

Food Business

* As part of the formulation “Long-Term Vision 2015” and “Medium-Term Management Plan 2012,” the Group’s food and pharmaceuticals operation was renamed the “food business.”



Results of the Third Medium-Term Management Plan

- Expanded business base and grew profits

Net sales	2007	→	2009
	¥67.1 billion		¥92.4 billion
Operating income	2007	→	2009
	¥1.3 billion		¥2.7 billion

- Strengthened business base through capital and business alliance with Amano Jitsugyo

Asahi Food & Healthcare

- Enhanced brand power of *MINTIA* and other core brands

Wakodo

- Grew core businesses such as baby foods and powdered infant formula

Amano Jitsugyo

- Developed new businesses and grew direct marketing business

Future Topics

- Harness Group Synergies

- Strengthen product proposal capabilities
- Expand sales channels and business domains
- Profit structure reform for SCM as a whole

Asahi Food & Healthcare

- Enhance profitability, improve financial standing

Wakodo

- Cultivate new businesses, including overseas operations

Amano Jitsugyo

- Improve profit structure dramatically



Reinforcing Brands and Seeking Group Synergies in Areas of Strength

Toshio Mori

Director and Corporate Officer in Charge of Food Business

The food business market includes business fields and products that have the potential to grow despite the long-term downtrend in the Japanese population. With consumer preferences and lifestyles growing increasingly diverse, obtaining an accurate understanding of these changing needs will allow us to tap into this potential.

The Asahi Breweries Group's food business is centered around Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd.

and Amano Jitsugyo Co., Ltd. Each company works to build up brands and develop new products in the categories where it has the greatest strengths. At the same time, we seek to organically harness synergies between the strengths of Group companies in areas such as technology infrastructure, procurement, production, distribution, and marketing. In this way, we both provide customers with new value and enhance profitability.

Business Environment

- Aging demographics, long-term decline in population
- Diversification of lifestyles
- Increasing health consciousness
- Growing demand for safety and reliability
- Distribution-side changes such as increasing prominence of Internet supermarkets and realignment of distribution system
- Acceleration of industry realignment

Medium-Term Management Plan 2012: Targets and Strategies

Pursue self-generated growth for each Group company

Aim for annual average growth rate of **6%** and operating income ratio of **5% or higher**

Asahi Food & Healthcare

- Further expand existing businesses and cultivate new businesses
- Strengthen corporate structure by improving profitability

Wakodo

- Solidify market position in existing businesses
- Expand business base by cultivating new businesses

Amano Jitsugyo

- Enhance the power of the Amano brand
- Achieve one of the highest levels of profitability in the industry

Asahi Food & Healthcare Co., Ltd.



MINTIA



BALANCEUP

Wakodo Co., Ltd.

2009 BUSINESS OVERVIEW

Sales in the food and pharmaceuticals business rose 16.7% year on year to ¥92.4 billion, with operating income climbing 41.2% to ¥2.7 billion. This steady improvement reflected the rollout of strategies tailored to characteristics unique to each Group company, which culminated in sales expansion in mainstay products. Performance also benefited from contributions from the full-year earnings of newly consolidated subsidiaries.

Asahi Food & Healthcare Co., Ltd. promoted business development and expansion and reinforced its business base, guided by a strategy focused on “growth, structural reform, and ensuring safety and reliability.” The successive launch of new and revamped products and aggressive sales promotions prompted brisk performance in our core products—*MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bars, *Dear-Natura* brand supplements, and quasi-drug product *EBIOS*, a pure brewer’s yeast preparation tablet. The result was significant sales growth. Similarly, the direct marketing business saw a substantial 51% increase in sales from the previous year, as we moved forward with diversifying our sales channels.

Profits, however, declined for the year despite profit growth, which was attributed mainly to increased sales and lower costs due to greater capacity utilization rates at production sites. This outcome stemmed largely from higher personnel and fixed costs from our integration with Sunwell Co., Ltd., as well as upfront investments in the form of advertising and sales promotion expenses. The aim of the latter was to cultivate brands and attract customers in the direct marketing business to

promote smooth business expansion in 2010.

Wakodo Co., Ltd., following a management policy of “further accelerating growth,” took steps to strengthen and expand its business base in a severe market environment, characterized by the launch of new products and low-pricing strategies by competitors. Specifically, the company worked to revamp products and bolster its brands in other ways by leveraging expertise in “infant-safe quality” honed in baby products over the years. These efforts culminated in brisk performance from the company’s mainstay brands—powdered infant formula brands *Hai Hai* and *Gun Gun*, and the *Goo-Goo Kitchen* baby food brand—resulting in steady sales growth.

In terms of profit, Wakodo saw profit levels improve steadily thanks to lower costs for raw materials and a better product mix. This positive result came despite aggressive investment in advertising and sales promotion expenses in order to cultivate and strengthen brands.

