

Overseas Operations



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

Although Japan's market is maturing, markets overseas are continuing to expand, especially in emerging economies. In this context, we will move in overseas operations to take on new business investments and alliances, while promoting efforts to reinforce our business base developed to date and raise profitability.

In 2011, the alcoholic beverages business will first see the Group bolster its partnership with Tsingtao Brewery Co., Ltd. (Tsingtao Brewery) in China, and bring operations into the black. In parallel, we will build stronger alliances with influential partners throughout Asia, with sights set on making *Asahi Super Dry* Asia's No. 1 premium beer brand.

In the soft drinks business, Schweppes Australia is strengthening and developing its brands to embed its position as the second-leading name in Australia's soft drinks market. The aim will be to spur further growth in Australia's soft drinks market by bringing synergies between both companies to the fore. In China, we will continue to support growth strategies and increase equity in net income from Tingyi-Asahi Beverages Holding Co., Ltd., as it seeks to become No. 1 in China's soft drinks market. More concrete measures with business investee TING HSIN (CAYMAN ISLANDS) HOLDING CORP. are also on tap, as we work to expand the food business in China and Taiwan.

Sales Plan and Actual Results for 2010

Plan and Results of Net Sales/Operating Income (Loss) by Business/Company

(¥ billion)

	Sales		Operating income (loss)	
	Plan	Results	Plan	Results
Chinese Beer Business	11.2	11.2	-1.5	-1.9
Schweppes Australia	68.1	65.6	4.4	3.8

Results of Income from Equity-method Affiliates

(\$ million)

	Net sales		Operating income	
	Results	Change from previous year	Results	Change from previous year
TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Beverages business segment)	3,532	+39%	326	+13%

(RMB millions)

	Net sales		Net income	
	Results	Change from previous year	Results	Change from previous year
Tsingtao Brewery	19,898	+10%	1,936	+22%

Business Environment

Alcoholic Beverages Business:

- Growing profit opportunities in Asian markets, where incomes are markedly rising

Soft Drinks Business:

- Growing profit opportunities in Asia, Russia, South America and other markets

Accomplishments and Topics for 2010

Accomplishments

Alcoholic Beverages Business: China

- Improved profitability by such measures as expanding the Asahi brand and expanding contracted production of Tsingtao brand products

Countries and Regions (excluding China)

- Enhanced our local sales network through Lotte Asahi Liquor Co., Ltd.

Soft Drinks:

Schweppes Australia

- Developed business through such measures as expansion of convenience stores, retail and others sales channels, and increase of ordinary sales

Tingyi-Asahi Beverages

- Substantial growth in tea and fruit juice reflect the impact of promotional campaigns

South Korea

- Sold South Korean beverage business Haitai Beverage Co., Ltd.

Food Business:

- Invested in the major TING HSIN (CAYMAN ISLANDS) HOLDING CORP. to handle food and distribution in China together with ITOCHU Corporation

Future Topics

- Improve profitability in Chinese beer business
- Expand business foundation to achieve global growth

2011: Targets and Strategies

Alcoholic Beverages Business:

China

- Achieve positive operating income by such measures as expanding sales of the Asahi brand and contracted production of Tsingtao brand products

Countries and Regions (excluding China)

- Develop business by forming alliances with powerful local partners and by marketing activities that match the various markets' characteristics

Soft Drinks:

Schweppes Australia

- Vigorous investment in key brands and growth fields
- Continue to improve efficiency across the entire SCM process

Tingyi-Asahi Beverages

- Implement aggressive sales strategies with the aim of achieving the No. 1 market share of the Chinese soft drinks market

Food Business:

- Aim to develop and expand the food business in the Chinese and Taiwanese markets

Alcoholic Beverages

China

In the rapidly growing Chinese market, we strengthened measures for improving profitability, which included boosting capacity utilization rates at the breweries. Specifically, in addition to promoting sales expansion for each brewery's own products, we began contract production of Tsingtao Beer brand products in May 2009 at Yantai Beer Tsingtao Asahi Co., Ltd. (Yantai Beer), and at Beijing Beer Asahi Co., Ltd. (Beijing Beer) and Hangzhou Xihu Beer Asahi Co., Ltd. (Hangzhou Beer) from August 2010.

In 2011, we plan to bolster our alliance relationship with Tsingtao Brewery and expand each brewery's own brands, while enjoying maximum benefit from the contract production of the Tsingtao Beer brand. Our objective is to improve earnings and return these operations to profitability.

Countries and Regions (excluding China)

The Asahi Group is aggressively expanding the presence of *Asahi Super Dry* through stronger alliance relationships with local partners.

In South Korea, we continued to enhance our local sales network through Lotte Asahi Liquor Co., Ltd., our joint venture with the Lotte Group, becoming the No. 1 imported beer brand by sales volume in July, August, October and November 2010. We remain committed to enhancing our brand and grooming *Asahi Super Dry* into the undisputed No. 1 imported beer brand in South Korea. We also formed alliances with local subsidiaries of the Carlsberg Group in January 2010 in Hong Kong, and again in April 2010 in Malaysia. Access to the sales networks of these companies has enabled us to fully launch *Asahi Super Dry* in these markets, where the product is performing well. Turning to Thailand, where we concluded production and sales licensing agreements with the Boon Rawd Group, sales volume has risen 68% over the previous fiscal year. These various initiatives are steadily raising the profile and presence of *Asahi Super Dry* across Asia.

