

Soft Drinks



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

The environment surrounding the soft drinks business remains harsh amid contraction caused by economic weakness and an increasingly competitive market. Given these conditions, we will pursue growth and profitability in order to transform the soft drinks business into a future key earnings generator for the Group.

In 2011, pivotal company Asahi Soft Drinks Co., Ltd. will seek to further build up core brands *Mitsuya Cider*, *WONDA*, and *Asahi Juroku-cha* and groom new ones, with the goal of quickly realizing a 10% market share. Elsewhere, Asahi Soft Drinks will strengthen the automatic vending machine business and make PET bottles lighter as ways to enhance profitability. In the chilled beverages business, meanwhile, LB Co., Ltd., formed from the merger of LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya), will develop new growth strategies and work to boost its own profitability.

Sales Plan and Actual Results for 2010

Sales Volumes by Category	(Million cases)	
	Plan	Results
Carbonated beverages	42.00	43.23
Coffee	36.30	35.66
Tea-based drinks	34.80	35.61

Accomplishments and Topics for 2010

Accomplishments

Asahi Soft Drinks Co., Ltd.

- Thanks to the launch of *Asahi TeaO* and the acquisition of *Asahi Rokko no Oishii Mizu* mineral water, as well as firm growth in the core brands of *Mitsuya Cider* and *Asahi Juroku-cha*, the total sales volume for Asahi Soft Drinks recorded an eighth consecutive year of growth and set an all-time high.

LB Co., Ltd.

- Achieved favorable sales of new products and healthy sales in new channels

Profit Structure Reform

- Reduced costs by about ¥5.0 billion by building optimized production operations and reducing costs of raw materials

Future Topics

- Form partnerships and realign domestic soft drinks

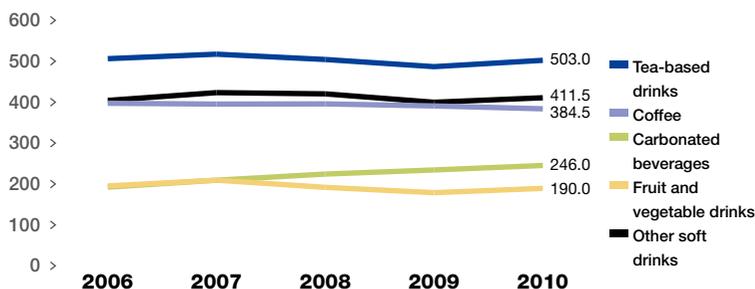
Business Environment

- Business prospered with sales volumes increasing industry-wide due to record summer temperatures
- The automatic vending machine business is expected to face increased difficulties as per-machine revenues* decline, and the number of low-priced vending machines increase

* Indicates net sales per machine.

Sales in Domestic Soft Drinks Market, by Category

(Million cases)



2011: Targets and Strategies

Asahi Soft Drinks Co., Ltd.

- Aim for 10% market share in domestic soft drinks market
- Strengthen the three key brands of *Mitsuya Cider*, *WONDA* and *Asahi Juroku-cha*
- Nurture the next-generation of brands such as *Asahi TeaO*, *Asahi Rokko no Oishii Mizu* and *Asahi Rokujo Mugicha*

LB Co., Ltd.

- Build a new product portfolio in the chilled beverages business
- Eliminate functional overlap to boost profitability

Profit Structure Reform:

- Aim for efficiency gains by measures such as internal PET bottle production and reducing PET bottle weight
- Achieve foremost cost competitiveness in the industry

Market Environment

In 2010, sales volume in the Japanese soft drinks industry is estimated to have grown by around 3% overall as a result of record summer temperatures from July. By category, sales volume was firm for carbonated beverages and mineral water, with sales in other categories also generally higher year on year.

2010 Business Overview

Sales for the soft drinks business, including for overseas operations, were ¥391.6 billion, up 10.2% year on year, with operating income up 609.2% to ¥4.9 billion.

Asahi Soft Drinks Co., Ltd.

In soft drink operations in Japan, core operating company Asahi Soft Drinks Co., Ltd. enacted initiatives based on fundamental strategies for growth and structural reform designed to achieve dramatic growth.

For product strategies, which ultimately underpin growth strategies, we concentrated marketing investment on the core brands *Mitsuya Cider* and *Asahi Juroku-cha*, working continuously to cultivate and strengthen these brands. The result was a seventh consecutive year of sales volume growth for the *Mitsuya Cider* brand. *Asahi Juroku-cha* sales volume was also strong, climbing 111% to end at over 16 million cases. We also launched the sale in May of tea brand *Asahi TeaO*, and of *Asahi Rokko no Oishii Mizu* mineral water in July, both of which sold well. These actions resulted in record overall sales volume for Asahi Soft Drinks for an eighth consecutive year.

As a result, Asahi Soft Drinks sales rose 6% year on year to ¥291.6 billion.

Meanwhile, to boost profitability, we promoted optimization of production and distribution systems in our quest to achieve industry-leading cost competitiveness. Greater efficiency gained from internal production of PET bottles and other efforts to lower costs for raw materials, also contributed strongly to performance.

LB Co., Ltd.

