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# Annual Securities Report

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

Fiscal Year (62nd Fiscal Term) From January 1, 2019 to December 31, 2019

Coca-Cola Bottlers Japan Holdings Inc.

(Formerly Coca-Cola Bottlers Japan Inc.)

(E00417)

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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 27, 2020 |
| [Fiscal year] | 62nd fiscal term (from January 1, 2019 to December 31, 2019) |
| [Company name] | Coca-Cola Bottlers Japan Holdings Inc. |
| [Name and position of representative] | Calin Dragan, Representative Director & President |
| [Address of head office] | 9-7-1 Akasaka, Minato-ku, Tokyo<br>(From March 26, 2020, the location of the head office has been changed to the above from 9-66 Hakozaki, Higashi-ku, Fukuoka City.) |
| [Telephone number] | (03)-6896-1707 |
| [Name of administrative contact] | Cordula Thomas, Head of Controllers Senior Group Division, Finance |
| [Closest contact point] | 9-7-1 Akasaka, Minato-ku, Tokyo |
| [Telephone number] | (03)-6896-1707 |
| [Name of administrative contact] | Cordula Thomas, Head of Controllers Senior Group Division, Finance |
| [Location provided for viewing] | Tokyo Stock Exchange, Inc.<br>（2-1 Nihonbashi Kabutocho, Chuo Ward, Tokyo）<br>Fukuoka Stock Exchange<br>（2-14-2 Tenjin, Chuo Ward, Fukuoka City） |

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

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

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# Part I. Corporate Information

## I. Overview

### 1. Summary of business results

(1) Business results of the Group

| Fiscal term | | International Financial Reporting Standards | | |
|---|---|---|---|---|
| | | 60th | 61st | 62nd |
| Fiscal year-end | | December 2017 | December 2018 | December 2019 |
| Revenue | (Millions of yen) | 837,069 | 927,307 | 914,783 |
| Profit before income tax | (Millions of yen) | 37,914 | 14,767 | (55,419) |
| Net profit attributable to owners of the parent | (Millions of yen) | 21,967 | 10,117 | (57,952) |
| Comprehensive income attributable to owners of the parent | (Millions of yen) | 30,149 | 3,152 | (52,164) |
| Equity attributable to owners of the parent | (Millions of yen) | 654,611 | 580,448 | 505,999 |
| Total assets | (Millions of yen) | 929,304 | 877,472 | 952,444 |
| Equity per share attributable to owners of the parent | (Yen) | 3,204.90 | 3,163.63 | 2,821.27 |
| Basic earnings per share | (Yen) | 125.53 | 52.68 | (322.22) |
| Diluted earnings per share | (Yen) | - | - | — |
| Ratio of equity attributable to owners of the parent to total assets | (%) | 70.4 | 66.2 | 53.1 |
| Ratio of return on equity | (%) | 4.6 | 1.6 | (10.7) |
| Price-earnings ratio | (Times) | 32.8 | 62.4 | (8.7) |
| Cash flows from operating activities | (Millions of yen) | 73,014 | 51,244 | 42,629 |
| Cash flows from investing activities | (Millions of yen) | (14,299) | (48,628) | (68,308) |
| Cash flows from financing activities | (Millions of yen) | (26,717) | (55,835) | 73,994 |
| Cash and cash equivalents at the end of the year | (Millions of yen) | 118,742 | 65,510 | 113,825 |
| Number of the employees [Average number of temporary workers] | (People) | 17,197 [4,403] | 17,100 [3,957] | 16,959 [3,578] |

(NOTE) 1. Revenue does not include consumption tax.
2. Diluted earnings per share is not disclosed because there are no potential ordinary shares.
3. The consolidated financial statements are disclosed in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board from the 61st fiscal year.
4. Figures are rounded to the nearest million yen.

| Fiscal term | | Japanese GAAP | | | |
|---|---|---|---|---|---|
| | | 58th | 59th | 60th | 61st |
| Fiscal year-end | | December 2015 | December 2016 | December 2017 | December 2018 |
| Sales revenue | (Millions of yen) | 440,476 | 460,455 | 872,623 | 968,439 |
| Ordinary income | (Millions of yen) | 13,723 | 20,602 | 39,860 | 26,011 |
| Net profit attributable to owners of the parent | (Millions of yen) | 9,970 | 5,245 | 25,244 | 10,948 |
| Comprehensive income | (Millions of yen) | 11,217 | 5,022 | 31,976 | 440 |
| Net assets | (Millions of yen) | 260,878 | 261,173 | 627,486 | 550,775 |
| Total assets | (Millions of yen) | 378,105 | 377,468 | 883,919 | 833,915 |
| Net assets per share | (Yen) | 2,386.81 | 2,389.28 | 3,070.01 | 2,999.40 |
| Net profit per share | (Yen) | 91.35 | 48.05 | 144.26 | 57.01 |
| Diluted earnings per share | (Yen) | - | - | - | - |
| Ratio of equity to asset | (%) | 68.9 | 69.1 | 70.9 | 66.0 |
| Ratio of return on equity | (%) | 3.9 | 2.0 | 5.7 | 1.9 |
| Price-earnings ratio | (Times) | 26.9 | 71.7 | 28.5 | 57.6 |
| Cash flows from operating activities | (Millions of yen) | 40,422 | 34,388 | 72,450 | 50,768 |
| Cash flows from investing activities | (Millions of yen) | (24,994) | (19,921) | (41,091) | (48,621) |
| Cash flows from financing activities | (Millions of yen) | 22,416 | (7,546) | (26,160) | (55,366) |
| Cash and cash equivalents are the beginning of the year | (Millions of yen) | 79,828 | 86,727 | 118,742 | 65,510 |
| Number of the employees [Average number of temporary workers] | (People) | 8,837 [2,613] | 8,616 [2,499] | 17,197 [4,403] | 17,100 [3,957] |

(NOTE)

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

(2) Management indicators of the Company

| Fiscal term | | 58th | 59th | 60th | 61st | 62nd |
|---|---|---|---|---|---|---|
| Fiscal year-end | | December 2015 | December 2016 | December 2017 | December 2018 | December 2019 |
| Sales revenue and operating revenue | (Millions of yen) | 370,510 | 385,889 | 93,705 | 10,375 | 26,517 |
| Ordinary income | (Millions of yen) | 10,692 | 14,647 | 6,087 | 5,224 | 20,273 |
| Net profit | (Millions of yen) | 6,981 | 12,034 | 4,991 | 4,395 | 20,702 |
| Capital stock | (Millions of yen) | 15,231 | 15,231 | 15,232 | 15,232 | 15,232 |
| Total number of issued shares | (Thousands of shares) | 111,125 | 111,125 | 206,269 | 206,269 | 206,269 |
| Net assets | (Millions of yen) | 246,599 | 252,750 | 405,242 | 332,507 | 331,139 |
| Total assets | (Millions of yen) | 357,778 | 369,792 | 475,220 | 478,484 | 549,683 |
| Net assets per share | (Yen) | 2,259.50 | 2,315.90 | 1,984.02 | 1,812.27 | 1,846.32 |
| Dividends paid per share<br>(Interim dividends paid per share) | (Yen) | 41.00<br>(20.00) | 46.00<br>(22.00) | 44.00<br>(22.00) | 50.00<br>(25.00) | 50.00<br>(25.00) |
| Net profit per share | (Yen) | 63.96 | 110.26 | 28.52 | 22.89 | 115.11 |
| Diluted earnings per share | (Yen) | - | - | - | - | - |
| Ratio of equity to asset | (%) | 68.9 | 68.3 | 85.3 | 69.5 | 60.2 |
| Ratio of return on equity | (%) | 2.8 | 4.8 | 1.2 | 1.2 | 6.2 |
| Price-earnings ratio | (Times) | 38.4 | 31.2 | 144.3 | 143.5 | 24.2 |
| Dividend payout ratio | (%) | 64.1 | 41.7 | 154.3 | 218.4 | 43.4 |
| Number of the employees<br>[Average number of temporary workers] | (People) | 1,620<br>[120] | 1,635<br>[119] | 729<br>[41] | -<br>[-] | -<br>[-] |
| Total Shareholder Return | (%) | 150.4 | 212.6 | 255.6 | 208.7 | 181.9 |
| [Comparative index: TOPIX Net Total Return Index] | (%) | [112.1] | [112.4] | [137.4] | [115.5] | [136.4] |
| Highest stock price | (Yen) | 2,647 | 3,485 | 4,385 | 4,815 | 3,490 |
| Lowest stock price | (Yen) | 1,603 | 2,177 | 3,065 | 2,793 | 2,157 |

(NOTE)

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

5. The figures of less than one million yen have been rounded off to the nearest million yen since the 60th fiscal year. Previously, the figures of less than one million yen had been rounded down to the nearest million yen.
6. Coca-Cola Bottlers Japan Inc. was renamed Coca-Cola Bottlers Japan Holdings Inc. to clarify its role as a holding company on January 1, 2018. As a result, the number of employees has been omitted from the 61st fiscal year
7. The highest and lowest stock prices are from Tokyo Stock Exchange 1st section.
8. Partial Amendments to “Accounting Standards for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year under review. The main management indicators for the 61st to 62nd periods are the figures after retroactive application of the relevant accounting standards.

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## 2. History

| Month and Year | Summary |
|---|---|
| Dec. 1960 | Nichibei Inryo Co., Ltd. established with 50 million yen in capital at 1-5 Nagahama-cho, Fukuoka City for manufacture and sale of soft drinks |
| Jul. 1961 | Headquarters move to 92 Tenjin-cho, Fukuoka City |
| Jun. 1962 | Agreement on the manufacture and sale of Coca-Cola and Fanta concluded with the Coca-Cola Company and the Coca-Cola (Japan) Company, Limited. granting the right to manufacture and sell Coca-Cola and Fanta in Fukuoka, Saga, and Nagasaki Prefectures |
| Jul. 1962 | Began sales |
| Mar. 1963 | Corporate name changed to Nichibei Coca-Cola Bottling Co., Ltd. |
| Apr. 1963 | Headquarters move to 4127-29 Aza Ashitsugaura, Ohaza Hakozaki, Fukuoka City (now 7-9-66, Hakozaki, Higashi-ku, Fukuoka City) |
| Sep. 1972 | Amended the previous agreements with The Coca-Cola Company and the Coca-Cola (Japan) Company, Limited and newly concluded a license agreement with the Coca-Cola (Japan) Co., Ltd. |
| Jul. 1973 | Corporate name changed to Kitakyushu Coca-Cola Bottling Co., Ltd. |
| Jun. 1994 | Listed on the Fukuoka Stock Exchange |
| Nov. 1996 | Listed on the second section of Tokyo Stock Exchange |
| Jun. 1998 | Listed on the first section of the Tokyo Stock Exchange |
| Feb. 1999 | Kitakyushu Coca-Cola Sales Co., Ltd. established |
| Jun. 1999 | Some business transferred to Kitakyushu Coca-Cola Sales Co., Ltd. |
| Jul. 1999 | Consolidated with Sanyo Coca-Cola Bottling Co., Ltd. and corporate name changed to Coca-Cola West Japan Co., Ltd.<br>With the consolidation, Sanyo Coca-Cola Bottling's subsidiary Sanyo Coca-Cola Sales Co., Ltd. became a subsidiary of the Company<br>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.)<br>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.<br>Implemented share exchange making Kinki Coca-Cola Bottling Co., Ltd. a wholly-owned subsidiary<br>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<br>Amended the previous agreements with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited, and newly concluded a bottler's agreement with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited. |
| Jan. 2010 | Reorganized three subsidiaries running sales to establish West Vending Co., Ltd. (later Coca-Cola West Vending Co., Ltd.), Nishinihon Beverage Co., Ltd. and Coca-Cola West Retail Service Co., Ltd. (Bottlers Japan Business Services Inc.) |
| Oct. 2010 | Acquired Q'SAI CO., LTD. stock, making it a wholly-owned subsidiary |
| Apr. 2013 | Implemented share exchange making Minami Kyushu Coca-Cola Bottling Co., Ltd. a wholly-owned subsidiary |
| Jan. 2014 | Merged with Minami Kyushu Coca-Cola Bottling Co., Ltd. |
| May. 2015 | Acquired Shikoku Coca-Cola Bottling Co., Ltd. stock, making it a subsidiary |
| Apr. 2017 | Implemented share exchange making Coca-Cola East Japan Co., Ltd. a wholly-owned subsidiary<br>Company name changed to Coca-Cola Bottlers Japan Inc.<br>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. |

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## 3. Description of business

The Group's corporate group consists of the Company, 11 subsidiaries, two affiliates, and one non-equity method 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.

(1) Beverage business

(Production and sale of Coca-Cola and beverages)

a. Sales of beverages

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

b. Production of beverages

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

(Business related to vending machines)

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

(Real estate and insurance agency)

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

(Procurement of ingredients and materials)

It is engaged by Coca-Cola Bottlers Japan Inc.

(Development, maintenance and operations of information systems)

They are engaged by Coca-Cola Bottlers Japan Inc.

(2) Healthcare & Skincare business

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

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

(Investment business)

It is engaged by CQ Ventures Co., Ltd.

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

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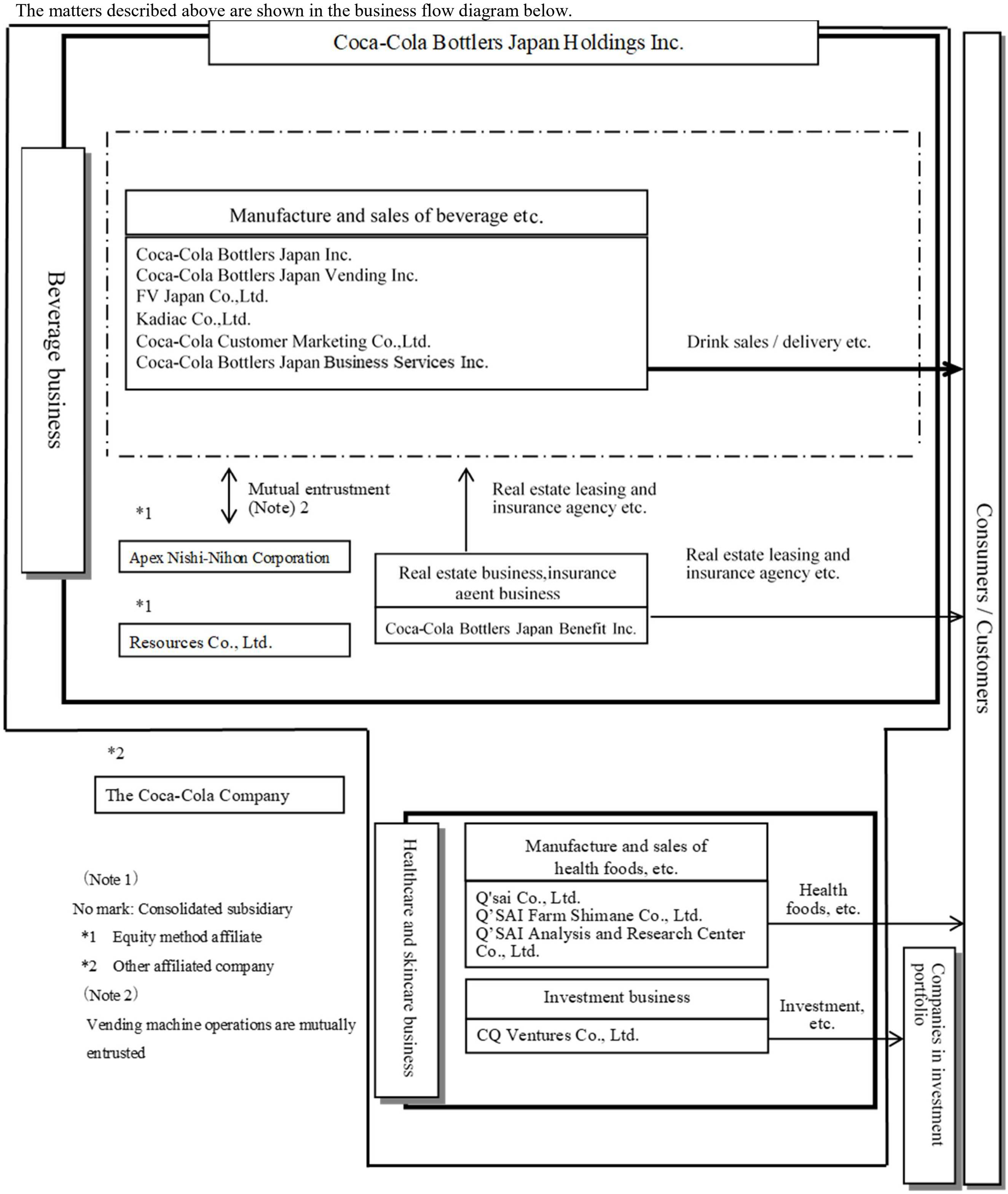
(Business Flow Diagram)

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



## 4. Information on affiliates

(1) Consolidated Subsidiaries

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

(Notes)

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

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

| | | |
|---|---|---|
| Major income statement information. (JGAAP) | (1) Net revenues | 874,646 million yen |
| | (2) Recurring income | 14,283 million yen |
| | (3) Net profit | 6,216 million yen |
| | (4) Net assets | 447,969 million yen |
| | (5) Total assets | 607,656 million yen |

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

| | | |
|---|---|---|
| Major income statement information (JGAAP) | (1) Net revenues | 96,902 million yen |
| | (2) Recurring income | 3,002 million yen |
| | (3) Net profit | 1,455 million yen |
| | (4) Net assets | 26,751 million yen |
| | (5) Total assets | 44,055 million yen |

(2) Equity Method Affiliates

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

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

(3) Other Affiliated Companies

| Name | Address | Common stock (millions of dollars | Principal businesses | % of voting rights interests in the Company （%） | Relation |
|---|---|---|---|---|---|
| The Coca-Cola Company (Note) 1, 2 | Atlanta Georgia U.S.A | 1,760 | Sales of beverages (including concentrate/beverage base)) | 18.89 (18.89) | 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, 2019

| Segment | Number of employees |
|---|---|
| Beverage business | 16,465 (3,414) |
| Healthcare and Skincare business | 494 (164) |
| Total | 16,959 (3,578) |

(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 14,206 as of December 31, 2019. The relationship between management and labor unions is good.

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# II. Business overview

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

### (1) Fundamental management policy of the Company

In November 2019, the Group announced its new corporate philosophy, "Mission, Vision and Values", which we refer to as "Paint it RED! Let's repaint our future." Our corporate color is red, which expresses our passion and our strong will to realize value creation.

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

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

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

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

・Learning
・Agility
・Result-orientation
・Integrity

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


### (2) Main targets

The Group's main targets for the fiscal year ending December 31, 2020 are a 1% year-on-year increase in revenue and 18.0 billion yen in business profit, which is an indicator of the Group's business performance. However, achievement of the target may be impacted by macro-economic uncertaity as a result of the coronavirus (COVID-19) situation and the decision to postpone the Olympic Games until 2021. CCBJH has various mitigation plans in place to deal with the rapidly evolving situation, which we continue to adapt as necessary.

### (3) Issues to be addressed by the Company

Our 2020 outlook reflects the guiding principle of our mid-term business plan that "business as usual is not an option".The Company is executing a transformation of our cost structure, including in the important vending channel and back-office routines, and increasing front-facing investments for growth in such areas as production capacity, space-to-sell and people development, and we will continue to drive fundamental business change to return to a sustainable growth trajectory.

In the beverage business segment, in order to grow together as one "Coca-Cola System" in Japan, we will work closely with the Coca-Cola (Japan) Company, Ltd. with aligned investment plans and more focused innovation on "fewer, bigger bets" to drive revenue growth. And we will continue to transform the Commercial organization to realize best-in-class customer management, starting with a new organizational structure in January 2020 in order to strengthen customer relationships and sales execution. Regarding the vending channel, we aim to deliver sustainable growth by expanding the operational process reengineering we started in the Kinki region in 2019. In addition, together with The Coca-Cola Company as a world-wide partner, we have been leveraging the excitement of the Tokyo 2020 Olympic and Paralympic games to be held in Japan, with comprehensive marketing campaigns to activate the market. However, we are reviewing our Olympics activation plans as a result of the decision to postpone the Olympics into 2021. Finally, the national launch of the Lemon-dou alcohol brand is performing well, and we will continue to expand our presence in this new beverage category.

Regarding our manufacturing capacity and efforts to optimize our logistics and distribution network, which are key elements of our growth plan, we will commission four new production lines in 2020, including the new Hiroshima plant, and we continue to build out the Project Shinsei logistics and distribution infrastructure, including optimization of sales centers and construction of automated warehouses and a new mega distribution center in Saitama Prefecture. We will also expand the transformation of our back-office operations into what we call centers of excellence and centers of scale, including outsourcing of transactional processing where feasible. Our initiatives include people strategies aligned with our new Mission, Vision and Values as well as initiatives for ESG goals for creating shared value including World Without Waste, our 2030 Package Vision for the Coca-Cola system in Japan.

In the health food and cosmetic business, we expect continued market growth, but with intensified competition as more players seek to participate in this growing market segment. Under these circumstances, we will activate the existing main products and recent new launches with effective marketing and advertising, including expanding to internet sales and focusing on action to expand our customer base. Also, we will continue to make efforts in product development and marketing capabilities to ensure a pipeline of relevant products that meet consumers' changing needs.

(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 reffred 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.

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## 2. Risk factors

Of the risks associated with "2. Business overview" and "5. Financial information" described in the Securities Report, main items that may have significant impact on the judgment of investors are described. Recognizing the possibility that these risks may occur, the Group will continue efforts to prevent them, and implement the required response should they occur.

Items related to the future and assumptions described in this section are those determined by the Group as of the date of submission of the Securities Report.

(1) Risks associated with changes in owned assets

In the event of a decline in the value of assets owned by the Group such as land and securities, the Group's financial situation and business performance may be affected. The Consolidated Financial Statement reports goodwill and intangible assets with indefinite durable lives. The Group conducts impairment tests annually and whenever there are events or changes in the environment suggesting potential impairment. If results hoped for cannot be achieved due to changes in the business environment, the Group's financial situation and business performance may be affected.

