

Management's Discussion and Analysis

Consolidated Operating Results

Net Revenues

In fiscal 2009, the year ended December 31, 2009, sales volume in the Coca-Cola West sales region declined due to the impact of various factors, including sluggish consumption and falling prices brought on by deteriorating employment and income conditions, as well as unseasonable summer weather. In a reform of the supply and demand management system, product purchasing has shifted to in-house production. While this resulted in increased product sales to other Coca-Cola bottlers in the Western Japan region in fiscal 2009, at the same time, it ended manufacturing and logistics revenue formerly commissioned by Coca-Cola National Beverage Co., Ltd. This revenue totaled ¥27,822 million in the previous fiscal year. Due to the impact of these and other factors, net revenues totaled ¥369,698 million, a decrease of ¥25,857 million, or 6.5%, compared to the previous fiscal year.

Operating Income

Despite efforts to carry out sweeping cost cuts across the entire Coca-Cola West Group, operating income fell ¥8,278 million, or 78.7%, year on year, to ¥2,242 million, primarily due to the impact of the decrease in net revenues.

Recurring Income

Compared to the previous fiscal year, recurring income dropped ¥8,963 million, or 81.1%, to ¥2,085 million, owing to such factors as the fall in operating income and non-operating income costs incurred for the issue of debenture bonds.

Net Income

Net income decreased ¥7,724 million from the previous fiscal year, resulting in a net loss of ¥7,594 million. This is attributable to several factors, including the decrease in recurring income, and an impairment loss on fixed assets of ¥6,092 million, which was designated for future sales and logistics bases targeted by reorganization plans and in line with merger and consolidation initiatives that are aimed at further enhancing and improving the efficiency of business and sales operations. In addition, a total of ¥1,767 million in transfer fees and early retirement bonuses was used to transfer Coca-Cola West employees to Group companies and to implement a Group-wide early retirement plan, with the objective of proactively upgrading the personnel system and employment conditions.

Operating Results by Segment

● Manufacturing and Marketing of Beverages and Foods

In the fiscal year under review, Coca-Cola West worked continuously to carry out its brand strategy of strengthening core brands, namely Coca-Cola, Coca-Cola Zero, Georgia, Sokenbicha, Aquarius, and Fanta. Sales of the Coca-Cola brand expanded considerably owing to the addition of Coca-Cola Zero to bolster the product lineup, and to the effectiveness of a promotional campaign with the J.League. For the Georgia brand, new products were launched including the re-released European Blend and the all-new Gohobi Break, as the Company implemented aggressive measures to enhance the brand. Coca-Cola West strove to broaden the market share of the Aquarius brand with the re-launch of Vitamin Guard and the expansion of its yearly "loyalty promotion." Sales of the Fanta brand increased with the release of Zero Cider and other new products.

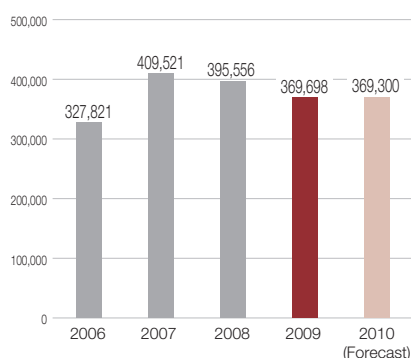
In addition to these core brands, sales of I Lohas mineral water, which features a lightweight bottle designed to attract environmentally conscious consumers, were up significantly and market share increased.

In the area of sales channel strategy, Coca-Cola West developed finely tuned marketing activities for each of its sales channels. For supermarkets, aggressive promotions of large-sized PET bottles contributed significantly to increased sales and market share. For vending machines, the Company worked to expand sales per machine by actively introducing cashless and energy-saving vending machines, aggressively promoting Georgia products with larger sized cans, and enhancing merchandising activities. For retail stores and food service, "Coke Town" projects were launched in Osaka and Fukuoka to develop stores as consumer starting points, with the aim of expanding the Company's consumer base.

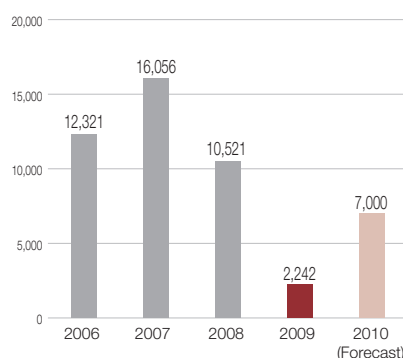
Coca-Cola West continued to hold senior management meetings to conduct intensive deliberations for the purpose of ensuring the continuous growth of the Coca-Cola business, based on its strategic partnership with The Coca-Cola Company and Coca-Cola (Japan) Co., Ltd.

Despite the efforts above, revenues in this segment were down 6.1% compared to the previous fiscal year, totaling ¥367,126 million. Operating income dropped 48.2% year on year to ¥11,468 million.

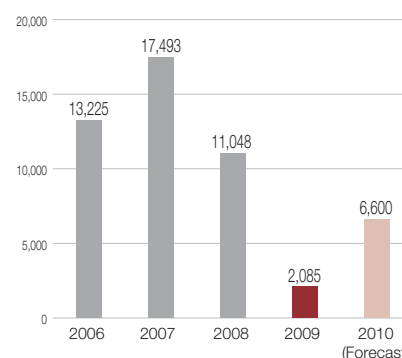
Net Revenues (millions of yen)



Operating Income (millions of yen)



Recurring Income (millions of yen)



Note: Forecasts for fiscal 2010 are as of February 3, 2010.

