

Soft Drinks Business

Refer to pages 34–37 for details of activities in the overseas operations.



Results of the Third Medium-Term Management Plan

● Growing the Top Line

2007 ¥268.3 billion → 2009 **¥296.9 billion**

● Strengthening Core Brands

Sales Volume for Mitsuya Cider brand	2007	→	2009
	31.97 million cases*		37.47 million cases

Sales Volume for WONDA brand	2007	→	2009
	28.45 million cases		36.90 million cases

* For the purpose of sales volume, a case is calculated as a case of product ready for shipment.

- Structural changes included conversion of Asahi Soft Drinks Co., Ltd. to a wholly owned subsidiary and establishment of Asahi Calpis Beverage Co., Ltd.
- Made steady progress in constructing optimal production and distribution frameworks, including by improving the in-house manufacturing ratio for PET bottles, etc.

Future Topics

- Cultivate *Mitsuya Cider* and *WONDA* to top-level brands in their respective categories.
- Cultivate powerful new brands
- Work to strengthen proposals in the logistics field
- In the automatic vending machine business, develop favorable locations and continue to reduce the number of machines withdrawn



Cultivating Strong Brands and Raising Profitability to Become a Pillar of the Industry Realignment

Yoshihiro Tonoza

Director and Corporate Officer in Charge of Soft Drinks Business

The environment of the soft drinks business remains harsh amid contraction caused by the economic recession and increasingly competitive market. Given these conditions, in order to ensure that the Asahi Breweries Group remains a pillar of the industry through the coming realignments, we are implementing further growth strategies, centered around Asahi Soft Drinks, Co., Ltd., and working to reform the profit structure. We are focusing on strengthening core brands such as *Mitsuya Cider*, *WONDA* and *Juroku-cha*, while developing revolutionary new brands and expanding the automatic

vending machine business in order to reach our target average annual growth rate of 4% in line with the Medium-Term Management Plan 2012.

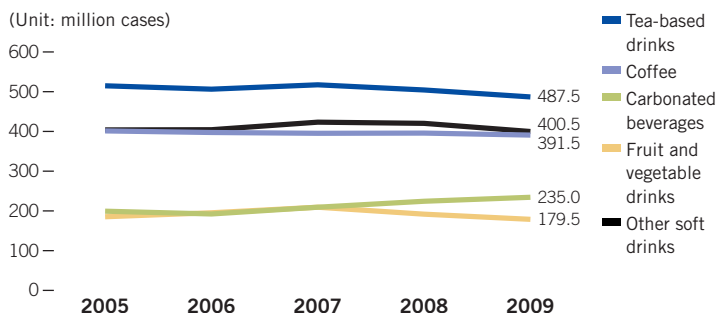
We are also working to raise the operating income ratio to 5% or higher by 2012. We will achieve this by accelerating initiatives to promote optimal production and distribution, including by increasing the ratio of PET bottles produced in-house, and by quickening efforts to raise the efficiency of sales promotion expenses.

Business Environment

- Industry growth rate stagnant due to deterioration in the economic environment and other factors
- Industry realignment expected to accelerate as the top five companies increasingly dominate
- The automatic vending machine business is expected to grow increasingly difficult as machine numbers and per-machine revenues decline, generic vending machines become more prominent, and low-priced vending machines emerge

MARKET SHARE BY CATEGORY (ENTIRE MARKET)

(Unit: million cases)



Medium-Term Management Plan 2012: Targets and Strategies

● Asahi Soft Drinks

- Growth Strategy: Aim for annual growth of 4% by strengthening core brands and other measures
- Profit Structure Reform: Aim for operating income ratio of 5% or higher by working to further optimize production and distribution frameworks

● LB Co., Ltd. (2 companies)

- Aim to improve profitability by prioritizing strengthening of the business base

Asahi Soft Drinks Co., Ltd.

Tea-based drinks



Asahi Juroku-cha

Asahi TeaO Golden Straight Tea

Asahi Soft Drinks Co., Ltd.
Coffee



WONDA Morning Shot



WONDA Kinnobitou (low-sugar)



WONDA Zero Max (sugar-free)



WONDA Black WONDA

Asahi Soft Drinks Co., Ltd.

Carbonated beverages

MARKET ENVIRONMENT

In 2009, sales volume in the Japanese soft drinks industry is estimated to have declined by around 3% overall as a result of weak economic conditions and unstable weather during the summer months. By category, although carbonated beverages continued from 2008 to see steady growth in sales volume, other categories were generally lower year on year.

INITIATIVES IN 2009

Sales for the soft drinks business, including for overseas operations, were ¥355.2 billion, up 12.1% year on year, with operating income up 12.9% to ¥694 million.

In soft drink operations in Japan, core operating company Asahi Soft Drinks Co., Ltd. enacted initiatives designed to stimulate dramatic growth through a basic policy addressing three key issues: growth strategies, structural reform, and “taking on challenges in new areas.”

With respect to the product-related measures at the heart of the growth strategies, we focused marketing efforts on the company’s core brands *WONDA* and *Mitsuya Cider*, working continuously to cultivate and strengthen these brands. These efforts were rewarded with a fifth consecutive year of higher sales volume of *WONDA* canned coffee, enhancing the brand’s presence and bringing it to the number three place in terms of market share. The May 2009 release of the *Mitsuya Cider All Zero* product under the *Mitsuya Cider* brand won a strong response from customers and helped vitalize the entire brand. Consequently, sales volume of the *Mitsuya Cider* brand rose for a sixth consecutive year, to over 37 million cases. Thanks to these developments, total sales volume for Asahi Soft Drinks recorded a seventh consecutive year of growth and set an all-time high.

As a result, Asahi Soft Drinks sales rose 0.3% year on year to ¥274.4 billion.