(2) Risks associated with retirement benefit liabilities

In the event of a divergence between assumptions and performance due to deterioration in the management performance of the Group's plan assets, or if assumptions such as discount rate that serve as a premise for the calculation of retirement benefit liabilities are changed, the Group's financial situation and business performance may be affected due to the increase in retirement benefit expenses or retirement benefit liabilities, etc.

(3) Risks associated with an increase in cost such as raw material cost

In the event of increase in the costs of main raw materials used by the Group to manufacture products (liquid concentrate, beverage base, sugar, fruit juice, tea leaf, coffee beans), package/packing materials (aluminum can, PET bottle, resin, plastic, corrugated cardboard), energy (crude oil, electricity, etc.) or transportation due to changes in relations between The Coca-Cola Company and its 100% subsidiary Coca-Cola (Japan) Company, Ltd, market prices, economic conditions, fuel costs, weather, natural disasters, exchange rate, etc. or various factors such as shortage of manpower for transportation, etc., the Group's financial situation and business performance may be affected.

(4) Risks associated with competition and changes in the market

In the beverage market, which is the Group's core business, intense competition continues such as product development/price competition among manufacturers, development of private label products by major retailers, and introduction of self-service coffee by major convenience store operators. If the Group is unable to maintain its competitive advantage by continuously strengthening its marketing and innovation abilities to maintain market share, the Group's financial situation and business performance may be affected.

(5) Risks associated with changes in consumers' preferences, and environment and health concerns

If the Group fails to respond to changes in consumers' preference caused by changes in lifestyle, etc. or concerns over health, obesity, and environment as indicated by their interests in raw materials, nutrients, production site, avoidance of PET bottle products due to growing global interest in container resource recycling issues etc., the Group's financial situation and business performance may be affected.

(6) Risks associated with economic conditions

Adverse changes in the general economic conditions and economic recession in Japan may affect the Group's financial situation and business performance as the demand declines due to consumers' purchasing behavior, such as refraining from purchasing the Group's products, switching to low-prices products, etc.

(7) Risks associated with investment in infrastructure

The Group is investing in IT, supply chain, transportation and sales infrastructure. However, given that investments in infrastructure usually are long-term in nature, investments made today may not generate expected returns as a result of future changes in the market. At the same time, the Group's financial situation and business performance may be affected if infrastructure investment requirements are not appropriately predicted.

(8) Risks associated with supply chain

To deliver products to customers, the Group acquires information necessary for the production process and builds effective supply and distribution systems. However, circumstances such as natural disasters, manufacturing problems, transportation problems, manpower problems, failure to provide stable services by main suppliers or distribution companies with business connections with the Group, etc. will hinder the Group's manufacturing or sales activities, thereby affecting the Group's financial situation and business performance.

(9) Risks associated with changes in the retail environment

Major retailers including convenience stores, the main customers of the Group, focus on low prices as indicated by their development of private brands and increasing expenditure on sales promotion. In addition, maintaining favorable relations with main retail customers including discount stores and drugstores is indispensable to the Group's success. It is also important to respond to the rapid expansion of online shopping. On the other hand, sales volume of vending machines which have been a core sales channel is declining with changes in the retail environment. If the Group fails to build a good relationship with main retailers and respond to the rapidly changing retail environment, the Group’s financial situation and business performance may be affected.

(10) Risks associated with water resource

Given that the Group’s core business is beverages, water is the main raw material of almost all the products offered by the Group and is indispensable in the production process. Water is also necessary for the production of agricultural raw materials which the Group’s business depends on and is important for the prosperity of the local community the Group serves. If the Group faces water shortage or deterioration in water quality caused by a sudden increase in water demand, environmental accidents at water sources, restrictions on water intake, etc., cost increase and issues with production capability may occur, thereby affecting the Group’s financial situation and business performance.

(11) Risks associated with dependence on The Coca-Cola Company and its trademark and brand credibility

Our business is closely related to contracts with The Coca-Cola Company and its 100% subsidiary, Coca-Cola (Japan) Company, Ltd. We receive support for business activities ranging from raw material procurement, manufacturing to sales promotion activities. Thus, changes in this relationship could affect the Group's business, financial situation, business performance, and outlook.

Trademarks of beverage products offered by the Group including "Coca-Cola" belong to The Coca-Cola Company in the U.S., with which the Group concluded the Bottler’s Agreement. As the Group's sales mostly come from the sale of beverages that use trademarks owned by The Coca-Cola Company (hereinafter "Coca-Cola trademarks"), infringement of Coca-Cola trademarks and damages to the brand credibility may affect the Group’s financial situation and business performance.

Maintaining the Coca-Cola trademarks, intellectual property and its brand credibility serves as a driving force indispensable and important for attracting retailers and consumers, and for achieving the Group’s success.

(12) Risks associated with related laws and regulations

In the beverage business that is the Group’s core business, compliance with various laws and regulations regarding quality, labelling, environment/recycling, etc., such as Food Sanitation Act, Food Labeling Act, Product Liability Act, Waste Management and Public Cleansing Act, Law for Promotion of Recycling and Related Activities for the Treatment of Cyclical Food Resources, and Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging, is required. Reinforcement of these related laws and regulations in the future could increase costs and reduce demand for the Group’s products, and this may affect the Group’s financial situation and business performance.

(13) Risks associated with alcoholic beverages

The alcoholic beverages sold by the Group are subject to control by the Liquor Tax Law that stipulates tax on alcoholic beverages, etc. in Japan. The Group has obtained the liquor sales license (wholesale) in accordance with the Liquor Tax Law. Future business development is subject to control by the Liquor Tax Law, and selling prices/trends may be affected by changes in the liquor tax rate. In addition, while moderate alcohol consumption is generally considered to have various favorable effects, chronic alcohol use has also been pointed out to cause harm in various ways. If the gravity of these alcohol-related issues increases further in society, there is a risk that sales activity may be subject to some sort of impact/restrictions, which may affect the future prospect of the alcohol business, and the Group’s financial situation and business performance.

(14) Risks associated with the revision of taxation system

Various revisions to the taxation system, particularly increase in the consumption tax or tax on alcohol beverages, may affect the Group’s financial situation and business performance due to the decline in the sales volume of beverages/alcoholic beverages caused by the increase in selling prices and changes in consumers’ purchasing behavior.

(15) Risks associated with product safety and quality

The Group is striving to establish a quality assurance system based on related laws and ordinances and to deliver safe products and accurate information to customers. However, if quality issues related to products including those caused by unforeseeable factors arise, the Group’s financial situation and business performance may be affected due to product recalls or mass disposal of defective products. Moreover, should quality issues, etc. affecting the entire beverage/alcohol beverage industry and the entire society occur on a scale that cannot be addressed by the activities of the Group alone, the Group’s financial situation and business performance may be affected.

(16) Risks associated with business integration

The Group may implement business acquisitions or business tie-ups, in which case the Group will thoroughly investigate the economic value or companies subject to the concerned acquisition or tie-up before reaching a decision. However, given that business integration involves uncertain factors, in the event the expected effects are not achieved, the Group’s financial situation and business performance may be affected.

(17) Risks associated with lawsuits

In carrying out our business, the Group observes various laws and ordinances/regulations, etc. and carries out management based on the compliance. However, in carrying out the business activities, lawsuits may be filed regardless of whether the Group and employee violated laws and ordinances, etc. If a lawsuit is filed against the Group or the Group receives an unfavorable verdict, the Group's financial situation and business performance may be affected.

(18) Risks associated with the business of affiliated companies

As for health food products and cosmetics-related products developed/manufactured/sold by the Group, products that meet market needs in terms of quality/function need to be developed/provided in a timely manner. As such, if changes in market needs are more drastic than expected or the Group fails to provide the products that meet market needs in a timely manner, the Group's business performance may be affected. Especially, some health food products use agricultural produce, and if contingencies, such as failure to supply raw materials due to other factors including the weather, occur to the product supply system, the Group's financial situation and business performance may be affected.

(19) Risks associated with weather

In the Group's business activities, fluctuations in the demand of products caused by weather-related factors (weather, temperature) may affect the sales of products offered by the Group. As such, if the unfavorable weather lasts for a prolonged period of time, the Group's financial situation and business performance may be affected due to a temporary decline in sales caused by the impact of consumers' purchasing behavior.

(20) Risks associated with natural disasters and other incidents

Some of Group's plants, warehouses, etc. were damaged by the torrential rains that occurred in July 2018, and business was severely affected. In 2019, the Group was also hit by natural disasters such as Typhoon Faxai and Hagibis. While the Group is striving to improve the capability to continue business operations, events resulting from natural disasters may affect the Group's financial situation and business performance again in future. In addition, should natural disasters such as powerful earthquakes, tsunamis, typhoons, etc. or other contingencies such as accidents, war, terror attacks, infections, social or political confusion, etc. occur in Japan or abroad in future, the Group's financial situation and business performance may be affected due to a disruption in the supply chain, damages to sales channel, physical damages to facilities owned by the Group, damages to employees, etc.

In addition, with large-scale natural disasters such as Nankai Trough megathrust earthquake and earthquakes occurring directly beneath the Tokyo Metropolitan Area in mind, in 2019, the Group reviewed and improved its Business Continuity Plan (BCP) as necessary safety measure and measures for continuing business and enabling quick recovery.

(21) Risks associated with information security

The Group possesses IT systems that handle production, distribution, sales, etc., and important information on the operations of the Group and corporations/individuals including a large number of customers. For the management of the information, the Group observes related laws and ordinances and develops internal regulations, etc. In addition, the Group makes sure that employees are fully aware of the importance of information management through education/training for employees, implements the maximum preventive measures by way of precaution against unexpected system failure such as trouble with the system and has been working on the development of a robust information management system. However, if unforeseeable events, such as a large-scale natural disaster, flaw in the system, infection with a new type of computer virus, hacking, malicious illegal access and other security issues, occur, the Group's financial situation and business performance may be affected.

(22) Risks associated with securing and development of personnel

For the Group to continuously develop its business, it is important to secure capable human resources and develop them continuously. In addition, it is also essential to actively hire new personnel from outside, share experience, technology, knowledge, etc., with them, and build a working environment where they can contribute to business development together with present staff.

However, in recent years, the employment environment has been changing rapidly due to the declining birthrate, aging population, and declining working population. If the acquisition and securing of personnel do not proceed as planned, the Group's financial situation and business performance may be affected in the long term.

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

Overview of financial results

(1) Overview of Full-Year 2019 Results

The Company announced the results of the fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019). In the current year, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is estimated to be slightly negative versus prior year mainly due to cycling of strong demand driven by hot summer weather last year as well as rainy and cool weather in July. The health food and cosmetics industries continue to grow, driven by demand from health-conscious consumers and inbound tourism, while the competitive environment has been marked by successive product launches by various industry players.

For CCBJH, 2019 has been a transition year focused on recovery from the flooding damage and disruption to product supply in 2018 and building a solid foundation for future growth. We have been making major investments to recover our supply network and progressively expand production capacity and will continue to do so through second quarter 2020. We were the first in the beverage industry to announce and implement a wholesale price increase for large PET products in April, the first time in 27 years, as an important initiative toward achieving more balanced volume and revenue growth.

We developed and announced a new five-year strategic business plan in August 2019 with targets for both Business Income margin and ROE in 2024 of 5 to 6%. The new five-year strategic business plan includes focused investments to reignite sales growth in close collaboration with Coca-Cola (Japan) Company, Ltd. as well as fundamental transformation to drive cost savings. Over the course of the five-year plan, we expect net cost savings of approximately 35 billion yen, representing ongoing savings initiatives and incremental programs focused on transforming our vending channel operations, evolving our frontline salesforce capabilities and identifying opportunities across procurement and our supply chain.

Our full-year results were impacted by a decline of topline revenue due to lower beverage business sales volume, reflecting supply constraints of higher-growth aseptic PET products and continued lower manufacturing efficiencies and elevated logistics and distribution expenses as we recover our supply and distribution infrastructure after the flooding in 2018. Business income for our core beverage business was ahead of the plan we announced in May 2019, offset by weaker performance in the Health and Skincare segment. Consolidated year-to-date results also reflect impairment of goodwill recorded in the second quarter.

2019 Highlights

- Full-year NARTD beverage volume declined 2%, reflecting unseasonably cool and rainy weather in July and the wholesale price increase in April, recovering to 1% growth in the fourth quarter (October to December). Full-year beverage business revenue declined 1% and grew 1% in the fourth quarter.
- Beverage business market share improved, with value share growth ahead of volume share in the fourth quarter led by coffee, non-sugar tea and sports category performance. Premium-priced new products contributed to value share growth
- Business Income (BI) was substantially in-line with the full-year plan announced in May 2019 led by ahead-of-plan core beverage performance despite underachievement of the Healthcare & Skincare business. Full-year Business Income decreased 35% versus prior year as we continue to recover from the supply disruption of 2018.
- Full-year operating loss of 55 billion yen reflects the goodwill impairment recorded in the second-quarter.
- Continued investment for recovery of supply network, expanding production capacity and improving infrastructure. Capital investments of close to 90 billion yen in 2019, with three new manufacturing lines and two new automated warehouses, as well as completion of company-wide deployment of a new ERP system, "CokeOne".
- Major transformational initiatives ongoing. Announced new organizational structure aligned with the strategic business plan and grounded in new corporate mission, vision and value statement. Executing transformation in vending business and investing in people capability development to achieve sustainable growth.

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Review of Results

| **Full-year (January to December)**<br>In Million JPY, IFRS | 2018 | 2019 | YoY |
|---|---|---|---|
| Net Revenue | 927,307 | 914,783 | (1.4)% |
| Gross Profit | 452,151 | 441,060 | (2.5)% |
| Selling, General & Administrative Expenses | 426,195 | 423,685 | (0.6)% |
| Other income (Recurring) | 1,635 | 1,083 | (33.8)% |
| Other expenses (Recurring) | 4,310 | 3,459 | (19.7)% |
| Investment gain (loss) on equity method | (5) | 43 | — |
| Business Income | 23,276 | 15,042 | (35.4)% |
| Impairment losses of goodwill | — | 61,859 | — |
| Other income (Non-recurring) | 481 | 3,045 | 533.2% |
| Other expenses (Non-recurring) | 9,075 | 11,617 | 28.0% |
| Operating Income (Loss) | 14,682 | (55,389) | — |
| Net Income (Loss) Attributable to Owners of Parent | 10,117 | (57,952) | — |
| Sales volume of beverage business (Million cases) | 515 | 503 | (2)% |

| **Q4 (October to December)**<br>In Million JPY, IFRS | 2018 | 2019 | YoY |
|---|---|---|---|
| Net Revenue | 216,991 | 220,020 | 1.4% |
| Gross Profit | 102,766 | 103,796 | 1.0% |
| Selling, General & Administrative Expenses | 106,252 | 104,874 | (1.3)% |
| Other income (Recurring) | 522 | 194 | (62.9)% |
| Other expenses (Recurring) | 2,458 | 1,309 | (46.7)% |
| Investment gain on equity method | 149 | 133 | (11.2)% |
| Business Income (Loss) | (5,272) | (2,061) | — |
| Other income (Non-recurring) | — | 908 | — |
| Other expenses (Non-recurring) | 137 | 2,357 | 1,625.6% |
| Operating Income (Loss) | (5,409) | (3,510) | — |
| Net Income (Loss) Attributable to Owners of Parent | (2,737) | (2,258) | — |
| Sales volume of beverage business (Million cases) | 119 | 119 | 1% |

* Sales volume of beverage business excludes alcoholic beverage volume, which was 1.9 million cases in 2019.

* We have introduced "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS in 2019.　Business income deducts cost of goods and SG&A from revenue and includes other income and expenses which we believe recurring in nature.

Full-year 2019 net revenue was 914.8 billion yen, a decrease of 12.5 billion yen, or 1.4% compared to the prior-year period. Net revenue of the beverage business decreased 9.9 billion yen (1.1%) versus the prior-year period, to 890 billion yen, reflecting a 2% volume decline offset by improved price/mix from the wholesale price increase of large PET packages in April and the national launch of Lemon dou "chu-hi" alcohol beverage in the fourth quarter. Net revenue of the Healthcare & Skincare business declined 2.7 billion yen (9.7%) year-on-year to 24.8 billion yen, reflecting continued weakness of mail/web order sales with some recovery in the fourth quarter due to new product launches and marketing activities.

Full-year business income, an indicator of our recurring business performance, was 15.0 billion yen, a decrease of 8.2 billion, or 35.4% year-on-year, and roughly in line with full-year expectations. Business income of the core beverage business was 11.4 billion yen (down 6.5 billion yen or 36.2% year-on-year), which was slightly above the revised plan target announced in May driven by tight control of expenses. The beverage business performance reflects weaker topline revenue due to the sales volume decline of 2% and continued lower manufacturing efficiencies and elevated logistics and distribution expenses this year as we recover and expand supply capacity after the disruption in the second half of 2018. Partly offsetting this pressure, we achieved labor savings as a result of integrating retirement benefit programs in the first quarter and completing a voluntary employee retirement program in the second quarter. Promotional expenses in the period were also lower, in line with volume performance. Business income in the Healthcare & Skincare business was 3.6 billion yen, a decrease of 1.7 billion yen or 32.7% year-on-year, reflecting lower revenues while we continue to focus on promotional expense control and other cost savings opportunities.

We reported a consolidated operating loss for the fiscal year of 55.4 billion yen (14.7 billion yen operating income in prior year period), mainly driven by the impairment of goodwill recorded in the second quarter. As a reference, other expenses (non-recurring) in the prior-year period include loss on disaster of 8.9 billion yen from the flooding damage in our Hongo Plant in Mihara-city, Hiroshima Prefecture in July 2018. Other expenses (non-recurring) in 2019 include 9.2 billion yen of special retirement allowance and 655 million yen of transformation-related expenses to drive fundamental transformation of our business for sustainable growth, further value creation and efficiency improvement following our newly developed strategic business plan announced in August 2019.

Net income attributable to owners of parent was a loss of 58.0 billion yen (10.1 billion yen in the prior-year period).

(2) Cash Flow

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

<Cash Flows from Operations>

Net cash used for operations was 42.6 billion yen (51.2 billion net cash generated from operations in the previous year period). This results mainly from the 55.4 billion yen net loss before tax, due to impairment of goodwill, depreciation expenses, increase of notes and account payable-trade, partially offset by an increase of trade and other receivable, inventories, payment of taxes.

<Cash Flows from Investment Activities>

Net cash used for investment activities was 68.3 billion yen (48.6 billion yen in the previous year period), due to purchases of fixed assets as we recover our supply network and progressively expand production capacity, etc.

<Cash Flows from Financing Activities>

Net cash generated from financing activities was 74.0 billion yen (55.8 billion yen net cash used for financing activities in the previous year period), driven by issuance of 150 billion yen straight bond, etc., partially offset by cash spent for share buy-back, payment of year-end dividends, etc.

As a result of these activities, cash and cash equivalents at the end of the fiscal year was 113.8 billion yen, an increase of 48.3 billion yen versus the prior year period

(3) Differences in major items regarding overview of operating results.

Differences between the main items in the consolidated financial statements prepared in accordance with IFRS and the items corresponding to these items in the consolidated financial statements prepared in accordance with Japanese GAAP are as follows:

① Property, plant and equipment

Under Japanese GAAP, the depreciation method for property, plant and equipment was changed from the declining-balance method to the straight-line method in the fiscal year ended December 31, 2017. In IFRS, it was the straight-line method from the beginning of the acquisition of property, plant and equipment. As a result, cost of sales and selling, general and administrative expenses for the current fiscal year increased by 4.6 billion yen compared with Japanese GAAP.

② Goodwill

Under Japanese GAAP, goodwill was amortized on a regular basis over the periods for which the effects were reasonably estimated to be realized. Under IFRS, goodwill is not amortized but instead tested for impairment at least annually. As a result, selling, general and administrative expenses for the current fiscal year decreased by 1.6 billion yen compared with Japanese GAAP.

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 | 488,046 | 97.7 |
| Healthcare & Skincare business | 2,544 | 85.6 |
| Total | 490,590 | 97.6 |

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

(2) Procurement results

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

| Segment name | Millions of yen | Year-to-year comparison (%) |
|---|---|---|
| Beverage business | 52,408 | 72.9 |
| Healthcare & Skincare business | 2,301 | 76.3 |
| Total | 54,709 | 73.0 |

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

(3) Orders received

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

(4) Sales results

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

| Segment name | Millions of Yen | Year-to-year comparison (%) |
|---|---|---|
| Beverage business | 890,009 | 98.9 |
| Healthcare & Skincare business | 24,774 | 90.3 |
| Total | 914,783 | 98.6 |

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

Analysis of financial condition, results of operations and cash flows

(1) Significant accounting policies and estimates

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

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

The ratio of the Group's equity attributable to owners of the parent to total assets at the end of the fiscal year was 53.1%, 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 current fiscal year were 952.4 billion yen, an increase of 75.0 billion yen from the end of the previous fiscal year. This is mainly attributable to an increase of Cash and cash equivalents by bond issuance in the third quarter, increase of fixed assets as a result of commissioning three new production lines in Kumamoto and Kyoto plants, and two new automated warehouses in Hakushu and Kumamoto plants as well as non-current assets by newly including Right-of- use assets as a result of the implementation of IFRS 16 (Leases) starting from this fiscal year, which are partially offset by decrease of goodwill by goodwill impairment in the second quarter.

(Liabilities)

Liabilities at the end of the current fiscal year were 446.0 billion yen, an increase of 149.4 billion yen from the end of previous fiscal year. This is mainly due to an increase of Bonds and debt in non-current liabilities due to issuance of the bond, and an increase of Lease liabilities in conjunction with including Right-of-use assets.

(Net assets)

Net assets at the end of the current fiscal year were 506.5 billion yen, a decrease of 74.4 billion yen. This is mainly due to a decrease of Retained Earnings as a result of the goodwill impairment and an increase of Treasury Shares due to the completion of the share buyback program in February 2019.

Also, cash and cash equivalents as of December 31, 2019 was 113.8 billion yen, which increased by 48.3 billion yen, or 73.8%, from the previous fiscal year as of December 31, 2018. 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 "1. 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.

(Revenue)

Revenue for the current fiscal year decreased 12,524 million yen, or 1.4%, from the previous fiscal year to 914,783 million yen.

