year was 9,195 million yen and 6,869 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.

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Balance at the beginning of the year	118,958	118,007
Service expense	3,490	3,456
Interest expense	1,312	1,067
Remeasurement:		
Actuarial gains arising from changes in demographic assumptions	(184)	—
Actuarial gains arising from changes in financial assumptions	2,526	(11,779)
Experience adjustment	(337)	(132)
Benefit payments	(7,757)	(7,250)
Transfers to disposal groups held for sale	—	—
Balance at the end of the year	118,007	103,370

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 11.0 years and 10.0 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Balance at the beginning of the year	104,952	106,183
Interest revenue	1,125	932
Remeasurement:		
Return on plan asset	6,303	(8,770)
Contributions by employer	353	92
Benefit payments	(6,550)	(6,239)
Balance at the end of the year	106,183	92,198

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Balance at the beginning of the year	869	5,781
Remeasurement:		
Effect of limiting the amount of net plan assets to the amount of asset ceiling	4,902	811
Interest revenue	10	52
Balance at the end of the year	5,781	6,644

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, 2021)	Current fiscal year (As of December 31, 2022)
Defined benefit plans obligations (funded)	100,402	85,554
Plan assets	106,183	92,198
Net deficit of funded defined benefit plans	(5,781)	(6,644)
Adjustments due to asset ceiling	5,781	6,644
Subtotal	—	—
Defined benefit plans obligations (unfunded)	17,605	17,817
Total	17,605	17,817
Net defined benefit liabilities	17,605	17,817
Net defined benefit assets	—	—
Net defined benefit liabilities recognized in the consolidated statements of financial position	17,605	17,817

(e) Major items of plan asset

The plan assets of the Group's retirement benefit plans include marketable equity securities and receivables and are exposed to stock price and interest rate and foreign exchange risks. The investment of 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, 2021)			Current fiscal year (As of December 31, 2022)		
	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	—	7,806	7,806	—	6,387	6,387
Foreign securities	—	21,616	21,616	—	15,111	15,111
Debt instrument						
Domestic bonds	—	6,613	6,613	—	4,642	4,642
Foreign bonds	—	22,402	22,402	—	17,893	17,893
General account	—	27,517	27,517	—	27,798	27,798
Alternative	—	17,932	17,932	—	20,135	20,135
Other	2,153	145	2,298	0	232	232
Total	2,153	104,030	106,183	0	92,198	92,198

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.

There is no estimated amount of contribution to the plan assets in the next consolidated fiscal year because the plan assets exceed the minimum required reserve amount.

(f) Significant actuarial assumptions

Significant actuarial assumptions were as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Discount rate	0.90%	1.96%
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, 2021)		Current fiscal year (As of December 31, 2022)	
	Increasing	Reduction	Increasing	Reduction
Discount rate				
0.25% decrease	3,292	—	2,606	—
0.25% increase	—	3,150	—	2,502
Rate of salary increase				
0.5% decrease	—	197	—	180
0.5% increase	184	—	192	—

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 10,352 million yen and 10,112 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, 2021)	Current fiscal year (As of December 31, 2022)
Current		
Deposit received	3,941	4,345
Accrued paid leave	5,170	4,996
Consumption tax payable	1,718	1,458
Accrued bonuses	4,520	7,626
Other	736	1,914
Total	16,085	20,339
Non-current		
Long-term deposits received	884	976
Other long-term employee benefits obligations	1,645	1,760
Other	391	411
Total	2,920	3,147

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, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
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, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
Number of treasury stock		
Outstanding at the beginning of the fiscal year	26,920	26,925
Increase during the fiscal year	5	4
Decrease during the fiscal year	(0)	(0)
Outstanding at the end of the fiscal year	26,925	26,928

The increase in the previous consolidated fiscal year and the current consolidated fiscal year are 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, 2021 (After Restatement)	－	1,430	(335)	－	1,095
Amount arising during the year	(395)	854	2,836	(12)	3,283
Changes in owners' interest in subsidiaries	395	(784)	－	12	(378)
Reclassification from accumulated other comprehensive income to retained earnings	－	－	(1,356)	－	(1,356)
Balance at December 31, 2021	－	1,499	1,145	－	2,644
Amount arising during the year	1,523	292	1,250	－	3,065
Reclassification from accumulated other comprehensive income to retained earnings	(1,523)	(451)	－	－	(1,974)
Reclassification from accumulated other comprehensive income to non-financial asset	－	－	(2,558)	－	(2,558)
Balance at December 31, 2022	－	1,341	(163)	－	1,177

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's common stock ("the Company's stock") and cash will be paid under the performance-linked stock compensation plans consisting of the Performance Share Unit ("PSU") plan and the Restricted Stock Unit ("RSU") plan for the evaluation periods of January 1, 2021 to December 31, 2023 and January 1, 2022 to December 31, 2024, respectively. The purpose of LTI is to share the benefits and risks of stock price fluctuations with shareholders and to motivate the Target Company's employees more than ever to contribute to the enhancement of the Company's corporate value over the medium to long term and to the increase in the Company's stock price.

