Coca-Cola West Holdings Company, Limited Annual Review 2006

# Coca-Cola West

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# Annual Review 2006

Year ended December 31, 2006

# Coca-Cola West Holdings Co., Ltd.

## Coca-Cola West Holdings Co., Ltd. (CCWH) operates in the west Japan region. It is the largest Coca-Cola bottler in Japan and one of the top ranked from a global perspective.

On July 1, 2006, Coca-Cola West Holdings Co., Ltd. (CCWH) was established as a joint holding company by integrating the management of Coca-Cola West Japan Co., Ltd. (CCWJ) and Kinki Coca-Cola Bottling Co., Ltd. (Kinki CCBC). The Company entered into a capital and business alliance with Minami Kyushu Coca-Cola Bottling Co., Ltd. on March 8, 2007.

The operating area of the new Group is a massive market accounting for around 30% of the overall Japanese market. It is also a leading bottler in world terms among listed bottlers, ranking fourth in sales and seventh in operating income.

As the largest bottler in Japan, and one of the largest in the world, CCWH is acting as a Strategic Leading Partner with The Coca-Cola Company and Coca-Cola (Japan) Co., Ltd. In this capacity, it is playing a leading role in the transformation of the Coca-Cola system in Japan by engaging in product development, test marketing and other collaborative activities that go beyond the traditional scope of a bottler.

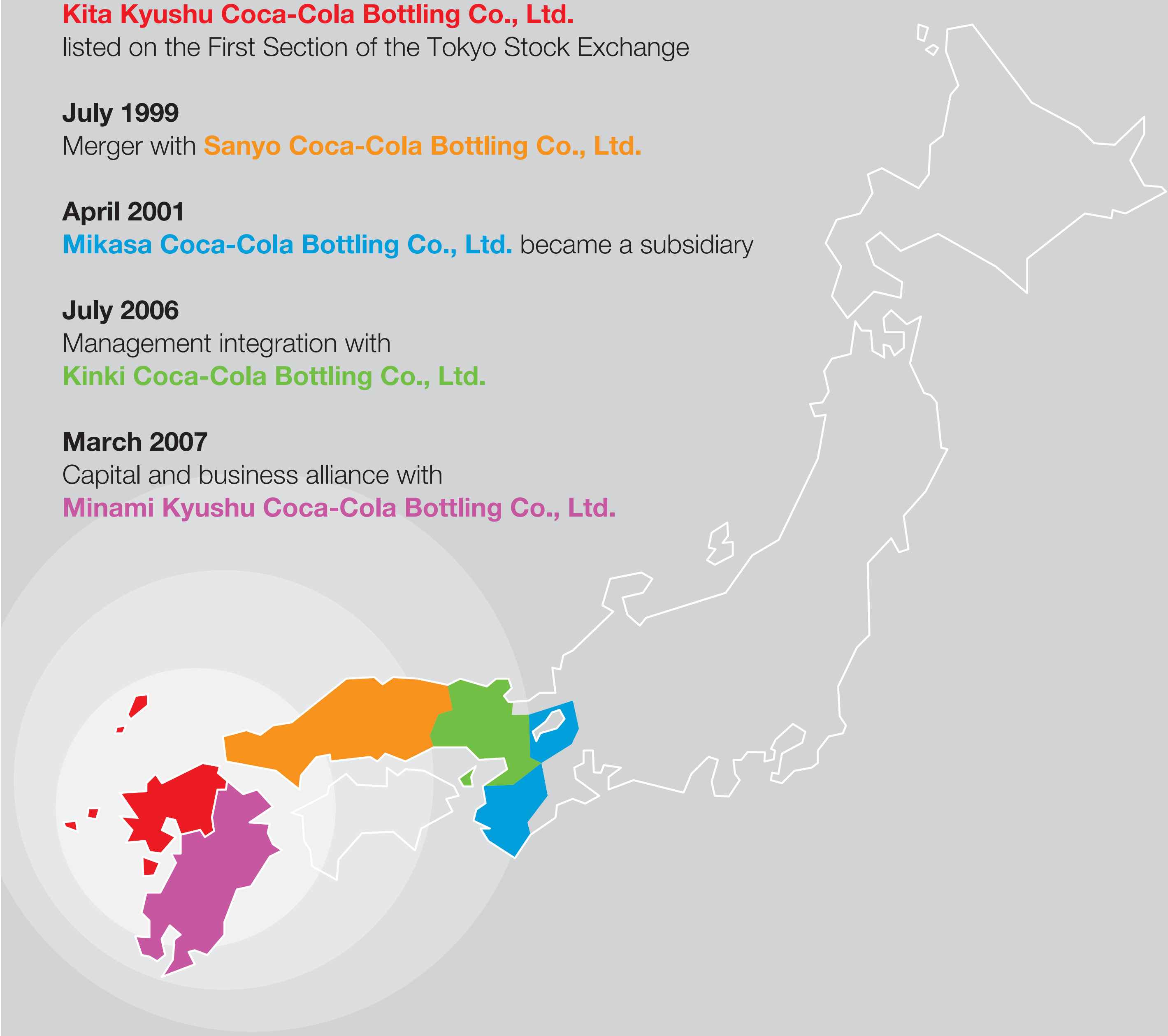
**June 1998**
**Kita Kyushu Coca-Cola Bottling Co., Ltd.**
listed on the First Section of the Tokyo Stock Exchange

**July 1999**
Merger with **Sanyo Coca-Cola Bottling Co., Ltd.**

**April 2001**
**Mikasa Coca-Cola Bottling Co., Ltd.** became a subsidiary

**July 2006**
Management integration with
**Kinki Coca-Cola Bottling Co., Ltd.**

**March 2007**
Capital and business alliance with
**Minami Kyushu Coca-Cola Bottling Co., Ltd.**



# Consolidated Financial Highlights

| (Millions of yen) | | |
|---|---|---|
| Fiscal year: | 2005 | **2006** |
| Net revenues | ¥ 245,874 | **¥ 327,821** |
| Operating income | 11,830 | **12,321** |
| Recurring income | 12,256 | **13,225** |
| Net income | 7,305 | **7,570** |
| Total assets | 208,711 | **304,907** |
| Equity ratio (%)* | 83.2 | **82.1** |
| (Yen) | | |
| **Per share data:** | | |
| Net income per share (EPS) | ¥ 93.42 | **¥ 82.22** |
| Net assets per share (BPS) | 2,228.79 | **2,358.05** |
| Dividend per share | 40.00 | **42.00** |

* In fiscal 2005, Shareholders' equity ratio = Shareholders' equity / Total assets; from fiscal 2006, Equity ratio = Total equity / Total assets

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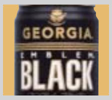



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**Forward-looking Statements**

This annual review contains statements regarding the Company's future plans, strategies, projected performance and outlook. These forward-looking statements are not historical facts, but represent management's opinions and beliefs based on information available at the time of writing. Readers are cautioned that any number of risks and factors beyond the Company's control could cause actual results to differ materially from those projected by management. These include, but are not limited to, economic trends, intensifying competition in the soft drink industry, market supply and demand, and changes in taxation and other applicable laws and regulations.

# To Our Shareholders and Other Investors

## Operating Results

In fiscal 2006, the year ended December 31, 2006, the Japanese economy showed signs of gradual recovery. Amid rising materials prices due to escalating crude oil prices and an increased interest burden caused by the lifting of the Bank of Japan's zero interest rate policy, there was an increase in capital investment and a slight upturn in the job market. However, consumer spending was sluggish with a limited ripple effect from strong corporate earnings on the household sector.

The Japanese soft drink market shrank on factors including unseasonable weather and a relative lack of big product launches as the industry concentrated efforts on growing existing brands. The soft drink industry is becoming increasingly tough as the ever-present competition in the industry intensifies.

Against this market backdrop, we took steps to enhance corporate value by strengthening our business base with a new start as the Coca-Cola West Group (CCWG). This was achieved by integrating operational management of Coca-Cola West Japan Company, Limited (CCWJ) and Kinki Coca-Cola Bottling Co., Ltd. (Kinki CCBC) through the new Coca-Cola West Holdings Co., Ltd. (CCWH).

The corporate mission statement of CCWG is *Create future of beverage business*. Guided by this mission and under the new management structure, the whole Group engaged in a range of activities to enhance value for all stakeholders including shareholders, consumers and employees as well as in terms of our contribution to society and the environment.

As a result of these efforts, CCWH reported consolidated net revenues of ¥327,821 million, up 33.3% from the previous year. Operating income rose 4.1% year on year to ¥12,321 million, and recurring income increased 7.9% to ¥13,225 million. Net income also increased, rising 3.6% to ¥7,570 million.

## Activities During the Year

The first step following the operational integration was to put in place a structure to strengthen business in the growing mineral water sector. We did this by making mineral water manufacturer Daisen Beverage Co., Ltd., a joint venture with other Coca-Cola bottlers, a wholly owned subsidiary. This company was subsequently renamed Coca-Cola West Daisen Products Co., Ltd. Next, to create a Group company framework capable of rapidly responding to changes in the market as soft drink sales companies, in December we reduced the capital of three companies—Kinki CCBC, Mikasa Coca-Cola Bottling Co., Ltd. and Kansai Beverage Service Co., Ltd.—in the same manner as CCWJ when it was newly established by corporate separation at the time of the operational integration. Further, with the objective of expanding the Coca-Cola distribution business in west Japan, on January 1, 2007 we merged Group distribution companies Coca-Cola West Japan Logistics Co., Ltd., Kansai Logistics Co., Ltd. and Mikasa Logistic Co., Ltd. to launch Coca-Cola West Logistics Co., Ltd.

As part of the Group's ongoing corporate stewardship we gave back to local communities by supporting cultural, educational and social welfare activities as well as in other ways. We also worked to promote sound environmental practices in line with our role as a beverage producer. This included entering into joint management with the Forestry Agency of part of a national forest in Tosu, Saga Prefecture. Named *Sawayaka Shizen-no-Mori* (fresh natural forest), this project aims to preserve the forest and its water-holding capacity.

In terms of our product strategy, we concentrated on strengthening our core brands: Georgia, Coca-Cola, Aquarius, Sokenbicha and Hajime. This involved taking steps specific to the brand to infuse each with new momentum. We also strove to increase both sales and market share in the tea drink category with the introduction of Karada Meguricha, promoting a new emphasis on health benefits.

Creating a strong sales structure capable of focusing on consumers and customers and improving distribution efficiency were other themes. To this end, we restructured sales and distribution locations in the Fukuoka, Kita-Kyushu, Yamaguchi, San-in, Okayama and Kobe regions.

## The New Medium-Term Management Plan, Wing

Turning to the future, the economy is expected to remain robust, with strong corporate earnings supporting continued active capital investment and job growth.

The maturing soft drink market, however, is not expected to experience significant growth. Thus, CCWH expects its operating environment to become increasingly tough as soft drink producers increase the pace of the restructuring on which their survival depends.

With these circumstances in mind, the Group has formulated its next medium-term management plan, Wing, for the three-year period from 2007 through 2009. The plan aims to achieve sustained growth in corporate value. Part of our approach will be to grow significantly faster than our competitors and establish a solid revenue base by strengthening the strategic partnership with The Coca-Cola Company (TCCC) and Coca-Cola (Japan) Co., Ltd. (CCJC), to new levels. We also aim to become the world's leading bottler through further initiatives to integrate and improve the management structure and through the pursuit of expansion and increased efficiency.

## Dividends

In return for the loyal support of our shareholders, we have declared a year-end dividend applicable to 2006 of ¥22 per share. The full-year dividend, including the interim dividend, is thus ¥42 per share, an increase of ¥2 on the previous year.

I hope we can count on the continued support and understanding of shareholders and other investors going forward.

April 2007

Representative Director & CEO

N. Sueyoshi

Norio Sueyoshi

# Medium-Term Management Plan, Wing

## Becoming the Leading Bottler in the World

The Coca-Cola West Group (CCWG) has formulated a medium-term management plan, Wing, covering the next three years from 2007 to 2009. The Wing plan incorporates the four concepts shown on the right.

The plan encapsulates the aims of CCWG as it proceeds with the transformation to a consumer-centric approach based on the strong relationship of trust between the Company and its employees. The ultimate aim of the plan is to become the world's leading bottler.

The Group ranks among the world's leading listed Coca-Cola bottlers in terms of size—it is currently ranked fourth in the world in sales, eleventh in sales volume and seventh in operating income. But the Group is not preoccupied with becoming the world's leading bottler through expansion. Rather, our aim is to achieve results in the Japanese market by growing significantly faster than our competitors and establishing a solid earnings base.

<Wing>

Wing

**Wing:** The Coca-Cola West Group will continue to soar for the next several decades.

**West:** CCWG will constantly develop and evolve.

**We+ing:** Each one of us will constantly develop and evolve as individuals.

**Win:** Prevail in the battle with competitors in the eyes of consumers.

**<Overall View>**

### I. Business Environment

External: Change in operating environment, outpacing expectations
Internal: Move towards next stage of growth

### II. Corporate Mission

Create future of beverage business

### III. Basic Management Stance

- Group Management
- Corporate Governance
- Corporate Social Responsibility (CSR)

**Management goals**

- Maximization of sales and earnings
- Maximization of value provided to customers
- High-quality work
- Job satisfaction and employee personal development
- Give back to employees, shareholders and society

## Strategy

There are four main strategies on which the success of the Wing plan depends. In order to expand, we will evolve as a bottler through strengthening the strategic partnership with The Coca-Cola Company (TCCC) and Coca-Cola (Japan) Co., Ltd. (CCJC), and also increase sales and earnings by outperforming our competitors in the eyes of consumers. To increase efficiency, our strategy hinges on utilizing the enhanced functionality and efficiency provided by the management integration. Finally, our strategy to enhance our fundamental strengths will involve strengthening the capabilities of our employees and organizations. The relationship between these four strategies is broadly as shown in the pyramid structure in the diagram to the right. Our strategy to enhance our fundamental strengths provides the base for our expansion and efficiency strategies. In this way we aim to realize the Group's vision and succeed in increasing sales and earnings.

**<Four Strategies>**


## IV. Vision

**Becoming the Leading Bottler in the World**

- **Grow significantly faster than our competitors**
- **Establish a solid earnings base**

**Transformation to a consumer-centric approach**

**Strong relationship of trust between Company and employees**

## V. Strategies

**1. Evolve as a bottler through strengthening the strategic partnership with TCCC and CCJC**

Utilizing the new structure for strategic collaboration created with TCCC and CCJC we will build an integrated process, ranging from the proposal of consumer-centric marketing strategy to product distribution and operations. We will also develop new products and sales approaches for business areas where we don't have a presence with the aim of gaining new opportunities to grow.

**2. Increase sales and earnings by outperforming our competitors in the eyes of consumers**

First, we will create a framework for better incorporating customer feedback into our operational cycle to firmly anchor our business activities on all-important consumer opinion. Next, in order to achieve new earnings-generated growth we will restructure the vending machine business and improve the quality of customer management by providing consumers with products and services of the highest quality.