(Operating loss)

Operating loss for the current fiscal year decreased 70,071 million yen, from the previous fiscal year to 55,389 million yen (The previous year's operating income was 14,682 million yen).

(Net loss for the current fiscal year)

Net loss for the current fiscal year for the fiscal year decreased 68,057 million yen, or from the previous fiscal year to 57,895 million yen. (The previous fiscal year's net income was 10,162 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 decreased 68,069 million yen, from the previous fiscal year to 57,952 million yen. (The previous year's Net income for the year attributable to owners of the parent was 10,117 milion yen.)

(4) Factors affecting financial position and results of operations

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

## 4. Important agreements for business

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, and35 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

Research and development activities in the Healthcare & Skincare business during the current fiscal year are small, and there are no specific items to state here.

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# III. Information about facilities

## 1. Overview of capital expenditures

The Group implemented capital expenditures totaling 103,882 million yen, primarily in the Beverage business, which is the main segment of the Group, during the current fiscal year. This was mainly due to the introduction of vending machines and others to the market in order to strengthen sales capabilities, improvements in manufacturing efficiency, and the acquisition of facilities for dealing with new products. Capital expenditures include the amounts for property, plant and equipment, right of use assets and intangible assets.

## 2. Major facilities

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

(1) Segment breakdown

As of December 31, 2019

| 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 | 85,385 | 88,792 | 119,006 | 148,771 | 74,525 | 516,480 | 16,465 [3,582] |
| Healthcare & Skincare business | 1,264 | 582 | — | 1,144 | 2,032 | 5,022 | 494 [170] |
| Total | 86,650 | 89,375 | 119,006 | 149,915 | 76,557 | 521,502 | 16,959 [3,752] |

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

(2) The reportable segments

As of December 31, 2019

| 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 m2) | Other (Millions of yen) | Total (Millions of yen) | |
| Head-office and others (Minato-ku, Tokyo,) | Beverage business | Overall management, production, sales, logistics bases, etc. | 26,902 | 23 | - | 51,620 (1,514) | 5,089 | 83,634 | - |

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

(3) Domestic subsidiaries

As of December 31, 2019

| 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 m2] | Other (Millions of yen) | Total (Millions of yen) | |
| Coca-Cola Bottlers Japan Inc. (Minato-ku, Tokyo) | Beverage business | Production, sales, logistics bases, etc. | 57,659 | 87,869 | 104,568 | 73,167<br>(2,213)<br>[139] | 69,173 | 392,436 | 10,625<br>[2,303] |
| FV Japan Co., Ltd. (Minato-ku, Tokyo) | ditto | Vending machines, etc. | 53 | 128 | 15,145 | 668<br>(15)<br>[5] | 157 | 16,151 | 452<br>[310] |
| Q'SAI CO., LTD. (Chuo-ku, Fukuoka-shi) | Healthcare & Skincare business | Production facilities for health food products | 1,264 | 582 | — | 1,144<br>(56) | 2,032 | 5,022 | 396<br>[75] |

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

2. Figures do not include consume tax.

3. Figures in [ ] of land (Square footage: in thousands of m2) are the area of leased land (Square footage: in thousands of m2) and are not included in each figure.

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

## 3. Planned additions, retirements of facilities

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

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

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

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

| Name of company | Name of office (Location) | Name of reporting segment | Details of Facilities | Total planned expenditures (Millions of yen) | Amount paid (Millions of yen) | Way of financing | Scheduled start date | Scheduled completion date |
|---|---|---|---|---|---|---|---|---|
| Coca-Cola Bottlers Japan Inc. | Each branch (-) | Beverage business | Acquisition of vending machines and cooler, etc. | 30,000 | - | Own fund | Jan. 2020 | Dec 2020 |
| ditto | Hiroshima plant (Mihara-shi, Hiroshima Prefecture) | ditto | Production facilities | 25,874 | 5,873 | Own fund and Debt within the group | Mar 2019 | Jun 2020 |
| ditto | 2 Warehouse (-) | ditto | Logistics equipment | 33,500 | 4,707 | Own fund and Debt within the group | Jan 2019 | Dec 2021 |

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

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# 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, 2019) | Number of issued shares at the filing date (shares) (As of March 27, 2020) | Listed financial instrument name of exchange or registered authorized financial instrument name of association of trading firms | Content |
|---|---|---|---|---|
| Common stock | 206,268,593 | 206,268,593 | Tokyo Stock Exchange (First Section) Fukuoka Stock Exchange | 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, 2019

| 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) | - | 70 | 28 | 773 | 494 | 74 | 61,219 | 62,658 | - |
| Number of shares held (units) | - | 333,978 | 12,006 | 674,522 | 521,421 | 297 | 512,032 | 2,054,256 | 842,993 |
| Percentage of shareholdings (%) | - | 16.26 | 0.58 | 32.84 | 25.38 | 0.01 | 24.93 | 100.00 | - |

(NOTE) 1. "Individuals and Others" and "Shares less than one unit" column include 269,173 units and 20 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, 2019

| 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 | 7,460 | 4.16 |
| Ichimura Foundation of New Technology | 1-26-10, Kitamarme, Ota-ku, Tokyo | 5,295 | 2.95 |
| STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy Settlement & Clearing & Services Division, Mizuho Bank, Ltd.) | P.O. BOX 351 BOSTON MASSACHUSETTS 02 101 U.S.A. (2-15-1 Konan, Minato-ku Tokyo) | 4,725 | 2.63 |
| Satsuma Shuzo Co., Ltd. | 26 Kamimotocho, Makurazaki-shi, Kagoshima | 4,699 | 2.62 |
| 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 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 1-8-11, Harumi, Chuo-ku, Tokyo | 3,747 | 2.09 |
| MCA Holdings, Co., Ltd. | 2-6-15, Kyobashi, Chuo-ku, Tokyo | 3,408 | 1.90 |
| Total | - | 69,365 | 38.68 |

(Notes) 1. While it was stated that Mondrian Investment Partners Limited owned 14,714 thousand shares of the Company in a Report for a Statement of Large-Volume Holdings (dated August 14 2019) that was made available for public inspection on August 19, 2019, this is not included in the status of major shareholders above because it was not possible for the Company to confirm the actual number of shares as of the end of FY 2019.

| Name | Address | Number of shares held (thousand shere) | Percentage of shares held (%) |
|---|---|---|---|
| Mondrian Investment Partners Limited | 10 Gresham St, London EC2V 7JD United Kingdom | 14,714 | 7.13 |

2. 26,917 thousand treasury shares are not included in the status of major shareholders above because they do not have voting rights.

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(7) Voting rights

① Issued shares

As of December 31, 2019

| 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 26,917,300 | - | - |
| Shares with full voting rights (other) | Common stock 178,508,300 | 1,785,083 | - |
| Shares less than one unit | Common stock 842,993 | - | - |
| Number of issued and outstanding shares | 206,268,593 | - | - |
| Number of voting rights of all shareholders | - | 1,785,083 | - |

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

② Treasury stock

As of December 31, 2019

| 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. | 7-9-66, Hakozaki, Higashi-ku, Fukuoka | 26,917,300 | － | 26,917,300 | 13.05 |
| Total | - | 26,917,300 | － | 26,917,300 | 13.05 |

## 2. Acquisition of treasury stock

Classes of shares: Acquisitions of common stock falling under Article 155, Paragraph 3 and 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

| Category | Number of shares (Shares) | Total amount (Yen) |
|---|---|---|
| Resolutions of the Board of Directors (November 9, 2018) (Acquisition period: November 12, 2018 to May 31, 2019) | 10,800,000 | 25,000,000,000 |
| Acquired treasury stock prior to the fiscal year | 3,696,400 | 12,011,492,389 |
| Acquired treasury stock during the fiscal year | 4,120,300 | 12,988,290,367 |
| Total number and value of remaining resolution shares | 2,983,300 | 217,244 |
| Percentage of unexercised at the end of the fiscal year (%) | 27.6 | 0 |
| Acquired treasury stock during the period (January 1, 2020 to the filing date of this report) | - | - |

| | | |
|---|---|---|
| Percentage of unexercised at the filing date (%) | 27.6 | 0 |

(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 | 5,044 | 13,704,399 |
| Acquired treasury stock during the period (January 1, 2020 to the filing date of this report) | 830 | 2.398.198 |

(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 4th, 2020 to the filing date.

(4) Disposals and holding of acquired treasury stock

| Category | The fiscal year | | The period (January 1, 2020 to the filing date of this report) | |
|---|---|---|---|---|
| | Number of shares (Shares) | Total disposed amount (Yen) | Number of shares (Shares) | Total disposed amount (Yen) |
| Acquired treasury stock for which subscribers have been solicited | - | - | - | - |
| Disposals of acquired treasury stock by cancellation | - | - | - | - |
| Acquired treasury stock transferred due to merger, share exchange, or company split | - | - | - | - |
| Other (Sale by request for the purchase of odd-lot shares) (Note 1) | 1,073 | 3,414,271 | 25 | 79,548 |
| Number of treasury stock held (Note 2) | 26,917,320 | - | 26,918,125 | - |

(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 4th, 2020 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 4th, 2020 to the filing date and requests for the sale of odd-lot shares.

## 3. Dividend policy

We periodically review our capital structure and dividend payout ratio, while maintaining the financial flexibility for growth opportunities in order to maximize shareholder returns. We may utilize retained earnings for investments for sustainable growth to pursue business growth and further enhancement of corporate value.

With regard to dividends, our basic policy is to willingly distribute our profits to shareholders, though our first priority is put on stable dividend payment. From the fiscal year ended December 31, 2019 (after adoption of IFRS), our stated policy is to pay interim and year-end dividends (twice a year) at the level of 30% or more of net profit attributable to owners of the parent, considering our results and retained earnings in a comprehensive way.

Dividend for the fiscal year ended December 31, 2019 was 50 yen per share (year-end dividend of 25 yen per share and interim dividend of 25 yen per share).

Dividend for the fiscal year ended December 31, 2020 is expected to be 50 yen per share (year-end dividend of 25 yen per share and interim dividend of 25 yen per share), the same amount as for the fiscal year ended December 31, 2019, based on the basic policy described above and the earnings forecast for the fiscal year ending December 31, 2020, as well as on our priority of stable dividend payment.

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 7, 2019 Resolution of the Board of Directors | 4,484 | 25 |
| March 26, 2020 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 efficiency and transparency and increase in shareholder value.

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

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

② Corporate governance structure and the reason for adopting this structure

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

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

a. Board of Directors

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

b. Audit and Supervisory Committee

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

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

(Main institutions)

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

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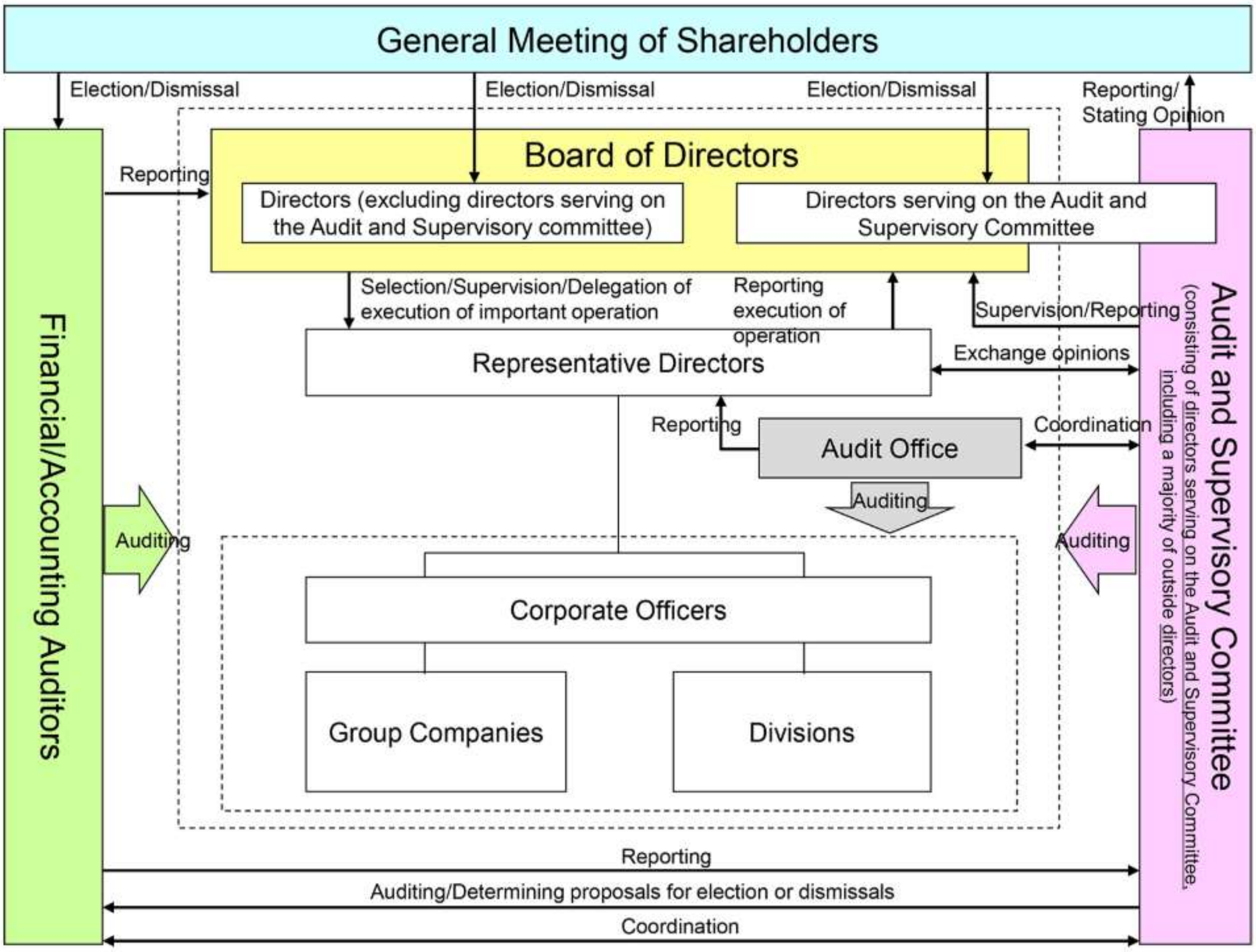

(The system to ensure business adequacy)

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. Please note that a part of the Policy has been reviewed at the Board of Directors Meeting held on March 26, 2019.

The Basic Policy after being reviewed is as shown below.

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

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

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

c) The oversight function of the Board of Directors shall be reinforced by adopting the company system where Audit and Supervisory Committee is established in order to ensure auditing by the Audit and Supervisory Committee where all of the constituent members are External Directors.

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

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

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

a) The Company shall record information regarding minutes of General Shareholders meetings, minutes of Board of Directors meetings, documents and other materials related to important decision-makings and Directors' performance of their duties in documents or electronic media and retain it in accordance with the Rules of Documentation Handling and Information Security Policy in a manner similar to that for statutory documents.

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

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

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

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

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

d. System to ensure efficiency of performance of duties by the CCBJH Group Directors

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

b) In addition to Board of Directors Meetings, appropriate forums, such as the Management Meeting, shall be organized to deliberate significant matters affecting the entire Group, thereby ensuring that decisions are reached based on considerations of multi-dimensional aspects.

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

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

f. Matters concerning employees assisting the Audit and Supervisory Committee to execute the duties if the Audit and Supervisory Committee request the assignment of such employees, matters concerning the independence of such employees from directors (excluding directors serving on the Audit and Supervisory Committee) and matters related to ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to such employees

The Company shall assign employees assisting the Audit and Supervisory Committee. Suchemployees shall execute the duties under the instructions given by the Audit and Supervisory Committee in assisting executions of duties by the Audit and

Supervisory Committee and shall not receive instructions from directors (excluding directors serving on the Audit and Supervisory Committee).

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

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

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

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

d) The Company shall prohibit unjust treatment of the reporter to the Audit and Supervisory Committee and ensure that this matter would be informed to all the executives and employees of the group.

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

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

i. Other systems to ensure that the Audit and Supervisory Committee’s audit is conducted effectively

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

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

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

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(Design of risk management system)

In order to prevent the occurrence of the Company's various risks and to ensure prompt and appropriate action to minimize damage in the event of a risk, "Coca-Cola Bottlers Japan Group Risk Management System" has been established. In addition, we have developed Code of Ethics and Conduct for officers and employees of the Group, which shows the Group's corporate stance of "complying with all laws and regulations, acting in good faith in society, and enhancing corporate value by earning the trust of all stakeholders", and have been thoroughly communicating it to all officers and employees.

③ Company organizations

a. Number of directors

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

b. Requirements for election of directors

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

c. Decision-making body for acquisition of treasury stocks

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

d. Decision-making body for interim dividends

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

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

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

f. Business execution and management oversight

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

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

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(2) Information about officers

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

| Position | Name | Date of birth | Brief history | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Representative Director, President | Calin Dragan | October 24, 1966 | June 1993 | Joined Coca-Cola Leventis | One year from the Ordinary General Meeting of Shareholders held on March 2020 | 1 |
| | | | 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.<br>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<br>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.<br>Executive Officer, Vice President, Coca-Cola Bottlers Japan Inc. | | |
| | | | March 2019 | Representative Director, President, Coca-Cola Bottlers Japan Holdings Inc. (incumbent)<br>Representative Director, President, Coca-Cola Bottlers Japan Inc. (incumbent) | | |
| Representative Director, Vice President, Chief Financial Officer (Head of Finance | Bjorn Ivar Ulgenes | April 5, 1968 | July, 1997 | Joined The Coca-Cola Company | One year from the Ordinary General Meeting of Shareholders held on March 2020 | 0 |
| | | | 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.<br>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.<br>Executive Officer, Head of Finance, Coca-Cola Bottlers Japan Inc. | | |
| | | | March 2019 | Representative Director, Coca-Cola Bottlers Japan Holdings Inc. (incumbent)<br>Vice President, Chief Financial Officer (Head of Finance, Coca-Cola Bottlers Japan Holdings Inc. (incumbent)<br>Representative Director, Coca-Cola Bottlers Japan Inc. (incumbent)<br>Vice President, Chief Financial Officer (Head of Finance, Coca-Cola Bottlers Japan Inc. (incumbent) | | |
| | | | December 2019 | Chairman and Representative Director, Q'SAI CO., LTD (incumbent) | | |

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

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

| Position | Name | Date of birth | Brief history | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director (Audit & Supervisory Committee member) | Nami Hamada | August 3, 1964 | July 1992 | Joined Lehman Brothers Holdings Inc. | Two years from the Ordinary General Meeting of Shareholders held on March 2019 | - |
| | | | 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. (incumbent) | | |
| | | | 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) | | |
| Director (Audit & Supervisory Committee member) | Enrique Rapetti | October 22, 1976, | December 1998 | Joined Arthur Andersen | Two years from the Ordinary General Meeting of Shareholders held on March 2020 | - |
| | | | May 2000 | Joined The Coca-Cola Company Argentina. | | |
| | | | January 2010 | Controller, Mexico Latin America Group, The Coca-Cola Company | | |
| | | | August 2014 | CFO, Costa Rica Latin Center Business Unit, The Coca-Cola Company | | |
| | | | September 2016 | Director, Embotelladora Andina S.A. (incumbent) | | |
| | | | October 2016 | CFO, Latin America Group, The Coca-Cola Company (incumbent) | | |
| | | | April 2020 | Outside Director (Audit & Supervisory Committee member), Coca-Cola Bottlers Japan Holdings Inc. (incumbent) | | |
| Total | | | | | | 2 |

(NOTE) 1. Hiroshi Yoshioka, Hiroko Wada, Hirokazu Yamura, Irial Finan, Jennifer Mann, Celso Guiotoko, Nami Hamada and Enrique Rapetti are Outside Directors.

2. The Company has introduced a corporate executive officer system to accelerate the execution of business and clarify responsibilities. The total number of executive officers is 21, including representative directors.

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Information of outside directors

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

a. Appointment of outside directors

| Category | Name | Relationship with the Company | Status of appointment |
|---|---|---|---|
| Outside Director | Hiroshi Yoshioka | - | The Company has appointed Hiroshi Yoshioka as a Director (Outside Director) in order for him to utilize, for the management of the Company, the considerable experiences and global knowledge he has gained thus far at the Coca-Cola bottling company within Japan and Sony Corporation.<br>There are no relationship of special interest between him and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated him as an independent director. |
| Outside Director | Hiroko Wada | - | The Company has appointed Hiroko Wada as a Director (Outside Director) in order for her to utilize, for the management of the Company, the considerable experiences and global knowledge she has gained thus far as officer at The Procter & Gamble Company and as Representative Director at Toys"R"Us Japan Ltd.<br>There are no relationship of special interest between her and the Company, and no risk that conflicts of interest with general shareholders. Therefore, the Company has designated her as an independent director. |
| Outside Director | Hirokazu Yamura | Hirokazu Yamura is the Representative Director and President of Michinoku Coca-Cola Bottling Company, Co., Ltd. (hereafter "Michinoku CCBC)", which is a trading partner of the Company. The amount of sale of products, etc. to Michinoku CCBC is equivalent to 0.38% of the Company's consolidated net revenue, and the amount of purchase of products, etc. from Michinoku CCBC is equivalent to 1.76% of the consolidated revenue of Michinoku CCBC. | The Company proposes to appoint Hirokazu Yamura as a Director (Outside Director) in order for him to utilize, for the management of the Company, the considerable experiences and knowledge he has gained thus far as the Representative Director and President of Michinoku CCBC.<br>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.<br>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 are no relationship of special interest between him and the Company, and no risk of causing any conflict of interest with general shareholders. |
| Outside Director (Audit & Supervisory Committee member) | Irial Finan | - | The Company has appointed Irial Finan as a Director serving on Audit & Supervisory Committee (Outside Director) because he has considerable experiences and global expertise having acted as a corporate executive engaged in Coca-Cola business over many years acting as a representative of the Bottling Investments Group engaging in oversight of The Coca-Cola Company management and Coca-Cola bottlers worldwide, and possesses audit experiences as Directors serving Audit & supervisory Committee at our Company. As such, we deed him suitable of providing advice on all areas of decision making related to important managerial decisions and handling of expected risks. |
| Outside Director (Audit & Supervisory Committee member) | Celso Guiotoko | - | The Company has appointed Celso Guiotoko as a Director serving on Audit & Supervisory Committee (Outside Director) because he has considerable experiences and global expertise gained at Nissan Motor Co., Ltd. ("Nissan") and possesses audit experiences as Statutory Auditor at Nissan. As such, we deed him suitable of providing advice on all areas of decision making related to important managerial decisions and handling of expected risks.<br>There are 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 | - | The Company has appointed Nami Hamada as a Director serving on Audit & Supervisory Committee (Outside Director) because she 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 Director at Lehman Brothers Japan Inc. As such, we deed her suitable of providing advice on all areas of decision making related to important managerial decisions and handling of expected risks.<br>There are 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) | Enrique Rapetti | Enrique Rapetti is the Chief Financial Officer of The Coca-Cola Company's Latin America group. The Company has agreements with The Cola-Cola Company on the manufacture and sale of Cola-Cola, etc., and on the use of trademarks, etc | Enrique Rapetti is the Chief Financial Officer of The Coca-Cola Company's Latin America group. The Company proposes to appoint Enrique Rapetti as a Director serving on the Audit and Supervisory Committee (Outside Director), based on the view that his rich experience in executive management in The Coca-Cola Company's Latin America group and his rich knowledge on finance and accounting will be very beneficial for the management of the Company, when he serves the role of providing advices and recommendations as the member of the Audit and Supervisory Committee on all matters in the Company including those related to important business management decisions and actions to prevent the emergence of foreseeable risks. |

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. 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.

b. Internal Audit Status

We have established the Audit Office (18 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) The certified public accountants who performed the accounting audit

| Certified public accountant who performed the accounting audits | | | Years of audit |
|---|---|---|---|
| Designated Limited Liability Partner | Engagement Partner | Tokuya Takizawa | 3 years |
| Designated Limited Liability Partner | Engagement Partner | Kazuhiko Yamazaki | 7 years |
| Designated Limited Liability Partner | Engagement Partner | Takahiro Saga | 2 years |
| Designated Limited Liability Partner | Engagement Partner | Miyuki Nakamura | 5 years |

The number of consecutive audit years include the number of years relating to the former Coca-Cola East Japan Co., Ltd

(c) Composition of assistants involved in audit work

41 certified public accountants and 49 others were involved as audit assistants.

