

# ACTION, Asahi

## Firming Foundations in Overseas Operations While

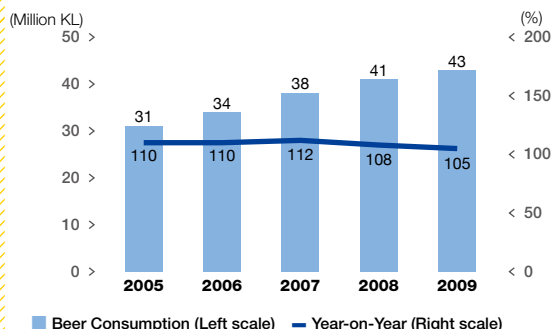
### Beer Business in China:

#### Alliance with Tsingtao Brewery

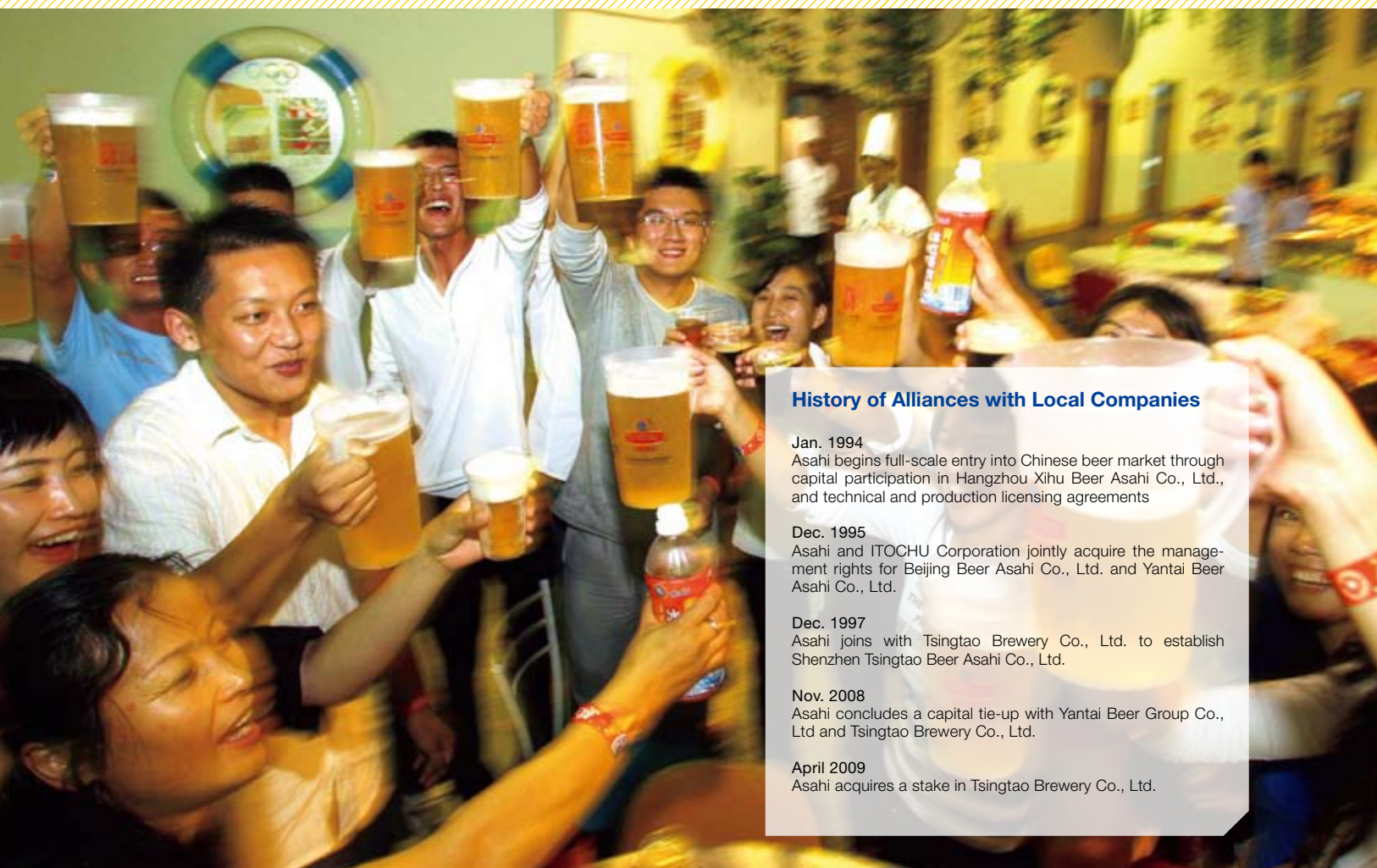
China is home to the world's largest population, and its economy continues to expand. In 2010, China's gross domestic product (GDP) was second in the world, with further growth projected going forward. Against this backdrop, beer consumption in China is also expanding. In fact, the total volume of beer consumed in 2009 was roughly six times the figure in 1990\*, making it the world's No. 1 beer consumer.