**3. Utilize the enhanced functionality and efficiency provided by the management integration**

First, we will maintain and enhance decision-making, reporting and oversight structures to increase the responsiveness of management and ensure our management system is functioning robustly. We will also endeavor to enable agile and flexible responses to market changes while establishing a thoroughly ingrained low-cost philosophy. This will be achieved by integrating and improving the management structure and making the business structure stronger and more efficient.

**4. Strengthen the capabilities of our employees and organizations**

Employees are the backbone of a company. With this in mind, we will promote personnel development and improve personnel systems to increase employee motivation and job satisfaction.

# Initiatives Following the Establishment of Coca-Cola West Holdings

In this section, we introduce the main initiatives that CCWH is already undertaking following its inception on July 1, 2006 to act as a leader for the Coca-Cola system in Japan, with the aim of becoming the world's leading bottler.

## I. Evolving as a bottler through strengthening the strategic partnership with TCCC and CCJC

### (1) Management meetings (once every two months)

The top management of CCWG and CCJC meet to discuss how CCWG and TCCC/CCJC should collaborate to realize continued growth of the Coca-Cola system as a whole. The participants take the annual business plan as a base to share progress updates and ideas for changes in approaches with respect to sales, market share, earnings and strategies. They also exchange opinions regarding the transformation of the Coca-Cola system as a whole. Such discussions allow the top management of both companies to act as one in leading the transformation of the Coca-Cola system.

### (2) Marketing forum (once every two months)

The marketing forum is held in order to reflect CCWG's insight into consumer sentiment gained from its close proximity to consumers in the strategies formulated by CCJC. The forum provides an opportunity to track progress of the annual business plan and formulate collaborative marketing plans based on discussions of CCJC's marketing strategies and the market viability of its business programs.

The meeting is attended by CCJC's Sales Promotion Division and CCWH's Sales Planning Division. In order to facilitate the sharing of market information and enable the representatives of the two companies to communicate as one, the CCJC Sales Promotion Division (west Japan region) has relocated its office to CCWH's Osaka office.

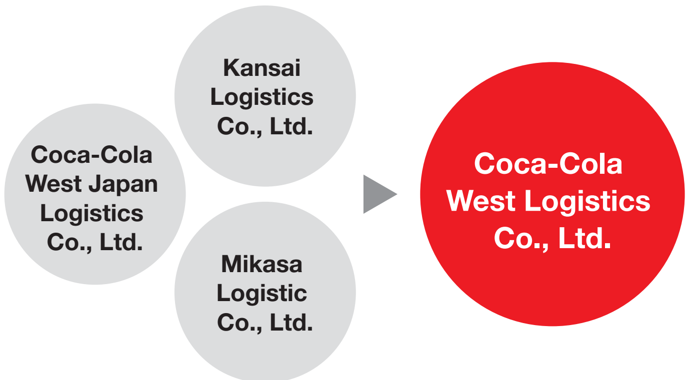
This is the first time that a bottler has directly involved itself with marketing in Japan. As such, the Company has established the Product Development Team within the Sales Planning Division to increase the effectiveness of marketing strategies and product development. The team is working to promote chilled products, develop products for CVM, and develop products and retail methods for on-premise sales.

### (3) Strengthening of ties with Coca-Cola Integrated Business Solutions (company integrating information system functions)

Efforts are underway in the Fukuoka office aimed at creating a core information system and bottler purchasing process as part of a standard model for the Coca-Cola system. This initiative is being carried out with the input of employees from each bottler regarding sales, financial aspects and other relevant matters. CCWH is once again taking a leading role in this area, acting as a pilot bottler for the system building project.

## II. Utilize the enhanced functionality and efficiency provided by the management integration

### (1) Integration of distribution




The Group merged the three companies effective January 1, 2007 to form Coca-Cola West Logistics Co., Ltd., with the aim of generating the following five synergies: increased business through wider coverage and better quality through improved efficiency; sharing and promotion of best practices and cost reduction know-how; faster decision-making and enhanced capacity to execute plans through unification of purpose; gathering together of management and supporting divisions, and capturing external business opportunities, particularly through CCNBC.

### (2) Reduction of capital in Kinki and Mikasa bottling companies and Kansai Beverage Service

**Kinki Coca-Cola Bottling Co., Ltd.:**
**¥10.9 billion to ¥0.1 billion**

**Mikasa Coca-Cola Bottling Co., Ltd.:**
**¥4.1 billion to ¥0.1 billion**

**Kansai Beverage Service Co., Ltd.:**
**¥1.4 billion to ¥0.1 billion**

**Reference: Coca-Cola West Japan Co., Ltd.: ¥0.1 billion**

The share capital of the three companies was reduced to ¥100 million without compensation to shareholders to allow flexible organization and more agile management as the Group's beverage sales businesses. The capital of CCWJ was ¥100 million at the time of its inception on July 1, 2006.

### (3) Name change for Daisen Beverage


Making Daisen Beverage Co., Ltd. a wholly owned subsidiary put in place a structure for strengthening business in the growing mineral water sector. Use of the Coca-Cola West brand name both clarifies Daisen's status as a Group company and instills a sense of unity.

### (4) Improved SCM dispensing with the concept of bottler territories

We are endeavoring to increase efficiency with the use of distribution that crosses former bottler territories and by collaborating in matching supply and demand. For example, it is more efficient for the sales centers in Okayama, located in the eastern part of the CCWJ area, to be supplied by warehouses in the neighboring Kinki CCBC area. The same can be said for neighboring sales centers in the Kinki CCBC and Mikasa CCBC areas. Such efforts to improve efficiency target cost reductions and increased earnings.

### (5) Effective use of capital

The Group is making effective use of capital thanks to the introduction of a cash management system that pools surplus funds in CCWH.

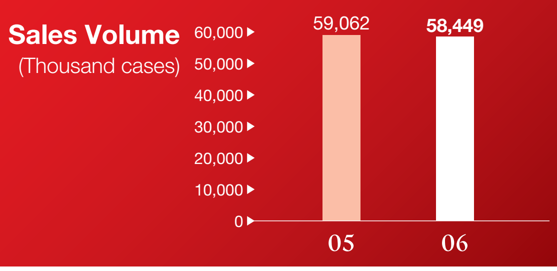
## III. Capital and business alliance with Minami Kyushu Coca-Cola Bottling

On March 8, 2007, the Company entered into a capital and business alliance with this bottler, which covers the territory in southern Kyushu comprising the prefectures of Kumamoto, Kagoshima, Miyazaki and Oita. As bottlers with neighboring territories, and driven by the idea that the Kyushu region should be treated as one, the two companies had developed a collaborative relationship, particularly in marketing activities. This tie-up formalizes that relationship by uniting the Kyushu region, and aims at increased sales based on strategies targeting Kyushu as a whole, including product development and promotions.

# A Sales Framework Tuned to Consumer and Customer Needs


## Vending Machine Channel

This channel provides products to consumers through its extensive network of vending machines.




### Fiscal 2006 Activities

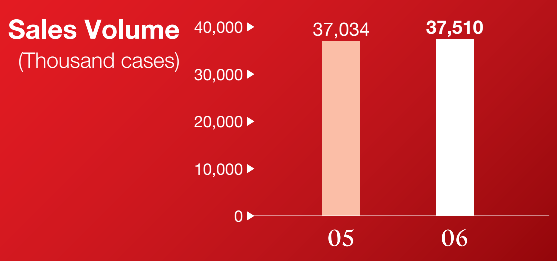
The vending machine channel is a pillar of sales and earnings for the group. It accounts for 31.8% of overall sales volume and contributes significantly to sales and earnings. In fiscal 2006, the channel worked to increase both sales and earnings with initiatives including installing more vending machines and optimizing product lineups. The increase in machine numbers included a concerted effort to introduce more vending machines with benefits for local communities. This effort grew the number of vending machines provided to local governments and other bodies in the Company's territory by 626 to 1,113 units during fiscal 2006. The Company also continued to actively invest in IT-enabled vending machines, as it strove to provide product lineups to meet consumer needs and more efficient operation.

### Policies for Fiscal 2007 and Beyond

The aims for this channel in fiscal 2007 are to build a highly profitable business structure and further entrench the Company's competitive advantage. To this end, we will undertake initiatives to increase profitability. These will include conducting marketing targeted to the location where vending machines will be installed, thoroughly strengthening operations in existing locations, engaging in new development to generate earnings from more tightly focused target markets and using IT technology. At the same time, the Company will continue to consider and conduct M&As of vending machine operators with the goal of securing prime locations in the urban and indoor vending machine markets.

## Chain Store Channel

This channel encompasses sales to supermarkets, discount stores and home centers.




### Fiscal 2006 Activities

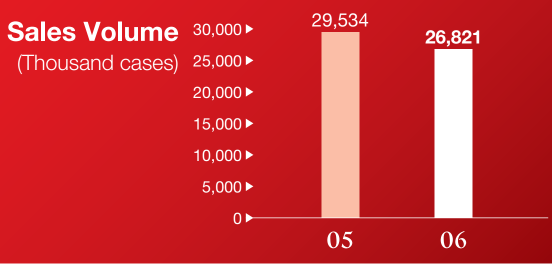
Chain store operations are home to considerable consumer needs. This is helping to make this channel one of CCWH's fastest growing sales channels. In fiscal 2006, CCWH formulated and introduced optimum product lineups, price ranges, and sale promotions for specific retail formats. These formats were identified and segmented based on consumer rationale for store visits. We also worked to improve earnings by concentrating efforts on selling products in highly profitable 500ml PET bottles.

### Policies for Fiscal 2007 and Beyond

In fiscal 2007, the Company will further strengthen customer management on three fronts: category management, which covers product lineup and product mix; promotion management, which deals with the execution and review of effective promotions, and revenue growth management, which seeks to maximize profits for planned sales volumes.


# General Retail Channel

This channel encompasses sales to liquor stores, food retailers and the traffic market.




## Fiscal 2006 Activities

Sales volumes in the general retail channel are declining due to changes in the constitution of the market in recent years. In fiscal 2006, CCWH opened up new markets with ongoing development of new customers. This involved making proposals targeted at hotels and other businesses that attract large numbers of consumers and conducting sales activities closely tailored to regions to capitalize on demand at events.

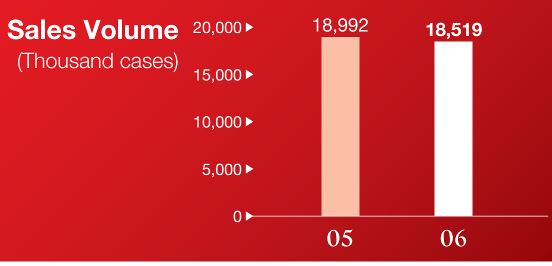
The Company also succeeded in minimizing the impact of market contraction allowing it to maintain earnings. This was achieved by strengthening proposal-based sales activities, taking measures to reinforce business operation, including upgrading training for each employee occupation and realigning its network of sales branches, and by seeking to cut costs.

## Policies for Fiscal 2007 and Beyond

CCWH will continue to take steps to develop new customers in fiscal 2007. It will also endeavor to maintain and expand sales volume and earnings from sales to existing high-volume retailers. There will be a particular focus on raising profitability by capturing sales volume from hotels, restaurants and cafes.


# Food Service Channel

The food service channel's core operations encompass the sale of soft drink syrup to fast food chains, cinemas, sports facilities, casual dining restaurants and theme parks.




## Fiscal 2006 Activities

In fiscal 2006, CCWH endeavored to reinforce relationships with existing stores via customer management activities, develop new customers and improve profitability. In terms of the first initiative, actions included building an IT-based framework to manage product expiry dates and quality in addition to storing and using a variety of information concerning customers to assist the Company's efforts to expand sales volume. As part of efforts to capture new customers, the Company developed the institutional hot beverage market by using machines with advanced functions that sell hot beverages, including regular coffee. Earnings were boosted by improving the performance of unprofitable customer accounts, revising contract terms and using machine inventories more effectively.

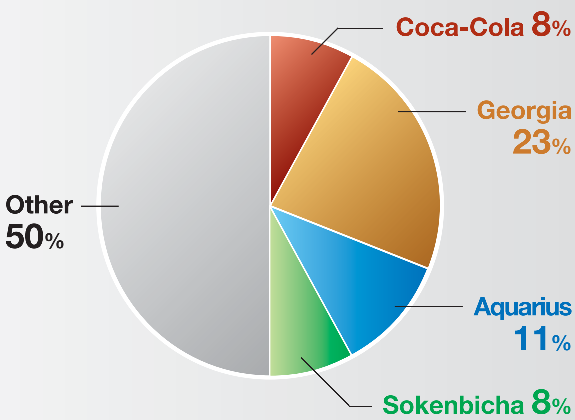
## Policies for Fiscal 2007 and Beyond

In fiscal 2007, CCWH aims to increase sales volume and earnings by continuing its consumer-centric approach and focusing efforts on developing new customers from outside its current sphere while also concentrating on relationships with existing high-volume retailers. The Company will also take further comprehensive quality control measures to ensure that consumers can enjoy our products with peace of mind.

# CCWH's Core Brands

CCWH is striving at every level to strengthen its four core brands.

## Breakdown of Sales Volume (2006)





## Coca-Cola

Accounting for around 10% of CCWH's sales volume, Coca-Cola has a dominant market share in CCWH's operating area of 78%.

In 2006, the Company rolled out a new advertising campaign under the slogan, "Coke, Please!", centered around the Coca-Cola 120 Anniversary Plan.

In 2007, CCWH will aim to further boost sales volume and market share, particularly by increasing the consumer base in the 10–20 age bracket, based on a new global advertising campaign, "the Coke side of life" and other initiatives.

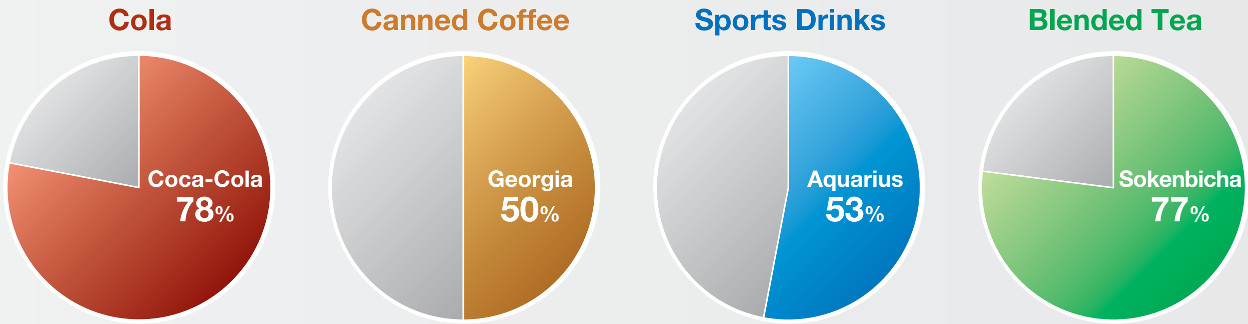
## Georgia


Launched in 1975, Georgia is now a byword for canned coffee. CCWH pioneered Georgia for its own target region prior to the product's nationwide launch. Georgia accounts for more than 20% of CCWH's sales volume and enjoys a commanding market share of 50% in CCWH's operating area.