(d) 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.

(e) 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.

(f) 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 | 64 | - | 71 | 3 |
| Consolidated subsidiaries | 136 | - | 129 | - |
| Total | 200 | - | 200 | 3 |

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

Not applicable.

③Other material remuneration to independent auditors

Previous fiscal year (January 1, 2018 to December 31, 2018) and current fiscal year (January 1, 2019 to December 31, 2019)

Not applicable.

④Details of non-audit services rendered by independent auditors

Previous fiscal year (January 1, 2018 to December 31, 2018)

Not applicable.

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

The Company pays 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).

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

The Audit and Supervisory Committee confirmed and reviewed the appropriateness and adequacy of the audit plans, audit hours, implementation status and grounds for the estimate of the remuneration as submitted by the accounting auditor before granting approval to the remuneration payable to the accounting auditor.

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

①. Compensation policy and process for determining the policy

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

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

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

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

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

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

c. Process for determining the policy

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

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

a. Compensation structure (FY2020 onwards)

<table>
<tr><td rowspan="2">Fixed compensation</td><td>Base salary</td><td>● Monthly payment of an amount determined based on responsibilities.</td><td rowspan="3">Compensation limit for Directors: Maximum 850 million yen per year (approved by resolution no. 5 of FY2019 Annual General Meeting of Shareholders).<br>(the number of directors at the time of the resolution excluding directors who were Audit and Supervisory Committee members was 5).<br>* In case where the Audit and Supervisory Committee has deliberated and deemed it necessary, housing allowances others may be paid within this 850 million yen.</td></tr>
<tr><td>Retirement Payment (Annual deferral for retirement remiunications)</td><td>● 10% of annual base salary is retained each year and the cumulative amount is paid upon retirement. If the Director has caused significant damage to the CCBJH Group or been subjected to disciplinary action, this payment may be reduced or withheld altogether.</td></tr>
<tr><td>Variable compensation</td><td>Annual bonus</td><td>● Provided as an incentive for achieving performance targets for each fiscal year.<br>● The target amount is set in the range of 35% to 75% of base salary depending on their responsibilities.<br>● The amount of payment varies in the range of 0% to 225% of the target amount depending on the achievement of performance targets in each fiscal year (companywide performance and individual evaluations).<br>● Business income, sales volume, and net sales have been adopted as measures for evaluating companywide performance in accordance with the policy for determining compensation for Executive Directors and Executive Officers, etc.</td></tr>
</table>

| | | | |
|---|---|---|---|
| | Long-term incentives | ● Two types of stock-based compensation systems, (1) PSU and (2) RSU, are adopted as long-term incentives.<br>● The basic amount of all long-term incentives (1) PSU + (2) RSU is set in the range of 40% to 100% of base salary based on the responsibilities. 80% of this basic amount is set as the basic PSU amount, and 20% is set as the basic RSU amount.<br>● With regard to (2) RSU, additional grants for the purpose of retention may be made in addition to the above-mentioned basic RSU amount up to the compensation limit detailed on the right if deemed necessary by the Audit and Supervisory Committee. | Compensation limit for Directors: Maximum amount of 200,000 shares approved by resolution No. 5 of FY2019 Annual General Meeting of Shareholders). (the number of directors at the time of the resolution excluding directors who were Audit and Supervisory Committee members was 5). |
| | (1) PSU (Performance Share Units) | ● Provided as an incentive for achieving mid to long term performance targets.<br>● 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).<br>● Consolidated ROE and growth rate of consolidated net sales are used as measures of performance in accordance with the policy for determining compensation for Executive Directors and Executive Officers, etc. | |
| | (2) RSU (Restricted Stock Units) | ● Provided for the purpose of aligning interests with shareholders, creating incentives to increase corporate value, and strengthening retention of talented people.<br>● Issued predetermined number of shares three years after shares 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). | |

b. Process for determining compensation

Compensation for Executive Directors shall be deliberated by an Audit and Supervisory Committee composed solely Outside Directors to enhance the transparency and objectivity of procedures for determining compensation. Then, the Company's Board of directors meeting resolves and delegates the determination of the compensation including the amount of performance-linked compensation for each Executive Directors to a Representative Director in accordance with the "Compensation Framework for Directors and Executive Officers" approved by the Company's Board of Directors Meeting as well as within the total amount of executive compensation resolved by the General Meeting of Shareholders. The compensation for Executive Officers shall also be determined through deliberations by the Audit and Supervisory Committee.

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

The Company's Board of Directors Meeting activities concerning the determination of Executive compensation for FY2019 are as follows.

1. Number of meetings of the Company's Board of Directors Meeting over one year from January 2019 to December 2019: 8
2. Main subjects discussed by the Company's Board of Directors Meeting concerning Executive compensation and Executive compensation structure in FY2019:
   - Payment of Annual bonuses for 2018 and special incentives for 2017
   - The compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee) and Executive Officers for FY2019
   - Revision of performance indicators following changes to accounting standards with regard to performance-linked stock-based incentive compensation for 2018; performance indicators concerning performance-linked stock-based incentive compensation for 2019
   - Revision of performance indicators following changes to accounting standards in relation to Annual bonuses for 2019 and special incentives for 2018

(b) Activities of the Audit and Supervisory Committee

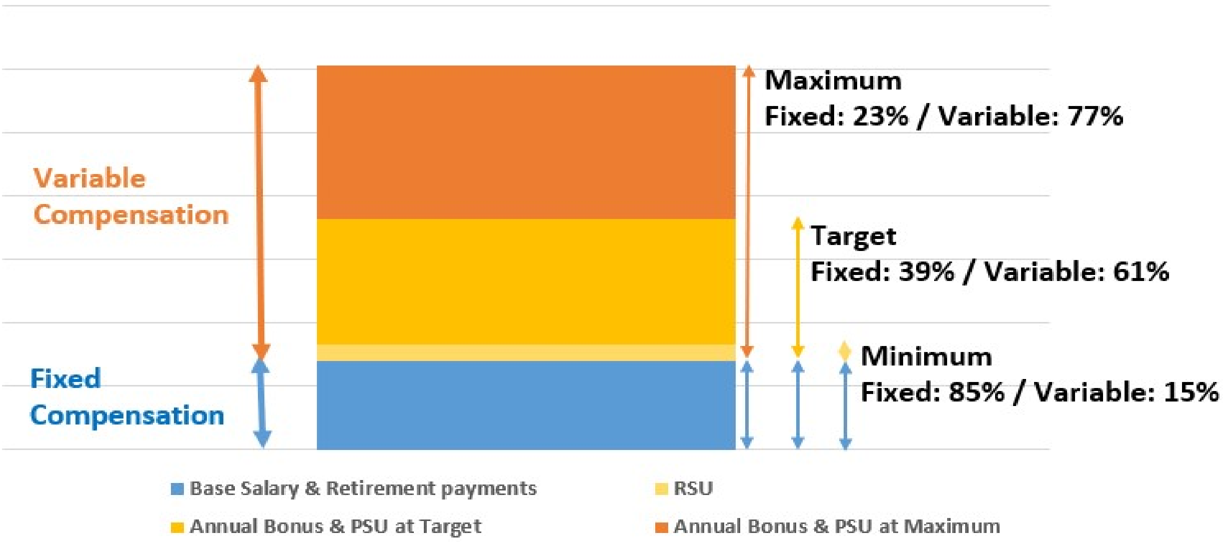
Activities of the Audit and Supervisory Committee concerning the determination of Executive compensation for FY2019 are as follows.

1. Number of meetings of the Audit and Supervisory Committee over one year from January 2019 to December 2019: 8
2. Main subjects discussed by the Audit and Supervisory Committee concerning Executive compensation and Executive compensation structure in FY2019:
   - Individual amounts to be paid, etc. in relation to Annual bonuses for 2018 and special incentives for 2017
   - The compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee) and Executive Officers for FY2019
   - The compensation for Directors serving on the Audit and Supervisory Committee for FY2019
   - Revision of performance indicators following changes to accounting standards with regard to performance-linked stock-based incentive compensation for 2018; performance indicators concerning performance-linked stock-based incentive compensation for 2019
   - Revision of performance indicators following changes to accounting standards in relation to Annual bonuses for 2019 and special incentives for 2018
   - Executives' individual objective targets for FY2019 Annual bonuses
   - Introduction of long-term incentive system from FY2020 onwards
   - Revision of amounts of compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee)
   - Introduction of stock-based compensation system (RSU)

c. Compensation level

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

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




③ Guidelines and procedures for determining compensation for Supervisory Officers

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

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

④ Details of compensation for Directors for FY2019

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

| Position | Total compensation (millions yen) | Total amount by category of compensation (millions yen) | | | Headcount of Directors (people) |
|---|---|---|---|---|---|
| | | Basic compensation Note 3: | Annual bonus | Performance-linked stock-based incentive compensation | |
| Directors (excluding Directors serving on the Audit and Supervisory Committee)<br>(of which Outside Directors) | 582<br>(23) | 436<br>(23) | 96<br>(−) | 50<br>(−) | 8<br>(2) |
| Directors (serving on the Audit and Supervisory Committee)<br>(of which Outside Directors) | 71<br>(62) | 71<br>(62) | −<br>(−) | −<br>(−) | 7<br>(6) |
| Total<br>(of which Outside Directors) | 653<br>(85) | 508<br>(85) | 96<br>(−) | 50<br>(−) | 15<br>(8) |

Note 1: In accordance with the resolution taken at the 59th Annual General Meeting of Shareholders held on March 22, 2017, 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 750 million yen per year (of which 50 million yen per year for Outside Directors (one in number at the time of the resolution); in accordance with the resolution taken 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: Above table includes compensation paid to three Directors (excluding Directors serving on the Audit and Supervisory Committee) and three Directors (serving on the Audit and Supervisory Committee, of which two Outside Directors), who are resigned at the conclusion of the 61st Annual General Meeting of Shareholders held on March 26, 2019.

Note 3: Basic compensation includes Retirement payments (Annual deferral for retirement remiunications), special incentives for 2018, and an amount equivalent to fringe benefits, (housing allowance).

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

| Name | Position | Company category | Total amount by category of compensation (millions yen) | | | Total compensation (millions yen) |
|---|---|---|---|---|---|---|
| | | | Basic compensation Note: | Annual bonus | Performance-linked stock-based incentive compensation | |
| Calin Dragan | Representative Director | Filing company | 225 | 66 | 32 | 322 |
| Bjorn Ivar Ulgenes | Representative Director | Filing company | 100 | 26 | 13 | 139 |

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

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

Not applicable

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

(a) The company performance evaluation of Annual bonuses for FY2019 was measured by the achievement level of business income, sales volume, and net sales, which were selected as appropriate indicators to evaluate the Company performance based on Mid-term strategic business plan to achieve Business Income margin of 2.0%. The result of the companywide performance evaluation was 75.0% in FY2019 measured by the achievement level of such indicators. By adding the payment coefficient for individual evaluation, 82.5% was the total payment rate (ratio of actual payment amount to target amount).

(b) Evaluation period of special incentive for 2018 was the two years from 2018 to 2019. The Company performance evaluation of special incentive for 2018 was measured by the achievement level of Business Income, synergy, and net sales for the cumulative total of two years, which were selected as appropriate indicators to evaluate the Company performance aimed at 1.0% sales growth in the first year to improve company performance. The result of the Company performance evaluation was 80.0% measured by the achievement level of such indicators. The ratio of actual payment amount to target amount of special incentive for 2018 varies in the range of 0% to 150% based on the achievement level. Based on the evaluation described above, 80.0% was the total payment rate (ratio of actual payment amount to target amount). In order to use special incentives for 2018 as a driving force for improvements in performance along with an increase in sales from 2018 onwards, the special incentives for 2018 shall be paid with FY2018-2019 as the target period; this was decided upon deliberation by the Audit and Supervisory Committee. There is no plan in place for a payment of special incentives from FY2020 onwards.

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(5) The Company's shareholding status

① Standards and concept applied to the classification of investment shares

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

② Shareholding status of Coca-Cola Bottlers Japan Inc.

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

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

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

In principle, the Company has a policy of not owning the so-called crossholding shares. However, there are cases in which the Company acquires and holds such shares to create business opportunities and maintain and strengthen its relationships with business partners and local communities. The Company regularly assesses and reports the associated holding costs and investment returns for its major cross-shareholdings, and work on the reduction of cross-shareholdings based on the result of this assessment.

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

| | Number of companies | Total amount recorded on the balance sheet (in millions yen) |
|---|---|---|
| Unlisted shares stock | 123 | 4,797 |
| Shares other than unlisted shares | 99 | 22,012 |

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

| | Number of companies | Total amount spent to increase the number of shares held (in millions yen) | Reason for increasing the number of shares |
|---|---|---|---|
| Unlisted shares | - | - | - |
| Shares other than unlisted shares | 23 | 47 | The Company increased the number of shares of these companies by purchasing through suppliers’ share ownership association of these companies |

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

| | Number of companies | Total amount by selling and decreasing the number of shares (in millions yen) |
|---|---|---|
| Unlisted shares | 2 | 2 |
| Shares other than unlisted shares | 7 | 2,242 |

(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

| Company name | Current fiscal year<br>Number of shares<br>Amount recorded in the balance sheet (in millions yen) | Previous fiscal year<br>Number of shares<br>Amount recorded in the balance sheet (in millions yen) | Purpose and quantitative effect of holding the shares, and reason for increasing the number of shares (Note 1) | Whether the counterparty company is holding the Company’s shares or not |
|---|---|---|---|---|
| RICOH Co., Ltd. | 3,432,862 | 3,432,862 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner. | No |
| | 4,092 | 3,697 | | |
| ROYAL HOLDINGS Co., Ltd. | 662,440 | 662,440 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | Yes |
| | 1,638 | 1,688 | | |
| SAN-AI OIL Co., Ltd. | 1,308,125 | 1,308,125 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner. | Yes |
| | 1,562 | 1,425 | | |
| Central Japan Railway Company | 54,100 | 54,100 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 1,190 | 1,253 | | |
| East Japan Railway Company | 115,000 | 115,000 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 1,134 | 1,117 | | |
| Nishi-Nippon Railroad Co., Ltd. | 400,000 | 400,000 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company, as well as for the purpose of building, maintaining or strengthening the relationship with the local economy. | Yes |
| | 1,008 | 1,106 | | |
| KYUSHU LEASING SERVICE CO., LTD. | 1,600,000 | 1,600,000 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy. | No |
| | 946 | 1,021 | | |
| IZUMI Co., Ltd. | 231,320 | 231,320 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 910 | 1,182 | | |
| Japan Airport Terminal Co., Ltd. | 100,000 | 100,000 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 609 | 381 | | |
| Seven & i Holdings Co., Ltd. | 138,484 | 133,789 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers’ share ownership association of this company | No |
| | 554 | 640 | | |
| Nishi-Nippon Financial Holdings, Inc. | 604,962 | 604,962 | 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) |
| | 518 | 580 | | |
| Oriental Land Co., Ltd. | 33,802 | 33,618 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers’ share ownership association of this company | No |
| | 503 | 372 | | |
| ZENRIN CO., LTD. | 275,121 | 275,121 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy. | No |
| | 501 | 640 | | |
| Fuji Co., Ltd. | 244,366 | 244,366 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | Yes |
| | 476 | 457 | | |

| | | | | |
|---|---|---|---|---|
| Seibu Holdings Inc. | 247,000<br>443 | 247,000<br>473 | 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<br>Number of shares<br>Amount recorded in the balance sheet (in million yen) | Previous fiscal year<br>Number of shares<br>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 |
| Mitsubishi UFJ Financial Group, Inc. | 716,420<br>425 | 716,420<br>385 | 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) |
| Fujio Food System Co., Ltd. | 113,600<br>410 | 113,600<br>212 | 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<br>397 | 42,000<br>326 | 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<br>382 | 90,000<br>356 | 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) |
| McDonald's Corporation | 14,084<br>301 | 14,084<br>274 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| YONDOSHI HOLDINGS INC. | 103,400<br>264 | 103,400<br>226 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy. | No (Note 2) |
| OKUWA Co., Ltd. | 175,707<br>257 | 175,091<br>196 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| AEON KYUSHU CO., LTD. | 116,800<br>240 | 116,800<br>247 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| PLENUS Co., Ltd. | 118,261<br>232 | 118,261<br>225 | 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. | 100,911<br>228 | 100,646<br>216 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| Axial Retailing Inc. | 58,379<br>222 | 58,379<br>213 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| Nishikawa Rubber Co., Ltd. | 99,445<br>187 | 99,445<br>189 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the local economy. | Yes |
| Kansai Super Market Ltd. | 113,200<br>119 | 113,200<br>113 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |

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| Company name | Current fiscal year<br>Number of shares<br>Amount recorded in the balance sheet (in million yen) | Previous fiscal year<br>Number of shares<br>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 |
|---|---|---|---|---|
| The Iyo Bank, Ltd. | 169,000<br>105 | 169,000<br>98 | The Company has been holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company as an important business partner.<br>Since the Company sold all of these shares in 2020, there were no shares held as of the date the securities report was filed. | No |
| Sumitomo Mitsui Trust Holdings, Inc. | 23,447<br>102 | 23,447<br>94 | The Company has been holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company as an important business partner.<br>Since the Company sold all of these shares in 2020, there were no shares held as of the date the securities report was filed. | No (Note 2) |
| Isetan Mitsukoshi Holdings Ltd. | 98,015<br>96 | 98,015<br>119 | The Company has been holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>Since the Company sold all of these shares in 2020, there were no shares held as of the date the securities report was filed. | No |
| Amiyaki Tei Co., Ltd. | 24,000<br>90 | 24,000<br>89 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| H2O RETAILIG Corporation | 71,406<br>88 | 67,112<br>105 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| The Hyakujushi Bank, Limited | 37,972<br>82 | 37,972<br>99 | 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 |
| DAISYO CORPORATION | 48,100<br>81 | 48,100<br>74 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| Torikizoku co., ltd. | 32,400<br>78 | 32,400<br>59 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| Yoshinoya holdings Co., Ltd. | 26,155<br>76 | 25,425<br>46 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| POPLAR. CO., LTD. | 129,780<br>69 | 127,973<br>68 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| Mammy Mart Corporation | 37,320<br>68 | 37,320<br>71 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| Valor Holdings Co., Ltd. | 31,200<br>67 | 31,200<br>83 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |

| Company name | Current fiscal year | Previous fiscal year | Purpose and quantitative effect of holding the shares, and | Whether the |
|---|---|---|---|---|

| | Number of shares<br>Amount recorded in the balance sheet<br>(in million yen) | Number of shares<br>Amount recorded in the balance sheet<br>(in million yen) | reason for increasing the number of shares<br>(Note 1) | counterparty company is holding the Company's shares or not |
|---|---|---|---|---|
| Keikyu Corporation | 29,854<br>63 | 29,165<br>52 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| KOBE BUSSAN Co., Ltd. | 16,000<br>60 | 8,000<br>26 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company brand due to stock split. | No |
| Hankyu Hanshin Holdings, Inc. | 10,800<br>51 | 10,800<br>39 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| Rengo Co., Ltd. | 60,000<br>50 | 60,000<br>52 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with the company brand as an important business partner. | Yes |
| Bronco Billy Co., Ltd. | 17,831<br>50 | 17,640<br>48 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| RETAIL PARTNERS CO., LTD. | 49,397<br>44 | 48,684<br>54 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| LIFE CORPORATION | 16,583<br>43 | 16,027<br>36 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| YAMAZAWA CO., LTD. | 24,100<br>41 | 24,100<br>42 | 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<br>39 | 44,000<br>29 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | Yes |
| ASAHI KASEI Corporation | 31,452<br>39 | 30,159<br>34 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| Misumi Co., Ltd. | 19,886<br>36 | 18,987<br>36 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| MINISTOP CO., LTD. | 23,570<br>35 | 23,570<br>49 | 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<br>34 | 64,200<br>30 | 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<br>32 | 14,238<br>33 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |

| Company name | Current fiscal year<br>Number of shares<br>Amount recorded in the balance sheet (in million yen) | Previous fiscal year<br>Number of shares<br>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 |
|---|---|---|---|---|
| United Super Market Holdings Inc. | 32,780 | 32,780 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 32 | 39 | | |
| Matsumotokiyoshi Holdings Co., Ltd. | 7,239 | 7,069 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| | 31 | 24 | | |
| GENKI SUSHI CO., LTD. | 10,160 | 9,915 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company.<br>The Company increased the number of shares of this company by purchasing through suppliers' share ownership association of this company | No |
| | 30 | 44 | | |
| WDI Corporation. | 16,000 | 16,000 | The Company is holding the shares of this company brand for the purpose of creating new beverage business opportunities with this company. | No |
| | 30 | 27 | | |
| Fukuoka Financial Group, Inc. | 13,882 | 13,882 | The Company is holding the shares of this company brand for the purpose of building, maintaining or strengthening the relationship with this company and the local economy. | No (Note 2) |
| | 29 | 31 | | |
| Nihon Yamamura Glass Co., Ltd. | 18,700 | 18,700 | 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 |
| | 25 | 29 | | |
| RICOH LEASING Co., Ltd. | - | 502,000 | The Company has been holding the shares of this company brand for the purpose of building, maintaining and strengthening the relationship with the company brand as an important business partner, but sold all of these shares in 2019. | Yes |
| | - | 1,644 | | |
| FamilyMart Co., Ltd. | - | 27,209 | 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 2019. | No |
| | - | 378 | | |
| Toyo Seikan Group Holdings, Ltd. | - | 97,460 | The Company has been holding the shares of this company brand for the purpose of building, maintaining and strengthening the relationship with the company brand as an important business partner, but sold all of these shares in 2019. | Yes |
| | - | 246 | | |
| Mitsubishi Chemical Holdings Corporation | - | 72,500 | 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 2019. | No |
| | - | 60 | | |

(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 holding the Company's shares.