\* Impact Databank 2010 Edition

### Beer Consumption in China



\* Source: Impact Databank 2010 Edition



### History of Alliances with Local Companies

Jan. 1994

Asahi begins full-scale entry into Chinese beer market through capital participation in Hangzhou Xihu Beer Asahi Co., Ltd., and technical and production licensing agreements

Dec. 1995

Asahi and ITOCHU Corporation jointly acquire the management rights for Beijing Beer Asahi Co., Ltd. and Yantai Beer Asahi Co., Ltd.

Dec. 1997

Asahi joins with Tsingtao Brewery Co., Ltd. to establish Shenzhen Tsingtao Beer Asahi Co., Ltd.

Nov. 2008

Asahi concludes a capital tie-up with Yantai Beer Group Co., Ltd and Tsingtao Brewery Co., Ltd.

April 2009

Asahi acquires a stake in Tsingtao Brewery Co., Ltd.

# Eyeing Dramatic Growth

## History of the Asahi Group's Beer Business in China

The Asahi Group was among the first to focus on the high growth potential of China's beer market. We began investing in local companies there in 1994 to develop our beer business.

However, maintaining profitability proved a persistent and significant challenge, as fierce competition from prominent rival beer makers resulted in a scramble for top position.

In this climate, the Asahi Group in April 2009 acquired shares in Tsingtao Brewery Co., Ltd. (Tsingtao Brewery), a brewery with unrivaled brand power in China. Later in August of the same year, the two companies agreed to a strategic alliance, marking the formation of a powerful partnership. This alliance has been a lever for us to swiftly rebuild our beer business base in China, as we take steady strides towards improved profitability. Efforts thus far include contracted production of the Tsingtao Beer brand products at the Group's existing investee breweries.

## Future Initiatives with Tsingtao Brewery

Since September 2009, the Asahi Group and Tsingtao Brewery have jointly established subcommittees in divisions dealing with production technology, product development, distribution, and procurement, among others. The subcommittees are working to create synergies between both companies, primarily through efforts by the Asahi Group to support Tsingtao Brewery's growth.

The Subcommittee on Production Technology, for example, is focusing primarily on examining technology support measures that will improve Tsingtao Brewery's production efficiency and beer quality. At present, Tsingtao Brewery is identifying its technology issues, while the Asahi Group is analyzing the current status and causal factors of the issues. Based on the results, we will set specific targets and translate them into actionable projects at the production-floor level.

As we search for potential initiatives in other divisions, our aim is to expand the presence of the Asahi Group in China through a more robust relationship with Tsingtao Brewery.



Chairman  
Jin Zhi Guo

The Asahi Group is a strategic alliance partner of Tsingtao Brewery Co., Ltd. A modern beer brewer with a global outlook and advanced management standards, the Asahi Group is guided by uncompromising management values. It pursues quality relentlessly, and has a commitment to corporate social responsibility and the environment as a major global corporation.