In 2006, the Company strove to increase the number of consumers in the core demographic of males in their 30s and 40s with a new advertising campaign, "NEW GEORGIA START!"

In 2007, CCWH aims to consolidate these gains and grow the coffee business by continuing to run the current advertising campaign.

## Home Market Share by Product Category (2006)




Note: Home market share is the share of the OTC market (excluding vending machines) in the Company's sales territory

Source: Intage Inc. of Japan Store Audit

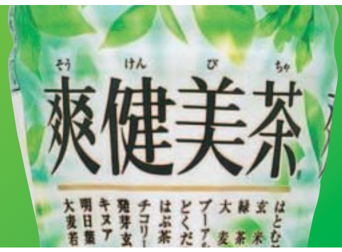

## Aquarius

Developed in Japan and growing in stature as a global brand, Aquarius is Japan's most-loved sports drink. Aquarius has a dominant 53% market share in CCWH's operating area.

In 2006, the Company succeeded in growing sales with the introduction of a new product, Aquarius Freestyle.

In 2007, CCWH aims to broaden and strengthen the trust of consumers based on the use of sports science. This will see CCWH launch a new advertising campaign, "Beyond the Limit", and new products.


## Sokenbicha





Underpinned by the motto, "For refreshment, health and beauty," Sokenbicha is a tea for health and beauty-conscious people. CCWJ pioneered Sokenbicha for its own target region prior to the product's nationwide launch. Sokenbicha has an impressive 77% share of the market in CCWH's operating area. Even today, Sokenbicha remains synonymous with blended tea in Japan.

In 2006, the Company worked to build an even firmer market position for Sokenbicha with the roll out of a new campaign titled, "Power My Beauty," and a robust yet refined natural fit bottle.

In the coming year, CCWH will target young women consumers, centered on the 20-30 age bracket, with a new advertising campaign aimed at developing and strengthening the product's association with the concept of beauty with the slogan "Because Beauty Comes From Within."

# Market Information

## Trends in the Japanese Soft Drink Market

In 2006, production volume in the soft drink market dropped 0.4% year on year due to factors including unseasonable weather and a relative lack of big product launches as the industry concentrated efforts on growing existing brands.

Markets for the tea, coffee and carbonated beverages product categories—the top three categories by production volume—all shrank. The market for sports drinks and functional drinks similarly fell back from 2005.

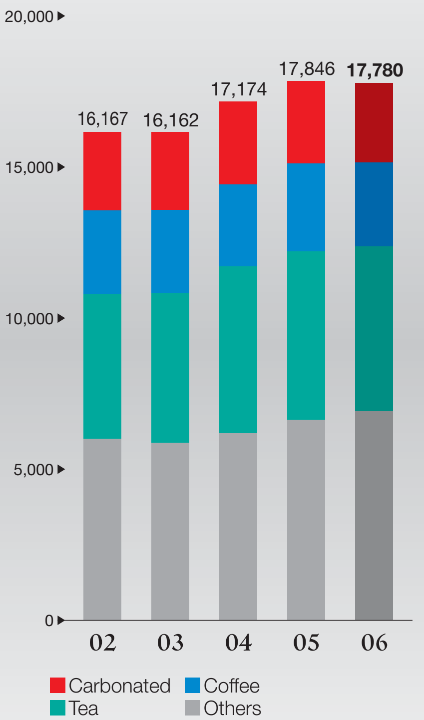
In other categories, mineral water and vegetable juice grew significantly, while the cocoa and jelly-type drinks categories, although small in market size, experienced strong growth.

## Market Information for CCWH Sales Territory

### 1. Trends in CCWH Sales Territory

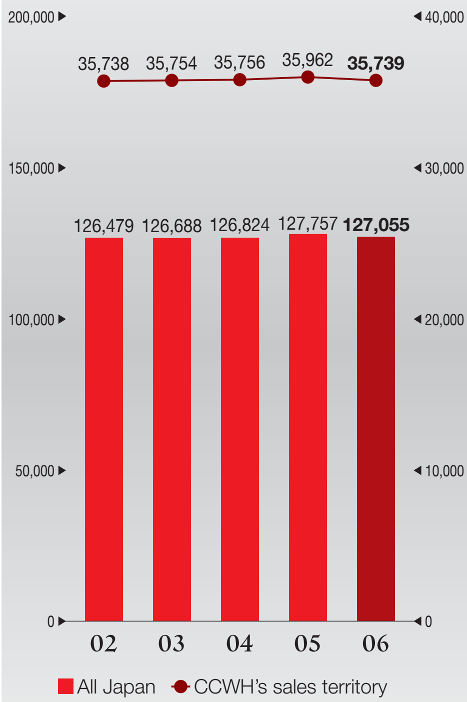
CCWH's sales territory encompasses three prefectures in the northern Kyushu region (Fukuoka, Saga and Nagasaki), five prefectures in the Chugoku region (Hiroshima, Okayama, Yamaguchi, Shimane and Tottori) and six prefectures in the Kinki region (Osaka, Kyoto, Hyogo, Nara, Shiga and Wakayama). According to 2006 population statistics and the Basic Resident Register, Japan's population totaled 127,055,000, of which 35,739,000 people lived in CCWH's sales territory, representing 28.1% of the country's total population. The yearly per capita consumption of soft drinks in this sales territory is 163 bottles, based on a serving size of 237ml.

**Production volume of soft drinks (Total industry)**
(1,000kl)



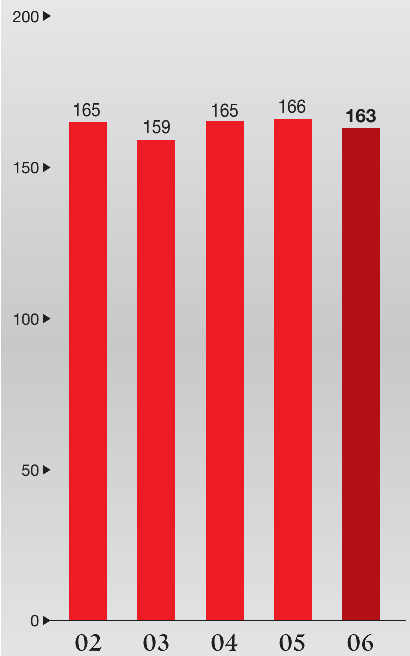

Source: Japan Soft Drinks Association (Annual Statistic Report on Soft Drinks FY2006)

**Population trends in Japan**
(Population, 1,000s)




Source: Basic Resident Register

**Per capita consumption in CCWH sales territory**
(Bottles)



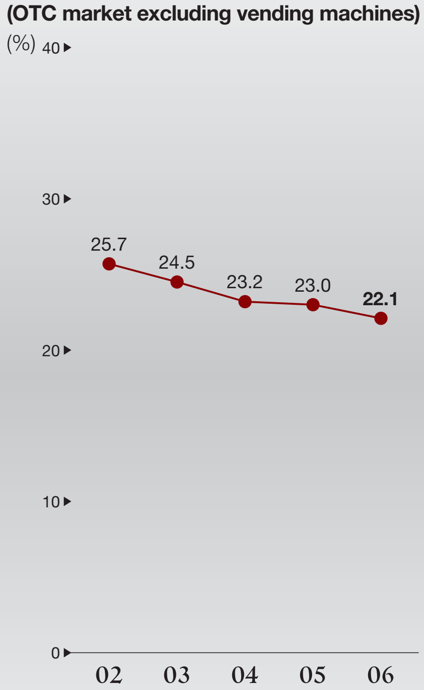
## 2. Home Market Share in Sales Territory (OTC market excluding vending machines)

In 2006, CCWH's share of its target market dipped 0.9 of a percentage point year on year to 22.1%. CCWH has also built the following market positions in different business formats: grocery stores, 38.2%; liquor stores, 23.4%; supermarkets, 21.5%; and convenience stores, 19.8%. These figures represent the leading market share for the soft drinks industry for each business format.

## 3. Vending Machine Installation

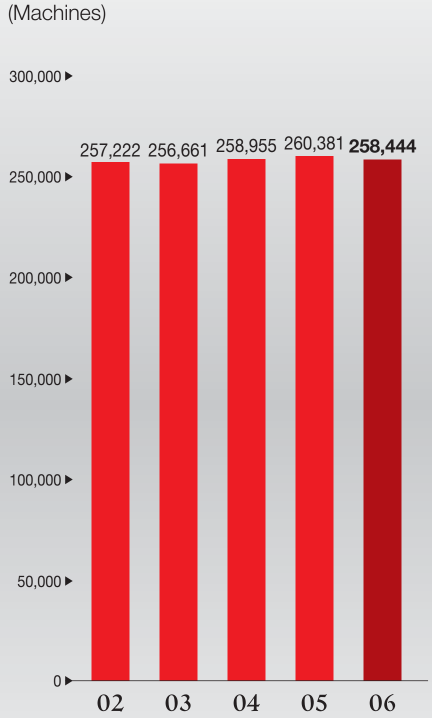
The number of CCWH vending machines installed in the Company's territory was 258,444 units at the end of 2006, a decrease of 1,937 from the end of 2005. The Company's share of the outdoor vending machine market was 36.3% in 2006, still an exceptionally high figure compared to competitors. The drop in the number of machines was primarily due to the removal of units with low sales as part of a focus on profitability.

**Home market share in CCWH sales territory**
**(OTC market excluding vending machines)**

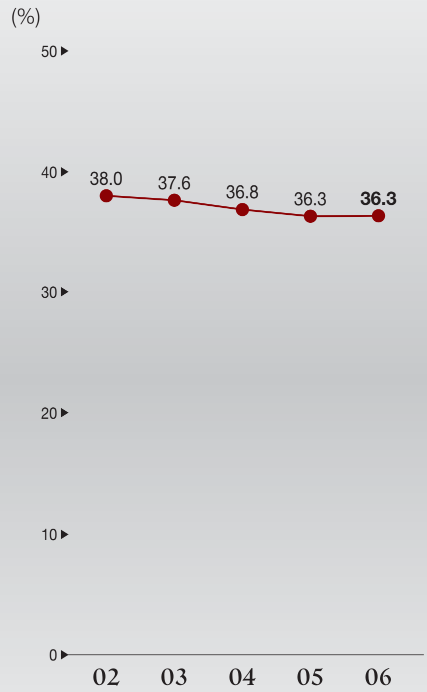



Source: Intage Inc. of Japan Store Audit

**Number of vending machines**




**Share of outdoor vending machine market**




Source: ACNielsen Corporation Japan Store Audit (2006)

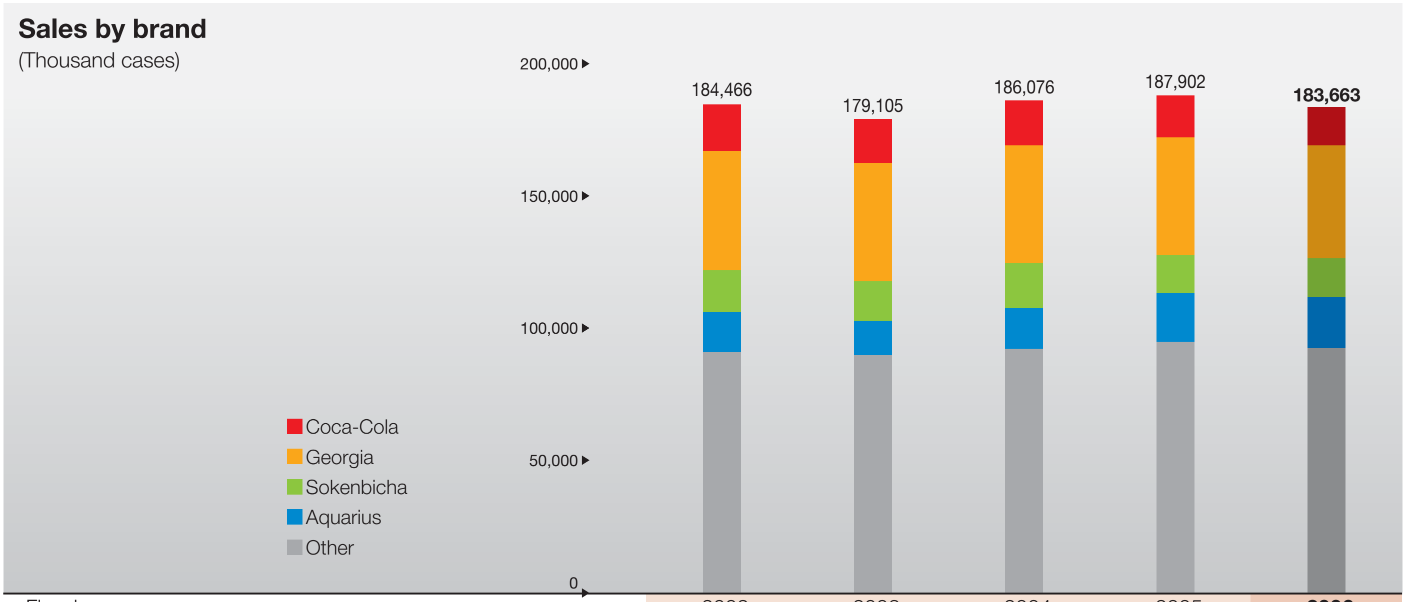
# Sales Volume in CCWH Sales Territory

## Sales Volume by Brand

CCWG is focused on fundamentally strengthening its core brands: Coca-Cola, Georgia, Sokenbicha and Aquarius. Nevertheless, total sales volume in fiscal 2006 decreased by 4,239,000 cases, or 2.3%, to 183,663,000 cases. Sales volume of the four core brands fell 1,732,000, or 1.9%, to 91,309,000 cases. Sales volume for other brands was also down at 92,354,000 cases, a drop of 2,507,000 cases, or 2.6%.

The core brands accounted for 49.7% of total sales volumes. Georgia contributed the most at 23.2%, followed by Aquarius at 10.5%, then Sokenbicha and finally Coca-Cola. In 2006, Georgia's sales volume dropped by 1,701,000 cases, or 3.8%, to 42,665,000 cases, and Coca-Cola's sales volume fell to 14,635,000 cases, a decline of 1,166,000 cases, or 7.4%. The other two core brands fared better. The launch of Aquarius Freestyle helped boost Aquarius sales volume by 897,000 cases, or 4.9%, to 19,298,000 cases, and Sokenbicha grew 238,000 cases, or 1.6%, to 14,711,000 cases, supported mainly by strong sales of the 500ml natural fit bottle.