(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 were as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
PSU	1,858	1,317
RSU	1,858 (Note) 1 1,684	1,317 (Note) 1 1,318 (Note) 2 1,420

(Note).1.Fair value for RSU covering employees.

2. Fair value related to special RSU

2. Share compensation Expenses

For the previous and current fiscal year, expenses of share-based payment included in "Selling, general and administrative expenses" in the consolidated statements of profit or loss are 227 million yen and 482million yen.

22. Dividends

Dividends payments were as follows:

For the year ended December 31, 2021

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 25, 2021 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2020	March 26, 2021
August 11, 2021 Board of Directors	Ordinary share	4,484	25	June 30, 2021	September 1, 2021

For the year ended December 31, 2022

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 24, 2022 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2021	March 25, 2022
August 11, 2022 Board of Directors	Ordinary share	4,484	25	June 30, 2022	September 1, 2022

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 28, 2023 Ordinary General Meeting of Shareholders	Ordinary share	4,484	Retained earnings	25	December 31, 2022	March 29, 2023

23. Revenue Decomposition

(1) Revenue

The Group's organizational structure is based on Beverage segments. 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, alcohol, 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 customers do not include any material financial elements.

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Revenue		
Other revenue arising from customers and contracts		
Beverage	785,455	807,402
Other	382	29
Total	785,837	807,430

(2) Contract balances

The Group’s contract balance are as follows.

(Millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Receivables arising from contracts with customers		
Accounts and notes receivable	72,527	77,105
Total	72,527	77,105

(3) Transaction price allocated to the remaining performance obligation

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. In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

(4) Assets recognized from the costs of obtaining or performing contracts with customers

The contracts with customer do not include any material financial elements.

24. Selling, general, and administrative expenses

Selling, general and administrative expenses comprise the following

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Depreciation	38,557	27,752
Amortization	3,085	3,391
Sales commissions and promotional expenses	104,965	108,910
Employee benefits expenses	95,373	103,977
Shipping and commissions	77,964	76,035
Maintenance fee	14,321	15,331
Other	29,486	29,898
Total	363,750	365,295

25. Employee benefits expenses

Employee benefits expenses consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)	
	Cost of goods sold	Selling, general and administrative expenses	Cost of goods sold	Selling, general and administrative expenses
Salaries and wages	9,106	60,450	9,719	65,316
Welfare and legal welfare expenses	1,074	8,674	1,120	8,175
Bonus	1,733	13,839	2,240	18,134
Retirement benefit costs	1,507	12,411	1,576	12,351
Total	13,420	95,373	14,656	103,977

26. Other income and other expense

Other income and other expense consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Other income		
Gains on sales of property, plant and equipment	1,519	4,587
Rent income	310	276
Government subsidies (Note 1)	6,447	3,729
Gain on sales of stocks of subsidiaries and affiliates (Note 2)	708	—
Other	1,154	720
Total	10,138	9,312
Other expense		
Impairment losses	744	20
Losses on sales and disposals of property, plant and equipment	2,102	2,564
Transformation-related expenses (Note 3)	1,600	1,298
Special retirement allowance (Note 4)	2,437	1,104
Temporary paid leave expenses (Note 5)	9,001	2,168
System failure-related costs (Note 6)	1,322	—
Other	496	179
Total	17,702	7,332

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

2. Gain on sales of stocks of subsidiaries and affiliates represents the gain on sales of all stocks of Apex Nishi-Nihon Corporation, an equity-method affiliate of the Company.

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

4. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program.

5. Temporary paid leave expenses are the allowance associated with employee's temporary leave due to the spread of COVID-19. The expenses are reclassified 656 million yen and 92 million yen from cost of goods sold and 8,345 million yen and 2,076 million yen from Selling, general and administrative expenses to other expenses, respectively.

6. System failure-related costs are expenses incurred to recover the system failures that occurred in the core system used by the Group.