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.

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# V. Financial information

## 1. Preparation of consolidated financial statements and financial statements

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

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

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

## 2. Note on independent audit

The Company has been audited by Ernst & Young ShinNihon LLC for the consolidated financial statements and the financial statements as of and for the year ended December 31, 2019 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.

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## 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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8,32 | 65,510 | 113,825 |
| Trade and other receivables | 9,32 | 92,402 | 98,528 |
| Inventories | 10 | 68,781 | 74,120 |
| Other financial assets | 32 | 645 | 752 |
| Other current assets | 14 | 10,740 | 17,587 |
| Total current assets | | 238,078 | 304,812 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 435,305 | 467,136 |
| Right-of-use assets | 11,18 | - | 39,629 |
| Goodwill | 12 | 88,880 | 27,021 |
| Intangible assets | 12 | 66,539 | 67,123 |
| Investments accounted for using the equity method | | 298 | 310 |
| Other financial assets | 32 | 34,796 | 33,499 |
| Defined benefit asset | 19 | 38 | — |
| Deferred tax assets | 29 | 6,264 | 6,093 |
| Other non-current assets | 14 | 7,274 | 6,820 |
| Total non-current assets | | 639,394 | 647,632 |
| Total assets | | 877,472 | 952,444 |

(Millions of yen)

| | Notes | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities: | | | |
| Trade and other payables | 15,32 | 105,701 | 122,364 |
| Bonds and debts | 17,32 | 45,512 | 17,261 |
| Lease liabilities | 18,32 | - | 6,634 |
| Other financial liabilities | 32 | 993 | 916 |
| Income taxes payable | | 3,069 | 1,104 |
| Provisions | 16 | 18 | 20 |
| Other current liabilities | 20 | 22,230 | 19,886 |
| Total current liabilities | | 177,524 | 168,186 |
| Non-current liabilities: | | | |
| Bonds and debts | 17,32 | 56,401 | 188,487 |
| Lease liabilities | 18,32 | - | 34,138 |
| Other financial liabilities | 32 | 749 | - |
| Net defined benefit liabilities | 19 | 33,712 | 24,908 |
| Provisions | 16 | 2,191 | 2,104 |
| Deferred tax liabilities | 29 | 23,082 | 24,876 |
| Other non-current liabilities | 20 | 2,907 | 3,254 |
| Total non-current liabilities | | 119,042 | 277,767 |
| Total liabilities | | 296,566 | 445,953 |
| Equity | | | |
| Capital stock | 21 | 15,232 | 15,232 |
| Capital surplus | 21 | 450,533 | 450,526 |
| Retained earnings | 21 | 182,418 | 121,372 |
| Treasury stock | 21 | (72,651) | (85,649) |
| Accumulated other comprehensive income | 21 | 4,915 | 4,517 |
| Equity attributable to owners of the parent | | 580,448 | 505,999 |
| Non-controlling interests | | 458 | 492 |
| Total equity | | 580,906 | 506,491 |
| Total liabilities and equity | | 877,472 | 952,444 |

② 【Consolidated statements of profit or loss】

(Millions of yen)

| | Notes | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|---|
| Net sales | 7,24 | 927,307 | 914,783 |
| Cost of sales | | 475,156 | 473,723 |
| Gross profit | | 452,151 | 441,060 |
| Selling and general administrative expenses | 25 | 426,195 | 423,685 |
| Impairment losses of goodwill | 13 | - | 61,859 |
| Other income | 27 | 2,116 | 4,127 |
| Other expenses | 27 | 13,385 | 15,076 |
| Share of income (loss) of entities accounted for using equity method | | (5) | 43 |
| Operating income (loss) | | 14,682 | (55,389) |
| Financial revenue | 28 | 830 | 1,145 |
| Finance costs | 28 | 745 | 1,175 |
| Income (loss) for the year before income taxes | | 14,767 | (55,419) |
| Income tax expense | 29 | 4,605 | 2,476 |
| Net income (loss) for the year | | 10,162 | (57,895) |
| | | | |
| Net income (loss) for the year attributable to | | | |
| Owners of parent | | 10,117 | (57,952) |
| Non-controlling interests | | 45 | 56 |
| | | | |
| Earnings (loss) per share (yen) | 36 | 52.68 | (322.22) |

③ 【Consolidated statements of comprehensive income】

(Millions of yen)

| | Notes | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|---|
| Net income (loss) for the year | | 10,162 | (57,895) |
| Other comprehensive income. | 30 | | |
| Items that will not be reclassified subsequently to income or loss: | | | |
| Remeasurements of defined benefit plans | | (2,889) | 5,596 |
| Share of other comprehensive income of equity method investees | | (4) | 4 |
| Net change in financial assets measured at fair value through other comprehensive income | | (3,344) | 621 |
| Subtotal | | (6,236) | 6,221 |
| Items that may be reclassified subsequently to income or loss: | | | |
| Foreign currency translation adjustments of foreign operations | | (12) | - |
| Cash flow hedges | | (716) | (434) |
| Subtotal | | (728) | (434) |
| Total other comprehensive income (loss) for the year | | (6,965) | 5,788 |
| Total comprehensive income (loss) for the year | | 3,197 | (52,108) |
| | | | |
| Comprehensive income (loss) attributable to: | | | |
| Owners of parent | | 3,152 | (52,164) |
| Non-controlling interests | | 45 | 56 |

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④ 【Consolidation statements of changes in equity】

For the year ended December 31, 2018

(Millions of yen)

| | | Equity attributable to owners of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital stock | Share premium | Retained earnings | Treasury Shares | Other Comprehensive income Accumulated | Total | Non-controlling interests | Total |
| Balance as of January 1, 2018 | | 15,232 | 450,498 | 184,317 | (4,693) | 9,258 | 654,611 | 427 | 655,038 |
| Comprehensive income for the year | | | | | | | | | |
| Net income (loss) for the year | | — | — | 10,117 | — | — | 10,117 | 45 | 10,162 |
| Other comprehensive income (loss) | | — | — | — | — | (6,965) | (6,965) | — | (6,965) |
| Total comprehensive income (loss) for the year | | — | — | 10,117 | — | (6,965) | 3,152 | 45 | 3,197 |
| Transactions with owners, etc. | | | | | | | | | |
| Dividends of surplus | 23 | — | — | (9,173) | — | — | (9,173) | (21) | (9,194) |
| Purchase of treasury stock | 21 | — | (25) | — | (67,961) | — | (67,987) | — | (67,987) |
| Disposal of treasury stock | 21 | — | 1 | — | 4 | — | 4 | — | 4 |
| Transactions of share-based payment | 22 | — | 67 | — | — | — | 67 | — | 67 |
| Reclassification from accumulated other comprehensive income to retained earnings | 21 | — | — | (2,843) | — | 2,843 | — | — | — |
| Reclassification from accumulated other comprehensive income to non-financial assets | 21 | — | — | — | — | (221) | (221) | — | (221) |
| Other changes | | — | (7) | — | — | — | (7) | 7 | — |
| Total transactions with owners etc. | | — | 36 | (12,016) | (67,958) | 2,622 | (77,316) | (14) | (77,329) |
| Balance as of December 31, 2018 | | 15,232 | 450,533 | 182,418 | (72,651) | 4,915 | 580,448 | 458 | 580,906 |

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For the year ended December 31, 2019

(Millions of yen)

| | | Equity attributable to owners of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital stock | Share premium | Retained earnings | Treasury shares | Other comprehensive income accumulated | Total | Non-controlling interests | Total |
| Balance as of January 1, 2019 (Before restatement) | | 15,232 | 450,533 | 182,418 | (72,651) | 4,915 | 580,448 | 458 | 580,906 |
| Adjustments resulting from the adoption of IFRS 16 | | — | — | (338) | — | — | (338) | — | (338) |
| Balance as of January 1, 2019 (After restatement) | | 15,232 | 450,533 | 182,080 | (72,651) | 4,915 | 580,110 | 458 | 580,568 |
| Comprehensive income for the year | | | | | | | | | |
| Net income (loss) for the year | | — | — | (57,952) | — | — | (57,952) | 56 | (57,895) |
| Other comprehensive income (loss) | | — | — | — | — | 5,788 | 5,788 | — | 5,788 |
| Total comprehensive income (loss) for the year | | — | — | (57,952) | — | 5,788 | (52,164) | 56 | (52,108) |
| Transactions with owners, etc. | | | | | | | | | |
| Dividends of surplus | 23 | — | — | (9,071) | — | — | (9,071) | (22) | (9,093) |
| Purchase of treasury stock | 21 | — | (64) | — | (13,002) | — | (13,066) | — | (13,066) |
| Disposal of treasury stock | 21 | — | (1) | — | 3 | — | 3 | — | 3 |
| Transactions of share-based payment | 22 | — | 57 | — | — | — | 57 | — | 57 |
| Reclassification from accumulated other comprehensive income to retained earnings | 21 | — | — | 6,315 | — | (6,315) | — | — | — |
| Reclassification from accumulated other comprehensive income to non-financial assets | 21 | — | — | — | — | 129 | 129 | — | 129 |
| Total transactions with owners, etc. | | — | (7) | (2,756) | (12,999) | (6,186) | (21,947) | (22) | (21,970) |
| Balance as of December 31, 2019 | | 15,232 | 450,526 | 121,372 | (85,649) | 4,517 | 505,999 | 492 | 506,491 |

⑤ 【Consolidated statements of cash flows】

(Millions of yen)

| | Note | For the year ended December 31, 2018 | For the year ended December 31, 2019 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Income (loss) for the year before income taxes | | 14,767 | (55,419) |
| Adjustments for: | | | |
| Depreciation and amortization | | 47,531 | 56,951 |
| Impairment loss | 13 | 202 | 62,870 |
| Change in allowance for doubtful accounts | | 255 | (515) |
| Interest and dividends income | | (516) | (509) |
| Interest expenses | | 612 | 1,175 |
| Share of loss (income) of entities accounted for using equity method | | 5 | (43) |
| Gain on sale of property, plant and equipment | | (215) | (2,183) |
| Loss on disposal and sale of property, plant and equipment | | 9,399 | 2,513 |
| Increase in trade and other receivables | | (4,355) | (6,149) |
| Increase in inventories | | (6,869) | (5,339) |
| Decrease (increase) in other assets | | 393 | (266) |
| Increase in trade and other payables | | 2,234 | 6,259 |
| Increase (decrease) in net defined benefit liabilities | | 491 | (213) |
| Increase (decrease) in other liabilities | | 1,148 | (3,543) |
| Others, net | | 501 | (451) |
| Subtotal | | 65,579 | 55,138 |
| Interest received | | 3 | 1 |
| Dividends received | | 487 | 508 |
| Interest paid | | (548) | (1,018) |
| Income taxes paid | | (14,553) | (13,675) |
| Income taxes refund | | 275 | 1,675 |
| Net cash provided by operating activities | | 51,244 | 42,629 |
| | | | |
| Cash flows from investing activities | | | |
| Acquisitions of property, plant and equipment and intangible assets | 11 | (49,752) | (78,213) |
| Proceeds from sales of property, plant and equipment and intangible assets | | 658 | 7,621 |
| Purchases of other financial assets | | (137) | (58) |
| Proceeds from sale of other financial assets | | 273 | 2,255 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | | 406 | — |
| Others, net | | (75) | 88 |
| Net cash used in investing activities | | (48,628) | (68,308) |

(Millions of yen)

| | | For the year ended December 31, 2018 | For the year ended December 31, 2019 |
|---|---|---|---|
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term loans payable | 31 | 24,000 | (24,000) |
| Repayments of long-term loans payable | 31 | (1,817) | (1,686) |
| Proceeds from issuance of bonds | 31 | — | 149,441 |
| Bond redemption | 31 | — | (20,000) |
| Dividends paid | 23 | (9,173) | (9,071) |
| Dividends paid to non-controlling interests | | (21) | (22) |
| Proceeds from disposal of treasury stock | | 4 | 3 |
| Purchases of treasury stock | | (67,998) | (13,095) |
| Repayments of lease liabilities | 32 | — | (7,576) |
| Others, net | 31 | (830) | — |
| Net cash (used in) provided by financing activities | | (55,835) | 73,994 |
| Net foreign exchange differences on cash and cash equivalents | | (12) | — |
| Net (decrease) increase in cash and cash equivalents | | (53,231) | 48,315 |
| Cash and cash equivalents at the beginning of the year | | 118,742 | 65,510 |
| Cash and cash equivalents at the end of the year | 8 | 65,510 | 113,825 |

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【Notes to consolidated financial statements】

1. Introduction

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

The Group' s consolidated financial statements consists of the Company, subsidiaries and associates. The consolidated financial statements were approved by our Representative Director & President, Calin Dragan and our Representative Director Vice President and Chief Financial Officer (Treasurer), Bjorn Ivar Ulgenes on March 27, 2020 and are considering the events after the reporting period to that date (see notes 38, "events after the reporting period").

2. Basis of preparation

(1) Framework for application of financial reporting

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

(2) Measurement basis

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

(3) Functional currency and presentation currency

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

3. Significant accounting policies

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

(1) The basis of consolidation

(a) Subsidiary

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

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

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

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

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

(b) Investment in associate accounted for using equity method

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

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

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

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

(2) Business Combination

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

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

(3) Foreign currency translation

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

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

(4) Business segments

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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

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

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

Contract related intangible asset

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

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

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

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

(10) 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.

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

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

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

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

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

(12) Financial instruments

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

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

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

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

(b) Classification and measurement of financial asset

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

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

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

(i) Financial assets measured at amortized cost

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

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

(ii) Financial assets measured at fair value

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

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

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

(i) Financial asset measured at amortized cost

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

(ii) Financial asset measured at fair value

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

(c) Classification and measurement of financial liability

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

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

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

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

(ii) Financial liabilities measured at amortized cost

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

(d) Impairment

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

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

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

・ significant financial difficulty of the issuer or the borrower;

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

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

(e) Derivative and hedge accounting

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

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

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

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

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

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

Hedge accounting is discontinued prospectively if the hedge relationship no longer meets the qualifying criteria due to the extinction or sale of hedging instrument. If the hedged cash flows is 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.

(13) Provision and contingent liabilities

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

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

(14) Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

(c) Defined benefit plans

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

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

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

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

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

(d) Other long-term employee benefits

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

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

(15) Income taxes

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

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

(a) Current tax

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

(b) Deferred tax

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

Deferred tax is not recognized in the following cases:

・ temporary differences related to the initial recognition of asset or liability in a transaction other than business combination that does not affect either accounting or tax basis;

・ temporary differences related to investments in subsidiary, the associate and the joint arrangement, which the Group will be able to control the timing of the reversal of the temporary difference and which it is probable that the temporary differences will not reverse in the foreseeable future; or

・ taxable temporary differences arising from initial recognition of goodwill.

Deferred taxes are recognized in the following cases:

・ temporary differences arising from investments in consolidated subsidiary and associate is recognized to the extent that it is probable that it will be reversed and taxable income will be available.

・ for transactions that recognize both asset and liability at the same amount from a single transaction, deferred tax liability for temporary differences on the recognized asset and deferred tax asset for temporary differences on the recognized liability are recorded.

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

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

(16) Equity

(a) Ordinary share

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

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

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

(17) Dividends

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

(18) Revenue recognition

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

Step 1: Identifying contract with customer

Step 2: Identifying performance obligation in contract

Step 3: Determining the transaction price

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

Step 5: Recognizing revenue when (or as) performance obligation is met

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

(19) Government grants

Government grants is measured at fair value when there is reasonable assurance that the conditions attaching to them are met and the grants will be received. Government grants related to income is recognized in profit or loss on a systematic basis over the periods in which the related costs that are intended to be compensated by the grant are recognized as expenses. Government grants related to asset is 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.

(20) Stock-based compensation

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

4. Critical accounting judgments, estimates and assumptions

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

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

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

Property, plant and equipment is depreciated over the estimated useful lives, which is the period over which the future economic benefits of the asset are expected. If property, and equipment is obsolescent in the future or reused for other purposes, depreciation expense may increase, and the estimated useful life may be shorter. Details of useful life are provided in notes 3(7)"Property, plant and equipment."

The right-of-use asset is estimated for the lease term with a non-cancellable priod 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(10) “Lease”.

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(9) "Intangible assets."

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

Recoverable amounts are calculated based on assumptions using factors such as asset's useful life, future cash flows, discount rates and long-term average growth rates. While such assumptions are based on management's best estimates and judgments, these assumptions may also be affected by changes in economic conditions that have a significant impact on future consolidated financial statements. Details of cash-generating unit's and recoverable amount's decisions are provided in notes 3(8) "Goodwill", (11) "Impairments of property, plant and equipment, intangible asset, goodwill and lease asset" and notes 13 "Impairment of non-financial assets."

(c) Provision and contingent liabilities

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

The accounting policies and reported amounts of provision are described in notes 3(13)"Provision and contingent liabilities" and notes 16 "Provisions," respectively.

(d) Recoverability of deferred tax assets

At recognition of deferred tax assets, the Group estimates the timing and amount of future taxable income based on the Group’s business plans. Such estimates could be impacted by the Group's future operating results. Further information regarding the recoverability of deferred tax assets is provided in notes 3(15), "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 19 “Post-employment benefits”.

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

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

Details related to the assessment of financial asset are provided in notes 32, "Financial instruments (7) Fair value of financial instruments."

(g) Business Combinations

The Group accounts for business combination using the acquisition method and measures the acquisition assets and underwriting liabilities including the individually identifiable intangible assets, at the fair value of acquisition date. The allocation of the acquisition price to the fair value of the acquisition assets and the underwriting liabilities will require the valuation of future cash flows related to the individual asset and liability and the appropriate discount rate for the acquisition date. Depending on the circumstances, the Group consults with outside experts in making fair value decisions. The value of unobservable markets is determined by fair value using generally accepted valuation techniques.

5. Changes in accounting policies

The Group has implemented the standards and interpretation that have been compulsorily applied since the current fiscal year. These standards and interpretations are as follows:

| Establishment or amendment of statements and interpretations | Summary of requirements |
|---|---|
| IFRS 16 Leases (published January 2016) | New standard for leases, replacing IAS 17, requires all leases to be shown on the statements of financial position as if they were financed purchases. The new standard sets out the principles for the recognition, measurement, presentation and disclosures of leases. |

The impact of the application of IFRS 16 is as follows. There is no significant impact of this change in accounting policy on earnings per share. The Group retrospectively applied IFRS 16 according to transitional measures, the cumulative effect of the commencement of application is recognized as an adjustment to the opening balance of retained earnings in the current consolidated fiscal year. In the transition to IFRS 16, the practical expedient of IFRS 16.C3 was selected as to whether an arrangement contains a lease or not, it takes over the judgment of IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

IFRS 16 requires that lessee's lease not be classified as finance lease or operating lease, but rather as a single accounting model and, in principle, recognize the right-of-use asset representing the right to use the underlying asset and the lease liability representing the obligation to pay the lease payments for all leases. However, for short-term leases or leases for which the underlying asset is of low value, the Group may elect not to apply the requirements of this standard. After recognizing right-of-use asset and lease liability, right-of-use asset depreciation and interest expense related to lease liability are recognized.

In the Group, the lease term of the right-of-use assets is estimated by adding a reasonably reliable period in which the option to extend the lease is not exercised or the option to cancel the lease is not exercised. In addition, the discount rate applied to the lease liabilities for the right-of-use assets uses the lessee's incremental borrowing rate, and the weighted average is mainly 1.0%. Right-of-use assets are depreciated using the straight-line method mainly over 15 years from the start date.

As of the end of the previous consolidated fiscal year, finance lease liabilities that were recognized by applying IAS 17 were 901 million yen.

Of 7,644 million yen (before discount) of the operating lease contracts disclosed by applying this standard, 549 million yen (before discount) is accounted for as a small-value asset lease, in addition, there is a 37,409 million yen increase in lease liabilities over a period in which it is reasonably certain that the extension option will be exercised.

As a result, in the consolidated statement of financial position at the beginning of the current consolidated fiscal year under review, right-of-use assets increased by 44,034 million yen, deferred tax assets increased by 15,200 million yen, lease liabilities increased by 44,505 million yen, deferred tax liabilities increased by 15,028 million yen and long-term accounts payable increased by 40 million yen, retained earnings decreased by 338 million yen. Deferred tax assets and Deferred tax liabilities are offset on the consolidated balance sheets based on IAS 12 “Income taxes”.