In the chilled beverages business, LB Co., Ltd. (Tokyo) saw sales in its mainstay tea-based drinks category improve on brisk sales of new products. This growth came despite weak sales of its private brand products to major convenience store chains and delays in promoting sales area expansion.

At LB Co., Ltd. (Nagoya), earnings growth was mainly attributable to firm sales growth in new channels, and enhanced sales promotion activities in the home delivery business.

Plans and Strategies for 2011

The soft drinks market in Japan is expected to remain in severe straits in 2011, with performance either slightly lower or on a par with 2010. Under these stringent conditions, the Asahi Group is targeting sales of ¥389.0 billion (down 0.7% year on year) and operating income of ¥10.5 billion (up 113.3% year on year).

Asahi Soft Drinks Co., Ltd.

At Asahi Soft Drinks Co., Ltd., we will continue to pursue growth and improved profitability, with a target of boosting sales volume 6% to 168.5 million cases.

With respect to growth strategies, we will continue to build a strong growth base by reinforcing core brands *Mitsuya Cider*, *WONDA*, and *Asahi Juroku-cha*. In parallel, we will work to cultivate *Asahi TeaO* and *Asahi Rokko no Oishii Mizu* mineral water as our next generation of core brands. As for *Asahi Rokujo Mugicha*, a beverage brand we began selling in May 2011, we plan to continue the same quality and concepts that Kagome Co., Ltd. has carefully cultivated over the years, while bringing Asahi Soft Drinks' advantages as a comprehensive soft drinks manufacturer to bear in revitalizing the brand to further accelerate growth.

In the vending machine business, as before, we will strengthen initiatives for increasing the number of vending machines, even as we aim for more efficient operations.

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

Asahi Juroku-cha Asahi TeaO



Asahi Soft Drinks Co., Ltd.
Coffee

WONDA Morning Shot WONDA Kinnobitou (low-sugar) WONDA Zero Max (sugar-free)

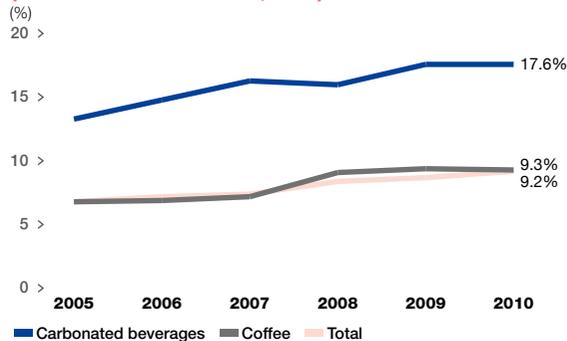


In terms of improving profitability, along with making further progress in optimizing our production and distribution frameworks, as well as maintaining the highest standards of quality, our aim is to achieve the industry's highest class of cost competitiveness.

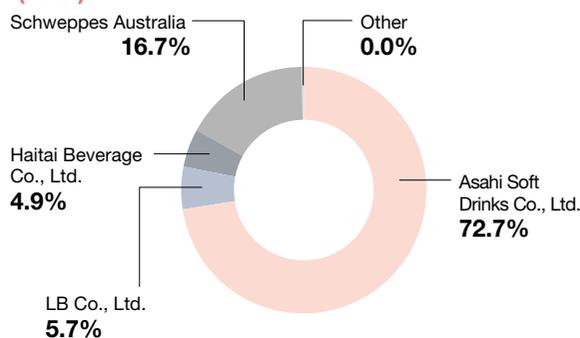
LB Co., Ltd.

In the chilled beverages business, with the integration of LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya) on January 1, 2011, we see this as the year for a "reborn" LB to establish the growth and earnings base necessary for completing the objectives of Medium-Term Management Plan 2012. Specifically, we will focus on leveraging both companies' sales channels and cross-selling of products to expand business scale. Another focus will be cultivation of new markets by developing new core products and services. We will create a base for generating synergies from the integration, in our organization and business processes, and in system development and other areas. On the profit side, we will promote bold changes to improve cost efficiency, principally by reallocating human resources to points of contact with customers, and reviewing redundant functions in back-office divisions.

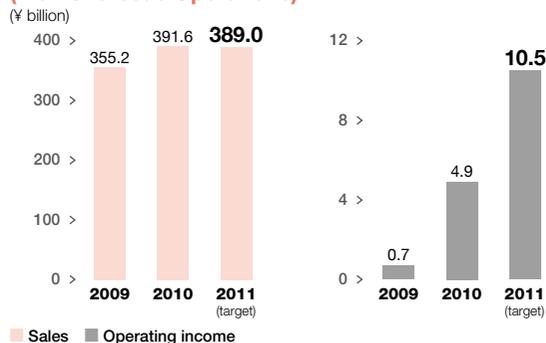
Share by Category (Asahi Soft Drinks Co., Ltd.)



Soft Drinks Sales Composition by Company (2010)



Sales and Operating Income in Soft Drinks Business (Incl. Overseas Operations)



Asahi Soft Drinks Co., Ltd.
Carbonated beverages



Asahi Soft Drinks Co., Ltd.
Water



LB Co., Ltd.
Chilled beverages

