

Overseas Operations

Figures for the overseas operations are included in figures for the alcoholic beverages and soft drinks businesses.



Results of the Third Medium-Term Management Plan

- **Establish international network**
 - **Tsingtao Brewery (China)**
(No. 2 share in Chinese beer market)
 - **Schweppes Australia (Australia)**
(No. 2 share in Australian soft drinks market)
 - **Tingyi-Asahi Beverages (China)**
(No. 2 share in Chinese soft drinks category and No. 1 in Chinese tea beverages and mineral water category)

Future Topics

Alcoholic Beverages

- Improve profitability of the Chinese beer business
- Enhance presence of *Asahi Super Dry*

Soft Drinks

- Improve profitability of Haitai Beverage Co., Ltd. (South Korea)
- Prepare framework for promoting international soft drinks business

Business Environment

Alcoholic Beverages

- Growing profit opportunities in Asian markets
- Ongoing international domination by leading companies as global players realign

Soft Drinks

- Growing profit opportunities in Asian, Russian, South American and other markets



Raising Profitability in China by Alliance With Tsingtao Brewery and Expanding Our Presence in Asia and Oceania

Toshio Kodato

Director and Corporate Officer in Charge of Overseas Business

Although the Japanese market is reaching maturity, overseas markets are continuing to expand, primarily in emerging economies. We are working to expand our presence in the Asia and Oceania region in order to ensure that the growth in these markets also means growth for the Asahi Breweries Group.

In the alcoholic beverages business, we are working to rebuild the Chinese beer business through an alliance with Tsingtao Brewery Company Limited (Tsingtao Brewery), in which we invested in 2009. By strengthening our alliances with powerful partners in various regions, we aim to make

Asahi Super Dry the No. 1 Asian premium brand.

In the soft drinks business, we are harnessing synergies with Schweppes Australia, which we acquired in 2009, to strengthen our foundation for growth and improve profitability. Our target is to raise the operating ratio for the entire overseas business to at least 5% by 2012.

Meanwhile, we will strengthen our across-the-board support for Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages) with the aim of making it China's No. 1 soft drinks manufacturer.

Medium-Term Management Plan 2012: Targets and Strategies

Alcoholic Beverages

- Strengthen the Chinese alcoholic beverages business through the alliance with Tsingtao Brewery in order to expand presence in Asia and Oceania

Chinese Beer Business

Improve profitability of the Chinese beer business through the alliance with Tsingtao Brewery

- Improve earnings for existing beer business through alliance with Tsingtao Brewery
- Support Tsingtao Brewery's growth strategy to expand income from investments in equity-method affiliates
- Develop the Asahi brand in China

Global Alcoholic Beverages Business

Make *Asahi Super Dry* the No. 1 premium brand in Asia

Soft Drinks

- Aim to improve profitability in Asia and Oceania by leveraging the Group network

Schweppes Australia

Strengthen the growth base for the soft drinks business in Australia and improve profitability (compound annual growth rate of 5%, operating income ratio 8%)

Haitai Beverage

In addition to profit structure reform, promote growth strategies by strengthening brands

Tingyi-Asahi Beverages

Strengthen support for growth to make the company the No. 1 soft drinks manufacturer in China