27. Financial income and financial expense

Financial income and finance expense consisted of the following:

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Financial income		
Interest income		
Financial assets measured at amortized cost	1	0
Dividends income		
Financial assets measured at fair value through other comprehensive income	259	237
Other	117	27
Total	377	264
Finance expense		
Interest expenses		
Financial liabilities measured at amortized cost.	928	750
Foreign exchange losses	111	468
Other	50	25
Total	1,089	1,242

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, 2021)	Current fiscal year (As of December 31, 2022)	Previous fiscal year (From January 1, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
Deferred tax assets				
Property, plant and equipment and intangible asset	5,246	4,709	(283)	(537)
Lease	7,162	6,418	(3,335)	(744)
Financial assets	1,313	1,126	37	(288)
Employee benefits	9,992	12,001	1,285	2,814
Inventories	2,184	1,530	295	(654)
Carryforwards of unused tax losses	13,893	19,422	6,014	5,529
Other	3,642	2,324	(418)	(1,318)
Subtotal	43,432	47,529	3,595	4,802
Deferred tax liabilities				
Property, plant and equipment and intangible asset	(34,319)	(33,788)	1,522	531
Lease	(6,983)	(6,217)	3,176	766
Financial assets	(3,619)	(2,612)	302	541
Other	(1,930)	(1,487)	809	443
Subtotal	(46,851)	(44,105)	5,809	2,280
Total deferred tax expense	―	―	9,404	7,082
Total deferred taxes	(3,419)	3,424		

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. Based on historical trends in taxable income and projected future taxable income for the periods in which deferred tax assets are recognized, the Group believes that it is more likely than not that the tax benefits of these deferred tax assets will be realized at the end of the previous and current fiscal years.

In Company incurred special retirement previous and current fiscal years, then benefits and the effects of the new coronavirus infection. The Company has incurred a loss carried forward for tax purposes. The loss carried forward for tax purposes mainly resulted from a consolidated subsidiary, Coca-Cola Bottlers Japan Inc., which is a consolidated subsidiary of the Company. Deferred tax assets of 19,279 million yen were recognized for the tax loss carryforwards. Note 4 "Critical Accounting Judgments, Estimates, and as described in "Assumptions and Liabilities", in recognizing deferred tax assets, the Group has recognized deferred tax assets based on the medium-term plan. The timing and amount of the accrual are estimated. Estimates of future taxable income are based on the medium-term plan, and the main assumptions used are as follows the sales plan and cost plan for the relevant period are used as the basis for the calculation. In assessing the recoverability of deferred tax assets, the Company considers the planned reversal of deferred tax liabilities, future taxable income, and tax planning including asset sales. In addition, Although the impact of COVID-19 infection is expected to remain uncertain, accounting estimates are based on the assumption that the traffic is recovering gradually.

We believe 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, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
Balance at the beginning of the fiscal year (after restatement) (liabilities)	(12,309)	(3,419)
Amounts recognized in deferred tax expense	9,404	7,082
Amounts recognized in other comprehensive income	(514)	(239)
Balance at the end of the year (liabilities)	(3,419)	3,424

(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. 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, 2021)	Current fiscal year (As of December 31, 2022)
Deductible temporary differences	15,545	14,997
Carryforwards of unused tax losses	—	—
Total	15,545	14,997

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, 2021)	Current fiscal year (As of December 31, 2022)
Investments in subsidiaries and associates	38,724	22,141

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Current tax expenses	3,005	2,650
Deferred tax expenses (profit)	(9,658)	(7,082)
Total	(6,653)	(4,432)

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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Statutory tax rate	31.46%	31.46%
Items which are not taxable or deductible	22.54%	(0.49)%
Changes in unrecognized deferred tax assets (Note)	0.41%	1.45%
Tax rate difference between the Company and subsidiaries	2.47%	1.59%
Tax expense related to the sale of shares of a subsidiary	(23.95)%	－%
Other	(2.24)%	1.46%
Applicable tax rate	30.68%	35.48%

Note: See Note 9, " Discontinued Operations," for more information on the tax expense related to the sale of shares in subsidiaries.

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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans:		
Amount arising during the year	(603)	2,329
Tax effect	208	(806)
Net of tax	(395)	1,523
Share of other comprehensive income in equity method investees:		
Amount arising during the year	(12)	—
Tax effect	—	—
Net of tax	(12)	—
Financial asset measured at fair value through other comprehensive income:		
Amount arising during the year	1,396	418
Tax effect	(542)	(126)
Net of tax	854	292
Subtotal	448	1,815
Cash flow hedge:		
Amount arising during the year	4,335	1,910
Tax effect	(1,499)	(661)
Net of tax	2,836	1,250
Subtotal	2,836	1,250
Total other comprehensive income	3,283	3,065

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 liabilities
Balance as of January 1, 2021	50,000	9,072	179,514	31,405
Changes with cash flows	(50,000)	(1,072)	－	(7,088)
Changes without cash flows	－	－	99	2,196
Balance at December 31, 2021	－	8,000	179,612	26,512
Changes with cash flows	(38)	(1,065)	(30,000)	(5,974)
Changes without cash flows	38	65	89	2,730
Balance at December 31, 2022	－	7,000	149,701	23,269

(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 fulfil 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 monitors 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 measures 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, 2021

