

Soft Drinks Business

Refer to pages 29–31 for details of activities in the overseas operations.



Expanding the Business Base and Improving Profitability of the Group's Second Core Business



Kazuo Motoyama
Senior Managing Director and
Senior Managing Executive Officer

The domestic soft drinks industry is growing increasingly competitive amid steeply rising raw material prices. However, core company Asahi Soft Drinks Co., Ltd. is seeing growth in *WONDA* canned coffee and *Mitsuya Cider* brand carbonated beverages. Moreover, thanks to benefits stemming from the integration of our automatic vending machine business with Calpis Co., Ltd., we achieved growth significantly above the industry average in 2008.

In terms of improving our profit structure, we are rebuilding production and logistics frameworks in collaboration with other Group companies, and have already enhanced quality and strengthened competitiveness.

We believe that the soft drinks business still has high growth potential. As we strive to expand the business base to make it the Asahi Breweries Group's second core business, we will continue with reforms aimed at boosting profitability.



+ The WONDA Brand Tops 30 Million Cases, Joins Mitsuya Cider

Syuji Komatsu
Senior Manager,
Marketing Department,
Asahi Soft Drinks Co., Ltd.



Last year, the WONDA brand topped the 30-million case mark in annual sales volume. In the soft drink industry, this figure is considered a benchmark for an established brand. WONDA's achievement thus marks the birth of the Asahi Breweries Group's second major soft-drink brand, following the Mitsuya Cider brand.

Besides WONDA Morning Shot, a signature canned coffee for the morning, two new canned coffee products launched last year helped WONDA achieve its new lofty industry status: the premium-type, low-sugar WONDA Kinnobitou (low-sugar) and the sugar-free WONDA ZERO MAX (sugar-free).

The canned coffee market is seeing increased health awareness spur sales of no-sugar and low-sugar-type products, which now account for 40% of total sales. We expect further growth in this field going forward.



WONDA Kinnobitou is one of the first products to offer a rich coffee flavor using high-quality beans but little sugar. The response has been very positive, with approximately 9 million cases sold in the first year, far exceeding the initial target of 1 million.

Meanwhile, WONDA ZERO MAX, not to be outdone by the conventional blend-type coffees, delivers a solid, slightly sweet flavor through the addition of milk, but without using sugar. As the first canned coffee of its type, it has earned strong customer support, outstripping the initial annual sales target of 3 million cases to sell approximately 5 million cases in its first year.

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

+ Asahi Calpis Beverage Enters Full-Fledged Operations

Asahi Calpis Beverage Co., Ltd. is a vending machine operating company established in December 2007 through joint investment by Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. The company played a major part in boosting soft drink unit sales in 2008. In 2009, Asahi Calpis Beverage will work to strengthen the profitability of the vending machine business.

This will be achieved in two main ways. One is by enhancing customer satisfaction by offering both Asahi Soft Drinks and Calpis products to boost per-machine sales. The other is by improving the efficiency of route sales activities through better inventory management. To this end, we will introduce the React vending machine management system.



The React vending machine management system

This vending machine offers both Asahi and Calpis products

Asahi Soft Drinks Co., Ltd.
Tea-based drinks



Asahi Juroku-cha

Ibuki
Launched February 10, 2009

Asahi Soft Drinks Co., Ltd.
Coffee



WONDA Morning Shot



WONDA Kinnobitou (low-sugar)



WONDA Zero Max (sugar-free)

Asahi Soft Drinks Co., Ltd.
Carbonated beverages



Mitsuya Cider

2008 Business Overview

Market Environment

Despite benefiting from high summer temperatures in July, Japan's soft drinks market in 2008 saw sales volume just slightly below that of the previous year. Among other factors, this decrease stemmed from more cautious consumer spending due to household budgetary concerns, reflecting the impact of sharply higher gasoline prices and successive increases in the price of food, particularly in the first half of the year. By category, carbonated beverages experienced growth in sales volume during the year.

Initiatives in 2008

Sales, including for the overseas operations, rose 5.7% year on year to ¥316.7 billion. Operating income, however, declined 86.6% to ¥0.6 billion, due to sharply higher prices for raw materials, and steeper competition, both in Japan and overseas.

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 channeled management resources into the company's core brands *WONDA*, *Mitsuya Cider*, and *Asahi Juroku-cha* to build these products into strong "pillar brands." These efforts were rewarded with annual sales volume surpassing 30 million cases each for both the *WONDA* and *Mitsuya Cider* brands, an accomplishment that enhanced their presence as powerful brands in Japan's soft drinks market. We also took steps to continuously reinforce and nurture existing brands such as *Asahi Fujisan no Vanadium Tennensui* mineral water, and aggressively presented new products that meet the diversifying needs of our customers.