Where profit structure reform is concerned, we took steps designed to both improve quality and reform the profit structure by striving to reduce prices for raw materials and improve logistics efficiency, and by introducing a cutting-edge production line at the Akashi Factory, including equipment to produce PET bottles.

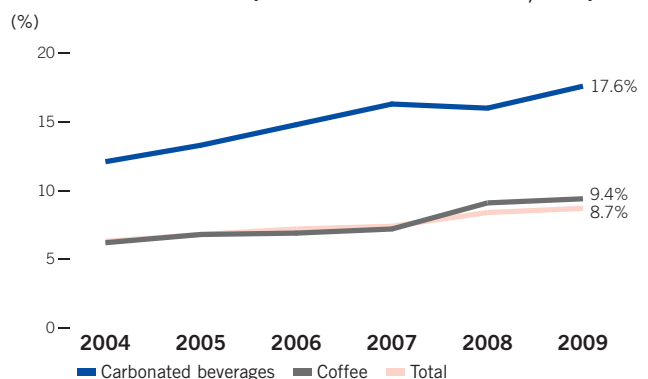
In the chilled beverages business, LB Co., Ltd. (Tokyo) gained prominent convenience store chains as regular customers in the mainstay tea-based drinks category. Sales declined, however, due to poor sales stemming from a sharp downturn in the overall market, coupled with lackluster sales of long life products. On the profit side, earnings grew despite factors such as lower sales and further price cuts, thanks largely to efforts to curb costs for raw materials, smarter use of processing costs, and greater efficiency in sales commissions.

At LB Co., Ltd. (Nagoya), earnings growth was attributable to several factors. These included sharp growth in the OEM business, reflecting the subcontracted production of *Bireley’s* for Asahi Soft Drinks Co., Ltd.; the steady enactment of support measures to enhance functionality in the home delivery business; and the aggressive purchase and sale of Group products. Profit, meanwhile, rose substantially atop growth in sales of *Bireley’s*, coupled with cost reductions in fixed costs, including for sales promotions and sample products, and lower production costs.

PLANS AND STRATEGIES FOR 2010

The soft drinks market in Japan is expected to remain in severe straits in 2010, with performance on a par with 2009. Under these stringent conditions, the Asahi Breweries Group is targeting sales of ¥389.0

SHARE BY CATEGORY (ASAHI SOFT DRINKS CO., LTD.)





Asahi Soft Drinks Co., Ltd.
Water



LB Co., Ltd. (Tokyo)
LB Co., Ltd. (Nagoya)
Chilled beverages



Mitsuya Cider

Mitsuya Cider All Zero

Lemon-Flavor Mitsuya Cider Zero

Asahi Fujisan no Vanadium Tennensui

Ocha

UKON α

billion (up 9.5% year on year) and operating income of ¥5.2 billion (up by a factor of 7.4).

At Asahi Soft Drinks Co., Ltd., we will continue to promote growth strategies, with a target of boosting sales volume 3.6% to 152 million cases, as well as implementing profit structure reforms that will lead to improved profitability.

With respect to the product-related measures at the heart of the growth strategies, we will aggressively develop products based on the concept of “Health Facts” that balance good taste and zero calories, with the aim of cultivating and establishing brands that customers will choose. Specifically, with the *Mitsuya Cider* brand we will continue to pursue “transparent value” and cultivate *Mitsuya Cider All Zero*. We will strengthen the *WONDA* brand by expanding our presence in the growing low-sugar and sugar-free categories. In product development, we will move to a “borderless” mode of development that looks beyond the existing category frameworks and analyzes needs from the customer perspective, challenging ourselves to create innovative new products.

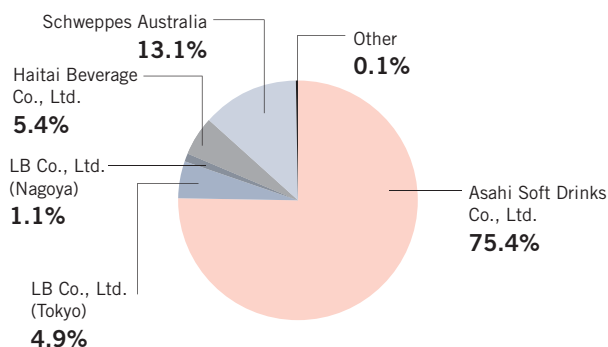
In the vending machine business, we will strive to increase the number of vending machines by at least 10,000, and also firmly establish efficient vending machine operations.

In terms of structural reform, we will seek to create an optimal production framework linked throughout the Group, including the commencement of operations in March 2010 of a new soft drinks production line at our Ibaraki Brewery, and to work to enhance cost competitiveness.

In the chilled beverages business, in the mainstay tea-based drinks category LB Co., Ltd. (Tokyo) will increase the number of new convenience store chains handled and expand sales channels by acquiring mass-retail outlets as regular vendors for long life products. At the same time, we will aggressively enter the cup beverage market and develop markets in new beverage categories. With respect to profit, our goals are to grow profit through increased sales, primarily in the tea-based drinks category, and to take steps to reduce variable and fixed costs.

At LB Co., Ltd. (Nagoya), in addition to realizing sales expansion for LB products and other Asahi Breweries Group products in the home delivery business, efforts will focus on broadening sales channels in four areas—catering, restaurants, mass retail, and bidding. On the profit side, we will look to reduce costs for raw materials, variable costs related to distribution and other variable costs, and to use sales promotion expenses, processing costs, and other fixed costs more efficiently.

SOFT DRINKS SALES COMPOSITION BY COMPANY (2009)



SALES AND OPERATING INCOME IN SOFT DRINKS BUSINESS (INCL. OVERSEAS OPERATIONS)