(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	33,149	98	67,796	101,043
Within 60 days of the due date	17	—	4,611	4,628
More than 60 days from the due date	—	8	43	51
Total	33,166	106	72,450	105,721

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

As of December 31, 2022

(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	26,322	25	70,537	96,883
Within 60 days of the due date	37	—	6,533	6,570
More than 60 days from the due date	—	34	—	34
Total	26,358	59	77,070	103,487

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, 2021

(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	4,714	1,204	5,918

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

As of December 31, 2022

(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	3,572	894	4,467

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, 2021

(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, 2021	42	216	134	392
Provision	51	51	298	401
Reduction during the period (reversal)	(42)	(216)	(134)	(392)
Balance at December 31, 2021	51	51	298	401

For the year ended December 31, 2022

(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, 2022	51	51	298	401
Provision	32	23	86	141
Reduction during the period (purpose use)	―	―	(190)	(190)
Reduction during the period (reversal)	(51)	(51)	(108)	(211)
Balance at December 31, 2022	32	23	86	141

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, 2021

(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, 2021	0	589	590
Provision	0	1,036	1,036
Decrease during the period (intended use)	−	(68)	(68)
Reduction during the period (reversal)	(0)	(742)	(742)
Balance at December 31, 2021	0	816	816

For the year ended December 31, 2022

(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, 2022	0	816	816
Provision	0	232	232
Decrease during the period (intended use)	−	(246)	(246)
Reduction during the period (reversal)	(0)	(380)	(381)
Balance at December 31, 2022	0	421	421

(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, 2021

(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	103,260	103,260	103,260	—	—
Bonds and loans payable	187,612	189,920	31,385	108,130	50,405
Finance lease liabilities	26,512	27,502	4,157	11,096	12,249
Total	317,385	320,683	138,803	119,226	62,654

As of December 31, 2022

(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	108,254	108,254	108,254	—	—
Bonds and loans payable	156,701	158,535	1,305	106,961	50,270
Finance lease liabilities	23,269	24,131	5,322	10,577	8,232
Derivative financial liabilities					
Forward exchange contracts	162	162	153	8	—
Commodity swap	501	501	501	—	—
Total	288,887	291,583	115,535	117,546	58,502

(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 holds 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 assets 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 944 million yen and 870 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 transactions, 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. ROE and ROA for the previous and current fiscal years were affected by the continuing difficult business environment due to the outbreak of the new coronavirus infection.

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
ROE	(0.50)%	(1.67)%
ROA	(2.40)%	(1.47)%

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, 2021

(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	—	—	110,497	110,497
Trade and other receivables	—	—	105,320	105,320
Other financial asset (current)				
Derivative assets	1,303	—	—	1,303
Term deposits which mature due within three months	—	—	5	5
Current portion of long-term loans receivable	—	—	12	12
Other	—	—	—	—
Subtotal	1,303	—	17	1,320
Other financial asset (non-current)				
Derivative assets	560	—	—	560
Securities	—	13,726	—	13,726
Long-term loans receivable	—	—	36	36
Other	—	140	5,049	5,189
Subtotal	560	13,866	5,085	19,511
Total	1,863	13,866	220,919	236,648

As of December 31, 2022

(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	—	—	84,074	84,074
Trade and other receivables	—	—	103,346	103,346
Other financial asset (current)				
Derivative assets	527	—	—	527
Term deposits which mature due within three months	—	—	5	5
Current portion of long-term loans receivable	—	—	10	10
Other	—	—	—	—
Subtotal	527	—	15	542
Other financial asset (non-current)				
Derivative assets	22	—	—	22
Securities	—	11,747	—	11,747
Long-term loans receivable	—	—	27	27
Other	—	89	4,003	4,093
Subtotal	22	11,836	4,030	15,888
Total	548	11,836	191,466	203,851

Financial liabilities

As of December 31, 2021

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at amortized cost	Total
Trade and other payables	—	103,260	103,260
Bonds and loans payable	—	187,612	187,612
Lease liabilities	—	26,512	26,512
Total	—	317,385	317,385

As of December 31, 2022

(Millions of yen)

	Financial instrument measured at fair value through profit or loss	Financial instrument measured at amortized cost	Total
Trade and other payables	－	108,254	108,254
Bonds and loans payable	－	156,701	156,701
Lease liabilities	－	23,269	23,269
Other financial liabilities (current)			
Derivative liabilities	654	－	654
Subtotal	654	－	654
Other financial liabilities (non-current)			
Derivative liabilities	8	－	8
Subtotal	8	－	8
Total	662	288,224	288,887

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

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

(Millions of yen)