● Other Businesses

This segment is comprised of a real estate business, insurance agency, transport business (excluding beverage distribution), and restaurant business. Since the beginning of fiscal 2009, the transport business has been operated by a newly consolidated subsidiary, Chugoku Piano Transport Co., Ltd.

Revenues in this segment were ¥2,744 million, a decrease of 44.2% year on year. Operating income, however, rose 15.4% to ¥482 million.

Forecasts for Fiscal 2010

In fiscal 2010, net revenues are forecast to remain flat, dipping slightly by 0.1% to ¥369,300 million; operating income is forecast to reach ¥7,000 million, a jump of 212.1%; recurring income is expected to rise to ¥6,600 million, up 216.5%; and net income is projected to total ¥3,600 million.

Financial Position

As of the end of fiscal 2009, the equity ratio was 68.2%. During the fiscal year under review, Coca-Cola West issued debenture bonds amounting to ¥50,000 million. Despite this, the Company believes that the soundness of its financial standing will continue. Major items in the balance sheet and reasons for changes compared to the previous fiscal year are discussed below.

Assets

Total assets stood at ¥326,818 million as of the end of fiscal 2009, an increase of ¥49,122 million, or 17.7%, compared to the end of the previous fiscal year. This was mainly attributable to the issue of debenture bonds of ¥50,000 million, as well as the acceptance of lease assets, specifically product inventories and production equipment at manufacturing and logistics bases formerly managed by Coca-Cola National Beverage Co., Ltd., whose business ceased according to reforms of the supply and demand management system.

Liabilities

As of the end of fiscal 2009, liabilities amounted to ¥104,002 million, up ¥60,827 million, or 140.9%, compared to the end of the previous fiscal year. The main reasons for this were bonds payable of ¥50,000 million from the issue of debenture bonds, and in line with the aforementioned acceptance of lease assets, an increase in trade notes and accounts payable from the expanded scale of managed inventories, and an increase in lease obligations.

Net Assets

Net assets were ¥222,816 million as of the end of fiscal 2009, down ¥11,704 million, or 5.0%, from the end of the previous fiscal year. This was mainly attributable to payment of dividends and a net loss in retained earnings.

Cash Flows

Results of cash flows for fiscal 2009 are presented below. In addition, Chugoku Piano Transport Co., Ltd., previously an unconsolidated subsidiary, was newly included in the scope of consolidation from the beginning of fiscal 2009, contributing its cash and cash equivalents of ¥212 million in fiscal 2009.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥28,747 million, a year-on-year increase of ¥12,566 million, or 77.7%. Main items included an increase in inventories and an increase in accounts payable resulting from the reform of the SCM system, and a decrease in income taxes paid (including tax refunds).

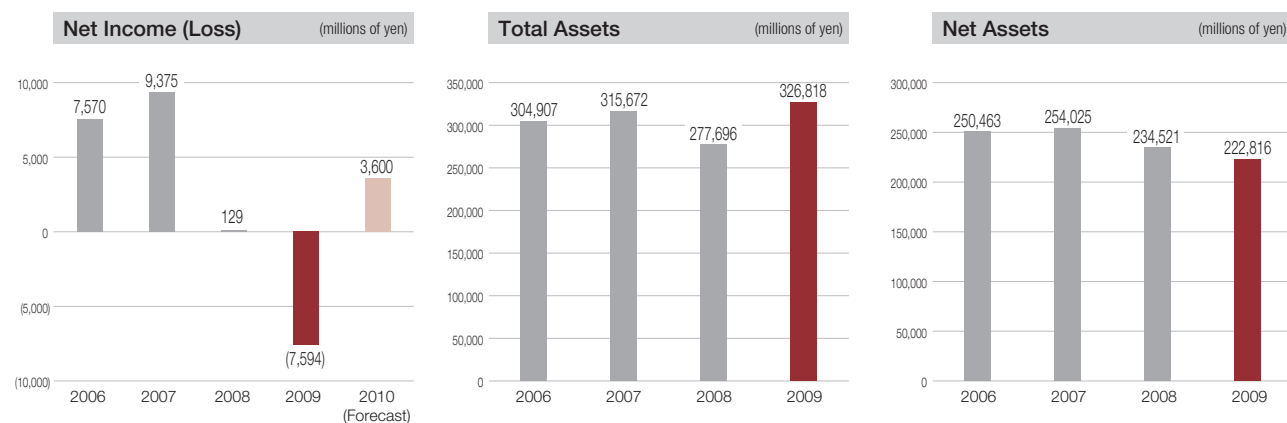
Cash Flow from Investing Activities

Net cash used in investing activities was ¥23,447 million, a difference of ¥25,610 million compared to the ¥2,153 million provided in the previous fiscal year. This result was impacted by proceeds from sales of marketable and investment securities of ¥22,661 million undertaken in fiscal 2008. In the fiscal year under review, large-scale capital investment was expended for new production equipment at the Akashi Plant and other items.

Cash Flow from Financing Activities

Net cash provided by financing activities totaled ¥43,297 million, a difference of ¥74,783 million compared to the ¥31,486 million used in the previous fiscal year. The change was due to the repayment of debt totaling ¥12,500 million in fiscal 2008, and in the fiscal year under review, the issue of debenture bonds amounting to ¥50,000 million, which was undertaken to enable a flexible investment strategy going forward.

Accounting for all of the above, cash and cash equivalents at the end of fiscal 2009 stood at ¥71,221 million, an increase of ¥48,809 million, or 217.8%, compared to the previous fiscal year-end.



Note: Forecasts for fiscal 2010 are as of February 3, 2010.