* Equity method affiliate

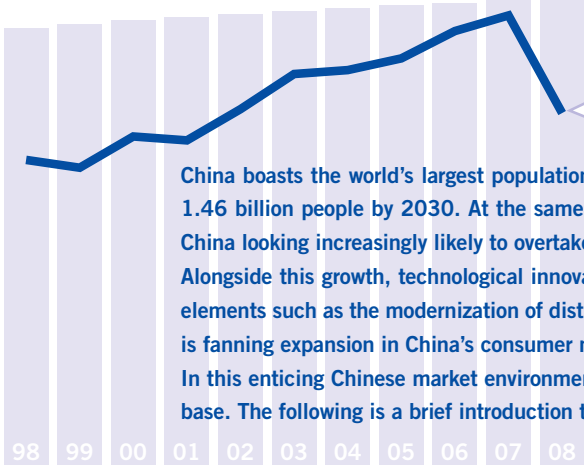
Feature: Business in China

Responding Assertively to Growth in Emerging Markets



Population: 1.34 billion

GDP Growth Rate: 9.0%



China boasts the world's largest population. According to U.N. projections, China's population is expected to increase to 1.46 billion people by 2030. At the same time, the pace of growth of the country's economy is also gaining speed, with China looking increasingly likely to overtake Japan with the world's second largest gross domestic product (GDP) in 2010. Alongside this growth, technological innovation in manufacturing, logistics and a wide range of other areas, coupled with elements such as the modernization of distribution channels and the market entry of new domestic and foreign companies, is fanning expansion in China's consumer market. In this enticing Chinese market environment, the Asahi Breweries Group is moving assertively to forge a stronger business base. The following is a brief introduction to just some of the steps being taken to this end.

BEER BUSINESS

China is the world's largest beer consumer country. In 2008, overall national consumption was 6 times as high as in 1990, and per-capita consumption rose approximately 5 times over the same period*¹. In light of this market expansion, the world's leading beer companies have eagerly joined the action, sparking fierce competition with local breweries.

In April 2009, the Asahi Breweries Group acquired a stake in Tsingtao Brewery, a company that commands overwhelming brand power in China. In August the same year, we moved to create a powerful partnership by signing a strategic alliance agreement with Tsingtao Brewery. Leveraging this alliance, we will push ahead with outsourcing the production of Tsingtao Beer to breweries in which the Group has previously invested, looking to reconfigure the profit base for our entire beer business in China with greater speed.

The Asahi Breweries Group will support Tsingtao Brewery's growth throughout the entire supply chain. This commitment will help as we strive over the medium to long term to develop the Asahi Breweries brand across China by leveraging Tsingtao Brewery's production and sales network.

SOFT DRINKS BUSINESS

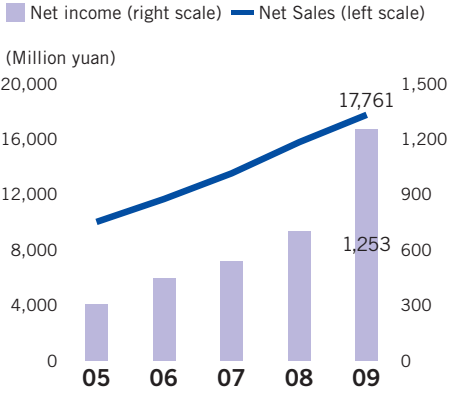
China's soft drinks market is rapidly expanding, largely reflecting population growth and increased purchasing power in the country. At the same time, the market is home to a large number of players representing both global and local brands, resulting in a fiercely competitive environment.

The Asahi Breweries Group began investing in Tingyi-Asahi Beverages in 2004. Since then, the company has grown steadily even in the current challenging environment. In 2009, Tingyi-Asahi Beverages focused on marketing investment in tea beverages and mineral water, where it boasts high market shares, and made strides in efficiency as utilization efficiency improved in step with increased sales volume. As a result, the company posted substantial growth in sales and segment results*² for the year.

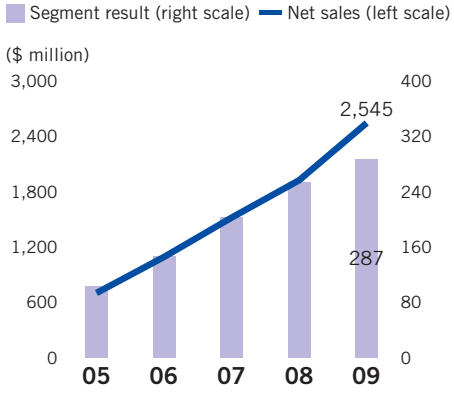
Our policy going forward is bolster key beverage brands, grow market share through aggressive marketing investment, and to aim for further improvements in Tingyi-Asahi Beverages' already unrivalled cost competitiveness. By providing targeted support in production technology and quality assurance in core categories, the Asahi Breweries Group is striving to realize greater growth for Tingyi-Asahi Beverages.