Issue	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Nishi-Nippon Railroad Co., Ltd.	1,044	988
Central Japan Railway Company	830	877
East Japan Railway Company	813	865
IZUMI Co., Ltd.	746	691
Oriental Land Co., Ltd.	661	655
Japan Airport Terminal Co.,Ltd.	480	653

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

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Dividends income	189	187

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, 2021 to December 31, 2021)			Current fiscal year (From January 1, 2022 to December 31, 2022)		
Fair value	Cumulative gain (Loss)	Dividends income	Fair value	Cumulative gain (Loss)	Dividends income
7,612	1,577	70	2,485	917	50

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 input is used to measure 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, an active market for the same asset or liability. If there is no active market stock price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and discounted future cash flow models. If significant inputs, such as quoted market prices and discount rates used in measurement, are observable, such financial instruments are classified as Level 2, but are classified as Level 3 if inputs used in its measurement include significant unobservable inputs.

Unlisted securities are classified into Level 3 of the fair value hierarchy using valuation techniques based on discounted future cash flows, valuation techniques based on quoted market prices of similar companies, valuation techniques based on net asset value, and other valuation techniques. In the fair value measurement of unlisted securities, the Group uses unobservable inputs such as discount rates and valuation multiples and considers certain illiquidity discounts and noncontrolling 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, 2021

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: 5.2- 51.0 times EBITDA Multiple: 5.9 times PBR: 0.9 – 2.6 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

As of December 31, 2022

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: 6.2-7.9 times EBITDA Multiple: 8.2 times PER: 6.7 – 32.9 times PBR: 0.9-2.2 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

PER: PER: Price-Earnings Ratio

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, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	–	1,863	–	1,863
Subtotal	–	1,863	–	1,863
Financial instrument measured at fair value through other comprehensive income:				
Securities	9,443	–	4,283	13,726
Other	–	–	140	140
Subtotal	9,443	–	4,423	13,866
Total	9,443	1,863	4,423	15,729
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	–	–	–	–
Total	–	–	–	–

As of December 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	–	548	–	548
Subtotal	–	548	–	548
Financial instrument measured at fair value through other comprehensive income:				
Securities	8,701	–	3,046	11,747
Other	–	–	89	89
Subtotal	8,701	–	3,135	11,836
Total	8,701	548	3,135	12,385
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	–	662	–	662
Total	–	662	–	662

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, 2021	4,694
Purchase	2
Disposals	(27)
Gains or losses recognized in other comprehensive income	(246)
Balance at December 31, 2021	4,423
Purchase	2
Disposals	(487)
Gains or losses recognized in other comprehensive income	(805)
Other	2
Balance at December 31, 2022	3,135

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, 2021

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	187,612	187,982	(370)

As of December 31, 2022

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	156,701	154,389	2,312

Long-term loans payable and bonds include current portion. Cash and cash equivalents, trade and other receivables, trade and other payables 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, 2021

(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	10,007	730	－
	Price risk	Commodity swap	4,816	1,133	－
	Total		14,823	1,863	－

The average exchange rate used for forward exchange contracts was 106.17 yen per U.S. dollar.

As of December 31, 2022

(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	12,637	93	162
	Price risk	Commodity swap	15,235	456	501
	Total		27,872	548	662

The average exchange rate used for forward exchange contracts was 129.15 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 2022 to January 2024 and from January 2022 to January 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, 2021)	Current fiscal year (As of December 31, 2022)
Forward exchange contracts	449	(89)
Commodity swap	696	(74)
Total	1,145	(163)

(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, 2021

(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	965	5	730	—
Price risk	3,370	—	1,133	—
Total	4,335	5	1,863	—

For the year ended December 31, 2022

(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	1,056	20	(69)	—
Price risk	855	—	(45)	—
Total	1,910	20	(114)	—

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.

Percentage of voting right

Operating segment	Name of subsidiary	Location of head office	The details of the business	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
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.	Minato-ku, Tokyo	Vending machine operation	100.0%	100.0%
	Coca-Cola Bottlers Japan Business Services Inc.	Minato-ku, Tokyo	On-site administration related with sales of beverage/food	100.0%	100.0%

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

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.

Percentage of voting right

Operating segment	Name of associate	Location of head office	The details of the business	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Beverage business	Resources Inc.	Takamatsu-shi, Kagawa	Vending machine-related business	44.0%	44.0%

(NOTE) Percentage of voting rights include 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, 2021)	Current fiscal year (As of December 31, 2022)
Property, plant and equipment	8,342	1,774
Intangible assets	—	2
Total	8,342	1,796

Purchase commitments excluding the above amounts were 5,600 million yen and 7,468 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Loss from continuing operations attributable to owners of parent (Millions of yen)	(15,008)	(8,070)
Loss from discontinued operations attributable to owners of parent (Millions of yen)	12,505	—
Weighted-average shares of ordinary share outstanding (in thousands)	179,346	179,342
Basic earnings(loss) per share (Yen)		
Continued operations	(83.68)	(45.00)
Discontinued operations	69.72	—
Basic loss per share (Yen)	(13.96)	(45.00)

(NOTE) 1. In the previous fiscal year and the current fiscal year, 415 thousand shares and 751 thousand shares of stock-based compensation were accounted for antidilutive, "Diluted earnings per share" is not shown.

