

## To Our Shareholders

Following my appointment as president of Coca-Cola West Co., Ltd., on January 1, 2010, I would like to take this opportunity to personally thank all shareholders and investors for their invaluable support and understanding. The Company has through integration evolved over the past decade into the largest Coca-Cola bottler in Japan and one of the top-ranked in the world. Through consolidation and reorganization of its subsidiary companies, the Coca-Cola West Group has also refined its management structure and systems, and commenced 2010 under newly appointed management.

I am pleased to report on our operating results for fiscal 2009, the fiscal year ended December 31, 2009, and to provide an overview of the Group's management policies and business strategies.



### Fiscal 2009 Business Overview and Operating Results

Impacted by the global-scale financial and economic crisis triggered by the U.S. banking-sector meltdown in 2008, business conditions at the start of the fiscal year under review were weak. Japan's economy remained in a prolonged slump despite signs of a partial recovery in export and manufacturing activities on the back of a series of government stimulus packages. This was reflected in poor corporate-sector results, suffering under the affects of deflation and a strong yen, deterioration in employment and disposable income conditions, as well as stagnant capital investment and personal consumption.

In the Japanese soft drink industry, companies were confronted by an increasingly harsh operating environment as market results declined year on year owing to an increasingly cost-conscious mindset by consumers in response to the weak economy, unfavorable weather conditions throughout the summer season, and an ongoing downward trend in product prices.

Against this backdrop of challenging market conditions, and in order to establish an even more solid management foundation, Coca-Cola West Holdings Co., Ltd., merged with three sales subsidiary companies—Coca-Cola West Japan Co., Ltd., Kinki Coca-Cola Bottling Co., Ltd., and Mikasa Coca-Cola Bottling Co., Ltd.—to form Coca-Cola West Co., Ltd. on January 1, 2009.

Turing to our initiatives in the fiscal year under review, we worked to transform the Group's previous sales strategy based on sales areas to one based on sales channels. At the same time, we extended marketing activities drawing from research and analysis of consumer purchasing patterns. Through these means, the Coca-Cola West Group promoted sales strategies based firmly on consumer needs and distinguished by consistency and integrity. In its vending machine business, the Company actively pursued advantages of scale through M&A and business alli-

ances. In this manner, we worked diligently to increase market share and earnings. In addition, we reorganized three of the Group's subsidiaries responsible for sales and logistics to focus on individual functions, and commenced fiscal 2010 with the foundation of three new companies on January 1, 2010. This move was made with the aim to bolster sales and marketing functions while at the same time curtailing indirect costs.

The Company took control of production and logistics operations for western Japan from January 2009, as responsibilities for overseeing its integrated supply-chain management (SCM) were transferred from Coca-Cola National Beverage Company, a joint venture established by Coca-Cola (Japan) Co., Ltd. and all of its bottling partners in Japan. The Group also successfully reduced costs through efforts to establish a new SCM system and framework and to ensure more precise and detailed management with respect to sales and marketing collaboration.

Complementing these measures in the face of the harsh operating environment, we worked to boost operating efficiency and reviewed personnel systems in an effort to enhance productivity. At the same time, we promoted the Group-wide campaign slogan, "Running Coca-Cola West at the lowest cost possible," with a view to reducing indirect expenditures. Despite these endeavors, sharp fluctuations in business conditions exceeded all of the Company's projections. As a result, in fiscal 2009 consolidated net revenues decreased 6.5% year on year to ¥369,698 million. On the earnings front, operating income dropped 78.7% year on year to ¥2,242 million, while recurring income fell 81.1% to ¥2,085 million. The Company incurred a net loss of ¥7,594 million, a negative turnaround of ¥7,724 million, largely attributable to an impairment loss applicable to assets earmarked for sale and disposal together with the payment of early retirement bonuses.



### 2010 Coca-Cola West Group Management Policy

Achieve profit target through  
“three reforms”

1. Sales
2. Supply Chain Management
3. Action based on consumer

Build a solid Coca-Cola West Group



### Coca-Cola West Group Corporate Mission

Create future of beverage business

We

- offer products and services welcomed by consumers
- respect each employee's motivation and personal life
- respond to shareholders' expectations and trust by sustainable growth
- nurture the relationships with society and environment

### Fiscal 2010 Management Policies and Earning Projections

Looking ahead at the soft drink industry in fiscal 2010, conditions are anticipated to remain harsh due to the slump in personal consumption and a continued decline in product prices. Under these circumstances, the Group will implement management policies aimed at achieving earnings targets while closely pursuing three fundamental reforms.

Firstly, the Company will reform its sales structure with the aim to increase revenues and earnings. To this end, we will endeavor to implement effective global-standard marketing methods based on research and analysis of consumer purchasing behavior, while enforcing stringent earnings management. At the same time, we will establish an effective and efficient organizational operating structure and promote the realignment of sales and distribution bases.

Secondly, the Group will enhance its SCM system through reforms in the western Japan region. In implementing a comprehensive SCM system from procurement through sales to distribution, the Company will be better positioned to enhance efficiency and reduce costs. To improve the Group's competitive advantage, we will synchronize procurement, sales and logistics to accelerate and enhance our capacity to respond to market trends and consumer needs.

Turning to the third reform, we will change our approach with regard to consumers and orientate business activities toward their needs, recognizing that these needs are the basis of the Group's corporate value.

We are confident that closely following these three fundamental reforms will lead to steady growth in revenues and earnings as well as to strengthening the Coca-Cola West Group overall, despite downward pressures imposed by the difficult operating environment.

Accounting for the aforementioned policies and factors, our projections for fiscal 2010 include consolidated net revenues of ¥369,300 million, a nominal decrease of 0.1% from the previous fiscal year. From a profit perspective, operating income is forecast to more than double to ¥7,000 million, a year-on-year increase of 212.1%. Recurring income is anticipated to reach ¥6,600 million, an improvement of 216.5%. After a net loss in fiscal 2009, we are projecting net income in the fiscal year under review of ¥3,600 million.

### Dividends

In our Corporate Mission, we place the utmost emphasis on “respond to shareholders' expectations and trust by sustainable growth.” Our basic stance is to continue providing stable dividends to our shareholders while ensuring an active return of profits.

Taking into consideration fiscal 2009 results, forecast performance for fiscal 2010, the future operating environment and other factors, we have determined a fiscal 2009 year-end dividend of ¥21 per share. Including the interim dividend paid, this results in a full fiscal year dividend of ¥42 per share, which regrettably is ¥1 per share lower than the previous fiscal year. Looking ahead to fiscal 2010 dividends, we project the interim dividend, fiscal year-end dividend and annual dividend to amount to ¥20, ¥20 and ¥40 per share, respectively.

As we work toward attaining our established goals, we humbly request the continued support and understanding of all shareholders and other investors.

March 2010

Tamio Yoshimatsu  
President