In addition, cash flow from operating activities increased by 7,000 million yen and cash flows from financing activities decreased by 7,000 million yen in condensed quarterly consolidated cash flows for the year.

6. Business Combinations

For the year ended December 31, 2018

This information is omitted because it is immaterial.

For the year ended December 31, 2019

Not applicable.

7. Business segments

(1) Reportable segments

Operating segments are defined as the components of the Group for which separate financial information is available that is evaluated regularly by the chief operating decision maker in making resource allocation decisions and in assessing performance. The Group has established an organizational management system for each product and service. Based on the types and characteristics of products and sales markets, the Group identified the following operating segments. No operating segments have been aggregated to form reportable segments.

The principal products and services belonging to the reportable segments are as follows, and the Healthcare and Skincare segment is operated by a wholly owned subsidiary, Q'SAI CO., LTD. and its subsidiaries.

| Reportable segment | Principal Products and Services |
|---|---|
| Beverage business | Purchase, manufacture, sale, bottling, packaging, distribution and marketing of carbonated beverages such as Coca-Cola, coffee and black-tea beverages, mineral water, etc., vending machine-related business in Japan |
| Healthcare & Skincare business | Manufacture and sell of kale juice (aojiru) and other products made from Kale, as well as the manufacture and sale of health foods, cosmetics and other related products |

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."

Reportable segment information is as follows:

For the year ended December 31, 2018

(Millions of yen)

| | Reportable segments | | | | |
|---|---|---|---|---|---|
| | Beverage business | Healthcare & Skincare business | Total of reportable segments | Adjustments | Total |
| Revenue to external customer | 899,863 | 27,444 | 927,307 | - | 927,307 |
| Revenue from inter-segment sales | - | - | — | - | — |
| Total revenue | 899,863 | 27,444 | 927,307 | - | 927,307 |
| Segment profit | 8,864 | 5,818 | 14,682 | - | 14,682 |
| Adjustments: | | | | | |
| Financial income | | | | | 830 |
| Finance expense | | | | | 745 |
| Profit before income tax | | | | | 14,767 |
| Other items: | | | | | |
| Depreciation and amortization | 47,149 | 381 | 47,531 | - | 47,531 |
| Impairment losses | 202 | - | 202 | - | 202 |
| Share of loss of equity method investees | (5) | - | (5) | - | (5) |

For the year ended December 31, 2019

(Millions of yen)

| | Reportable segments | | | | |
|---|---|---|---|---|---|
| | Beverage Business | Healthcare & Skincare Business | Reportable segments Total | Adjustments | Total |
| Sales revenue to external customer | 890,009 | 24,774 | 914,783 | — | 914,783 |
| Intersegment sales revenue | — | — | — | — | — |
| Sales revenue | 890,009 | 24,774 | 914,783 | — | 914,783 |
| Segment income (loss) | (58,904) | 3,515 | (55,389) | — | (55,389) |
| Adjustments | | | | | |
| Financial revenue | | | | | 1,145 |
| Finance costs | | | | | 1,175 |
| loss before tax | | | | | (55,419) |
| Other items | | | | | |
| Depreciation and amortization | 56,408 | 543 | 56,951 | — | 56,951 |
| Impairment losses of goodwill | 61,859 | — | 61,859 | — | 61,859 |
| Impairment loss | 1,011 | — | 1,011 | — | 1,011 |
| Equity-method gains | 43 | — | 43 | — | 43 |

(2) Information for each product and service

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

(3) Information for each region

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

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

(4) Major customer

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

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Cash and demand deposits | 65,510 | 113,825 |
| Total | 65,510 | 113,825 |

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.

9. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

| | Previous fiscal year (As of December 31, 201) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Accounts and notes receivable | 69,934 | 77,620 |
| Accounts receivable - other | 22,707 | 21,174 |
| Other receivables | 3 | - |
| Allowance for credit losses | (242) | (265) |
| Total | 92,402 | 98,528 |

10. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Raw material | 4,683 | 5,121 |
| Work-in-progress | 296 | 530 |
| Merchandise and finished products | 59,894 | 63,866 |
| Supplies | 3,908 | 4,604 |
| Total | 68,781 | 74,120 |

The amount of inventory recorded in "Cost of sales" for the previous fiscal year and the current fiscal year was 475,024 million yen and 473,309 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 720 million yen and 341 million yen, respectively.

11. 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 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Vending machine | Land | Construction in progress | Total | Right-of-use assets |
| Balance at January 1, 2018 | 157,799 | 185,284 | 202,948 | 155,005 | 592 | 701,627 | - |
| Acquisition | 6,896 | 9,218 | 25,230 | 2,103 | 6,085 | 49,533 | - |
| Sale of subsidiary | (37) | (56) | - | - | - | (93) | - |
| Disposal and sale | (5,676) | (24,265) | (8,299) | (354) | (1) | (38,596) | - |
| Transfer from construction in progress | 74 | 268 | 0 | - | (343) | - | - |
| Other | (47) | 33 | 20 | - | (106) | (100) | - |
| Balance at December 31, 2018 | 159,010 | 170,482 | 219,899 | 156,753 | 6,228 | 712,371 | - |
| Adjustments resulting from the adoption of IFRS 16 | - | - | - | - | - | - | 56,544 |
| Balance at January 1, 2019 (After restatement) | 159,010 | 170,482 | 219,899 | 156,753 | 6,228 | 712,371 | 56,544 |
| Acquisition | 9,569 | 25,691 | 25,846 | 420 | 22,988 | 84,513 | 14,656 |
| Disposal and sale | (2,560) | (4,488) | (8,997) | (4,558) | (73) | (20,675) | (8,277) |
| Transfer from construction in progress | 3,054 | 4,927 | - | - | (7,981) | - | - |
| Other | (36) | 216 | (5) | (83) | 1,029 | 1,121 | (7,269) |
| Balance at December 31, 2019 | 169,037 | 196,828 | 236,743 | 152,532 | 22,190 | 777,330 | 55,655 |

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

Accumulated depreciation and impairment losses

| | Property, Plant and Equipment | | | | | | |
|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Vending machine | Land | Construction in progress | Total | Right-of-use assets |
| Balance at January 1, 2018 | (74,656) | (102,223) | (82,370) | (3,320) | - | (262,569) | - |
| Depreciation. | (6,320) | (13,098) | (24,402) | - | - | (43,821) | - |
| Impairment losses | (0) | (197) | - | (4) | - | (202) | - |
| Sale of subsidiary | 33 | 56 | - | - | - | 89 | - |
| Disposal and sale | 3,979 | 18,341 | 7,239 | - | - | 29,559 | - |
| Other | 2 | (121) | (5) | - | - | (124) | - |
| Balance at December 31, 2018 | (76,962) | (97,242) | (99,538) | (3,324) | - | (277,066) | - |
| Adjustments resulting from the adoption of IFRS 16 | - | - | - | - | - | - | (12,511) |
| Balance at January 1, 2019 (After restatement) | (76,962) | (97,242) | (99,538) | (3,324) | - | (277,066) | (12,511) |
| Depreciation. | (6,525) | (13,730) | (26,060) | - | - | (46,316) | (7,156) |
| Impairment losses | (72) | (125) | - | (407) | - | (605) | - |
| Disposal and sale | 1,099 | 3,898 | 7,824 | 173 | - | 12,993 | 1,650 |
| Other | 74 | (253) | 37 | 941 | - | 799 | 1,991 |
| Balance at December 31, 2019 | (82,387) | (107,453) | (117,736) | (2,618) | - | (310,194) | (16,026) |

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, 2018 | 82,047 | 73,240 | 120,361 | 153,429 | 6,228 | 435,305 | — |
| December 31, 2019 | 86,650 | 89,375 | 119,006 | 149,915 | 22,190 | 467,136 | 39,629 |

The carrying amounts of property, plant and equipment presented above include following leased assets under the financing lease contract:

(Millions of yen)

| | Property, Plant and Equipment | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Vending machine | Land | Construction in progress | Total |
| December 31, 2018 | 55 | 790 | 55 | — | — | 900 |

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

The amount of property, plant and equipment pledged as collateral for loans payable is set forth in Note 17, "Bonds and loans payable".

12. 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, 2018 | 103,359 | 52,050 | 25,852 | 685 | 78,587 |
| Acquisition | - | - | 3,442 | 2 | 3,444 |
| Increase due to internal development | - | - | 159 | - | 159 |
| Disposal and sale | - | - | (4,332) | - | (4,332) |
| Other | - | - | 56 | - | 56 |
| Balance at December 31, 2018 | 103,359 | 52,050 | 25,176 | 687 | 77,914 |
| Acquisition | - | - | 4,711 | 1 | 4,712 |
| Disposal and sale | - | - | (8,175) | (5) | (8,180) |
| Other | - | - | (170) | 69 | (101) |
| Balance at December 31, 2019 | 103,359 | 52,050 | 21,542 | 753 | 74,345 |

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, 2018 | (14,479) | - | (11,048) | (154) | (11,201) |
| Depreciation | - | - | (3,623) | (101) | (3,724) |
| Disposal and sale | - | - | 3,546 | - | 3,546 |
| Other | - | - | 5 | - | 5 |
| Balance at December 31, 2018 | (14,479) | - | (11,120) | (254) | (11,374) |
| Depreciation | - | - | (3,381) | (98) | (3,480) |
| Impairment losses | (61,859) | - | (406) | - | (406) |
| Disposal and sale | - | - | 7,885 | 5 | 7,890 |
| Other | - | 0 | 217 | (69) | 148 |
| Balance at December 31, 2019 | (76,338) | - | (6,805) | (417) | (7,222) |

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, 2018 | 88,880 | 52,050 | 14,056 | 433 | 66,539 |
| December 31, 2019 | 27,021 | 52,050 | 14,737 | 336 | 67,123 |

Software at the end of the previous fiscal year and the end of the current fiscal year includes internally generated intangible assets of 774 million yen and 688 million yen, respectively.

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

Individually significant goodwill was mainly due to the business integration with Coca-Cola East Japan Co., Ltd. and the resulting consolidation of associates as consolidated subsidiaries in the previous fiscal year. The carrying amount of the goodwill was 61,170 million yen at both ends of the years ended December 2018 and 2017. An impairment loss on goodwill was recorded for the current consolidated fiscal year, as described in Note 13 "Impairment of non-financial assets".
Details of the contract related intangible assets are included in Note 3 (9) "Intangible assets".

13. 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.

For the year ended December 31, 2018

(Millions of yen)

| | Reportable segments | | |
|---|---|---|---|
| | Beverage business | Healthcare & Skincare business | Total |
| Property, plant and equipment | | | |
| Buildings and structures | 0 | - | 0 |
| Machinery and vehicles | 197 | - | 197 |
| Land | 4 | - | 4 |
| Subtotal | 202 | - | 202 |
| Goodwill | - | - | - |
| Intangible assets | | | |
| Software | - | - | - |
| Total | 202 | - | 202 |

Impairment losses of 202 million yen were recognized for property, plant and equipment, goodwill, and intangible assets related to the Beverage Business mainly at sites subject to the elimination of the expected future use.

For the year ended December 31, 2019

(Millions of yen)

| | Reportable segments | | |
|---|---|---|---|
| | Beverage business | Healthcare & Skincare business | Total |
| Property, plant and equipment | | | |
| Buildings and structures | 72 | — | 72 |
| Machinery and vehicles | 125 | — | 125 |
| Land | 407 | — | 407 |
| Subtotal | 605 | — | 605 |
| Goodwill | 61,859 | — | 61,859 |
| Intangible assets | | | |
| Software | 406 | — | 406 |
| Total | 62,870 | — | 62,870 |

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

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

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

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

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

(Millions of yen)

| | Reportable segments | Cash-generating unit or cash-generating unit group | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|---|---|
| Goodwill | Beverage business | Beverage | 61,859 | - |
| | Healthcare & Skincare business | Health food | 27,021 | 27,021 |
| | Total | | 88,880 | 27,021 |
| Intangible assets with indefinite useful lives (Contract related intangible asset) | Beverage business | Beverage | 52,050 | 52,050 |
| | Total | | 52,050 | 52,050 |

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

Certain key assumptions used in the estimation of the recoverable amount are the discount rate and growth rate. The amounts based on these assumptions reflect management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

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

| Cash-generating unit or cash-generating unit group | Previous fiscal year (As of December 31, 2018) | | Current fiscal year (As of December 31, 2019) | |
|---|---|---|---|---|
| | Discount rate | Growth rate | Discount rate | Growth rate |
| Beverage | 7.3% | 0.5% | 5.1% | 0.5% |
| Health food | 12.2% | 0.5% | 9.8% | 0.5% |

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

2. The Group estimates the cash flows by using growth rates expected from the market and our businesses. The growth rate were 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 70,726 million yet in the current fiscal year. However, if the discount rate is greater than 5.6% or the growth rate is less than (0.1%), an impairment loss may occur.

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

| Cash-generating unit or cash-generating unit groups | Previous fiscal year (As of December 31, 2018) | | Current fiscal year (As of December 31, 2019) | |
|---|---|---|---|---|
| | Discount rate | Growth rate | Discount rate | Growth rate |
| Beverage | 8.0% | (0.3%) | 5.6% | (0.1%) |
| Health food | 23.6% | (15.9%) | 14.0% | (5.7%) |

14. 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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Current | | |
| Prepaid expense | 8,897 | 8,363 |
| Income tax receivable | 1,063 | 7,640 |
| Consumption tax receivable | 611 | 1,557 |
| Other | 169 | 27 |
| Total | 10,740 | 17,587 |
| Non-current | | |
| Long-term prepaid expenses | 7,221 | 6,760 |
| Other | 52 | 60 |
| Total | 7,274 | 6,820 |

15. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Trade payables | 41,125 | 44,759 |
| Accounts payable - other | 60,364 | 73,337 |
| Accrued expenses | 4,212 | 4,268 |
| Total | 105,701 | 122,364 |

16. Provisions

Changes in provision were as follows:

(Millions of yen)

| | Asset retirement obligations | Environmental measures provision | Total |
|---|---|---|---|
| Balance at December 31, 2018 | 2,103 | 106 | 2,209 |
| Provision | 42 | 7 | 50 |
| Decrease during the fiscal year (intended use) | (77) | (64) | (141) |
| Increase due to passage of time and change in discount rate | 7 | - | 7 |
| Balance at December 31, 2019 | 2,076 | 49 | 2,125 |
| Current | 20 | - | 20 |
| Non-current | 2,055 | 49 | 2,104 |
| Total | 2,076 | 49 | 2,125 |

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.

17. Bonds and loans payable

Bonds and loans payable consisted of the following:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) | Average interest rate (%) | Maturity |
|---|---|---|---|---|
| Current | | | | |
| Current portion of bonds | 19,974 | 15,987 | 0.28 | - |
| Current portion of long-term loans payable | 1,538 | 1,274 | 0.25 | - |
| Short-term loans payable | 24,000 | — | — | |
| Subtotal | 45,512 | 17,261 | | |
| Non-current | | | | |
| Bond | 45,907 | 179,415 | 0.25 | 2021 to 2029 |
| Long-term loans payable | 10,494 | 9,072 | 0.15 | 2021 to 2026 |
| Subtotal | 56,401 | 188,487 | | |
| Total | 101,913 | 205,748 | | |

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, 2018) | Carrying amount: Current fiscal year (As of December 31, 2018) | Interest rate (%) | Collateral | The due date for redemption |
|---|---|---|---|---|---|---|---|---|
| The Company | Coca-Cola west 2nd Unsecured bonds | Dec 17, 2009 | 20,000 | 19,974 (19,974) | - | 1.48 | None | Dec 17,2019 |
| The Company | Coca-Cola west 2nd Unsecured bonds | Jun 17, 2015 | 30,000 | 29,933 | 29,952 | 0.52 | None | Jun 17, 2022 |
| The Company | Coca-Cola East Japan Co., Ltd. 2nd Unsecured bonds | Dec 14, 2015 | 16,000 | 15,974 | 15,987 (15,987) | 0.28 | None | Dec 14,2020 |
| The Company | 1st unsecured bond | Sep 19, 2019 | 40,000 | - | 39,863 | 0.10 | None | Sep 19,2024 |
| The Company | 2nd unsecured bond | Sep 19, 2019 | 60,000 | - | 59,798 | 0.20 | None | Sep 18,2026 |
| The Company | 3rd unsecured bond | Sep 19, 2019 | 50,000 | - | 49,803 | 0.27 | None | Sep 19,2029 |
| | Total | | | 65,881 (19,974) | 195,402 (15,987) | | | |

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

The carrying amount of asset pledged as collateral for loans payable is as follows:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Property, plant and equipment | | |
| Buildings and structures | 184 | - |
| Machinery and vehicles | - | - |
| Land | 202 | - |
| Total | 385 | - |

The corresponding loans payable amounts are as follows:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Current portion of long-term loans payable | 18 | - |
| Long-term loans payable | 148 | - |
| Total | 166 | - |

18. 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)

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

The breakdown of the books of right-of-use assets is as follows.

(Millions of yen)

| | Current fiscal year (As of December 31, 2019) |
|---|---|
| right-of-use assets | |
| Buildings and structures | 38,852 |
| Land | 777 |
| Total | 39,629 |

The increase in right-of-use assets for the current consolidated fiscal year was 14,656 million yen.

19. Retirement benefits

Regarding retirement benefit plans for employees of the Group, some subsidiaries are to adopt defined contribution penion plans and defined beneift penion 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 busiess was unified into a defined contriubition penion plan and a lump-sum retirment plan, and the conventional defined benefit plan was frozen.The frozen defined benefit pension liability is calculated based on the retirement benfits determined at the time of the freeze and is recognized as a defined benefit oblication until the employee is paid a penion or lump-sum payment upon future retirement..

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

(1) Defined benefit plans

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

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

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Balance at the beginning of the year | 146,359 | 142,599 |
| Service cost | 3,600 | 4,103 |
| Interest expense | 867 | 772 |
| Remeasurement: | | |
| Actuarial gains arising from changes in demographic assumptions | (688) | — |
| Actuarial gains arising from changes in financial assumptions | (342) | (578) |
| Experience adjustment | 921 | 971 |
| Past service cost | (5) | (2,235) |
| Benefit payments | (8,100) | (14,115) |
| Other | (13) | (363) |
| Balance at the end of the year | 142,599 | 131,154 |

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 11.6 years and 11.3 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, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Balance at the beginning of the year | 118,649 | 108,948 |
| Interest revenue | 719 | 593 |
| Remeasurement: | | |
| Return on plan asset | (4,686) | 8,919 |
| Contributions by employer | 1,501 | 390 |
| Benefit payments | (7,208) | (12,138) |
| Other | (28) | (466) |
| Balance at the end of the year | 108,948 | 106,246 |

(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, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Balance at the beginning of the year | 187 | 23 |
| Remeasurement: | | |
| Effect of limiting the amount of net plan assets to the amount of asset ceiling | (165) | |
| Other | - | (23) |
| Balance at the end of the year | 23 | - |

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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Defined benefit plans obligations (funded) | 129,401 | 117,343 |
| Plan assets | 108,948 | 106,246 |
| Net deficit of funded defined benefit plans | 20,453 | 11,097 |
| Adjustments due to asset ceiling | 23 | — |
| Subtotal | 20,476 | 11,097 |
| Defined benefit plans obligations (unfunded) | 13,198 | 13,810 |
| Total | 33,674 | 24,908 |
| Net defined benefit liabilities | 33,712 | 24,908 |
| Net defined benefit assets | 38 | — |
| Net defined benefit liabilities recognized in the consolidated statements of financial position | 33,674 | 24,908 |

(e) Major items of plan asset

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

The major categories of plan asset are as follows:

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | | | Current fiscal year (As of December 31, 2019) | | |
|---|---|---|---|---|---|---|
| | With quoted prices in active market | Without quoted in active market | Total | With quoted prices in active market | Without quoted in active market | Total |
| Equity instrument | | | | | | |
| Domestic securities | - | 9,417 | 9,417 | - | 9,767 | 9,767 |
| Foreign securities | - | 21,414 | 21,414 | - | 24,488 | 24,488 |
| Debt instrument | | | | | | |
| Domestic bonds | - | 8,529 | 8,529 | - | 4,611 | 4,611 |
| Foreign bonds | - | 25,384 | 25,384 | - | 23,309 | 23,309 |
| General account | - | 26,538 | 26,538 | - | 26,716 | 26,716 |
| Alternative | - | 17,224 | 17,224 | - | 17,246 | 17,246 |
| Other | 245 | 197 | 442 | 109 | — | 109 |
| Total | 245 | 108,703 | 108,948 | 109 | 106,137 | 106,246 |

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

The estimated contribution to the plan asset for the following fiscal year is 231 million yen.

(f) Significant actuarial assumptions

Significant actuarial assumptions were as follows:

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Discount rate | 0.63% | 0.69% |
| Rate of salary increase | 2.12% | 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, 2018) | | Current fiscal year (As of December 31, 2019) | |
|---|---|---|---|---|
| | Increasing | Reduction | Increasing | Reduction |
| Discount rate | | | | |
| 0.25% decrease | 4,244 | - | 3,790 | - |
| 0.25% increase | - | 4,041 | - | 3,621 |
| Rate of salary increase | | | | |
| 0.5% decrease | - | 214 | - | 70 |
| 0.5% increase | 227 | - | 75 | - |

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 11,176 million yen and 11,068 million yen, respectively.