**Sales by brand**
(Thousand cases)




| Fiscal year: | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Coca-Cola | 17,506 | 16,661 | 17,096 | 15,801 | **14,635** |
| Georgia | 45,250 | 44,835 | 44,433 | 44,366 | **42,665** |
| Sokenbicha | 15,707 | 14,896 | 17,018 | 14,473 | **14,711** |
| Aquarius | 15,251 | 13,110 | 15,478 | 18,401 | **19,298** |
| Other | 90,752 | 89,603 | 92,051 | 94,861 | **92,354** |
| Total | 184,466 | 179,105 | 186,076 | 187,902 | **183,663** |

## Sales Volume by Package

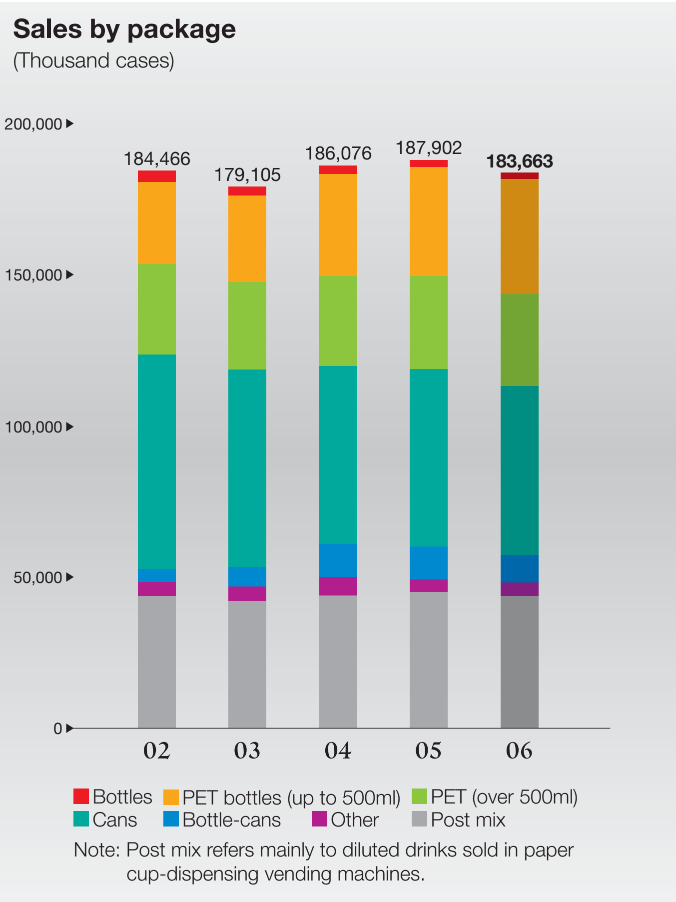
Sales volume of PET bottle products increased by 1,601,000 cases, or 2.4%, from 66,807,000 cases in fiscal 2005, reaching 68,409,000 cases in the year under review. In particular, 500ml PET bottles and PET bottles of 350ml or less saw significant year-on-year increases in sales volume, rising 6.0% and 3.4%, respectively. Meanwhile, sales volume of cans declined by 2,798,000 cases, or 4.8%, to 55,780,000 cases, and sales volume of bottle-cans fell by 1,753,000 cases, or 16.0%, to 9,236,000 cases.

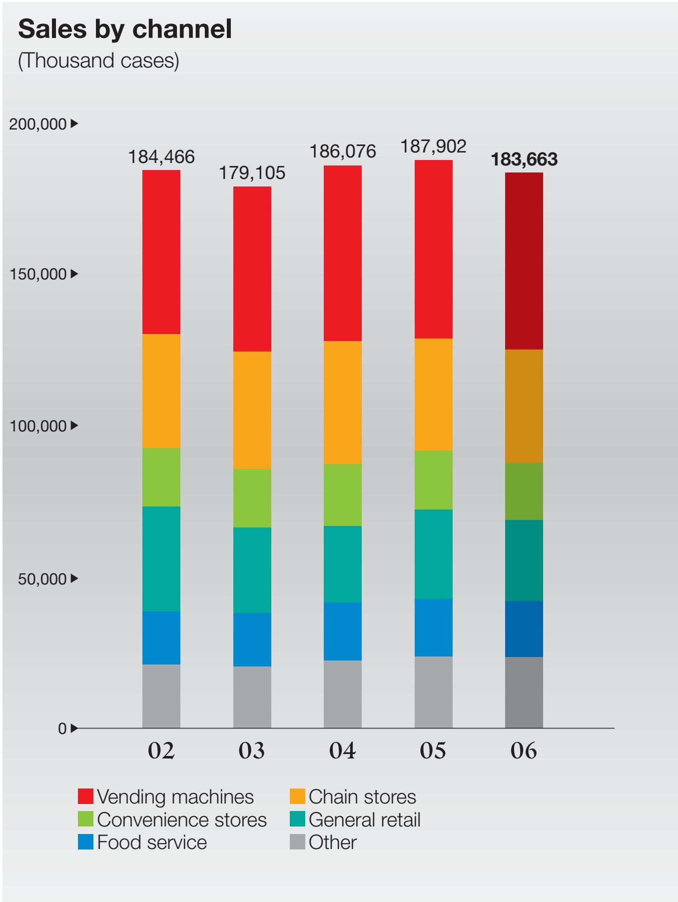
Recent packaging trends show an ongoing shift away from cans to PET bottles. CCWH's policy will continue to be to boost sales volume of PET bottles as a core packaging format.

## Sales Volume by Channel

Four of CCWH's five sales channels reported lower sales volumes compared to a year earlier (decreases in brackets). General retail channel: 26,821,000 (9.2%); convenience store channel: 18,845,000 (3.5%); food service channel: 18,519,000 (2.5%); and vending machine channel: 58,449,000 (1.0%). The chain store channel recorded the sole gain of 1.3% to 37,510,000 cases.

Recent trends show an ongoing shift in sales from the general retail channel to other sales channels. The Coca-Cola West Group's policy going forward will be to increase sales volume by focusing on the vending machine and chain store channels.



Committed to being a good corporate citizen, CCWH always thinks and acts from a social standpoint. Consequently, CCWH is involved in a range of activities that contribute to local communities and the environment. CCWH allocates a fixed portion of earnings every year to fund these ongoing activities with the understanding and support of shareholders.

# Contributions to Regional Society

**Fundamental Stance**

## Together With Society

CCWH's support for the healthy development of youth and its efforts to promote closer communication with target regions consists of four areas of activity: community welfare, sports activities, cultural events and educational programs, and regional events.

**Cultural and Educational Activities**

**Sawayaka Family Musical**
CCWH hosts this musical for parents and children during the summer holidays.

**Ichimura Nature School in Kyushu**
This facility uses plant cultivation and cooperative living to help children develop into well-balanced, mature young people.

**Sawayaka Classical Concert**
CCWH hosts this high-quality, full-fledged classical music event.


**Sawayaka Concert**
This entertaining concert brings together local orchestras and notable guest singers.

**The 60th National Sports Festival, Okayama Prefecture**

**National Cultural Festival Yamaguchi 2006**

**Saruku Urban Walking Tour Expo 2006 in Nagasaki**

# Contributions to Regional Society

Coca-Cola West

## Social Welfare Services

**Donation of Educational Materials to Special Schools**
CCWH donates PCs and other educational materials to special state schools with the hope of helping children at these schools lead independent lives.

## Sports Activities

**Sawayaka Rugby Clinic**
Members of the Coca-Cola West Red Sparks rugby team teach the fundamentals of the game to elementary, junior high and senior high school students.

**Sawayaka Sports Hiroba**
This well-grassed sports ground is open to the local community.

**Donation of Unicycles to Elementary Schools**
CCWH donates unicycles to public elementary schools.

## Regional Events

### Other

- **Japan Inter-High School Sports Meet**
- **Japan Youth Soccer Tournament**
- **H.I.H. Prince Takamado Trophy All Japan Inter-Middle School English Oratorical Contest**

# Environmental Activities

## Basic Philosophy

### Refreshing the Community and the Environment

**As a company dedicated to creating the future of the beverage business we recognize the preservation of the Earth's environment as an issue of the greatest importance and endeavor to contribute to the realization of a sustainable society.**

**We will continue to carry out environmental protection activities with the combined efforts of the Company and each individual employee as a company trusted by the local community.**

## Action Plan

- Consider the environment and prioritize environmental protection measures to guard against environmental risks in all aspects of our business activities.
- Operate and continuously improve systems designed to reduce the environmental burden in our daily business activities.
- Use water effectively, use energy efficiently and reduce and recycle waste.
- Comply with applicable laws and ordinances, agreements and voluntary standards introduced as needed.
- Engage in activities that contribute to local communities and leave a beneficial legacy for the next generation.
- Raise employee awareness of environmental protection issues through training and education.
- Act as a good corporate citizen by promoting communication with stakeholders.

## Creating a Recycling Society

**Operation of Recycling Center**
This facility sorts, processes and recycles empty glass bottles, cans and plastic bottles collected at Company sites.

## Supporting Environmental Education

**School Biotope Creation Projects**
CCWH supports this activity in which children build wildlife refuges with their own hands and in the process learn about the splendor and importance of the natural environment.

**School Tree Planting Projects**
Under this program, which is designed to nurture a love of nature and teach its importance, children become "foster parents" for oak seedlings, which they plant in the mountains.

**Coca-Cola Ecology School**
With the trees, insects and other flora and fauna in the countryside as the textbook, CCWH holds environmental education classes that provide important experiences for coexisting with nature.

# Environmental Activities

Coca-Cola West

## Cleaning Up Local Communities

**Coca-Cola Clean Day**
CCWH designates the 8th of each month, in principle, as Coca-Cola Clean Day when employees clean roads and public spaces around CCWH offices.

## Preserving Water-holding Capacity of Forests


**Activities in *Sawayaka Shizen-no-Mori***
As a company that uses water, one of nature's gifts, in its products, CCWH engages in activities to preserve the water-holding capacity of this forest such as pruning trees.

## Fight Against Global Warming


**Plan to Reduce Greenhouse Gases**
CCWH reduces emissions of greenhouse gases, seen as one of the causes of global warming, through effective operation of its environmental management system.

**Introduction of Eco-vehicles**
CCWH is promoting the "Eco-Drive" concept by proactively adding hybrid and natural gas-powered vehicles to its fleet.

# Operating Performance

## Overview of Fiscal 2006 Operating Results

### Net Revenues

Consolidated net revenues increased ¥81,946 million, or 33.3%, year on year to ¥327,821 million. This was primarily the result of an expansion of scale in terms of sales area and other operational aspects due to integration with Kinki Coca-Cola Bottling Co., Ltd. (Kinki CCBC) in July 2006.

### Operating Income

Operating income increased ¥490 million, or 4.1%, to ¥12,321 million, the result of the increase in scale from integration of operational management.

### Recurring Income

Recurring income increased ¥969 million, or 7.9%, to ¥13,225 million.

### Net Income

Net income was ¥7,570 million, up ¥264 million, or 3.6%, on fiscal 2005. This resulted in net income per share of ¥82.22, a decline of ¥11.20 year on year.

### Dividends

The dividend per share rose ¥2 from fiscal 2005 to ¥42, representing a dividend payout ratio of 112.4%.

### Operating Results by Segment

*Manufacturing and Marketing of Beverages & Foods*

In terms of brand strategy, the segment actively implemented a range of new campaigns and various promotions with the aim of strengthening its core brands—Georgia, Coca-Cola, Aquarius, Sokenbicha and Hajime. Specific initiatives included redesigned packaging and a new graphic for the Georgia brand. Efforts were also directed at strengthening the Coca-Cola brand, leveraging the 120th anniversary of the brand and the FIFA World Cup™ to distribute product samples and carry out promotions. With Aquarius, to further strengthen the functional drinks category, Aquarius Freestyle was introduced in an effort to break into the emerging carbonated sports drink category. Regarding the Sokenbicha and Hajime brands, further brand-specific initiatives were taken to instill new momentum, including using new packaging for 500ml plastic bottles. We also strove to increase both sales and market share in the tea drink category with the introduction of Karada Meguricha, promoting a new emphasis on health benefits

Creating a strong sales structure capable of focusing on consumers and customers and improving distribution efficiency were other themes. To this end, we restructured sales and distribution locations in the Fukuoka, Kita-Kyushu, Yamaguchi, San-in, Okayama and Kobe regions.

As a result of these efforts, the Manufacturing and Marketing of Beverages & Foods segment reported a 32.9% increase in revenues to ¥318,677 million before the elimination of intersegment transactions. Operating income was ¥20,992 million, an increase of 27.7%.

*Other Businesses*

Prior to the operational integration, this segment consisted of distribution, vending machine-related, insurance agency and lease businesses. The integration added companies engaged in motor vehicle repair and maintenance, real estate and restaurants and retail. As a result of ongoing efforts by the companies comprising Other Businesses to improve quality of service, the segment recorded an increase in revenues of 29.9% to ¥25,150 million before the elimination of intersegment transactions. Operating income jumped 62.7% to ¥821 million.

## Financial Position

### Total Assets

Compared to the end of the previous fiscal year, total assets increased ¥96,195 million, or 46.1%, to ¥304,907 million. This was chiefly due to assets acquired from Kinki CCBC following the integration of operational management in July 2006.

### Current Assets

Current assets amounted to ¥78,173 million, an increase of ¥27,499 million, or 54.3%, from a year ago. The increase was mainly attributable to assets acquired due to the operational integration and reclassification of marketable securities from fixed assets to current assets.

### Fixed Assets

Total fixed assets increased ¥68,695 million, or 43.5%, to ¥226,734 million. The increase was primarily due to assets acquired as a result of the operational integration and an increase in advanced payments for retirement expenses from contributions to the corporate pension fund.

## Liabilities

Total liabilities were ¥54,444 million, an increase of ¥23,734 million, or 77.3%, compared to the end of fiscal 2005. This was mainly due to liabilities assumed as a result of the operational integration.

## Net Assets

There was an increase in net assets of ¥76,855 million, or 44.3%, to ¥250,463 million. As a result of this, the equity ratio fell by 1.1 percentage points from 83.2% to 82.1%. Net assets per share rose around 6% from ¥2,228.79 to ¥2,358.05.

## Assets Acquired and Liabilities Assumed From Kinki Coca-Cola Bottling Co., Ltd.

(Millions of yen)

| Item | Amount | Item | Amount |
|---|---|---|---|
| Current assets | 25,046 | Current liabilities | 19,804 |
| Cash and deposits | 4,101 | | |
| Trade notes and accounts receivable | 9,890 | Trade notes and accounts payable | 4,046 |
| Inventories | 4,797 | Other accounts payable | 5,503 |
| Other current assets | 6,257 | Other current liabilities | 10,255 |
| Fixed assets | 81,273 | | |
| Buildings and structures | 13,936 | Long-term liabilities | 10,218 |
| Machinery, equipment and vehicles | 6,362 | Total liabilities | 30,023 |
| Sales equipment | 15,674 | Minority interests | 49 |
| Land | 23,093 | | |
| Investment securities | 7,882 | | |
| Deferred tax assets | 5,158 | | |
| Other assets | 9,165 | | |
| Total assets | 106,320 | Net assets | 76,247 |

# Cash Flows

## Cash Flows From Operating Activities

Operating activities provided net cash of ¥21,806 million, an increase of 31.3% year on year. Factors including an increase in cash due to the expanded scale (sales area) following the operational integration and a large reduction in income taxes paid compared to the previous fiscal year resulted in an increase of ¥5,198 million.

## Cash Flows From Investing Activities

Investing activities used net cash of ¥14,956 million, a decrease of 2.0% year on year. Investment in vending machines increased significantly as efforts to develop markets were strengthened. Combined with cash used for capital investment such as in vending machines of Kinki CCBC, there was a large increase in outgoings for the acquisition of fixed assets. Cash was provided by the dissolution of a bond investment trust and sale of securities. Overall, this resulted in a drop in cash used in investing activities of ¥300 million year on year.