For many years now, Tsingtao Brewery and the Asahi Group have dealt sincerely with one another as they developed a deep, cooperative relationship based on mutual trust and profit. Through an exchange of best practices, both companies today are learning from one another and sharing beneficial experiences, a step that has further strengthened their allied competitiveness.

Moving ahead, Tsingtao Brewery and the Asahi Group will follow their commitment to mutual trust and profit to a deeper level of interaction and partnership in an even wider range of fields. The global beer market as a whole is headed towards a period of integration that will transcend organizational and supply chain frameworks. This will require that we also act together, cooperate with one another, and develop a more tightly knit partnership. Armed with the brand strength, technology and superior management of both companies, we are working quickly to make our competitive resources more liquid and mutually complementary. We hope to further hone the competitive edge that our alliance represents in the global beer market.

With the new year now firmly upon us, I offer the Asahi Group my best wishes for successfully meeting its latest objectives and reaching new heights of growth.



# ACTION, Asahi

## Soft Drinks Business in Australia: Creating Synergies with Schweppes Australia

The Australian soft drinks market has an annual value of roughly ¥450 billion, and has a stable growth rate of 3 to 4% a year. In terms of market share, a small number of prominent companies share about 70% of the market.

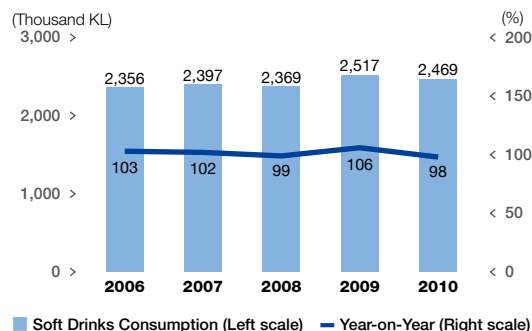
### Schweppes Australia's Market Share in Australia's Soft Drinks Market

■ Coca-Cola	44.2%	■ Heinz	3.6%
■ Schweppes Australia	19.1%	■ Frucor	1.9%
■ P&N	9.7%	■ Redbull	0.9%
■ PB	8.9%	■ Others	6.2%
■ National Foods	5.5%		

\* Source: AC Nielsen



### The Australian Soft Drinks Market



## Creating Synergies with Schweppes

Attracted by the stable growth projected for Australia's soft drinks market, the Asahi Group acquired the Australian soft drinks business of U.K.-based Cadbury Group in April 2009.

In business for 160 years now, Schweppes Australia is a brand well loved by local customers and today holds the market's second largest share. The company's product roster includes its own brands, such as *Schweppes* and *Solo*, as well as franchised

brand products like *Pepsi*.

Furthermore, Schweppes Australia, has an established system for efficiently producing and delivering high-quality products through eight production sites and eleven delivery centers. The company is leveraging this highly reliable base to expand sales in new channels, including on-premise use, and at regular retail outlets and convenience stores.



*David Bequely*

Managing Director  
**David Bequely**

The origins of the Schweppes brand date back to 1783 when Jacob Schuppe invented the process of capturing bubbles and bottling them as mineral water. The Schweppes company came to Australia in 1850, opening its first factories in Sydney in 1877 and Melbourne in 1885.

Today, Schweppes Australia employs about 1,500 people across Australia, with manufacturing and distribution facilities spread across the mainland states, supporting a strong sales force with an enviable route to market.

Schweppes Australia is the country's second largest non-alcoholic beverage manufacturer, with an exciting portfolio of much-loved brands, such as *Schweppes*, *Cottee's*, *Solo*, *Spring Valley* and *Cool Ridge*. *Sunkist*, *Pepsi* and *Gatorade* are manufactured and distributed under licence. In addition, Schweppes distributes *Monster Energy* drinks in Australia and manufactures a range of ready-to-drink alcoholic beverages under contract for third parties.

On April 3, 2009, Schweppes Australia joined the Asahi group of companies with a unified passion for success and an ambition to be the best. Its aim is to inspire and excite customers by being courageous, delivering tomorrow's beverages today, while enhancing the communities and minimising the impact on the environment in which we live.