20. 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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Current | | |
| Deposit received | 5,936 | 5,353 |
| Accrued paid leave | 5,939 | 5,413 |
| Consumption tax payable | 2,620 | 1,289 |
| Accrued bonuses | 5,521 | 5,436 |
| Other | 2,215 | 2,395 |
| Total | 22,230 | 19,886 |
| Non-current | | |
| Long-term deposits received | 1,003 | 1,005 |
| Other long-term employee benefits obligations | 1,643 | 1,826 |
| Liabilities by using equity method | 196 | 161 |
| Other | 65 | 262 |
| Total | 2,907 | 3,254 |

21. 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, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
|---|---|---|
| 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, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
|---|---|---|
| Number of treasury stock | | |
| Outstanding at the beginning of the fiscal year | 2,016 | 22,793 |
| Increase during the fiscal year | 20,779 | 4,125 |
| Decrease during the fiscal year | (1) | (1) |
| Outstanding at the end of the fiscal year | 22,793 | 26,917 |

The previous fiscal year and the current fiscal year, the increase was due to the acquisition of treasury stock through a tender offer, the acquisition of treasury stock through market purchases and the purchase of shares less than one unit, and the decrease was due to the 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 | Foreign currency translation differences of foreign operations | Share of other comprehensive income of equity method investees | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2018 (After Restatement) | - | 8,449 | 796 | 12 | - | 9,258 |
| Amount arising during the year | (2,889) | (3,344) | (716) | (12) | (4) | (6,965) |
| Changes in owners' interest in subsidiaries | 2,889 | (49) | - | - | 4 | 2,843 |
| Reclassification from accumulated other comprehensive income to retained earnings | - | - | (221) | - | - | (221) |
| Balance at December 31, 2018 | - | 5,056 | (141) | - | - | 4,915 |
| Amount arising during the year | 5,596 | 621 | (434) | - | 4 | 5,788 |
| Reclassification from accumulated other comprehensive income to retained earnings | (5,596) | (715) | - | - | (4) | (6,315) |
| Reclassification from accumulated other comprehensive income to non-financial asset | - | - | 129 | - | - | 129 |
| Balance at December 31, 2019 | - | 4,963 | (445) | - | - | 4,517 |

All amounts above are net of taxes.

22. Stock-based compensation

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

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

(1) Outline of the LTI

The Company will provide directors with the Company's ordinary shares ("the Company's shares") and cash pursuant to the Performance Share Unit Plan ("PSU") for the term of three consecutive fiscal years (from January 1, 2018 to December 31, 2020, and from January 1, 2019 to December 31, 2021). The purpose of the PSU is to further enhance the motivation of Executive Directors to contribute to increases in the Company's stock price and corporate value in the mid to long term by sharing the merits and risks of stock price fluctuations with the shareholders.

The LTI offers the payment the Company's shares in a lump-sum based on the payment rate which is calculated within the scope of 0% to 150% based on the method decided by the Company's board of directors according to the achievement rates of ROE and sales growth during the three consecutive fiscal years.

(2) Number and fair value of shares granted during the year

The fair value on the grant date of this plan for the previous consolidated fiscal year and the current consolidated fiscal year was 4,145yen and 2,726 yen. The fair value at the grant date is calculated by adjusting the market value of the Company's shares taking into account the expected dividends.

For the number of shares, as described in (1) above, the Company's shares will be provided in a lump-sum based on the payment rate which is calculated within the scope of 0% to 150% based on the method decided by the Company's board of directors according to the achievement rates of ROE and sales growth during the three consecutive fiscal years.

2. Share compensation Expenses

For the current fiscal year, expenses of share-based payment included in "Selling, general and administrative expenses" in the consolidated statements of profit or loss are 67 million yen and 57 miliom yen.

23. Dividends

Dividends payments were as follows:

For the year ended December 31, 2018

| Resolution | Type of shares | Total amount of dividends paid (Millions of yen) | Dividends per share (Yen) | Dividend record date | Effective date |
|---|---|---|---|---|---|
| March 27, 2018 Ordinary General Meeting of Shareholders | Ordinary share | 4,494 | 22 | December 31, 2017 | March 28, 2018 |
| August 10, 2018 Board of Directors | Ordinary share | 4,679 | 25 | June 30, 2018 | September 3, 2018 |

For the year ended December 31, 2019

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

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 26, 2020 Ordinary General Meeting of Shareholders | Ordinary share | 4,484 | Retained earnings | 25 | December 31, 2019 | March 27, 2020 |

24. Revenue

(1) Revenue

The Group's organizational structure is based on the two business segments of the Beverage business and Healthcare & Skincare business. These two businesses are components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in these two businesses is presented as “Revenue” in the consolidated financial statement of profit or loss. In the Beverage business, the Group purchases, manufactures, and sells carbonated beverages such as Coca-Cola, coffee beverages, black tea beverages, mineral water and other beverages in Japan. In the Healthcare & Skincare business, the Group manufactures and sells kale juice (aojiru) and other products made from Kale and manufactures and sells health foods and cosmetics and other related products.

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

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

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

For the year ended December 31, 2018

(Millions of yen)

| | Reportable segments | | |
|---|---|---|---|
| | Beverage business | Healthcare & Skincare business | Total |
| Beverage | 899,070 | - | 899,070 |
| Health food | - | 27,444 | 27,444 |
| Other | 793 | - | 793 |
| Total | 899,863 | 27,444 | 927,307 |

For the year ended December 31, 2019

(Millions of yen)

| | Reportable segments | | |
|---|---|---|---|
| | Beverage business | Healthcare & Skincare business | Total |
| Beverage | 889,065 | — | 889,065 |
| Health food | — | 24,774 | 24,774 |
| Other | 944 | — | 944 |
| Total | 890,009 | 24,774 | 914,783 |

(2) Contract balances

The Group’s contract balance consists primarily of receivables (Accounts and notes receivable) arising from contract with customer and is presented in notes 9 "Trade and other receivables."

25. Selling, general and administrative expenses

Selling, general and administrative expenses comprise the following

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Depreciation | 31,596 | 40,393 |
| Amortization | 3,559 | 3,409 |
| Sales commissions and promotional expenses | 125,091 | 123,412 |
| Employee benefits expenses | 127,304 | 123,903 |
| Shipping and commissions | 85,897 | 89,460 |
| Maintenance fee | 17,143 | 16,950 |
| Other | 35,606 | 26,156 |
| Total | 426,195 | 423,685 |

26. Employee benefits expenses

Employee benefits expenses consisted of the following:

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | | Current fiscal year (From January 1, 2019 to December 31, 2019) | |
|---|---|---|---|---|
| | Cost of sales | Selling, general and administrative expenses | Cost of sales | Selling, general and administrative expenses |
| Salaries and wages | 10,473 | 84,056 | 10,596 | 82,841 |
| Welfare and legal welfare expenses | 1,955 | 9,040 | 2,056 | 9,275 |
| Bonus | 1,991 | 19,533 | 2,104 | 18,926 |
| Retirement benefit costs | 460 | 14,674 | 486 | 12,862 |
| Total | 14,880 | 127,304 | 15,243 | 123,903 |

27. Other income and other expense

Other income and other expense consisted of the following:

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Other income | | |
| Gains on sales of property, plant and equipment | 215 | 2,183 |
| Rent income | 398 | 378 |
| Gains on sale of investment in subsidiaries | 481 | - |
| Other | 1,022 | 1,567 |
| Total | 2,116 | 4,127 |
| Other expense | | |
| Losses on disaster (Note1) | 8,874 | - |
| Impairment losses | 202 | 1,011 |
| Losses on sales and disposals of property, plant and equipment | 3,771 | 3,954 |
| Transformation-related expenses (Note 2) | - | 655 |
| Special retirement allowance (Note 3) | - | 9,184 |
| Other | 539 | 272 |
| Total | 13,385 | 15,076 |

(NOTE) 1. Losses on disaster was due to damage of flood to some equipment, finished goods inventories, vending machines and vehicles caused by extraordinary rain in July 2018, including the Hongo manufacturing plant in Mihara City, Hiroshima Prefecture, in the Beverage business. The breakdown of losses on disaster was loss of fixed assets of 5,968 million yen, inventories of 1,471 million yen and others of 1,435 million yen.

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

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

28. Financial income and financial expense

Financial income and finance expense consisted of the following:

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Financial income | | |
| Interest income | | |
| Financial assets measured at amortized cost | 29 | 1 |
| Dividends income | | |
| Financial assets measured at fair value through other comprehensive income | 487 | 508 |
| Foreign exchange gains | 312 | 538 |
| Other | 2 | 98 |
| Total | 830 | 1,145 |
| Finance expense | | |
| Interest expenses | | |
| Financial liabilities measured at amortized cost. | 612 | 1,175 |
| Derivative expenses | 130 | - |
| Other | 3 | - |
| Total | 745 | 1,175 |

29. 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, 2018) | Current fiscal year (As of December 31, 2019) | Previous fiscal year (From January 1, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
| Deferred tax assets | | | | |
| Property, plant and equipment and intangible asset | 7,094 | 6,013 | (403) | (1,081) |
| Lease | - | 13,484 | - | (1,717) |
| Financial assets | 1,745 | 1,548 | 365 | (488) |
| Employee benefits | 16,785 | 13,706 | 2,452 | (127) |
| Inventories | 1,492 | 1,502 | 611 | 10 |
| Carryforwards of unused tax losses | 432 | 1170 | 158 | 739 |
| Other | 3,126 | 2,858 | (1,070) | 263 |
| Subtotal | 30,673 | 40,280 | 2,113 | (2,926) |
| Deferred tax liabilities | | | | |
| Property, plant and equipment and intangible asset | (38,576) | (36,563) | 2,273 | 1,923 |
| Lease | - | (13,290) | - | 1,738 |
| Financial assets | (4,863) | (6,050) | (56) | (1,231) |
| Employee benefits | (1,495) | (389) | (23) | 1,101 |
| Other | (2,559) | (2,681) | (93) | 39 |
| Subtotal | (47,492) | (59,063) | 2,101 | 3,570 |
| Total deferred tax expense | - | - | 4,214 | 644 |
| Total deferred taxes | (16,819) | (18,782) | | |

The Group evaluates the recoverability of deferred tax assets by considering the possibility that some or all of deductible temporary differences or carryforwards of unused tax losses will be available to future taxable income. In assessing the recoverability of deferred tax assets, the Group considers the anticipated reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Based on historical trends in taxable income and projected future taxable income for the periods in which deferred tax assets is recognized, the Group believes that it is more likely than not that tax benefits of these deferred tax assets will be realized at the end of the prior fiscal year and at the end of the current fiscal year. The Group believes that changes in the economic environment surrounding the Group, market conditions and other factors will increase the uncertainty of our estimates of future taxable income.

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

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
|---|---|---|
| Balance at the beginning of the year (prior to restatement) | (24,778) | (16,819) |
| Adjustments due to the adoption of IFRS 9, etc. | - | 172 |
| Balance at the beginning of the fiscal year (after restatement) | (24,778) | (16,646) |
| Amounts recognized in deferred tax expense | 4,214 | 644 |
| Amounts recognized in other comprehensive income | 3,726 | (2,751) |
| Other | 19 | (29) |
| Balance at the end of the year | (16,819) | (18,782) |

(2) Unrecognized deferred tax assets and deferred tax liabilities

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

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Deductible temporary differences | 21,161 | 19,874 |
| Carryforwards of unused tax losses | 146 | 203 |
| Total | 21,307 | 20,077 |

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

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| No later than 1 year | - | — |
| Later than 1 year and not later than 5 years | - | — |
| Later than 5 years and not later than 10 years | 146 | 203 |
| More than 10 years | - | — |
| Total | 146 | 203 |

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

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Investments in subsidiaries and associates | 156,324 | 80,129 |

(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, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Current tax expenses | 8,819 | 3,090 |
| Deferred tax expenses | (4,214) | (614) |
| Total | 4,605 | 2,476 |

The above deferred tax expenses was 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, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Statutory tax rate | 31.69% | 31.46% |
| Items which are not taxable or deductible | 3.12% | (0.49%) |
| Impairment losses of goodwill | - | (35.12%) |
| Changes in unrecognized deferred tax assets | (4.86%) | 0.02% |
| Tax rate difference between the Company and subsidiaries | 2.82% | (0.46%) |
| Other | (1.59%) | 0.12% |
| Applicable tax rate | 31.18% | (4.47%) |

30. 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, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of defined benefit plans: | | |
| Amount arising during the year | (4,411) | 8,549 |
| Tax effect | 1,522 | (2,953) |
| Net of tax | (2,889) | 5,596 |
| Share of other comprehensive income in equity method investees: | | |
| Amount arising during the year | (4) | 4 |
| Tax effect | - | - |
| Net of tax | (4) | 4 |
| Financial asset measured at fair value through other comprehensive income: | | |
| Amount arising during the year | (5,048) | 981 |
| Tax effect | 1,704 | (360) |
| Net of tax | (3,344) | 621 |
| Subtotal | (6,236) | 6,221 |
| Items that may be reclassified to profit or loss | | |
| Foreign currency translation differences of foreign operations: | | |
| Amount arising during the year | (12) | - |
| Tax effect | - | - |
| Net of tax | (12) | - |
| Cash flow hedge: | | |
| Amount arising during the year | (1,216) | (663) |
| Tax effect | 500 | 229 |
| Net of tax | (716) | (434) |
| Subtotal | (728) | (434) |
| Total other comprehensive income | (6,965) | 5,788 |

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

Changes in liabilities related to financing activities were as follows:

(Millions of yen)

| | Short-term loans payable | Long-term loans payable (Note) | Bonds (Note) | Lease debt | Lease liabilities |
|---|---|---|---|---|---|
| Balance at January 1, 2018 | - | 13,849 | 65,822 | 1,713 | - |
| Changes with cash flows | 24,000 | (1,817) | - | (830) | - |
| Changes without cash flows | - | - | 59 | 18 | - |
| Balance at December 31, 2018 | 24,000 | 12,032 | 65,881 | 901 | - |
| Adjustments resulting from the adoption of IFRS 16 | - | - | - | (901) | 45,406 |
| Balance as of January 1, 2019 | 24,000 | 12,032 | 65,881 | - | 45,406 |
| Changes with cash flows | (24,000) | (1,686) | 129,441 | - | (7,576) |
| Changes without cash flows | - | - | 81 | - | 2,942 |
| Balance at December 31, 2019 | - | 10,346 | 195,402 | - | 40,773 |

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

32. Financial instruments

(1) Financial risk management

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

・Credit risk

・Liquidity risk

・Market risk

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

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

(2) Credit risk

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

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

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

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

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

(a) Credit risk exposure

The Group's credit risk exposure is as follows:

Trade and other receivables

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

As of December 31, 2018

(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 | 21,463 | - | 67,418 | 88,881 |
| Within 60 days of the due date | 82 | - | 3,046 | 3,128 |
| More than 60 days from the due date | - | 203 | 432 | 635 |
| Total | 21,545 | 203 | 70,897 | 92,644 |

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

As of December 31, 2019

(Millions of yen)

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

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

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, 2018

(Millions of yen)

| | Financial asset assessed by 12-month expected credit losses | Financial asset assessed by an amount equal to lifetime expected credit losses | Total |
|---|---|---|---|
| Other financial asset | 5,803 | 1,330 | 7,133 |

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

As of December 31, 2019

(Millions of yen)

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

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

(b) Allowance for credit losses

Changes in allowance for credit losses were as follows:

Trade and other receivables

For the year ended December 31, 2018

(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, 2018 | 17 | 149 | 118 | 284 |
| Provision | 19 | 128 | 97 | 244 |
| Changes due to organizational restructuring (mergers, organizational splits, etc.) | - | - | (7) | (7) |
| Reduction during the period (reversal) | (17) | (149) | (112) | (278) |
| Balance at December 31, 2018 | 19 | 128 | 95 | 242 |

For the year ended December 31, 2019

(Millions of yen)

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

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, 2018

(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, 2018 | 6 | 955 | 960 |
| Provision | 0 | 507 | 507 |
| Changes due to organizational restructuring (mergers, organizational splits, etc.) | - | (3) | (3) |
| Decrease during the period (intended use) | - | (205) | (205) |
| Reduction during the period (reversal) | (6) | (7) | (13) |
| Balance at December 31, 2018 | 0 | 1,246 | 1,247 |

For the year ended December 31, 2019

(Millions of yen)

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

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

There was 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, 2018

(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 | 105,701 | 105,701 | 105,701 | - | - |
| Bonds and loans payable | 101,913 | 102,832 | 46,012 | 50,742 | 6,077 |
| Finance lease liabilities | 901 | 911 | 495 | 411 | 4 |
| Derivative financial liabilities | | | | | |
| Commodity swap | 503 | 503 | 503 | - | - |
| Total | 209,018 | 209,946 | 152,712 | 51,153 | 6,082 |

As of December 31, 2019

(Millions of yen)

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

(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

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

(b) Stock price risk

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

Assuming that all other variables are constant, if the price of listed securities held by the Group as of the end of the fiscal year increases or decreases by 10%, the impact on the other comprehensive income (before tax effects) is 2,417 million yen and 2,248 million yen, respectively, for the previous fiscal year and current fiscal years.

(c) Currency risk

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

(d) Commodity price risk

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

(5) Capital management

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

The Group’s indicators for capital management are return on equity attributable to owners of the parent (“ROE”) and return on assets (“ROA”). ROE is the ratio of net profit to equity attributable to owners of the parent, and ROA is the ratio of profit before tax to total assets.

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| ROE | 1.64% | (10.67%) |
| ROA | 1.63% | (6.06%) |

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, 2018

(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 | - | - | 65,510 | 65,510 |
| Trade and other receivables | - | - | 92,402 | 92,402 |
| Other financial asset (current) | | | | |
| Derivative assets | 426 | - | - | 426 |
| Term deposits which mature due within three months | - | - | 116 | 116 |
| Current portion of long-term loans receivable | - | - | 46 | 46 |
| Other | - | - | 57 | 57 |
| Subtotal | 426 | - | 219 | 645 |
| Other financial asset (non-current) | | | | |
| Derivative assets | 41 | - | - | 41 |
| Securities | - | 28,964 | - | 28,964 |
| Long-term loans receivable | - | - | 86 | 86 |
| Other | - | 124 | 5,581 | 5,705 |
| Subtotal | 41 | 29,088 | 5,667 | 34,796 |
| Total | 467 | 29,088 | 163,799 | 193,353 |

As of December 31, 2019

(Millions of yen)

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

Financial liabilities

As of December 31, 2018

(Millions of yen)

| | Financial instrument measured at fair value through profit or loss | Financial instrument measured at amortized cost | Total |
|---|---|---|---|
| Trade and other payables | - | 105,701 | 105,701 |
| Bonds and loans payable | - | 101,913 | 101,913 |
| Other financial liabilities (current) | | | |
| Derivative liabilities | 503 | - | 503 |
| Finance lease liabilities | - | 491 | 491 |
| Subtotal | 503 | 491 | 993 |
| Other financial liabilities (non-current) | | | |
| Finance lease liabilities | - | 411 | 411 |
| Long-term accounts payable | - | 338 | 338 |
| Subtotal | - | 749 | 749 |
| Total | 503 | 208,853 | 209,356 |

As of December 31, 2019

(Millions of yen)

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

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

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

(Millions of yen)

| Issue | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Ricoh Co., Ltd. | 3,697 | 4,092 |
| Royal Holdings Co., Ltd. | 1,688 | 1,638 |
| San-ai Oil Co., Ltd. | 1,425 | 1,562 |
| Central Japan Railway Company | 1,253 | 1,190 |
| East Japan Railway Company | 1,117 | 1,134 |
| Nishi-Nippon Railroad Co., Ltd. | 1,106 | 1,008 |

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

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Dividends income | 487 | 481 |

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, 2018 to December 31, 2018) | | | Current fiscal year (From January 1, 2019 to December 31, 2019) | | |
|---|---|---|---|---|---|
| Fair value | Cumulative gain (Loss) | Dividends income | Fair value | Cumulative gain (Loss) | Dividends income |
| 319 | 131 | — | 2,247 | 1,097 | 28 |

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 21. Equity (5) Accumulated other comprehensive income

(7) Fair value of financial instruments

(a) Classification by level of the fair value Hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

There were no transfers between Level 1 and Level 2 during the previous fiscal year and current fiscal years.

(b) Fair value measurement

Securities are classified as Level 1 of the fair value hierarchy by the measurement of share prices, if any, in active market for the same asset or liability. If there is no active market stock price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and discounted future cash flows models. If significant inputs, such as quoted market prices and discount rates used in measurement are observable, such financial instruments are classified as Level 2, but are classified as Level 3 if inputs used its measurement include significant unobservable inputs.

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

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

As of December 31, 2018

| 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: 6.1-44.6 times<br>EBITDA Multiple: 8.3 times<br>PBR: 1.0-2.0 times | Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low) |

As of December 31, 2019

| Type | Valuation technique | Significant unobservable inputs | Interactions between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial instrument measured at fair value through other comprehensive income (Securities) | Comparison of similar companies | EBIT Multiple: 9.2-46.5 times<br>EBITDA Multiple: 8.6 times<br>PBR: 1.0-2.7 times | Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low) |

EBIT Multiple: Corporate Value/EBIT

EBITDA Multiple: Corporate Value/EBITDA

PBR: Price Book Value Ratio

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

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

As of December 31, 2018

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial instrument measured at fair value through profit or loss: | | | | |
| Derivative assets | - | 467 | - | 467 |
| Subtotal | - | 467 | - | 467 |
| Financial instrument measured at fair value through other comprehensive income: | | | | |
| Securities | 24,173 | - | 4,790 | 28,964 |
| Other | - | - | 124 | 124 |
| Subtotal | 24,173 | - | 4,914 | 29,088 |
| Total | 24,173 | 467 | 4,914 | 29,555 |
| Financial liabilities | | | | |
| Financial instrument measured at fair value through profit or loss: | | | | |
| Derivative liabilities | - | 503 | - | 503 |
| Total | - | 503 | - | 503 |

As of December 31, 2019

(Millions of yen)

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

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, 2018 | 6,317 |
| Purchase | 75 |
| Disposals | (75) |
| Gains or losses recognized in other comprehensive income | (1,402) |
| Balance at December 31, 017 | 4,914 |
| Purchase | - |
| Disposals | (4) |
| Gains or losses recognized in other comprehensive income | 481 |
| Balance at December 31, 2018 | 5,392 |

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, 2018

(Millions of yen)

| | Carrying amount | Fair value | Difference |
|---|---|---|---|
| Long-term loans payable and bonds | 77,913 | 78,704 | (792) |

As of December 31, 2019

(Millions of yen)

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

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

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

a. Loans payable

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

b. Bonds

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

(8) Derivatives and hedge accounting

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

(a) Impacts on the consolidated statements of financial position

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

As of December 31, 2018

(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 | 12,761 | 439 | - |
| | Price risk | Commodity swap | 9,022 | 28 | 503 |
| | | Total | 21,783 | 467 | 503 |

The average exchange rate used for forward exchange contracts was 105.33 yen per U.S. dollar.