## Cash Flows From Financing Activities

Financing activities used net cash of ¥9,244 million, 218.7% more than a year earlier. The group achieved debt-free management in the previous fiscal year, but the operational integration resulted in some consolidated subsidiaries having external debt. As a result of repaying short- and long-term debt (¥5,633 million) which these subsidiaries borrowed for working capital, net cash used increased by ¥6,343 million compared to the previous fiscal year.

Cash and cash equivalents at end of year stood at ¥22,284 million, an increase of ¥2,045 million, or 10.1%, compared to a year earlier.

# Consolidated Balance Sheets

(As of December 31, 2004, 2005 and 2006)

(Millions of yen)

| | 2004 | 2005 | **2006** |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and deposits | ¥ 15,524 | ¥ 13,101 | ¥ 16,311 |
| Trade notes and accounts receivable | 13,669 | 11,994 | 22,280 |
| Marketable securities | 8,923 | 7,706 | 10,668 |
| Inventories | 12,762 | 7,169 | 11,778 |
| Deferred tax assets | 812 | 728 | 2,200 |
| Other current assets | 7,930 | 10,040 | 15,031 |
| Allowance for doubtful accounts | (81) | (67) | (97) |
| **Total current assets** | **59,540** | **50,673** | **78,173** |
| **Fixed assets:** | | | |
| **Property, plant and equipment:** | | | |
| Buildings and structures | 18,559 | 18,856 | 35,617 |
| Machinery, equipment and vehicles | 14,252 | 13,981 | 20,134 |
| Sales equipment | 17,196 | 15,253 | 30,857 |
| Land | 34,389 | 34,369 | 57,366 |
| Construction in progress | 93 | 425 | 56 |
| Other property, plant and equipment | 1,344 | 1,398 | 2,211 |
| **Total property, plant and equipment** | **85,837** | **84,285** | **146,243** |
| **Intangible assets:** | **2,843** | **2,925** | **5,730** |
| **Investments and other assets:** | | | |
| Investment securities | 47,369 | 60,348 | 53,277 |
| Deferred tax assets | 890 | 862 | 4,703 |
| Advanced payments for retirement expenses | 7,749 | 6,746 | 10,406 |
| Other assets | 3,265 | 3,111 | 6,967 |
| Allowance for doubtful accounts | (279) | (241) | (594) |
| **Total investments and other assets** | **58,995** | **70,826** | **74,760** |
| **Total fixed assets** | **147,676** | **158,038** | **226,734** |
| **Total assets** | **¥207,216** | **¥208,711** | **¥304,907** |

(Millions of yen)

| | 2004 | 2005 | **2006** |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities:** | | | |
| Trade notes and accounts payable | ¥ 7,891 | ¥ 2,809 | ¥ 3,828 |
| Current portion of long-term debt | 203 | – | 2,300 |
| Accrued income taxes | 3,743 | 2,166 | 2,674 |
| Other accounts payable | 7,125 | 7,787 | 13,866 |
| Notes payable for equipment | 96 | 183 | 702 |
| Other current liabilities | 5,390 | 4,833 | 7,059 |
| **Total current liabilities** | **24,451** | **17,780** | **30,431** |
| **Long-term liabilities:** | | | |
| Long-term debt | – | – | 2,000 |
| Deferred tax liabilities | 6,911 | 9,785 | 11,122 |
| Allowance for employees' retirement benefits | 3,146 | 2,768 | 4,770 |
| Liabilities for directors' and corporate auditors' retirement benefits | 345 | 206 | 249 |
| Goodwill on consolidation | – | 48 | – |
| Negative goodwill | – | – | 1,867 |
| Other long-term liabilities | 963 | 120 | 4,002 |
| **Total long-term liabilities** | **11,366** | **12,929** | **24,012** |
| **Total liabilities** | **35,817** | **30,709** | **54,444** |
| **NET ASSETS** | | | |
| **Shareholders' equity:** | | | |
| Common stock | – | – | 15,231 |
| Additional paid-in capital | – | – | 109,072 |
| Retained earnings | – | – | 135,623 |
| Treasury stock (at cost) | – | – | (11,229) |
| **Total shareholders' equity** | **–** | **–** | **248,697** |
| **Valuation and translation adjustments:** | | | |
| Net unrealized gains on other marketable securities | – | – | 1,604 |
| Gain on deferred hedges | – | – | 106 |
| **Total valuation and translation adjustments** | **–** | **–** | **1,710** |
| **Minority interests** | **–** | **–** | **54** |
| **Total net assets** | **–** | **–** | **250,463** |
| **Total liabilities and net assets** | **–** | **–** | **¥304,907** |
| **MINORITY INTERESTS** | | | |
| **Minority interests** | **4,362** | **4,394** | **–** |
| **SHAREHOLDERS' EQUITY** | | | |
| **Common stock** | **15,231** | **15,231** | **–** |
| **Capital surplus** | **35,400** | **35,399** | **–** |
| **Retained earnings** | **127,849** | **131,982** | **–** |
| **Net unrealized gains on other marketable securities** | **449** | **2,437** | **–** |
| **Treasury stock (at cost)** | **(11,895)** | **(11,442)** | **–** |
| **Total shareholders' equity** | **167,036** | **173,608** | **–** |
| **Total liabilities, minority interests and shareholders' equity** | **¥207,216** | **¥208,711** | **–** |

# Consolidated Statements of Income

(Years ended December 31, 2004, 2005 and 2006)

(Millions of yen)

| | 2004 | 2005 | **2006** |
|---|---|---|---|
| **Net revenues** | **¥253,248** | **¥245,874** | **¥327,821** |
| **Cost of goods sold** | **139,675** | **138,351** | **186,265** |
| Gross profit | 113,572 | 107,523 | 141,556 |
| **Selling, general and administrative expenses** | **96,712** | **95,693** | **129,235** |
| **Operating income** | **16,860** | **11,830** | **12,321** |
| **Non-operating income** | **1,090** | **1,183** | **1,836** |
| Interest income | 273 | 339 | 399 |
| Dividends | 37 | 160 | 248 |
| Amortization of negative goodwill | – | – | 256 |
| Equity in earnings of affiliates | 44 | 36 | – |
| Property rental income | 294 | 224 | 110 |
| Other non-operating income | 440 | 422 | 822 |
| **Non-operating expenses** | **884** | **758** | **932** |
| Interest expense | 8 | – | 38 |
| Equity in loss of affiliates | – | – | 18 |
| Loss on disposal of property, plant and equipment | 463 | 362 | 593 |
| Property rental costs | 135 | 95 | 38 |
| Other non-operating expenses | 276 | 300 | 242 |
| **Recurring income** | **17,065** | **12,256** | **13,225** |
| **Extraordinary income** | **158** | **2,045** | **1,569** |
| Gain on sales of property, plant and equipment | 71 | 117 | 954 |
| Gain on sales of investment securities | – | 62 | 586 |
| Proceeds from government assistance grants | 86 | 53 | 28 |
| Compensation for expropriations | – | 121 | – |
| Amortization of actuarial difference from return of trust for retirement benefits | – | 1,689 | – |
| **Extraordinary losses** | **2,564** | **2,100** | **1,686** |
| Loss on sales of property, plant and equipment | 161 | 66 | 95 |
| Impairment loss | 505 | 208 | – |
| Loss from earthquake damage | – | 61 | – |
| Loss from typhoon damage | 168 | – | 48 |
| Loss on disposals of property, plant and equipment | 88 | 11 | – |
| Compensation for retirement of fixed assets | – | 372 | 120 |
| Loss on sales of investment securities | – | – | 60 |
| Write-down of investment securities | 40 | 93 | 19 |
| Write-down of golf club memberships | 55 | – | – |
| Expense for realignment of sales structure of subsidiaries | 383 | – | – |
| Expense for change of subsidiary name | – | 33 | – |
| Expense for compatibility with new currency | 583 | 1,103 | – |
| Lump-sum amortization of adjustments accompanying partial reimbursement of trust for retirement benefits | 576 | – | – |
| Additional collection of liquor taxes | – | 149 | – |
| Expense related to integration of operational management | – | – | 1,131 |
| Expense for earthquake precautions | – | – | 74 |
| Quality problem countermeasure losses | – | – | 137 |
| **Income before income taxes, minority interests and other adjustments** | **14,659** | **12,201** | **13,108** |
| **Income taxes** | **5,310** | **3,222** | **3,237** |
| **Income tax deferred** | **707** | **1,632** | **2,389** |
| **Minority interests** | **76** | **40** | **(89)** |
| **Net income** | **¥ 8,564** | **¥ 7,305** | **¥ 7,570** |

# Consolidated Statements of Shareholders' Equity

(Years ended December 31, 2004 and 2005)

(Millions of yen)

| | 2004 | 2005 |
|---|---|---|
| **Capital surplus:** | | |
| **Capital surplus at beginning of year** | **¥ 35,399** | **¥ 35,400** |
| **Increase in capital surplus** | **0** | **–** |
| Differences from cancellation of treasury stock | 0 | – |
| **Decrease in capital surplus** | **–** | **0** |
| Gain on cancellation of treasury stock | – | 0 |
| **Capital surplus at end of year** | **35,400** | **35,399** |
| **Retained earnings:** | | |
| **Retained earnings at beginning of year** | **122,372** | **127,849** |
| **Increase in retained earnings** | **8,564** | **7,305** |
| Net income | 8,564 | 7,305 |
| **Decrease in retained earnings** | **3,087** | **3,173** |
| Dividends | 3,057 | 3,106 |
| Bonus to directors and corporate auditors | 30 | 38 |
| Loss on cancellation of treasury stock | – | 27 |
| **Retained earnings at end of year** | **¥127,849** | **¥131,982** |

# Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

| Year ended December 31, 2006 (January 1, 2006 to December 31, 2006) | Shareholders' equity | | | | | Valuation and translation adjustments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock (at cost) | Total shareholders' equity | Net unrealized gains on other marketable securities | Gain (loss) on deferred hedges | Total valuation and translation adjustments | Minority interests | Total net assets |
| **Balance as of December 31, 2005** | **¥15,231** | **¥ 35,399** | **¥131,982** | **¥(11,442)** | **¥171,171** | **¥2,437** | **¥ —** | **¥2,437** | **¥ 4,394** | **¥178,002** |
| **Changes during the consolidated fiscal year** | | | | | | | | | | |
| Issue of new stock | — | 73,672 | — | — | 73,672 | — | — | — | — | 73,672 |
| Distribution of dividends | — | — | (3,867) | — | (3,867) | — | — | — | — | (3,867) |
| Net income | — | — | 7,570 | — | 7,570 | — | — | — | — | 7,570 |
| Bonus to directors and corporate auditors | — | — | (46) | — | (46) | — | — | — | — | (46) |
| Acquisition of treasury stock | — | — | — | (148) | (148) | — | — | — | — | (148) |
| Cancellation of treasury stock | — | — | (15) | 361 | 345 | — | — | — | — | 345 |
| Net changes in items other than shareholders' equity during the fiscal year | — | — | — | — | — | (832) | 106 | (726) | (4,339) | (5,065) |
| **Total changes during the fiscal year** | **—** | **73,672** | **3,641** | **212** | **77,526** | **(832)** | **106** | **(726)** | **(4,339)** | **72,460** |
| **Balance as of December 31, 2006** | **¥15,231** | **¥109,072** | **¥135,623** | **¥(11,229)** | **¥248,697** | **¥1,604** | **¥106** | **¥1,710** | **¥ 54** | **¥250,463** |

# Consolidated Statements of Cash Flows

(Years ended December 31, 2004, 2005 and 2006)

(Millions of yen)

| | 2004 | 2005 | **2006** |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Income before income taxes, minority interests and other adjustments | ¥14,659 | ¥12,201 | ¥13,108 |
| Depreciation and amortization | 14,927 | 13,860 | 19,571 |
| Impairment gains | 505 | 208 | – |
| Write-off of consolidation adjustment account | 83 | 83 | – |
| Amortization of negative goodwill | – | – | (256) |
| Increase (decrease) in liabilities for directors' and corporate auditors' retirement benefits | 21 | (139) | (115) |
| Increase (decrease) in liabilities for retirement benefits | (247) | (378) | 104 |
| Decrease (increase) in advanced payments for retirement expenses | 5,556 | 1,002 | (3,660) |
| Increase in investment securities from partial reimbursement of trust for retirement benefits | (8,722) | – | – |
| Increase in investment securities from return of trust for retirement benefits | – | (4,644) | – |
| Interest and dividend income | (310) | (500) | (647) |
| Interest expense | 8 | – | 38 |
| Equity in losses (earnings) of affiliates | (44) | (36) | 18 |
| Loss (gain) on sales of marketable and investment securities | 38 | (32) | (577) |
| Write-down of marketable and investment securities | 40 | 93 | 19 |
| Loss (gain) on sales of fixed assets | 112 | (38) | (850) |
| Loss on disposals of fixed assets | 460 | 394 | 448 |
| Decrease (increase) in accounts receivable | (493) | 1,675 | 827 |
| Decrease (increase) in inventories | (191) | 5,592 | 193 |
| Decrease (increase) in other assets | 68 | (2,001) | (1,711) |
| Decrease in accounts payable | (1,058) | (5,082) | (3,027) |
| Increase (decrease) in other liabilities | 241 | (1,020) | 949 |
| Payment of directors' bonuses | (30) | (38) | (46) |
| Other, net | 72 | (84) | (234) |
| Subtotal | 25,697 | 21,113 | 24,153 |
| Interest and dividends received | 304 | 480 | 638 |
| Interest paid | (8) | – | (37) |
| Income taxes paid | (4,491) | (4,985) | (2,949) |
| **Net cash provided by operating activities** | **21,502** | **16,607** | **21,806** |
| **Cash flows from investing activities:** | | | |
| Acquisition of marketable and investment securities | (5,718) | (6,023) | (2,876) |
| Proceeds from sales of marketable and investment securities | 5,682 | 3,030 | 8,420 |
| Acquisition of fixed assets | (15,049) | (15,642) | (23,327) |
| Proceeds from sales of fixed assets | 511 | 3,163 | 3,392 |
| Acquisition of shares of subsidiaries | – | – | (652) |
| Proceeds from collection of loans to affiliates | 62 | 62 | 63 |
| Increase in time deposits | (100) | (0) | (20) |
| Proceeds from refund of time deposits | 15 | 150 | 30 |
| Other, net | 3 | 3 | 14 |
| **Net cash used in investing activities** | **(14,592)** | **(15,256)** | **(14,956)** |
| **Cash flows from financing activities:** | | | |
| Decrease in short-term borrowings | – | – | (3,410) |
| Repayment of long-term debt | – | (203) | (2,223) |
| Payments for acquisition of treasury stock | (3,937) | (14) | (73) |
| Proceeds from sales of treasury stock | 3 | 439 | 345 |
| Dividends paid | (3,057) | (3,106) | (3,867) |
| Dividends paid to minority interests | – | (15) | (15) |
| **Net cash used in financing activities** | **(6,991)** | **(2,901)** | **(9,244)** |
| **Net decrease in cash and cash equivalents** | **(81)** | **(1,549)** | **(2,394)** |
| **Cash and cash equivalents, beginning of year** | **21,869** | **21,788** | **20,238** |
| **Increase in cash and cash equivalents due to change in scope of consolidation** | **–** | **–** | **4,440** |
| **Cash and cash equivalents at end of year** | **¥21,788** | **¥20,238** | **¥22,284** |