Schweppes Australia is committed to contributing to the success of the Asahi Group.





## Acquiring a New Growth Base

### Investment in Chinese Food Distributor TING HSIN HOLDING CORP. and Business Alliance with ITOCHU

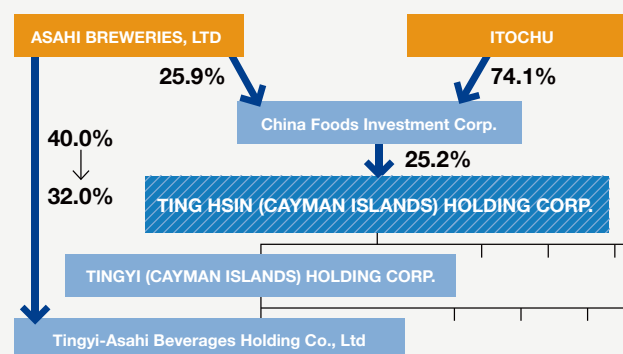
The Asahi Group is already developing beer and soft drinks businesses in the fast-growing Chinese market, and is moving to further develop and strengthen its base there.

In November 2010, the Asahi Group acquired a portion of shares in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major food product manufacturer and distributor in China. In doing so, the Asahi Group has gained a new growth base in food to place alongside beer and soft drinks in China.

The Asahi Group's relationship with TING HSIN HOLDING CORP. began in earnest in April 2004, with its capital participation along with ITOCHU Corporation in Tingyi-Asahi Beverages Holding Co., Ltd. which comes under the umbrella of TING HSIN HOLDING CORP. The Asahi Group has provided production technology, marketing and other support, as well as personnel exchanges to Tingyi-Asahi Beverages, a dominant force in China's market for tea-based drinks, fruit and vegetable drinks, and other noncarbonated soft drinks. ITOCHU Corporation, for its part, moved to bolster its own relationship with TING HSIN HOLDING CORP., taking a 20% stake in November 2008, and establishing joint ventures in convenience stores, bakery operations and other businesses.

This investment and business alliance will generate synergies reflecting the strengths that both companies possess—the Asahi Group's technology and the sales capabilities and expertise in the Chinese market of TING HSIN HOLDING CORP., TINGYI (CAYMAN ISLANDS) HOLDING CORP. With these advantages, the goal is to develop and expand our food business in the Chinese and Taiwanese markets.

#### Diagram of Investment Relationships



President

Ing-Chou Wei

Asahi Breweries and ITOCHU Corporation first participated in TING HSIN HOLDING CORP. company Tingyi-Asahi Beverages Holding Co., Ltd. in April 2004. Since then, in addition to pursuing initiatives with each investor, Tingyi-Asahi Beverages has maintained the No. 1 share in China's soft drinks market covering tea, mineral water, and other beverages. In 2010, we became China's No. 1\* soft drinks manufacturer in terms of sales volume. We are truly grateful for the cooperation we have received from the Asahi Group in production technology, quality assurance, human resource exchange, and other areas.

Following a share exchange in November 2010, TING HSIN HOLDING CORP. became a strategic partner of the Asahi Group. TING HSIN HOLDING CORP. is now helping to develop the Chinese market by expanding its business domains to encompass food and beverages, fast food restaurants, convenience stores, and other areas. In particular, the Asahi Group's superior manufacturing technology for multi-production lines, and expertise in quality assurance and product development, have helped improve TING HSIN HOLDING CORP.'s corporate value, and are promoting synergies.

Moving ahead, we will look to broaden our business scale and boost corporate earnings strength by expanding alliance-based operations in food business projects, and stepping up our response to China's 12th Five-Year Plan for economic development over the next two decades. Our goal here, as always, is to maximize the profits of the Asahi Group and TING HSIN HOLDING CORP. on behalf of our shareholders.

\*Source: Canadean Ltd.