2. For more information on the Loss from discontinued operations attributable to owners of parent, see Note 9, " Disposal groups classified as held for sale and discontinued operations about in the previous consolidated fiscal year.

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, 2021

(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	130,653	25,374
		Purchase of concentrate	313,590	11,280
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	3,109	278
		Purchase of soft drinks	70	9

For the year ended December 31, 2022

(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	128,436	18,772
		Purchase of concentrate	316,898	13,317
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	2,860	234
		Purchase of soft drinks	78	5

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, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
Remuneration	489	611
Stock-based compensation	234	250
Bonus	120	181
Compensation upon retirement	21	21
Other	74	21
Total	937	1,085

37. Significant subsequent events after the reporting period

Not applicable

(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)	168,853	375,948	612,321	807,430
Net loss before income taxes and minority interests for the quarter or year	(Yen)	(10,031)	(15,121)	(7,947)	(12,491)
Net loss in attributable to owners of the parent for the quarter or year	(Yen)	(6,568)	(9,899)	(5,194)	(8,070)
Loss per share	(Yen)	(36.62)	(55.20)	(28.96)	(45.00)

(Quarter-to-date)		1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings (loss) per share	(Yen)	(36.62)	(18.57)	26.24	(16.04)

2. Financial Statements (Non-consolidated)

(1) Financial statements (Non-consolidated)

① Balance sheet

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	7,187	6,285
Prepaid expense	39	409
Short-term loans to affiliates	128,454	92,555
Account receivables - other	82	294
Other	2,146	—
Total current assets	137,908	99,543
Fixed assets		
Property, plant and equipment		
Buildings	13,031	11,938
Structures	924	806
Machinery, equipment and vehicles	13	9
Land	48,216	47,613
Total property, plant and equipment	62,185	60,366
Intangibles assets		
Leasehold	27	27
Software	1	0
Total intangibles asset	28	27
Investments and other asset		
Investment securities of subsidiaries and associates	342,561	342,561
Deferred tax assets	184	21
Other	544	423
Total investments and other assets	343,289	343,005
Total fixed assets	405,502	403,398
Total assets	543,410	502,941

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities		
Current portion of bonds	30,000	—
Accounts payable	333	347
Accrued expenses	4	3
Deposits	9,722	5,622
Bonus provision	4	7
Provision of directors' bonuses	120	181
Income tax payable	—	647
Other	91	241
Total current liabilities	40,274	7,048
Non-current liabilities		
Bonds	150,000	150,000
Allowance for retirement benefit		2
Asset retirement obligations	1,039	926
Performance-linked compensation provision	197	449
Other	87	115
Total non-current liabilities	151,324	151,492
Total liabilities	191,598	158,540
Net assets		
Shareholders' equity		
Capital stock	15,232	15,232
Capital surplus		
Legal capital reserve	108,167	108,167
Other capital surplus	158,783	158,783
Total capital surplus	266,950	266,949
Retained earnings		
Legal reserve	3,317	3,317
Other retained earnings		
Excess tax depreciation reserve	676	675
General reserve	110,388	110,388
Retained earnings brought forward	40,911	33,507
Total retained earnings	155,292	147,887
Treasury Stock	(85,661)	(85,667)
Total shareholders' equity	351,812	344,402
Total net assets	351,812	344,402
Total liabilities and net assets	543,410	502,941

② Statements of profit or loss

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021	Current fiscal year (From January 1, 2022 to December 31, 2022
Operating revenue	5,797	5,640
Operating expenses	4,257	3,713
Operating profit	1,540	1,927
Non-operating income		
Interest and dividends income	183	149
Compensation for expropriation	—	168
Other	19	14
Total non-operating income	202	331
Non-operating expenses		
Interest expense	472	368
Other	69	21
Total non-operating expenses	541	388
Ordinary profit	1,201	1,869
Extraordinary income		
Gain on sales of non-current assets	1,359	615
Gain on sales of stocks of subsidiaries and affiliates	17,579	—
Total extraordinary income	18,938	615
Extraordinary losses		
Loss on sales of non-current assets	33	—
Impairment losses	298	15
Loss on disposal of fixed assets	3	—
Total extraordinary losses	333	15
Income before income tax	19,805	2,469
Income taxes	1,054	743
Income tax adjustments	356	163
Total income taxes	1,410	906
Net profit	18,395	1,562

