

## Risk Information

Business results and other aspects of the Company's operations discussed in this annual review are subject to a variety of risks. Those risks deemed most likely to have a significant impact on potential investment decisions are presented below. The Coca-Cola West Group is fully aware of the possibility of these risks and thus works to avoid them or effectively deal with them should they arise.

Statements herein regarding future events or assumptions reflect the judgment of management as of March 26, 2010.

### **(1) Business agreements with The Coca-Cola Company of the United States and Coca-Cola (Japan) Co., Ltd.**

Coca-Cola West conducts business activities based on a bottler agreement with The Coca-Cola Company and Coca-Cola (Japan) Co., Ltd.

### **(2) Quality assurance**

Beverages are the core product of the Coca-Cola West Group. The Group makes every effort to raise employee awareness regarding quality and implements programs aimed at preventing incidents concerning quality in order to offer its consumers high-quality and reliable beverages.

Nevertheless, in the event of an incident related to product quality, the Company's brand image could be tarnished, irrespective of whether or not it was actually at fault. As such, an incident of this nature could adversely affect the operating results of the Group.

### **(3) The soft drink industry**

#### **1) Impact of market fluctuations**

Sales of soft drinks, the Group's core products, are readily influenced by changes in consumers preference.

In a beverage market of this kind, the Group strives to continuously offer appealing products and services. Nevertheless, failure to amply forecast market changes could potentially affect its operating results.

#### **2) Impact of weather-related factors**

Weather conditions tend to have an effect on the sales of soft drinks. Cool summers or warm winters, for example, often have a significant impact on consumers demand. Although the Group makes every effort to minimize the influence of weather-related factors on sales, it offers no guarantee that it can completely eliminate the effect of such factors.

### **(4) Impact of economic conditions**

#### **1) Trends in personal consumption**

Sales of soft drinks are closely linked to trends in personal consumption. Accordingly, a sudden decline in personal consumption due to worsened economic conditions or price reductions of the Company's products resulting from prolonged deflation could adversely affect the operating results of the Group.

#### **2) Fluctuations in asset value**

Fluctuations in the value of land, marketable securities, and other assets owned by the Coca-Cola West Group, as well as in pension assets held in its defined-benefit company pension fund, could potentially impact its operating results and financial position. Marketable securities with a fair value, for example, are subject to changes in fair market value in capital markets, since that is how they are valued.

### **(5) Public regulations**

The Group's Manufacturing and Marketing of Beverages & Foods segment is subject to a number of regulations in Japan, including the Act Against Unjustifiable Premiums and Misleading Representations, and the Food Sanitation Law. The Group fully complies with these and all other regulations in its commitment to providing safe and reliable products.

Accordingly, tougher regulations, for example, might incur new compliance costs, which could potentially affect the operating results of the Coca-Cola West Group.

### **(6) Management of personal information**

The Coca-Cola West Group holds large volumes of personal information. In handling this information, it works on a unified basis to formulate and adhere to related guidelines and implement ongoing training and educational activities.

However, an external leak of personal information could lead to a deterioration of trust in the Coca-Cola West Group and potentially impact its operating results.

### **(7) Impact of disasters**

The Coca-Cola West Group has a system in place to minimize the effects of power outages, as well as other problems that could affect its business operations. Typhoons, earthquakes and other natural disasters, however, could create conditions that overwhelm this system. Conditions of this magnitude could potentially impact the operating results and financial position of the Group.