## Building a Base to Support Global Growth:

### Human Resource Development in the Group

Business expansion within the Group is proceeding rapidly in Japan and overseas in a push to meet the objectives of Long-Term Vision 2015 and the Medium-Term Management Plan 2012. Training human resources able to act on a global stage is essential to building ties with new Group companies and alliance partners, and to realizing Group-wide growth.

With this in mind, the Group launched a variety of human resource development programs in 2010.

#### (Main Program Menu)

##### Asahi Executive Institute

Serving as an in-house university, this program offered courses designed to nurture the next generation of management to 26 selected officers and directors. Course content consisted mainly of lectures to sharpen management knowledge considered standard for corporate management, as well as sessions to help participants gain a better global viewpoint and stronger international awareness.

##### Global Challengers Program

Participants in this program, selected from employees who respond to an internal call for applicants, are deployed to countries and regions where Asahi Breweries has overseas bases for a period of about six months to one year. In parallel with language training, participants learn about food culture and business customs so they can make better proposals for businesses. 122 employees applied for the program in 2010 and 10 participants were deployed in seven countries.

##### International Cram School (Europe and U.S.)

Here, international employees teach courses on culture, business customs, tricks to effective communication, and English conversation at business sites that request them. The courses are held across 63 departments at Asahi Breweries, Ltd. and have been attended by more than 1,100 people thus far (as of November 30, 2010).



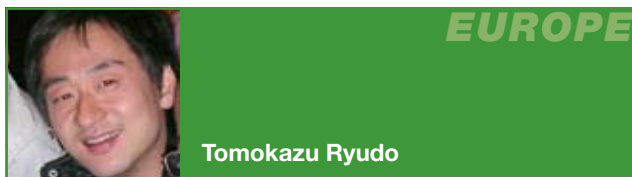
General Manager, Human Resources Division  
**Takami Maruyama**

Like the rest of Asahi Breweries, the Human Resources Division is channeling all of its energies into supporting the realization of Long-Term Vision 2015 for achieving the Group's growth on a global scale. Along with our longstanding efforts to create working environments valued by our employees, as well as reinforcing on-the-job training, we are taking the following specific measures:

- Formulating personnel systems that support employees in firmly honing their individual strengths (specialization)
- Recruiting employees with traits applicable to a variety of fields, namely flexibility and adaptability, unique strengths and characteristics, and an international perspective
- Promoting creative HR development projects such as Asahi Executive Institute and the Global Challengers Program

Particularly through the latter, we are determined to proactively groom human resources that will contribute to the Group's competitive strength.

## Comments from Personnel in Charge of Human Resources and Program Participants



Tomokazu Ryudo

EUROPE

In traveling around the area overseen by the Europe Branch, I visited local markets and partners to gain a firsthand understanding of how these differ from Japan.

My focus was on building interpersonal connections locally and getting accustomed to local life, which I hoped to link to business in the future. My overall goal was to boost our product share across this sales area.



Satoru Okada

ASIA

I spent time training in Shanghai. As China's largest commercial city, Shanghai is constantly developing and the way of life here is changing rapidly. Many of the residents are foreign nationals, so the influence of different cultures is fusing with the traditional way of life to create a new lifestyle and culture. Young people will become the key trendsetters here, and my sense is that this will lead to a lifestyle and culture that is distinctive even within China.



Kenji Watanabe

NORTH AMERICA

The U.S. is a country where people from many different races and cultures live together under the same laws. Against this backdrop, the dominant culture is one where people tend to be very self-assertive, and those who are assertive are respected.

While the Japanese community is shrinking in the U.S., the presence of the Chinese and Korean communities is becoming more pronounced. During the program I felt that Japanese people here must put aside their restraint, in the most positive sense, and be equally determined to make their own presence in America felt.



Masashi Hakuda

ASIA

With "Share the Kando" as my own personal theme, my focus was on creating as many individual Asahi fans as I can in inland China. Of course, communicating was not always easy in this part of the country, where cultures and values often vary between provinces and cities. What I tried to do, first and foremost, was remove my own personal barriers, allowing me to make contact with as many people as possible. My everyday activities then focused on discovering any clues I could find that might lead to future business opportunities.