③ Statements of changes in equity

Previous fiscal year (From January 1, 2021 to December 31, 2021)

(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, 2021	15,232	108,167	158,783	266,950	3,317	142,547
Changes during the year						
Dividend of surplus	–	–	–	–	–	(8,967)
Net profit	–	–	–	–	–	18,395
Purchase of treasury stock	–	–	–	–	–	–
Disposal of treasury stock	–	–	(0)	(0)	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–
Total changes during the year	–	–	(0)	(0)	–	9,428
Balance at December 31, 2021	15,232	108,167	158,783	266,950	3,317	151,975

	Shareholders' equity			Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	
	Total retained earnings			
Balance at January 1, 2021	145,864	(85,654)	342,391	342,391
Changes during the year				
Dividend of surplus	(8,967)	–	(8,967)	(8,967)
Net profit	18,395	–	18,395	18,395
Purchase of treasury stock	–	(8)	(8)	(8)
Disposal of treasury stock	–	1	0	0
Net changes in items other than shareholders' equity	–	–	–	–
Total changes during the year	9,428	(7)	9,421	9,421
Balance at December 31, 2021	155,292	(85,661)	351,812	351,812

Current fiscal year (From January 1, 2022 to December 31, 2022)

(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, 2022	15,232	108,167	158,783	266,950	3,317	151,975
Changes during the year						
Dividend of surplus	–	–	–	–	–	(8,967)
Net profit	–	–	–	–	–	1,562
Purchase of treasury stock	–	–	–	–	–	–
Disposal of treasury stock	–	–	(0)	(0)	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–
Total changes during the year	–	–	(0)	(0)	–	(7,405)
Balance at December 31, 2022	15,232	108,167	158,783	266,949	3,317	144,570

	Shareholders' equity			Total net assets
	Retained earnings	Treasury Shares	Total shareholders' equity	
	Total retained earnings			
Balance at January 1, 2022	155,292	(85,661)	351,812	351,812
Changes during the year				
Dividend of surplus	(8,967)	–	(8,967)	(8,967)
Net profit	1,562	–	1,562	1,562
Purchase of treasury stock	–	(6)	(6)	(6)
Disposal of treasury stock	–	0	0	0
Net changes in items other than shareholders' equity	–	–	–	–
Total changes during the year	(7,405)	(5)	(7,410)	(7,410)
Balance at December 31, 2022	147,887	(85,667)	344,402	344,402

Supplemental notes of the statement of changes in equity

(NOTE) Breakdown of other retained earnings

Previous fiscal year (From January 1, 2021 to December 31, 2021)

	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	677	110,388	31,482	142,547
Changes during the year				
Dividend of surplus	—	—	(8,967)	(8,967)
Net income	—	—	18,395	18,395
Reversal of reserve funds	(1)	—	1	—
Purchase of treasury stock	—	—	—	—
Disposal of treasury stock	—	—	—	—
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes during the year	(1)	—	9,429	9,428
Balance at December 31	676	110,388	40,911	151,975

Current fiscal year (From January 1, 2022 to December 31, 2022)

	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	676	110,388	40,911	151,975
Changes during the year				
Dividend of surplus	—	—	(8,967)	(8,967)
Net income	—	—	1,562	1,562
Disposal of treasury stock	(1)	—	1	—
Reversal of reserve funds	—	—	—	—
Purchase of treasury stock	—	—	—	—
Changes in items other than shareholders' equity, net	—	—	—	—
Total changes during the year	(1)	—	(7,404)	(7,405)
Balance at December 31	675	110,388	33,507	144,570

【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 the 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 as 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) Allowance for retirement benefit

In order to prepare for the payment of retirement benefit, the company records an estimate payment amount as of the end of year. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over a fixed number of years within the average remaining service period of employees.

4. Accounting standards for income and expenses

The Company's operating revenue consists of real estate rents and dividends income from subsidiaries. The main performance obligation in real estate rents is the provision of goods or services to subsidiaries. Since the performance obligation is satisfied when control of these promised goods or services is transferred to the customer, revenue is recognized when the performance obligation is satisfied. Dividends income is recognized as of the effective date of dividends.

5. Other important matters that form the basis for the preparation of financial statements

Accounting for Retirement Benefits

The method of accounting for unrecognized actuarial differences related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; Hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. is applied from the beginning of the current fiscal year, and revenue is recognized in the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to a customer.

The application of the standard has no effect on profit and loss for the current fiscal year and the balance of retained earnings at the beginning of the fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes related to revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; Hereinafter referred to as "Fair Value Measurement Accounting Standard"), etc. is applied from the beginning of the current fiscal year, and in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies prescribed by the Fair Value Measurement Accounting Standard and others are applied prospectively. This change had no effect on the financial statements for the current fiscal year.