As of December 31, 2019

(Millions of yen)

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

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

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 January 2020 to January 2021 and from January 2020 to December 2020, 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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Forward exchange contracts | 215 | 84 |
| Commodity swap | (355) | (529) |
| Total | (141) | (445) |

(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, 2018

(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 | 29 | 49 | 439 | - |
| Price risk | (1,245) | - | (475) | - |
| Total | (1,216) | 49 | (35) | - |

For the year ended December 31, 2019

(Millions of yen)

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

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.

33. Significant subsidiaries

Significant subsidiaries of the Groups is 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, 2018) | Current fiscal year (As of December 31, 2019) |
| Beverage business | Coca-Cola Bottlers Japan Inc. | Minato-ku, Tokyo | Manufacture and sales of beverage and food | 100.0% | 100.0% |
| | FV Japan Co., Ltd. | Toshima-ku, Tokyo | Sales of beverages and foods | 100.0% | 100.0% |
| | Coca-Cola Bottlers Japan Vending Inc. | Higashi-ku, Fukuoka | Vending machine operation | 100.0% | 100.0% |
| | Coca-Cola Bottlers Japan Business Services Inc. (Note ) | Higashi-ku, Fukuoka | In-office business | 100.0% | 100.0% |
| Healthcare & Skincare business | Q'SAI CO., LTD. | Chuo-ku, Fukuoka | Manufacture and sales of health foods and cosmetics-related products | 100.0% | 100.0% |

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

34. Investments accounted for using the equity method

The primary associates of the Group is as follows: The principal business locations are the same as those of the Company. There are 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, 2018) | Current fiscal year (As of December 31, 2019) |
| Beverage business | Apex Nishi-nihon Co., Ltd. | Fukushima-ku, Osaka | Beverage sale | 34.0% | 34.0% |
| | Resources Inc. | Takamatsu-shi, Kagawa | Vending machine-related business | 44.0% | 44.0% |

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

35. Commitment

(1) 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, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Property, plant and equipment | 906 | 34,680 |
| Intangible assets | 252 | 31 |
| Total | 1,157 | 34,710 |

Purchase commitments excluding the above amounts were 2,422 million yen and 4,575 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.

(2) Operating leases

Future minimum lease payments under non-cancelable operating lease are as follows:

(Millions of yen)

| | Current fiscal year (As of December 31, 2018) |
|---|---|
| No later than 1 year | 1,837 |
| Later than 1 year and not later than 5 years | 4,882 |
| More than 5 years | 925 |
| Total | 7,644 |

The amount recognized as expenses in non-cancellable and non-cancellable operating leases in the previous fiscal year was 11,573 millions of yen. These amounts are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income

(3) Finance leases

Finance lease obligations consisted of the following:

(Millions of yen)

| | Current fiscal year (As of December 31, 2018) |
|---|---|
| Minimum Payment lease payments: | |
| Not later than 1 year | 495 |
| Later than 1 year and not later than 5 years | 411 |
| More than 5 years | 4 |
| Total | 911 |
| Future financing costs: | |
| Not later than 1 year | (5) |
| Later than 1 year and not later than 5 years | (5) |
| More than 5 years | (0) |
| Total | (9) |
| Present value of minimum lease payments: | |
| Not later than 1 year | 491 |
| Later than 1 year and not later than 5 years | 407 |
| More than 5 years | 4 |
| Total | 901 |

36. Earnings per share

The computation of basic earnings 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 per share is as follows.

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Net profit for the year attributable to owners of the parent (Millions of yen) | 10,117 | (57,952) |
| Weighted-average shares of ordinary share outstanding (in thousands) | 192,051 | 179,852 |
| Basic earnings(loss) per share (Yen) | 52.68 | (322.22) |

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

37. 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, 2018

(Millions of yen)

| Name | Relationship with affiliated companies | Transaction | The amount of the transaction | Amount outstanding |
|---|---|---|---|---|
| Coca-Cola (Japan) Company, Limited | Subsidiary of other subsidiaries and associates | Income from rebates of sales promotion | 127,123 | 12,501 |
| | | Purchase of concentrate | 359,636 | 22,393 |

For the year ended December 31, 2019

(Millions of yen)

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

The transaction amount does not include consumption taxes, but the amount outstanding includes consumption taxes. Transactions with 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.

Compensation for major key management personnel is as follows.

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
|---|---|---|
| Remuneration | 463 | 508 |
| Stock-based compensation | 27 | 50 |
| Bonus | 85 | 96 |
| Total | 575 | 653 |

38. 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) | 198,733 | 433,710 | 694,763 | 914,783 |
| Net income (loss) before income taxes and minority interests for the quarter or year | (Yen) | (12,715) | (65,513) | (51,848) | (55,419) |
| Net income (loss) in attributable to owners of the parent for the quarter or year | (Yen) | (8,002) | (64,565) | (55,693) | (57,952) |
| Earnings (loss) per share | (Yen) | (44.22) | (358.14) | (309.40) | (322.22) |

| (Quarter-to-date) | | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|---|---|---|---|---|---|
| Earnings (loss) per share | (Yen) | (44.22) | (315.37) | 49.47 | (12.59) |

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## 2. Financial Statements (Non-consolidated)

### (1) Financial statements (Non-consolidated)

#### ① Balance sheet

(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,432 | 94,504 |
| Prepaid expense | 66 | 47 |
| Short-term loans to affiliates | 2,102 | — |
| Account receivables - other | ※1 56 | ※1 315 |
| Other | 1,600 | 3,895 |
| Total current assets | 24,256 | 98,760 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings | 20,121 | 18,436 |
| Structures | 1,467 | 1,274 |
| Machinery, equipment and vehicles | 28 | 23 |
| Land | 52,168 | 51,329 |
| Total property, plant and equipment | 73,784 | 71,061 |
| Intangibles assets | | |
| Leasehold | 27 | 27 |
| Software | 4 | 3 |
| Total intangibles asset | 31 | 30 |
| Investments and other asset | | |
| Investment securities of subsidiaries and associates | 379,080 | 379,043 |
| Long-term loans receivable from subsidiaries and associates | 485 | — |
| Long-term prepaid expenses | 6 | — |
| Deferred tax assets | 294 | 245 |
| Other | 547 | 543 |
| Total investments and other assets | 380,413 | 379,831 |
| Total fixed assets | 454,228 | 450,922 |
| Total assets | 478,484 | 549,683 |

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(Millions of yen)

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Short-term loans payable | 24,000 | — |
| Current portion of bonds | 20,000 | 16,000 |
| Accounts payable | ※1 256 | ※1 448 |
| Accrued expenses | 12 | 11 |
| Deposits | ※1 54,337 | ※1 20,522 |
| Bonus provision | 36 | 8 |
| Provision of directors' bonuses | 85 | 96 |
| Other | 21 | 247 |
| Total current liabilities | 98,747 | 37,332 |
| Non-current liabilities | | |
| Bonds | 46,000 | 180,000 |
| Asset retirement obligations | 1,013 | 1,013 |
| Performance-linked compensation provision | 24 | 64 |
| Other | 194 | 135 |
| Total non-current liabilities | 47,230 | 181,211 |
| Total liabilities | 145,977 | 218,543 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 15,232 | 15,232 |
| Capital surplus | | |
| Legal capital reserve | 108,167 | 108,167 |
| Other capital surplus | 158,785 | 158,784 |
| Total capital surplus | 266,952 | 266,951 |
| Retained earnings | | |
| Legal reserve | 3,317 | 3,317 |
| Other retained earnings | | |
| Excess tax depreciation reserve | 766 | 761 |
| General reserve | 110,388 | 110,388 |
| Retained earnings brought forward | 8,503 | 20,140 |
| Total retained earnings | 122,974 | 134,606 |
| Treasury Stock | (72,651) | (85,649) |
| Total shareholders' equity | 332,507 | 331,139 |
| Total net assets | 332,507 | 331,139 |
| Total liabilities and net assets | 478,484 | 549,683 |

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② Statements of profit or loss

(Millions of yen)

| | Previous fiscal year (From January 1, 2018 to December 31, 2018 | Current fiscal year (From January 1, 2019 to December 31, 2019 |
|---|---|---|
| Operating revenue | ※1 10,375 | ※1 26,517 |
| Operating expenses | ※1,※2 4,640 | ※1,※2 4,787 |
| Operating profit | 5,734 | 21,730 |
| Non-operating income | | |
| Interest and dividends income | ※1 4 | ※1 5 |
| Other | ※1 164 | ※1 26 |
| Total non-operating income | 168 | 31 |
| Non-operating expenses | | |
| Interest expense | ※1 509 | ※1 602 |
| Bond issuance costs | ― | 559 |
| Other | ※1 170 | ※1 328 |
| Total non-operating expenses | 678 | 1,489 |
| Ordinary profit | 5,224 | 20,273 |
| Extraordinary income | | |
| Gain on sales of non-current assets | ― | 1,052 |
| Total extraordinary income | ― | 1,052 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | ― | 155 |
| Impairment losses | ※4 4 | ※4 231 |
| Special retirement allowance | ― | 74 |
| Loss from disaster | ※5 1,066 | ― |
| Total extraordinary losses | 1,070 | 460 |
| Income before income tax | 4,153 | 20,865 |
| Income taxes | (59) | 114 |
| Income tax adjustments | (183) | 49 |
| Total income taxes | (242) | 163 |
| Net profit | 4,395 | 20,702 |

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③ Statements of changes in equity

Previous fiscal year (From January 1, 2018 to December 31, 2018)

(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, 2018 | 15,232 | 108,167 | 158,785- | 266,951 | 3,317 | 124,435 |
| Changes during the year | | | | | | |
| Dividend of surplus | - | - | - | - | - | (9,173) |
| Net profit | - | - | - | - | - | 4,395 |
| Purchase of treasury stock | - | - | - | - | - | — |
| Disposal of treasury stock | - | - | 1 | 1 | - | — |
| Net changes in items other than shareholders' equity | - | - | - | - | - | — |
| Total changes during the year | - | - | 1 | 1 | - | (4,777) |
| Balance at December 31, 2018 | 15,232 | 108,167 | 158,785 | 266,952 | 3,317 | 119,657 |

| | Shareholders' equity | | | Total net assets |
|---|---|---|---|---|
| | Retained earnings | Treasury stock | Total shareholders' equity | |
| | Total retained earnings | | | |
| Balance at January 1, 2018 | 127,752 | (4,693) | 405,242 | 405,242 |
| Changes during the year | | | | |
| Dividend of surplus | (9,173) | — | (9,173) | (9,173) |
| Net profit | 4,395 | — | 4,395 | 4,395 |
| Purchase of treasury stock | — | (67,961) | (67,961) | (67,961) |
| Disposal of treasury stock | — | 4 | 4 | 4 |
| Net changes in items other than shareholders' equity | — | — | — | — |
| Total changes during the year | (4,777) | (67,958) | (72,735) | (72,735) |
| Balance at December 31, 2018 | 122,974 | (72,651) | 332,507 | 332,507 |

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

(Millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | | | Retained earnings | |
| | | Legal capital reserve | Other capital surplus | Total capital surplus | Legal reserve | Other retained earnings |
| Balance at January 1, 2019 | 15,232 | 108,167 | 158,785 | 266,952 | 3,317 | 119,657 |
| Changes during the year | | | | | | |
| Dividend of surplus | - | - | - | - | - | (9,071) |
| Net profit | - | - | - | - | - | 20,702 |
| Purchase of treasury stock | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | (1) | (1) | - | - |
| Net changes in items other than shareholders' equity | - | - | - | - | - | - |
| Total changes during the year | - | - | (1) | (1) | - | 11,631 |
| Balance at December 31, 2018 | 15,232 | 108,167 | 158,784 | 266,951 | 3,317 | 131,289 |

| | Shareholders' equity | | | Total net assets |
|---|---|---|---|---|
| | Retained earnings | Treasury Shares | Total shareholders' equity | |
| | Total retained earnings | | | |
| Balance at January 1, 2019 | 122,974 | (72,651) | 332,507 | 332,507 |
| Changes during the year | | | | |
| Dividend of surplus | (9,071) | - | (9,071) | (9,071) |
| Net profit | 20,702 | - | 20,702 | 20,702 |
| Purchase of treasury stock | - | (13,002) | (13,002) | (13,002) |
| Disposal of treasury stock | - | 3 | 3 | 3 |
| Net changes in items other than shareholders' equity | - | - | - | - |
| Total changes during the year | 11,631 | (12,999) | (1,368) | (1,368) |
| Balance at December 31, 2018 | 134,606 | (85,649) | 331,139 | 331,139 |

Supplemental notes of the statement of changes in equity

(NOTE) Breakdown of other retained earnings

Previous fiscal year (From January 1, 2018 to December 31, 2018)

| | 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 | 790 | 110,388 | 13,257 | 124,435 |
| Changes during the year | | | | |
| Dividend of surplus | - | - | (9,173) | (9,173) |
| Net income | - | - | 4,395 | 4,395 |
| Reversal of reserves | - | - | - | - |
| Reversal of reserve funds | (24) | - | 24 | - |
| Purchase of treasury stock | - | - | - | - |
| Disposal of treasury stock | - | - | - | - |
| Changes in items other than shareholders' equity, net | - | - | - | - |
| Total changes during the year | (24) | - | (4,754) | (4,777) |
| Balance at December 31 | 766 | 110,388 | 8,503 | 119,657 |

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

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

【Notes】

(Significant accounting policies)

1. Accounting policy for measuring securities

(1) Bonds held to maturity

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

(2) Investment securities of subsidiaries and associates

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

(3) Other securities

With market value:

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

Without market value:

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

2. Accounting policy for depreciation of assets

(1) Property, plant and equipment

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

| | |
|---|---|
| Buildings | 2 – 50 years |

(2) Intangibles assets

Amortization is calculated by the straight-line method.

3. Accounting policy for provisions

(1) Bonus provision

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

(2) Provision of directors' bonuses

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

(3) Performance-linked compensation provision

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

4. Other significant information for preparation of financial statements

Accounting policy for consumption taxes

Consumption taxes are subject to the net of tax method.

(Notes on changes to presentation method)

Changes with the application of the "Partial Amendment to Accounting Standards for Tax Effect Accounting"

"Partial Amendments to "Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year under review. Accordingly, deferred tax assets are reported under "Investments and other assets", and deferred tax liabilities are reported under "Long-term liabilities".

The impact on the balance sheet as of December 31, 2018 is 404 million yen of deferred tax assets that were reclassified from "Current assets" to "Investments and other assets".

(Notes to Balance Sheet)

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

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Short-term monetary receivables | 42 million yen | 305 million yen |
| Short-term monetary payables | 54,375 | 20,618 |

2 Contract for overdraft

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

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Maximum overdraft amount | 245,000 million yen | 255,000 million yen |
| Used outstanding of loans | 24,000 | - |
| Net amount | 221,000 | 255,000 |

(Notes to statement of profit or loss)

※1 Transactions with affiliated companies

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Sales revenue and operating revenue | 10,375 million yen | 26,517 million yen |
| Purchases and consignment processing costs | 0 | - |
| Transactions excluding operating transactions | 12 | 30 |

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

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Depreciation. | 1,806 million yen | 1,694 million yen |
| Taxes and dues | 824 | 933 |
| Rents expenses | 513 | 500 |
| Consignment expenses of business activities | 112 | 201 |
| Provision for directors' bonus provision | 85 | 96 |
| Provision for performance-linked compensation provision | 24 | 40 |
| Advertising expenses | 23 | 29 |
| Retirement benefit expenses | 6 | 5 |
| Bonuses and provision for bonuses provision | (4) | 14 |

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

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Buildings | - million yen | 194 million yen |
| Land | - | 858 |

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

| | Previous fiscal year (From January 1, 2018 to December 31, 2018) | Current fiscal year (From January 1, 2019 to December 31, 2019) |
|---|---|---|
| Land | - million yen | 155 million yen |

※5 Impairment losses

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

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

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

Previous fiscal year (From January 1, 2018 to December 31, 2018)

| Region | Use | Number of sites | Type | Impairment losses |
|---|---|---|---|---|
| Kinki | Idle asset | 1 | Land | 1 million yen |
| Kyushu | Idle asset | 3 | Buildings<br>Structures<br>Land | 0<br>0<br>4 |

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

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

※6 Loss from disaster

The loss on disaster was due to the damage of flood to fixed assets, such as certain manufacturing and sales facilities, including the Hongo manufacturing plant in Mihara City, Hiroshima Prefecture, caused by extraordinary rain in July 2018.

(Securities)

Investment securities of subsidiaries and associates (the amount of investment securities of subsidiaries in the balance sheet for the previous fiscal year and the current fiscal year were 379,080 million yen and 379,043 million yen, respectively) are not noted, as they do not have quoted market prices and it is deemed extremely difficult to determine their fair value.

(Tax effect accounting)

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

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Deferred tax assets | | |
| Excess of depreciation | 1,903 million yen | 1,865 million yen |
| Carryforwards of unused tax losses | 409 | 294 |
| Impairment losses | 661 | 454 |
| Loss on valuation of investment securities of subsidiaries | 8 | — |
| Other | 529 | 617 |
| Subtotal deferred tax assets | 3,510 | 3,231 |
| Valuation allowance | (746) | (554) |
| Total deferred tax assets | 2,763 | 2,677 |
| Deferred tax liabilities | | |
| Advanced depreciation reserve fund | (979) | (969) |
| Difference on revaluation of land | (1,380) | (1,380) |
| Other | (110) | (83) |
| Total deferred tax liabilities | (2,469) | (2,432) |
| Deferred tax assets (liabilities), net | 294 | 245 |

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

| | Previous fiscal year (As of December 31, 2018) | Current fiscal year (As of December 31, 2019) |
|---|---|---|
| Statutory tax rate | 30.9% | 30.6% |
| Adjustments: | | |
| Dividends income | (37.8) | (29.7) |
| Permanent differences such as entertainment expense | 2.5 | 0.7 |
| Valuation allowance | (0.5) | (0.9) |
| Other | (0.9) | 0.1 |
| Applicable tax rate after tax effect | (5.8) | 0.8 |

(Significant 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 | 76,588 | — | 879<br>(11) | 1,517 | 75,709 | 57,273 |
| | Structures | 12,535 | — | 89<br>(1) | 180 | 12,446 | 11,172 |
| | Machinery, equipment, vehicles | 35 | — | — | 5 | 35 | 12 |
| | Land | 52,168 | — | 840<br>(219) | — | 51,329 | — |
| | Total | 141,326 | — | 1, 808<br>(231) | 1,702 | 139,519 | 68,458 |
| Intangible assets | Leasehold | 27 | — | — | — | 27 | — |
| | Software | 5 | — | — | 1 | 5 | 2 |
| | Total | 32 | — | — | 1 | 32 | 2 |

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

Land Impact of sales of Toko office 344 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 | 36 | 8 | 36 | 8 |
| Allowance for officers' bonuses | 85 | 96 | 85 | 96 |
| Officer's compensation | 24 | 40 | — | 64 |

(2) Components of major assets and liabilities

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

(3) Other information

Not applicable.

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## 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<br>December 31 |
| Number of shares constituting one unit | 100 shares |
| Purchase and sales of shares less than one unit | |
| Handling place | (Special Account)<br>Sumitomo Mitsui Trust Bank, Limited<br>Stock Transfer Agency business Planning Department<br>4-5-33 Kitahama, Chuo-ku, Osaka-shi |
| Administrator of Shareholders’ Register | (Special Account)<br>Sumitomo Mitsui Trust Bank, Limited<br>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.<br>(Calculation formula) Amount of total purchased price or price per purchase multiplied by one unit share number<br>Amount less than 1 million yen 1.150%<br>Amount in excess of 1 million yen and 5 million yen or less 0.900%<br>Amount of 5 million yen or more and 10 million yen or less 0.700%<br>Amount more than 10 million yen and 30 million yen or less 0.575%<br>Amount more than 30 million yen and 50 million yen or less 0.375%<br>（If fractional numbers less than the circle are generated, truncation）<br>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/).<br>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 | Assorted Coca-Cola products will be presented to shareholders recorded on the register of shareholders and registry of beneficial shareholders as of December 31, 2019, after late March the following year according to the number of shares held and holding period.<br>(Holding period of less than 3 years)<br>Shareholder holding from 100 to less than 1,000 shares: Assorted Coca-Cola products equivalent to 1,000 yen<br>Shareholder holding from 1,000 or more shares: Assorted Coca-Cola products equivalent to 1,500 yen<br>(Holding period of 3 years or more)<br>Shareholder holding from 100 to less than 1,000 shares: Assorted Coca-Cola products equivalent to 3,000 yen<br>Shareholder holding from 1,000 or more shares: Assorted Coca-Cola products equivalent to 4,500 yen |

(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

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# 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 (61st term) (January 1, 2018 to December 31, 2018) Submitted to Kanto Finance Bureau March 27, 2019

(2) Internal control report

Submitted to Kanto Finance Bureau March 2019

(3) Quarterly report and confirmation

(First half of the 62nd term) (January 1, 2019 to March 31, 2019) Submitted to Kanto Finance Bureau Chief May 2019

(Second quarter of the 61th term) (April 1, 2019 to June 30, 2019) Submitted to Kanto Finance Bureau Chief August 2019

(Third quarter of the 61th term) (July 1, 2019 to September 30, 2019) Submitted to Kanto Finance Bureau Chief November 2019

(4) Extraordinary report

Filed with the Director-General of the Kanto Local Finance Bureau on March 2019

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.

Filed with the Director-General of the Kanto Local Finance Bureau on August 2019

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 19 (Incurs impairment loss) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(5) Treasury stock repurchase status report

Reporting period (March 1, 2019 to March 31, 2019) Submitted to Kanto Finance Bureau Chief April 2019

Reporting period (April 1, 2019 to April 30, 2019) Submitted to Kanto Finance Bureau Chief May 2019

Reporting period (May 1, 2019 to May 31, 2019) Submitted to Kanto Finance Bureau Chief June 2019

(6) Shelf Registration Statement (Stock certificates, corporate bonds) and Other documents

Submitted to Kanto Finance Bureau Chief April 2019

(7) Shelf Registration Supplements (Stock certificates, corporate bonds) and Other documents

Submitted to Kanto Finance Bureau Chief September 2019

(8) Amended Shelf Registration Statement

Submitted to Kanto Finance Bureau Chief August 2019

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

Not applicable