In vending machines, an important sales channel in the soft drinks industry, we launched full-scale operations at Asahi Calpis Beverage Co., Ltd. in a bid to strengthen and enhance the efficiency of this business. The move contributed substantially to sales. As a result, Asahi Soft Drinks sales rose 11% year on year, climbing to a record high for a third consecutive term.

Where structural reform is concerned, we took steps to cut costs by striving to reduce prices for raw materials and through operation of the new plastic bottle line at Asahi Breweries Ltd.'s Ibaraki Brewery. These actions were both part of our redoubled efforts to reform the profit structure. In "taking on challenges in new areas," we sought to establish growth foundations in new domains within products and retail sales channels.

In the chilled beverages business, LB, Ltd. (Hasuda, Saitama) established an integrated nationwide sales framework by resuming the sales operations previously entrusted to Asahi Soft Drinks in certain areas. As part of our product strategy, we promoted high-value-added products and moved to upgrade and expand *Clear Fruits* and other Asahi brand product lines in this business. At LB, Ltd. (Tokai, Aichi), meanwhile, in addition to developing new business pillars, benefits are gradually emerging from our efforts to develop new sales channels using wholesalers of snacks and confectionary, blood donation centers, and other routes. Furthermore, we initiated our "Quality First Home Delivery" service, whereby we purchase and sell premium select food products from across Japan, with the aim of developing into a "comprehensive product delivery support company" able to propose a wide range of farm-direct and Group products to retailers.



Mitsuya Cider All Zero
Launched May 26, 2009

Asahi Soft Drinks
Co., Ltd.
Water



Asahi Fujisan no
Vanadium Tennensui

LB, Ltd. (Hasuda, Saitama)
LB, Ltd. (Tokai, Aichi)
Chilled beverages



Ocha



Ichinichibun no Ca & Fe

Plans and Strategies for 2009

In 2009, Japan's soft drinks market is likely to see growth slightly below the previous year, with the competition to survive in this market expected to become more intense. In this climate, the Asahi Breweries Group will continue to prioritize the nurturing and strengthening of its brands, while moving to manage sales costs throughout its operations and make production and logistics operations more efficient. These actions, we contend, will enable us to maintain and expand profitability. By pursuing these measures, we are targeting sales of ¥323.0 billion (up 2.0% year on year) and operating income of ¥6.8 billion (up by a factor of 11.3).

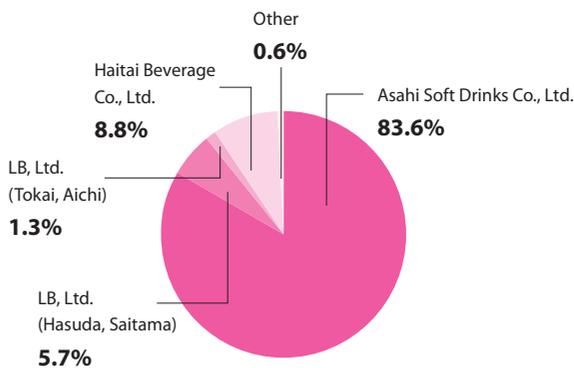
At Asahi Soft Drinks Co., Ltd., we will continue to channel investments into our three core brands—*WONDA*, *Mitsuya Cider*, and *Juruku-Cha*—as well as the green tea, functional, and water categories, in order to enhance our market presence. Particularly for our *WONDA* and *Mitsuya Cider* brands, we are setting 40 million cases as our sales volume target, and will propose new value to customers in the drive to

boost sales. In the vending machine business, under Asahi Calpis Beverage, we intend to make the most of synergies possible through scale expansion, for example through improvements in sales per machine, realignment of sales bases and routes, and improvements in operational efficiency due to the adoption of new systems.

In terms of profit, despite the challenging operating environment, including volatile prices for raw materials and increasing competition, we are looking to boost earnings both through higher sales and by increasing the ratio of production performed in-house to scale back costs. We also intend to lower costs by using advertising and sales promotion expenses more efficiently.

Strengthening the soft drinks business is the Group's top priority. Along with encouraging further growth at Asahi Soft Drinks on an individual basis, we hope to further reinforce our business base by bolstering the chilled beverages business and accelerating the pace of business alliances with outside companies.

Share of Sales by Group Company (2008)



Soft Drinks Sales and Operating Income (Incl. overseas operations)