(Notes to Balance Sheet)

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

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Short-term monetary receivables	82 million yen	294 million yen
Short-term monetary payables	9,757	5,652

2 Contract for overdraft

The Company has entered into 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, 2021)	Current fiscal year (As of December 31, 2022)
Maximum overdraft amount	255,000 million yen	255,000 million yen
Used outstanding of loans	—	—
Net amount	255,000	255,000

(Notes to statement of profit or loss)

※1 Transactions with affiliated companies

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Sales revenue and operating revenue	5,797 million yen	5,640 million yen
Sales expense	—	122
Transactions excluding operating transactions	182	149

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

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Depreciation.	1,578 million yen	1,103 million yen
Taxes and dues	797	742
Rents expenses	682	495
Consignment expenses of business activities	68	134
Directors' remuneration	572	653
Provision for directors' bonus provision	120	181
Provision for performance-linked compensation provision	103	251
Advertising expenses	13	9
Retirement benefit expenses	3	5
Bonuses and provision for bonuses provision	2	13

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

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Buildings	1,325 million yen	147 million yen
Structures	33	6
Land	1	462

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

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Buildings	26 million yen	－ million yen
Structures	7	－
Land	0	－

※5 Impairment losses

The Company decides the grouping of assets for business-by-business units for managerial accounting purposes 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, 2021 to December 31, 2021)

Region	Use	Number of sites	Type	Impairment losses
Kyushu	Idle asset	1	Buildings Structures	262 36

Current fiscal year (From January 1, 2022 to December 31, 2022)

Region	Use	Number of sites	Type	Impairment losses
Kyushu	Idle asset	1	Land Buildings	15 0

(Securities)

The market values of stocks of subsidiaries and affiliates (the amount on the balance sheets for the previous and current fiscal years is 342,561 million yen for stocks of subsidiaries) are not stated because stocks of subsidiaries and affiliates do not have market prices.

(Tax effect accounting)

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

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Excess of depreciation	1,775 million yen	1,720 million yen
Impairment losses	323	225
Other	728	726
Subtotal deferred tax assets	2,827	2,670
Valuation allowance	(471)	(536)
Total deferred tax assets	2,356	2,134
Deferred tax liabilities		
Advanced depreciation reserve fund	(919)	(913)
Difference on revaluation of land	(1,182)	(1,151)
Other	(70)	(49)
Total deferred tax liabilities	(2,171)	(2,114)
Deferred tax assets (liabilities), net	184	21

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

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Dividends income	(24.6)	－
Permanent differences such as entertainment expense	0.5	7.8
Valuation allowance	0.6	(2.1)
Other	0.0	0.3
Applicable tax rate after tax effect	7.1	36.7

(Revenue Recognition)

Information that provides a basis for understanding revenues from contracts with customers is described in note 3, "Significant accounting policies, 4. Accounting standard for income and expense."

(Significant subsequent events after the reporting period)

Not applicable.

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	67,191	46	2,313 (0)	1,008	64,924	52,986
	Structures	11,626	2	543	96	11,085	10,278
	Machinery, equipment, vehicles	35	—	—	4	35	26
	Land	48,216	—	603 (15)	—	47,613	—
	Total	127,068	48	3,459 (15)	1,109	123,656	63,290
Intangible assets	Leasehold	27	—	—	—	27	—
	Software	5	—	—	1	5	5
	Total	32	—	—	1	32	5

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

Land	Impact of sales ohita-higashi office	320 million yen
	Impact of sales kansai-sawayaka training center	155 million yen
	Impact of sales IDC ohita office	75 million yen
Building	Impact of sales Fukuoka-sawayaka training center	192 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	4	7	4	7
Allowance for officers’ bonuses	120	181	120	181
Officer’s compensation	197	449	197	449

(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 (64th term) (January 1, 2021 to December 31, 2021) Submitted to Kanto Finance Bureau March 25, 2022

(2) Internal control report

Submitted to Kanto Finance Bureau March 25, 2022

(3) Quarterly report and confirmation

(First quarter of the 65th term) (January 1, 2022 to March 31, 2022) Submitted to Kanto Finance Bureau Chief May 13, 2022

(Second quarter of the 65th term) (April 1, 2022 to June 30, 2022) Submitted to Kanto Finance Bureau Chief August 12, 2022

(Third quarter of the 65th term) (July 1, 2022 to September 30, 2022) Submitted to Kanto Finance Bureau Chief November 11, 2022

(4) Extraordinary report

Filed with the Director-General of the Kanto Local Finance Bureau on March 29, 2022

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 issue registration statement

Filed with the Director-General of the Kanto Local Finance Bureau on March 29, 2022

Part II. Information about company which provides guarantee to reportable segment

Not applicable