# Five-year Summary

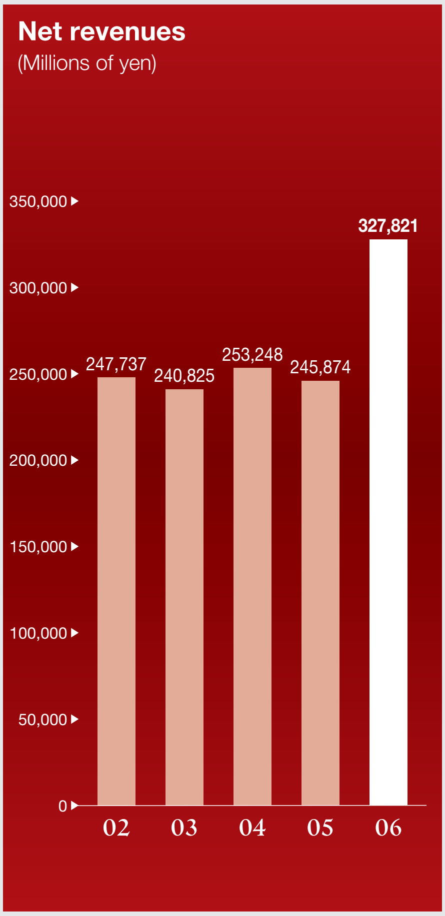
(Millions of yen)

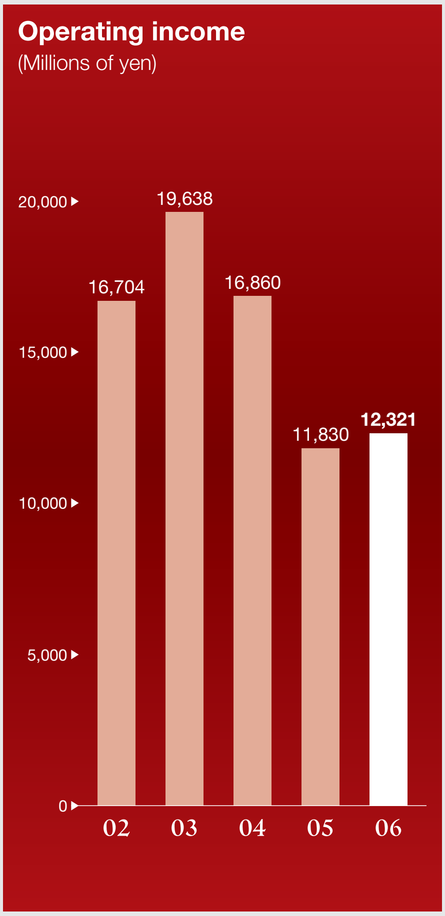
| Fiscal year: | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Net revenues | ¥ 247,737 | ¥ 240,825 | ¥ 253,248 | ¥ 245,874 | **¥ 327,821** |
| Operating income | 16,704 | 19,638 | 16,860 | 11,830 | **12,321** |
| Recurring income | 17,005 | 19,895 | 17,065 | 12,256 | **13,225** |
| Net income | 7,086 | 9,380 | 8,564 | 7,305 | **7,570** |
| Total assets | 204,070 | 204,180 | 207,216 | 208,711 | **304,907** |
| Equity ratio (%)* | 80.7 | 81.0 | 80.6 | 83.2 | **82.1** |

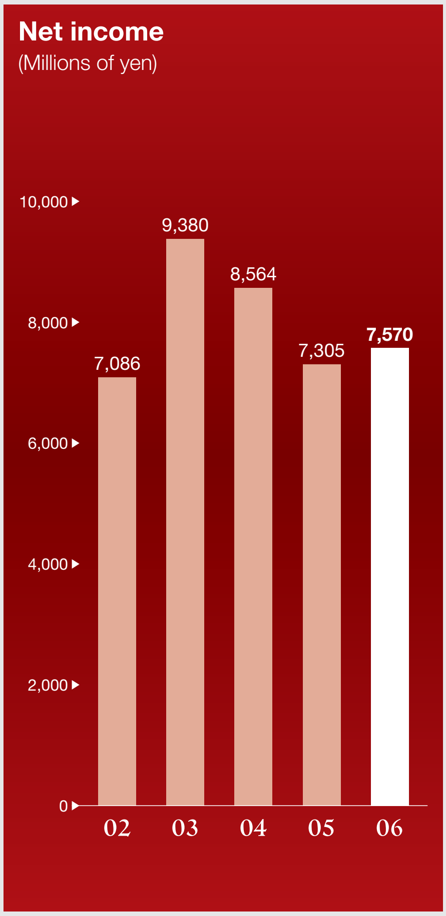
(Yen)

| **Per share data:** | | | | | |
|---|---|---|---|---|---|
| Net income per share (EPS) | ¥ 85.49 | ¥ 116.25 | ¥ 108.80 | ¥ 93.42 | **¥ 82.22** |
| Net assets per share (BPS) | 2,009.39 | 2,089.94 | 2,149.99 | 2,228.79 | **2,358.05** |
| Dividend per share | 34.00 | 36.00 | 40.00 | 40.00 | **42.00** |

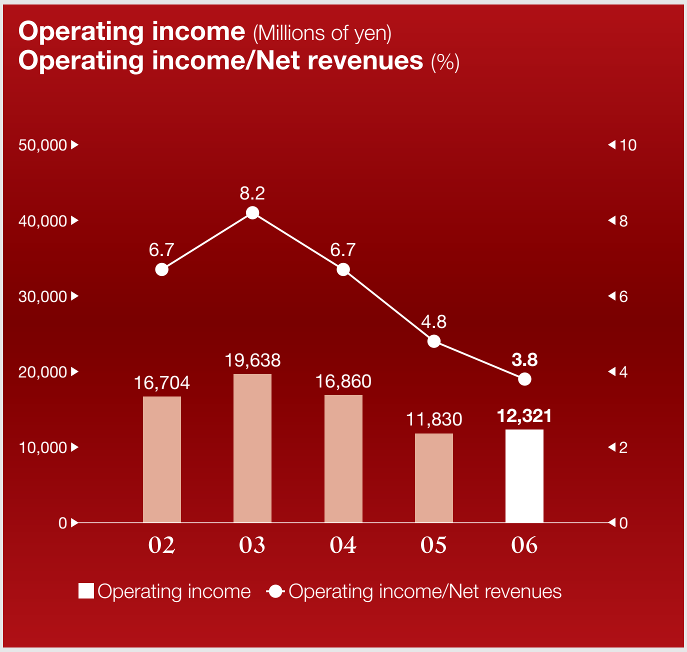
* Until fiscal 2005, Shareholders' equity ratio = Shareholders' equity / Total assets; from fiscal 2006, Equity ratio = Total equity / Total assets

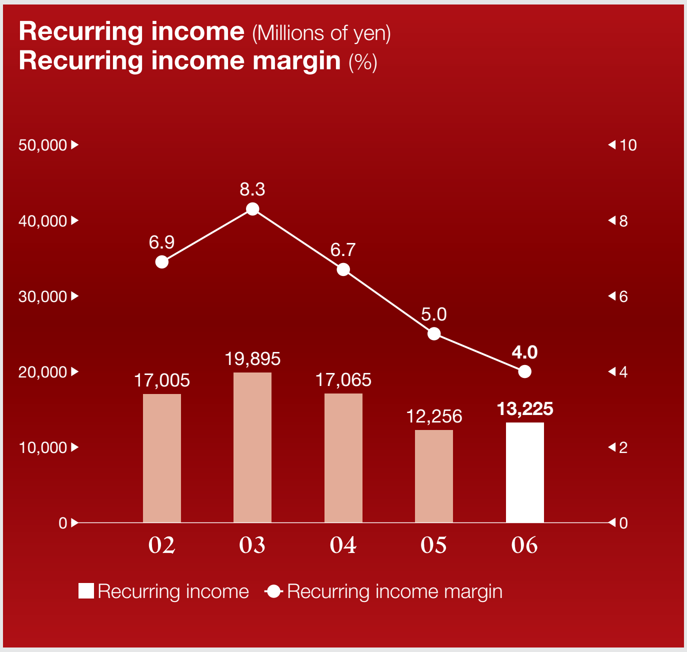


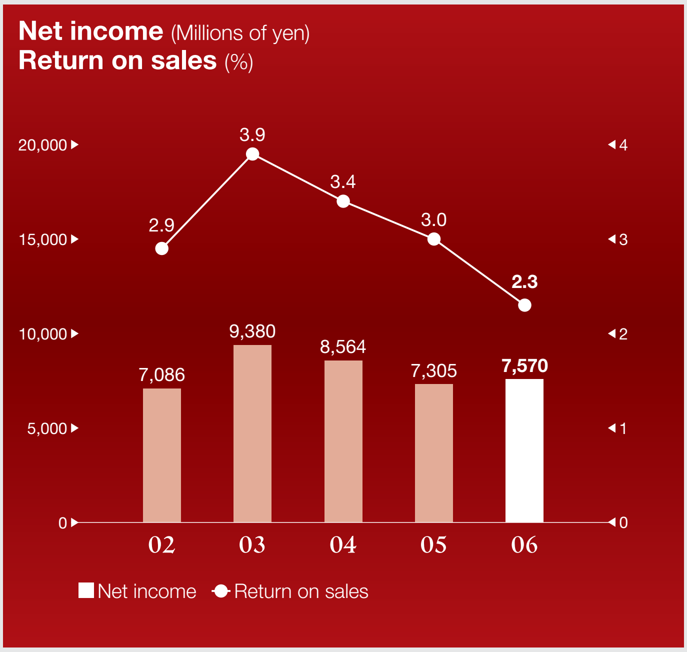



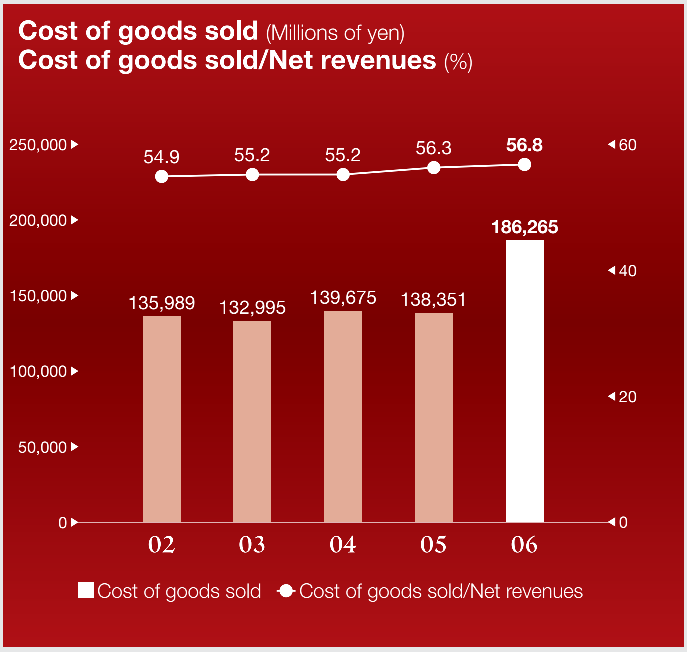



# Financial Data



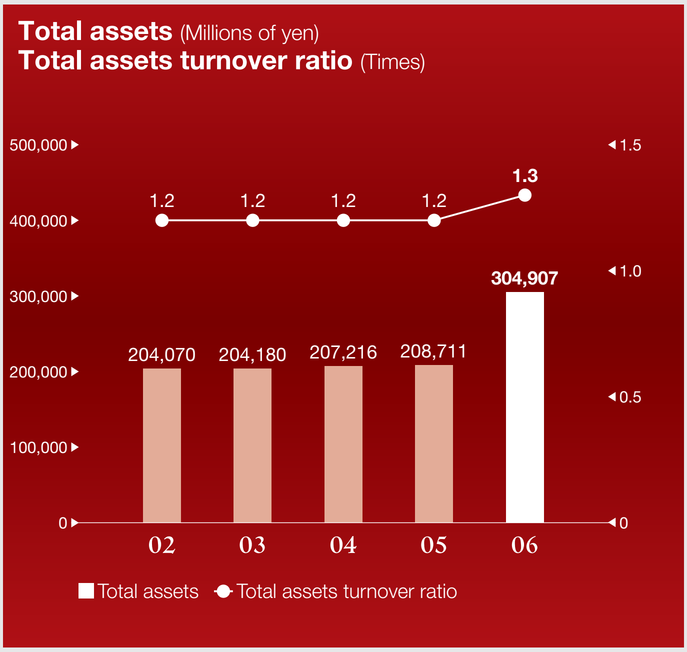



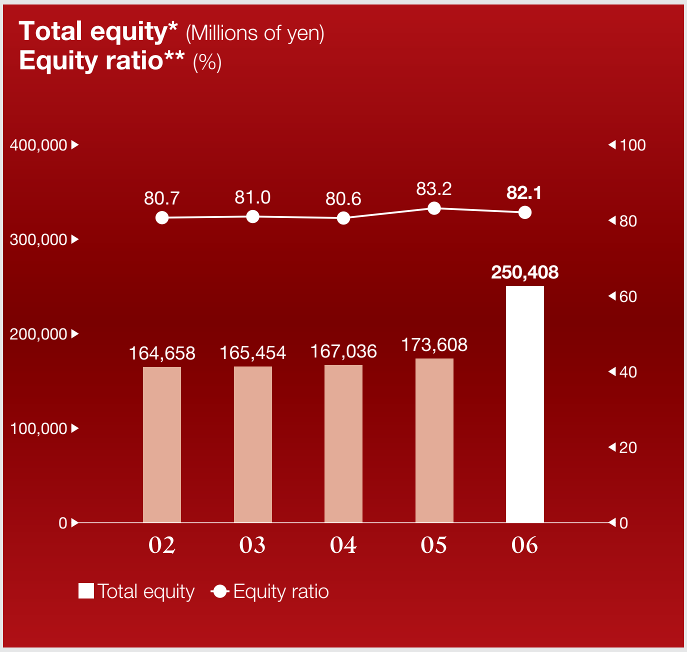



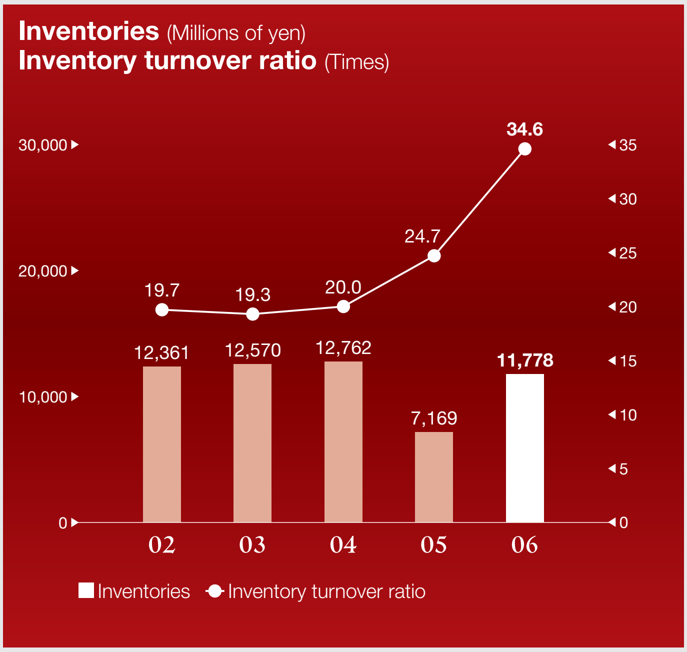



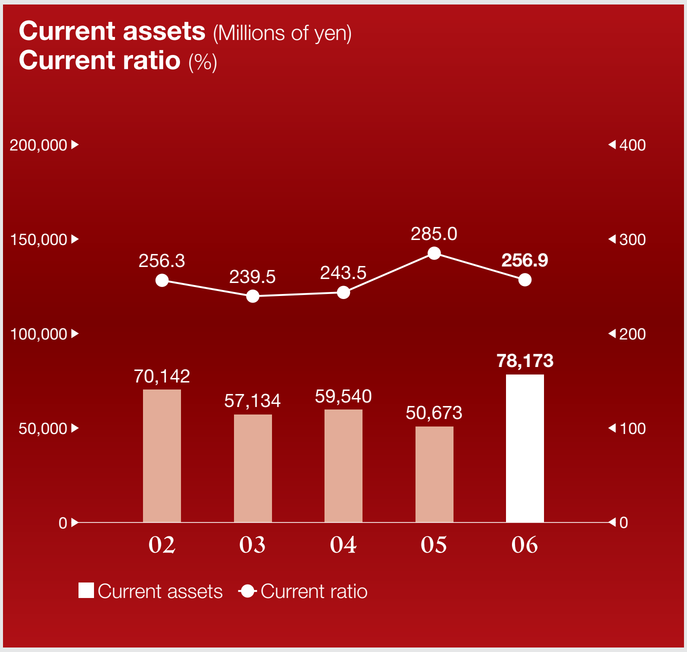

(Millions of yen)

| | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Operating income | 16,704 | 19,638 | 16,860 | 11,830 | **12,321** |
| Operating income/Net revenues (%) | 6.7 | 8.2 | 6.7 | 4.8 | **3.8** |
| Recurring income | 17,005 | 19,895 | 17,065 | 12,256 | **13,225** |
| Recurring income margin (%) | 6.9 | 8.3 | 6.7 | 5.0 | **4.0** |
| Net income | 7,086 | 9,380 | 8,564 | 7,305 | **7,570** |
| Return on sales (%) | 2.9 | 3.9 | 3.4 | 3.0 | **2.3** |
| Cost of goods sold | 135,989 | 132,995 | 139,675 | 138,351 | **186,265** |
| Cost of goods sold/Net revenues (%) | 54.9 | 55.2 | 55.2 | 56.3 | **56.8** |



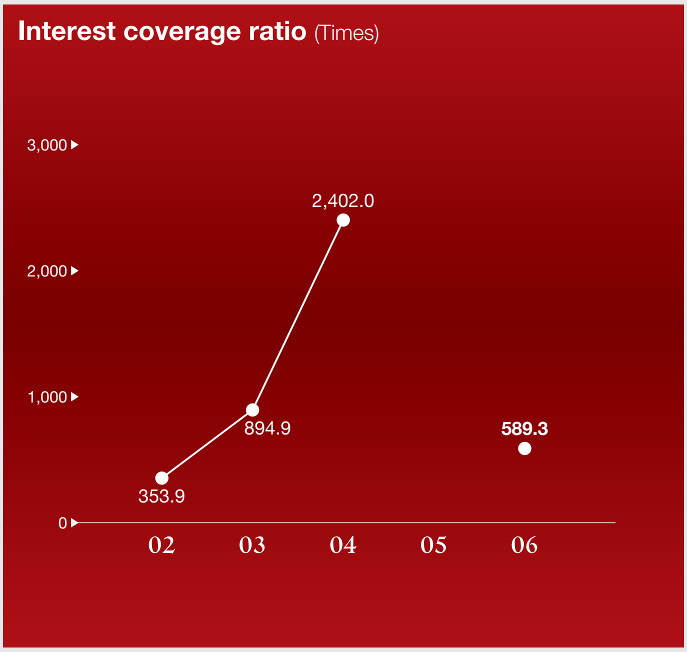



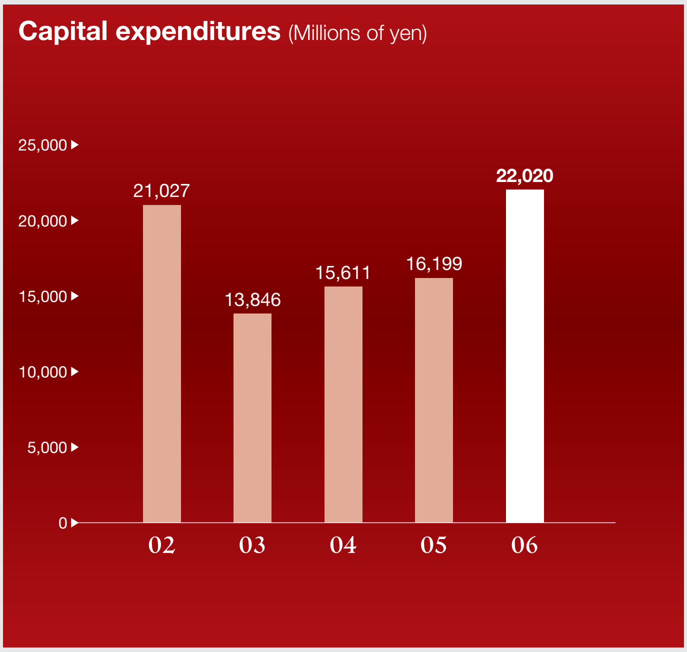



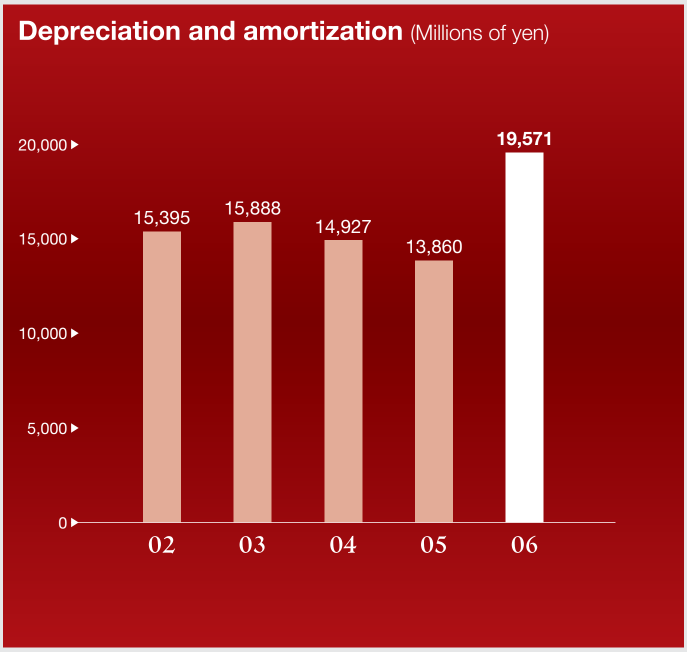

(Millions of yen)

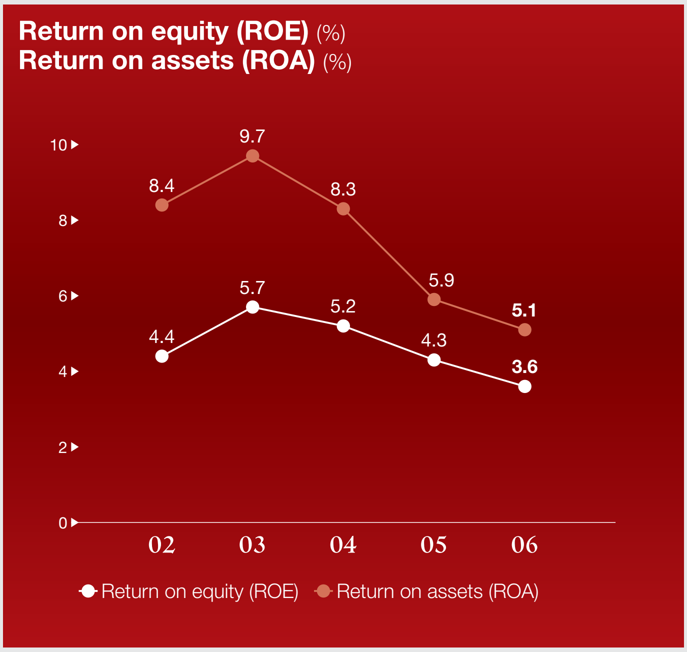
| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| Total assets | 204,070 | 204,180 | 207,216 | 208,711 | **304,907** |
| Total assets turnover ratio (Times) | 1.2 | 1.2 | 1.2 | 1.2 | **1.3** |
| Total equity* | 164,658 | 165,454 | 167,036 | 173,608 | **250,408** |
| Equity ratio** (%) | 80.7 | 81.0 | 80.6 | 83.2 | **82.1** |
| Inventories | 12,361 | 12,570 | 12,762 | 7,169 | **11,778** |
| Inventory turnover ratio (Times) | 19.7 | 19.3 | 20.0 | 24.7 | **34.6** |
| Current assets | 70,142 | 57,134 | 59,540 | 50,673 | **78,173** |
| Current ratio (%) | 256.3 | 239.5 | 243.5 | 285.0 | **256.9** |

Total assets turnover ratio = Net revenues / The average of assets at the beginning and end of the fiscal period
* Until fiscal 2005, Shareholders' equity; from fiscal 2006, Total equity = Shareholders' equity + Valuation and translation adjustments
** Until fiscal 2005, Shareholders' equity ratio = Shareholders' equity / Total assets; from fiscal 2006, Equity ratio = Total equity / Total assets
Inventory turnover ratio = Net revenues / The average of inventory taken at the beginning and end of the fiscal period
Current ratio = Current assets / Current liabilities



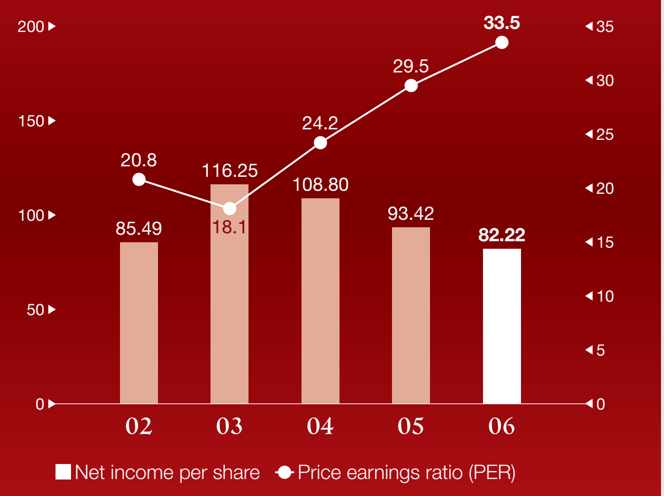




(Millions of yen)

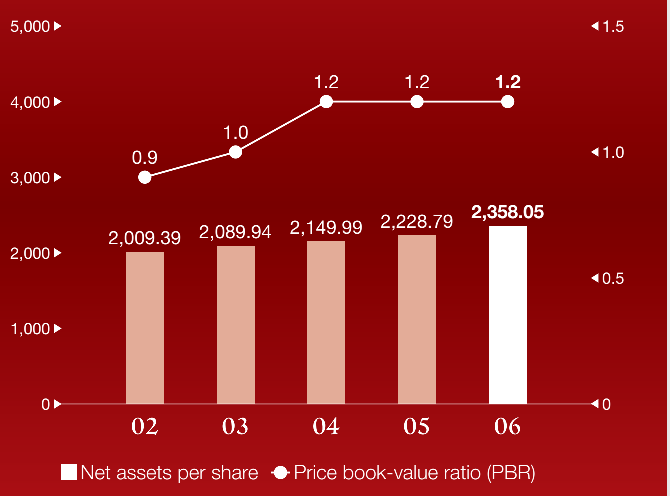
| | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Interest coverage ratio (Times) | 353.9 | 894.9 | 2,402.0 | – | **589.3** |
| Capital expenditures | 21,027 | 13,846 | 15,611 | 16,199 | **22,020** |
| Depreciation and amortization | 15,395 | 15,888 | 14,927 | 13,860 | **19,571** |
| Return on equity (ROE) (%) | 4.4 | 5.7 | 5.2 | 4.3 | **3.6** |
| Return on assets (ROA) (%) | 8.4 | 9.7 | 8.3 | 5.9 | **5.1** |

Interest coverage ratio = Operating cash flow / Interest paid
(This calculation uses net cash provided by operating activities and interest paid from the Consolidated Statements of Cash Flows for operating cash flow and interest payments, respectively.)
Return on equity = Net income / The average of shareholders' equity at the beginning and end of the fiscal period
Return on assets = Recurring income / The average of assets at the beginning and end of the fiscal period

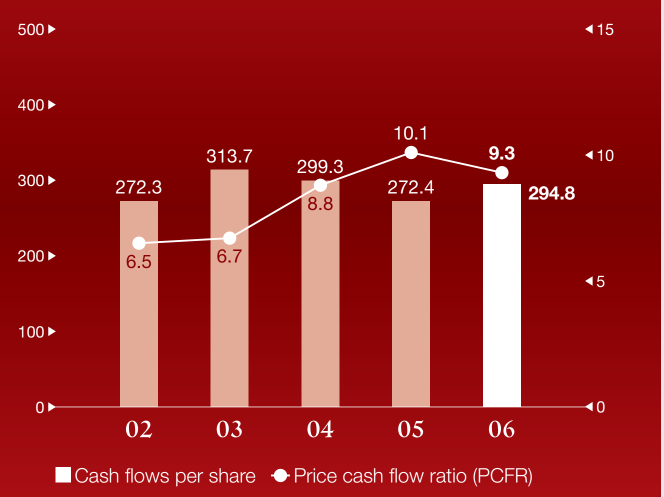
## Net income per share (Yen)
## Price earnings ratio (PER) (Times)



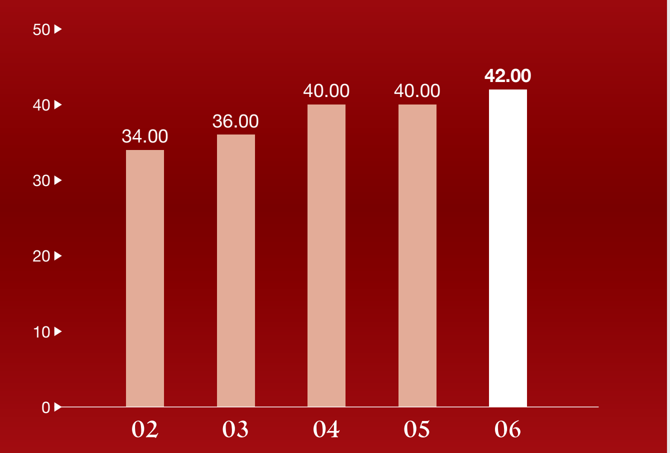

## Net assets per share* (Yen)
## Price book-value ratio (PBR)** (Times)




## Cash flows per share (Yen)
## Price cash flow ratio (PCFR) (Times)




## Dividend per share (Yen)




(Yen)

| | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Net income per share | 85.49 | 116.25 | 108.80 | 93.42 | **82.22** |
| Price earnings ratio (PER) (Times) | 20.8 | 18.1 | 24.2 | 29.5 | **33.5** |
| Net assets per share* | 2,009.39 | 2,089.94 | 2,149.99 | 2,228.79 | **2,358.05** |
| Price book-value ratio (PBR)** (Times) | 0.9 | 1.0 | 1.2 | 1.2 | **1.2** |
| Cash flows per share | 272.3 | 313.7 | 299.3 | 272.4 | **294.8** |
| Price cash flow ratio (PCFR) (Times) | 6.5 | 6.7 | 8.8 | 10.1 | **9.3** |
| Dividend per share | 34.00 | 36.00 | 40.00 | 40.00 | **42.00** |

Net income per share = Net income / The average number of shares during the period
Price earnings ratio = Market value at the end of the period / Net income per share
* Until fiscal 2005, Shareholders' equity per share = Shareholders' equity / The number of shares outstanding at the end of the period; from fiscal 2006, Net assets per share = Net assets / The number of shares outstanding at the end of the period
** Until fiscal 2005, Price book-value ratio = Market value at the end of the period / Shareholders' equity per share; from fiscal 2006, Price book-value ratio = Market value at the end of the period / Net assets per share
Cash flows per share = Cash flows / The average number of shares during the period
Price cash flow ratio = Market value at the end of the period / Cash flows per share

# Risk Information

Business results and other aspects of the Company's operations mentioned 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 found below. The Coca-Cola West Group (CCWG) is fully aware of the possibility of these risks and thus works to avoid them or deal effectively with them should they arise. Statements herein regarding future events or assumptions reflect the judgment of CCWG as of March 26, 2007.

