

Food Business



Reinforcing Brands and Seeking Group Synergies in Areas of Strength

The food business market includes business fields and products that have the potential to grow despite the long-term downtrend in the Japanese population. With consumer preferences and lifestyles growing increasingly diverse, obtaining an accurate understanding of these changing needs will allow us to tap into this potential. In this climate, we will push ahead with solidifying the base necessary for the food business to fulfill its role as the Group's next growth driver.

In 2011, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd., and Amano Jitsugyo Co., Ltd. will continue to take action to strengthen brands, while pursuing synergies with the Asahi Group to realize growth in the food business overall.

Sales Plan and Actual Results for 2010

Plan and Results of Food Sales/ Operating Income by Company

(¥ billion)

	Sales		Operating income	
	Plan	Results	Plan	Results
Asahi Food & Healthcare Co., Ltd.	47.0	47.1	1.9	2.1
Wakodo Co., Ltd.	37.5	36.6	2.4	2.1
Amano Jitsugyo	16.6	16.7	0.6	0.5

Business Environment

- Long-term decline in population of Japan
- Diversification of consumer preferences
- Changes in consumer lifestyles
- Distribution-side changes such as increasing prominence of Internet supermarkets and realignment of distribution system

Accomplishments and Topics for 2010

Accomplishments

Asahi Food & Healthcare Co., Ltd.

- Expanded business foundation and realized steady growth of key brands such as *MINTIA*
- Achieved efficiency gains in production costs, etc. by improving plant operation rates

Wakodo Co., Ltd.

- Achieved firm growth of the baby food business with core brands such as *Goo-Goo Kitchen* gaining a firm foothold in the market
- Expanded sales through aggressive action in new businesses

Amano Jitsugyo Co., Ltd.

- Achieved record-high sales for the second consecutive year by expanding the distribution and mail-order businesses
- Increased efficiency through focus on variable costs such as raw materials and logistics

Future Topics

- Develop strategy in line with characteristics of each company

Asahi Food & Healthcare Co., Ltd.

- Upgraded business base in preparation for establishing new business

Wakodo Co., Ltd.

- Expansion of new businesses in the overseas and senior markets

Amano Jitsugyo Co., Ltd.

- Expansion of business base in growth businesses, and overhaul of earnings structure

Synergy Creation Through In-Group Collaboration

- Expansion of sales channels and business domains
- Increase SCM total profitability

2011: Targets and Strategies

Asahi Food & Healthcare Co., Ltd.

- Aggressive investment to strengthen existing businesses
- Nurture new businesses such as the yeast extract business

Wakodo Co., Ltd.

- Strengthen the brand for existing key products
- Enhance foundation for new business fields by nurturing new businesses

Amano Jitsugyo Co., Ltd.

- Further expand growth businesses by acquiring new sales channels and new customers
- Promote production efficiency to improve profitability

2010 Business Overview

Sales in the food business rose 3.3% year on year to ¥95.4 billion, with operating income climbing 32.4% to ¥3.6 billion. This steady improvement reflected the rollout of strategies tailored to characteristics unique to each Group company, which culminated in sales expansion in mainstay products.

Asahi Food & Healthcare Co., Ltd.

Asahi Food & Healthcare Co., Ltd. promoted business development and expansion and reinforced its business base, guided by a strategy focused on “growth, structural reform, and ensuring safety and reliability.” Specifically, the processed foods business, which accounts for 55% of sales, saw sales steadily increase 4% year on year on a monetary basis. This improvement was mainly due to double-digit growth in mainstay product *MINTIA* breath mint tablets. In the health and beauty business, sales rose a substantial 19% year on year on a monetary basis. The result came on double-digit growth in mainstay products *Dear-Natura* brand supplements and the *Slim Up Slim* line of diet support food. The direct marketing business and the food seasonings business rose year on year, the latter reflecting expanded business with major food product manufacturers and efforts to develop new corporate clients in the home meal replacement and restaurant sectors through an alliance with Asahi Breweries. Consequently, sales at Asahi Food & Healthcare rose to a record high for a seventh consecutive year.

Profit, meanwhile, was up for the year, and attributable mainly to higher income from sales growth, lower costs due to improved capacity utilization rates at production sites, and a reduction in personnel and other fixed costs.

Wakodo Co., Ltd.

Wakodo Co., Ltd. followed a management policy of accelerating growth further, taking steps to strengthen and expand its business base in a severe market environment characterized by the launch of new products and low-pricing strategies by competitors. Specifically, the company based its activities on “infant-safe quality” honed over the years, launching new products, and revamping existing ones to bolster its brands.

In the infant family business, powdered infant formula sales

declined year on year in a soft Japanese market. However, sales rose 4.3% year on year in baby food, which was buoyed by customer support of the added value offered by the use of 100% domestically produced vegetables, including for mainstay product *Goo-Goo Kitchen* and the revamped *Tezukuri Ouen* line.

In the medical care business, sales improved 7.4% from the previous year on stronger efforts to take on new businesses. These included the launch of new products in food and care products for the elderly. In the overseas business, where Wakodo Co., Ltd. today is exporting products to more than a dozen countries, performance improved over the previous year on firm sales of baby food, skincare, and powdered infant formula to South Korea, Hong Kong, Vietnam and other existing markets, as well as by expanding the number of countries where Wakodo products are sold.