Elsewhere, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan’s freeze-dried food market. In addition to realizing year-on-year growth in commercial-use sales through outsourced production for food companies, the company saw significant growth in its direct marketing business, resulting in record sales for the year. Where profit is concerned, Amano Jitsugyo strove for improved profitability by trimming fixed costs and raising product prices, and by promoting more robust cooperation with companies throughout the Asahi Breweries Group.

Among other measures, we sought in this segment to generate

Launch of Food Seasonings Business Utilizing Yeast Discovered by Asahi Breweries, Ltd.

As the shift toward greater health consciousness and a preference for foods free of additives and preservatives gains momentum worldwide, particularly in developed countries, market scale continues to grow for yeast extract as a natural food ingredient. In light of this trend, in February 2009, we established a joint venture with Mitsui & Co., Ltd. called Advanced Yeast Technologies Japan, Ltd. that will manufacture and sell yeast extract as a natural seasoning.

The joint venture will sell high-value-added yeast extract that uses original extraction technologies and four strains of yeast containing high concentrations of certain constituents first discovered by Asahi Breweries, Ltd., including glutamic acid, which adds greater depth of flavor to the yeast. Asahi Breweries, Ltd. will allow the company to which production has been outsourced access to its yeast strains and cultivation technology. Asahi Food & Healthcare Co., Ltd., meanwhile, will contribute its extract manufacturing technology and expertise in blending and formulation to the production company.



Infant formula
Lebens Milk Hai Hai



Goo-Goo Kitchen

Amano Jitsugyo Co., Ltd.



Miso Soup

synergies between operating companies by promoting joint procurement designed to reduce unit costs for raw materials, joint delivery to cut distribution costs, and encouraging entry into new product development fields.

PLANS AND STRATEGIES FOR 2010

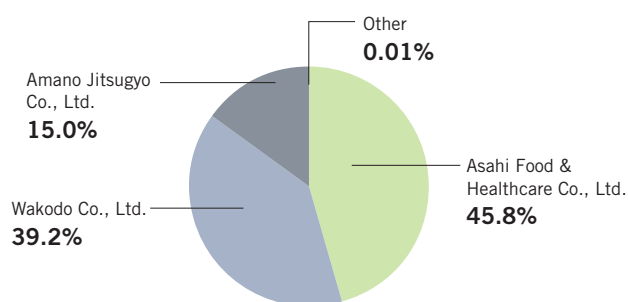
Beyond strengthening core brands in 2010, we will propose high-added-value products for a wide range of ages by promoting further synergies among operating companies. Similarly, we will move quickly to meet our target operating income ratio of 5% for 2012 outlined in the Medium-Term Management Plan 2012 by pursuing greater SCM efficiency for the business as a whole. Consequently, we are aiming for sales of ¥99.0 billion (up 7.1% year on year) and operating income of ¥3.7 billion (up 34.8%) for this business in 2010.

Asahi Food & Healthcare Co., Ltd. is targeting sales of ¥47.5 billion (up 7.7%) and operating income of ¥1.7 billion (up 64.3%). The company will look to accelerate growth driven by sales expansion, as well as boost production and marketing efficiency. Another focus will be the drive to transform core brands *MINTIA* and *BALANCEUP* into mega-brands through the aggressive launch of new and revamped products. Asahi Food & Healthcare will also take steps to expand the business base for the direct marketing and seasonings businesses, two operations where substantial growth is projected going forward.

The market environment surrounding Wakodo Co., Ltd. is likely to remain a challenging one. Nevertheless, the company will seek to enhance quality on all fronts, guided by a fundamental commitment to food safety and reliability, with the goal of expanding the business base in powdered infant formula, baby food, and other existing mainstay businesses. Wakodo will also commence with the full-scale promotion of powdered infant formula in China and ramp up the pace of efforts to enter new markets. Through these actions, the company is aiming for sales of ¥39.0 billion (up 7.7% year on year) and operating income of ¥2.4 billion (up 8.8%).

Amano Jitsugyo Co., Ltd., as in 2009, will proactively invest mainly in the expansion of its direct marketing business and the development of products that stand apart in the marketplace. At the same time, the company will seek to expand sales in new channels like supermarkets and convenience stores, and in new areas. The latter will see efforts to expand sales in the eastern part of Japan, as well as in the Chubu and Kyushu regions. In addition, Amano Jitsugyo will focus even more on enhancing production- and distribution-side efficiency, as well as joint production development with Group companies. Consequently, the company is targeting sales of ¥16.6 billion (up 3.8% year on year) and operating income of ¥0.6 billion (up 29.5%).

FOOD SALES COMPOSITION BY COMPANY



FOODS SALES AND OPERATING INCOME