*¹ Source: Impact Databank 2009 Edition *² Segment results = ordinary income – financial costs

PERFORMANCE OF TSINGTAO BREWERY



PERFORMANCE OF TINGYI (CAYMAN ISLAND) HOLDINGS CORP (SOFT DRINKS OPERATIONS)





America



Europe



Australia



Korea

BEER BUSINESS (EXCLUDING CHINA)

In Asian markets, we are bolstering relationships with local partners in order to raise the market presence of *Asahi Super Dry*. In Thailand, by leveraging an alliance with leading local company Boon Rawd Brewery Co., Ltd., we established a framework capable of utilizing the company's nationwide network as a powerful sales channel. In Taiwan, we established ASAHI & MERCURIES CO., LTD., a joint venture with MERCURIES AND ASSOCIATES, LTD., while in South Korea, we continued to enhance our local sales network through Lotte Asahi Liquor Co., Ltd., our joint venture with the Lotte Group. In Hong Kong, we took advantage of new access to the sales network of Carlsberg Hong Kong, which holds the second leading share in Hong Kong's beer market, to pursue full-scale sales expansion for *Asahi Super Dry*, with a focus on the on-premise market.

In the U.S. market, we worked hard to reinforce the base of the market for Japanese restaurants and similar facilities and to raise brand recognition in local markets in a bid for further growth. From January 2010, we began offering *Asahi Super Dry* in kegs in the U.S. market in a full-fledged push to establish a foothold in the on-premise market.

Elsewhere, the Group continues to reinforce alliances with local breweries, including through production and sales licensing agreements with Shepherd Neame Ltd. in the U.K., and with Russia's largest beer producer, Baltika Breweries. In Europe, meanwhile, we are promoting a number of priority products, including beer in kegs and "steiny" containers, to raise the profile of the Asahi brand. In these ways, we are developing a more robust presence for the *Asahi Super Dry* brand through marketing activities that directly reflect local market characteristics.

SOFT DRINKS BUSINESS

Australia: Schweppes Australia

Schweppes Australia has seen morale surge and is off to a strong start since becoming a wholly owned subsidiary of the Asahi Breweries Group in April 2009. The Group's emphasis on alcoholic beverages and soft drinks has made it a good fit for the Australian company.

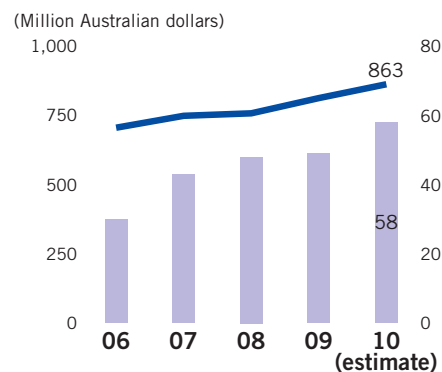
Schweppes Australia saw sales volume improve 7% year on year. In addition to robust growth in core brands *Schweppes*, *Solo*, and *Pepsi*, another beverage, *Monster*, performed well following its July 2009 debut. In terms of earnings, the company maintained profit

growth despite higher costs for raw materials as a result of higher costs due to foreign currency exchange rates. Factors that enabled growth included lower costs, the result of more efficient use of marketing expenses and reductions in distribution costs and disposal losses, as well as benefits from price increases implemented from May 2009.

In 2010, Schweppes Australia will continue promoting sales growth by bolstering core brands and developing new sales channels, while working to sustain profit growth by leveraging the expertise of the Asahi Breweries Group to realize greater efficiency across the total supply chain.

PERFORMANCE OF SCHWEPES AUSTRALIA

■ Operating income (right scale) ■ Net sales (left scale)



South Korea: Haitai Beverage

Efforts in 2009 to use fixed costs more efficiently at Haitai Beverage in South Korea, including through the integration and elimination of sales and production bases, yielded steady results. However, escalating prices for raw materials triggered by the won's depreciation, coupled with lackluster sales of *Sunkist* as a core brand, caused performance to fall short of initial targets.

To achieve profitability early in 2010, a drive is under way to promote sales growth by revamping the *Sunkist* brand and reaping benefits from the launch of mineral water and other new products. These benefits are expected to come atop contributions from additional profit structure reforms, including personnel reductions enabled through improved sales route efficiency.