In terms of profit, although the company sought to reduce the cost of raw materials, aggressive investment in advertising and sales promotion expenses to cultivate and enhance brands caused income to decline from the previous year.

Amano Jitsugyo Co., Ltd.

Elsewhere, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan's freeze-dried food market. Specifically, the company recorded healthy sales of its mainstay freeze-dried miso soup products in the commercial-use sales business, primarily by extending sales channels to include cooperatives, department stores, and general supermarkets in the Tokyo and Osaka areas. Meanwhile, the total number of customers in the direct marketing business increased thanks to the vigorous launch of new products and a successful mixed-media publicity strategy utilizing TV commercials and newspaper inserts. Efforts were made to propose products matching customer needs to grow business. These and other initiatives culminated in record sales for a second consecutive year.

Turning to profit, earnings for Amano Jitsugyo remained largely unchanged from the previous year despite fixed costs and other cost-increase factors. Along with greater efficiency in the cost of raw materials, utilities, and distribution costs, the company benefited from more robust cooperation with Asahi Group companies, most notably from lower unit prices for raw materials enabled by Group joint procurement.

Asahi Food & Healthcare Co., Ltd.

MINTIA



BALANCEUP



Dear-Natura



Plans and Strategies for 2011

Beyond strengthening core brands in 2011, we will propose high-added-value products for a wide range of ages by promoting further synergies among operating companies. Similarly, we will move quickly to meet our target operating income ratio of 5% for 2012 outlined in the Medium-Term Management Plan 2012 by managing our supply chains more efficiently for the business as a whole. We are aiming for sales of ¥102.0 billion (up 6.9% year on year) and operating income of ¥5.0 billion (up 38.9%) for this business in 2011.

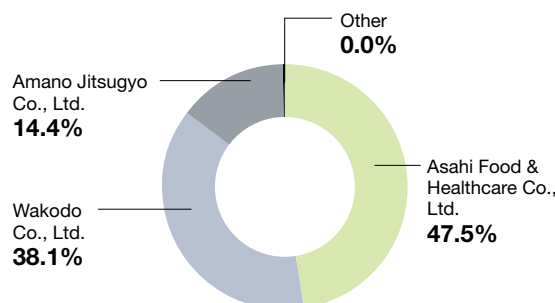
Asahi Food & Healthcare Co., Ltd.

In its three core businesses—processed foods, health and beauty, and food seasonings—Asahi Food & Healthcare Co., Ltd. will further strengthen existing brands such as *MINTIA*, *BALANCEUP*, and *Dear-Natura*, as well as focus on its capacity to develop new products. In parallel, the company will build a stronger business base by enhancing its sales structure. Another aim is to develop a growth base for future business in both the dramatically growing direct marketing business and the food seasonings business. Efforts in the former will focus on attracting new customers, while the focus in the latter will be on achieving sales expansion for high-value-added yeast extract. Based on these initiatives, the company is targeting sales of ¥50.0 billion (up 6.1%) and operating income of ¥2.2 billion (up 5.7%).

Wakodo Co., Ltd.

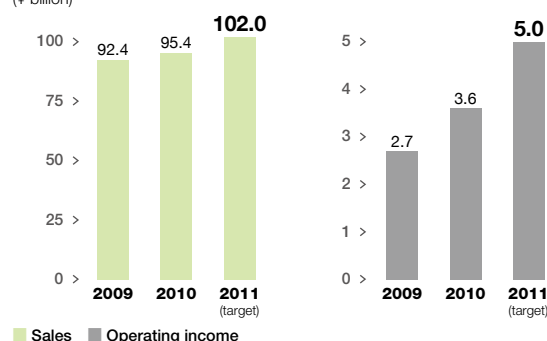
The market environment surrounding Wakodo Co., Ltd. is likely to remain challenging. Nevertheless, the company will aggressively invest in bolstering the brand strength of *Hai Hai* and *Gun Gun* in its mainstay powdered infant formula category, highlighting the “infant-safe quality” of its products founded on a fundamental commitment to food safety and reliability. In the retort pouch category, which is growing briskly in the baby food market, Wakodo will enhance its *Goo-Goo Kitchen* lineup, with the goal of staking out a solid market position. Another priority for the company will be overseas business and new businesses targeting the elderly and other demographics. The company will boost production volume, mainly of powdered infant formula and OEM products, in line with the operation of new production equipment at the company's production plant in Tochigi Prefecture. Through these

Food Sales Composition by Company (2010)



Food Sales and Operating Income

(¥ billion)



actions, the company is aiming for sales of ¥40.0 billion (up 9.3% year on year) and operating income of ¥2.2 billion (up 4.6%).

Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. is planning to grow its direct marketing business by adding new channels, expanding sales channels on the regional level, and through aggressive advertising campaigns. Furthermore, new manufacturing and packaging equipment for freeze-dried products is scheduled to begin operating from August 2011. The company will also increase sales for its mainstay miso soup products and work on improving quality. Through these strategies, Amano Jitsugyo is targeting sales of ¥17.6 billion (up 5.1% year on year) and operating income of ¥0.6 billion (up 29.1%).

Wakodo Co., Ltd.

Infant formula Lebens Milk
Hai Hai



Goo-Goo Kitchen



Smile Pocket



Amano Jitsugyo Co., Ltd.

Nasu no Miso Shiru



Nyumen Sumashi Yuzu