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. Similarly in the U.K., where the Group has production and sales licensing agreements with Shepherd Neame Ltd., we are building further name recognition for the *Asahi Super Dry* brand through more vigorous marketing activities centered on the on-premise market.

Looking ahead, we will continue working to develop a more robust presence for the *Asahi Super Dry* brand through alliances with influential local partners and marketing activities that directly reflect local market characteristics.

Soft Drinks

Australia: Schweppes Australia

Growth in Australia's soft drinks market is expected to continue to be stable. Schweppes Australia took steps to expand the presence of its core products in the market, investing heavily in marketing around its own core brands *Schweppes* and *Solo*, as well as franchised brand *Pepsi* and other beverages. In strategy by sales channel, the company stepped up efforts to increase points of contact between consumers and Schweppes products, bolstering its sales framework for the mass-retail outlet supermarket, where the bulk of sales are made, as well as regular retail stores, convenience stores and on-premise channels.

In August 2010, we signed an agreement to purchase shares of P&N Beverages, the No.3 company in terms of sales volume in the Australian soft drinks market. Looking ahead, we will reinforce the base for our soft drinks business in Australia as we aim to realize additional growth for this business.

China



U.S.



Europe



South Korea: Haitai Beverage

In January 2011 we transferred Haitai Beverage in South Korea to LG Household & Health Care Ltd., in line with the policies and objectives of our Long-Term Vision 2015 and Medium-Term Management Plan 2012.

China: Tingyi-Asahi Beverages

In China's soft drinks market, where annual growth of around 15% is anticipated, Asahi Group investee Tingyi-Asahi Beverages defied a rigorous competitive environment to post steady sales growth, up 39% from the previous year.

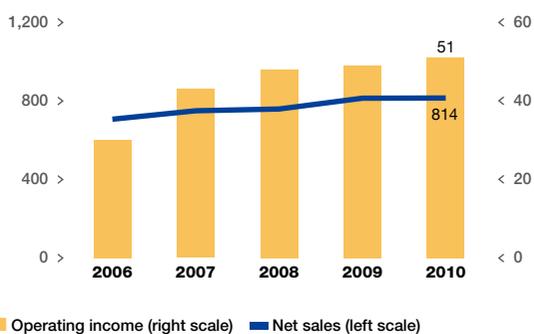
2010 saw sales rise sharply, especially for tea-based drinks and fruit and vegetable drinks, reflecting consumer campaigns targeting these categories launched in February. Profit-side growth was also evident as we boosted cost competitiveness with greater production efficiency accompanying sales volume growth, the use of lighter PET bottles, and other steps to heighten our competitive advantage. Going forward in our alliance, we will continue to support Tingyi-Asahi Beverages' quality assurance and production technology, while also extending support to encompass human resource development and greater sharing of marketing and other expertise. In this way we will help to drive Tingyi-Asahi Beverages' growth strategies forward.

Food Business

In November 2010, the Asahi Group acquired a portion of shares in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major packaged food and distributor in China. The aim of this move is to develop and expand our food business in the mainland Chinese and Taiwanese markets by taking advantage of the strengths of both companies. Notable strengths include Asahi Group technology, and the sales capabilities and expertise in the Chinese market of TINGYI (CAYMAN ISLANDS) HOLDING CORP., a subsidiary of TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

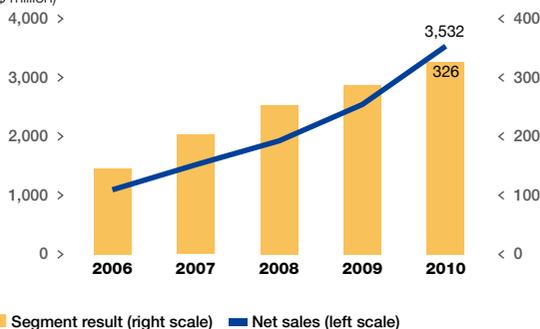
Performance of Schweppes Australia

(Million Australian dollars)



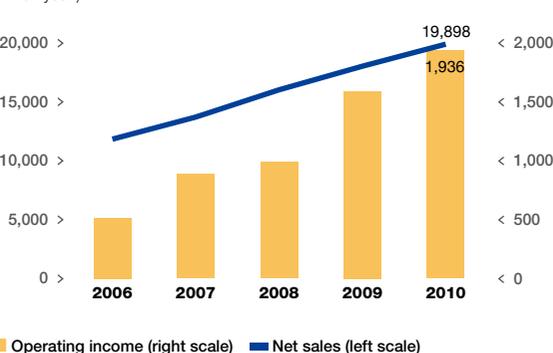
Performance of TINGYI (CAYMAN ISLANDS) (Soft Drinks Business)

(\$ million)



Performance of Tsingtao Brewery

(Million yuan)



Schweppes Australia



Tingyi-Asahi Beverages (Equity Method Affiliates)



Tsingtao Brewery (Equity Method Affiliates)