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

CCWH conducts business activities based on a manufacturing licensing agreement with The Coca-Cola Company, Coca-Cola (Japan) Co., Ltd. and CCNBC, and a distribution licensing agreement with The Coca-Cola Company and Coca-Cola (Japan) Co., Ltd.

### (2) Business ties with CCNBC

CCWH has an equity interest in CCNBC, a company established to consolidate and oversee procurement, manufacturing and distribution operations nationwide for the Coca-Cola Group in Japan, and to build an optimal nationwide supply chain structure, thereby reducing costs. CCNBC's operations are conducted in partnership with CCWH and other Coca-Cola bottlers across Japan. The future progress and status of cost-cutting plans of CCNBC could potentially impact the operating results of CCWG.

### (3) Quality assurance

Beverages are the core product of CCWG. 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 customers (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 CCWG was actually at fault. An incident of this nature could adversely affect the operating results of CCWG.

### (4) The soft drink industry

#### ① Market competitiveness

Sales of beverages, CCWG's core products, are readily influenced by changes in customer (consumer) preference. In a beverage market of this kind, CCWG strives to continuously offer appealing products and services. Nevertheless, failure to amply forecast market changes could potentially affect the operating results of CCWG.

#### ② Impact of weather-related factors

Weather conditions tend to have an effect on the sales of beverages, CCWG's core products. Cool summers or warm winters, for example, often have a significant impact on customer (consumer) demand. Although CCWG makes every effort to minimize the influence of weather-related factors on sales, the Group offers no guarantee that it can completely eliminate the effect of such factors.

### (5) Impact of economic conditions

#### ① Trends in personal consumption

Sales of beverages, CCWG's core products, are closely linked to trends in personal consumption. Current economic conditions in Japan suggest that a rapid recovery in personal consumption is unlikely. A sudden decline in personal consumption, however, could adversely affect the operating results of CCWG.

#### ② Fluctuations in asset value

Fluctuations in the value of land, marketable securities and other assets owned by CCWG could potentially impact the Group's operating results and financial position. Marketable securities with a fair value, for example, are subject to changes in fair market value in capital markets because that is how they are valued.

### (6) Public regulations

CCWG'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 (Premiums and Representations Act) 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 CCWG.

### (7) Management of personal information

CCWG holds large volumes of personal information. In handling this information, the Group 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 CCWG and potentially impact the operating results of CCWG.

### (8) Impact of disasters

CCWG has a system in place to minimize the effects of power outages, as well as other scenarios for which assumptions must be made, on its business operations. Typhoons, earthquakes and other natural disasters, however, could trigger conditions that exceed these assumptions. Conditions of this magnitude could potentially impact the operating results and financial position of CCWG.

# Stock Information

(As of December 31, 2006)

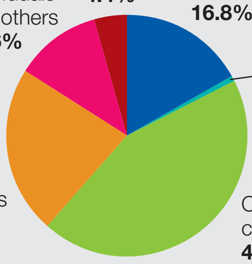
| | |
|---|---|
| **Authorized shares:** | **270,000,000** |
| **Outstanding shares:** | **111,125,714** |
| **Number of shareholders:** | **23,744** |

**Major shareholders:**

| Shareholders | Number of shares held (Thousands) | Percentage of shares (%) |
|---|---|---|
| Ricoh Company, Ltd. | 16,792 | 15.9 |
| Kirin Brewery Company, Limited | 11,626 | 11.0 |
| The New Technology Development Foundation | 5,294 | 5.0 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 4,780 | 4.5 |
| Mellon Bank Treaty Clients Omnibus | 4,177 | 4.0 |
| Coca-Cola Holdings West Japan, Inc. | 4,074 | 3.9 |
| Mitsubishi Heavy Industries Food & Packaging Machinery Co., Ltd. | 3,912 | 3.7 |
| The Nishi-Nippon City Bank, Ltd. | 3,703 | 3.5 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 2,261 | 2.1 |
| Morgan Stanley | 2,169 | 2.1 |

Note: The Company owns 4,932,000 shares of treasury stock. This shareholding is not shown in the table and has not been included in the calculation of voting rights (percentage of shares).

**Number of shares held and percentage of shares held by shareholder category:**




<Composition of shareholders>

| | Number of shareholders | Number of shares (Thousands) |
|---|---|---|
| Financial institutions | 84 | 18,676 |
| Securities companies | 28 | 822 |
| Other domestic corporations | 510 | 48,839 |
| Foreign corporations | 248 | 25,008 |
| Individuals and others | 22,873 | 12,845 |
| Treasury stock | 1 | 4,932 |
| | 23,744 | 111,125 |

| | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| PER (Times) | 20.8 | 18.1 | 24.2 | 29.5 | **33.5** |
| PBR (Times) | 0.9 | 1.0 | 1.2 | 1.2 | **1.2** |
| FY-end stock price (Yen) | 1,775 | 2,100 | 2,630 | 2,755 | **2,755** |
| Dividend (Yen) | 34.00 | 36.00 | 40.00 | 40.00 | **42.00** |
| Payout ratio (%) | 52.1 | 28.3 | 37.7 | 39.3 | **112.4** |
| Dividend–on-equity ratio (%) | 1.7 | 1.8 | 1.9 | 1.8 | **1.9** |

# Credit Rating Information

| | 2002 | 2003 | 2004 | 2005 | **2006** |
|---|---|---|---|---|---|
| Japan Credit Rating Agency, Ltd. | | | | | |
| Long-term credit rating | AA- | AA- | AA- | AA- | **AA-** |
| Rating and Investment Information, Inc. | | | | | |
| Long-term credit rating | A+ | A+ | A+ | A+ | **A+** |

# Corporate Governance

CCWH's fundamental stance on corporate governance is to improve management efficiency and transparency, while striving to maximize shareholder value.

## (1) Corporate Governance System

### ① Status of Related Internal Bodies

- **Corporate Auditor System or Company With Committees System**

  CCWH has adopted the Corporate Auditor system in accordance with its decision to separate decision-making and management oversight from business execution through a restructuring of the Board of Directors and the adoption of the corporate executive officer system in March 1999.

- **Number of Directors**

  The Company's articles of incorporation stipulate that there shall be a maximum of 15 directors.

- **Requirements for Electing Directors**

  The Company's articles of incorporation stipulate that election of directors shall be by a majority of votes where shareholders holding at least one-third of the voting rights of shareholders than can exercise voting rights are in attendance.

- **Outside Directors and Corporate Auditors**

  At present, two of CCWH's eight directors and four of its five corporate auditors are from outside the Group.

  The Company has concluded with one outside director and three outside corporate auditors agreements limiting liability in case of neglect of duty, based on the provisions of Article 427, Paragraph 1 of the Company Law. Under these agreements, liability is limited to the minimum amount permissible under the law.

- **Overview of Committees**

  In July 2006, the Company established the Management Advisory Committee as an internal body of the Board of Directors. This committee allows appropriate advice to be given by experts with the goals of improving the efficiency and transparency of management and increasing shareholder value. The committee is responsible for advising on matters concerning candidates for director and corporate auditor positions and directors' and corporate auditors' remuneration as well as important strategic and other matters related to the general management of the Group.

- **Support for Outside Appointments**

  Outside directors are supported by the General Affairs Group, while outside corporate auditors are supported by the Audit Group.

- **Business Execution and Management Oversight**

  Outside appointments comprise more than half the members of the Board of Corporate Auditors. This gives CCWH the capacity to sufficiently monitor the performance of duties by directors and also allows it to draw on independent third-party advice from external experts appointed as outside directors. Directors and corporate auditors also fully monitor how corporate officers execute business operations. This includes participating in meetings of the executive committee, which is made up of corporate officers, as well as other key company meetings. When questions arise during the course of business execution, CCWH consults attorneys, CPAs and other specialists for advice on determining the best way to proceed.

### ② Risk Management System

CCWH has established the Coca-Cola West Group Risk Management Committee. The objective of this body is to minimize damage in the event of a crisis by preventing confusion within the Group and ensuring a rapid and appropriate response. The Group believes that compliance with all applicable laws and regulations, and the spirit in which they are written, is fundamental to its business activities, as is the proper observance of social norms and customary business practices. This belief is enshrined in a code of conduct created to encourage a compliance mindset among all Group corporate officers and employees.

### ③ Audit System

- **Participating Personnel and Organizations**

  CCWH aims to comply with corporate rules and regulations, carry out appropriate corporate activities and operational management, and protect its assets. To help it achieve these goals, CCWH has established an Audit Group within the Internal Audit Department. The group has 12 members and reports directly to the CEO.

  Corporate auditors attend meetings of the Board of Directors, executive committee and other important company meetings. They also meet a representative director on a regular basis and examine the results of audits performed by the Audit Group. Using these and other methods, corporate auditors monitor the executive actions of directors and corporate officers in accordance with relevant laws and regulations, the Company's own articles of incorporation and internal auditing standards.

The Audit Group carries out prior discussions with corporate auditors concerning its auditing policy and plans for each fiscal year. Corporate auditors also receive reports about the results of audits of the Audit Group as needed. In addition, at the start of the fiscal year, the Company's independent auditor provides the corporate auditors with an explanation of its audit plans, and as needed, supplies information and reports to the auditors during and at the end of the audit process.

- **Independent Auditor and Related Personnel**

CCWH has appointed KPMG AZSA & Co. as its independent auditor. The names of the firm's certified public accountants (engagement and management partners) that audit the Company's financial statements are listed below.

| Name | Auditing Experience |
|---|---|
| Tetsuzo Hamashima | 2 years |
| Mikihiro Himeno | 7 years |

The auditing team has seven additional members including three CPAs and three assistant CPAs.

### ④ Director and Corporate Auditor Remuneration

Remuneration paid to directors and corporate auditors for the year under review was as follows.

| | |
|---|---|
| Directors (12): | ¥112 million |
| Corporate auditors (7): | ¥ 54 million |
| Total: | ¥167 million |

With the approval of the annual general meeting of shareholders held on March 24, 2006, the Company also appropriated earnings to pay ¥33 million in bonuses to 10 directors and paid retirement benefits of ¥2 million to 5 directors and ¥8 million to 2 corporate auditors.

### ⑤ Audit Fees

The Company paid ¥65 million in fees to the independent auditor KPMG AZSA & Co. for services relevant to the year under review. Of that amount, ¥35 million was for services pursuant to Article 2-1 of the Certified Public Accountant Law.

## (2) Conflicts of Interest

Two of the Company's outside directors are representatives of companies that have business relationships with CCWH.

One of the Company's four outside corporate auditors is a representative of a partner financial institution. The remaining three corporate auditors have no conflicts of interest with the Company.

## (3) Initiatives to Strengthen Corporate Governance

### ① Committee Activities

The Management Advisory Committee convened four times in the period from July 2006 to January 2007. The committee discussed the following topics on each occasion:

- **August 2006**
  The Group's business plan for the second half of the fiscal year.
- **October 2006**
  The Group's medium-term management plan, corporate officer system and restructuring of the Group.
- **December 2006**
  The Group's medium-term management plan, the organization of Group companies and the corporate officer system.
- **January 2007**
  The Group's business plan, candidates for director, corporate auditor and other positions, appropriation of retained earnings as dividends, remuneration and salaries for directors, corporate auditors and other personnel, and elections to the Management Advisory Committee.

### ② Other Initiatives

In March 2006, the Group reduced the term of office for directors from two years to one. This move was taken to clarify the management responsibility of directors as relating to each fiscal year and to create a more dynamic management framework capable of responding rapidly to changes in the operating environment. At the same time, after reviewing executive remuneration, the Company abolished the retirement allowance system for directors and corporate auditors.

Going forward, ongoing efforts will be made to enhance corporate governance in the Group.

# Corporate Data

(As of December 31, 2006)

- Company name: Coca-Cola West Holdings Company, Limited
- Offices:
  - Head office — 7-9-66 Hakozaki, Higashi-ku, Fukuoka, Japan
  - Fukuoka office — 1-2-25 Sumiyoshi, Hakata-ku, Fukuoka, Japan
  - Osaka office — 4-15-10 Nishitenma, Kita-ku, Osaka, Japan
- Established: December 20, 1960
- Paid-in capital: ¥15,231,000,000
- Employees: 8,499 (Consolidated)
- Principal businesses: Manufacture and sales of Coca-Cola and other soft drinks; management of Group companies
- Stock exchange listings: Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section), Fukuoka Stock Exchange

# Management

(As of April 1, 2007)

## Directors

| | | |
|---|---|---|
| Representative Director | Norio Sueyoshi | * |
| Director | Tadatsugu Harada | * |
| Director | Kouichi Morii | * |
| Director | Tamio Yoshimatsu | * |
| Director | Shigeki Ota | * |
| Director | Masamitsu Sakurai | Representative Director & Chairman, Ricoh Company, Ltd. |
| Director | Masahiko Uotani | Director & Chairman, Coca-Cola (Japan) Company, Limited |
| Director | Koukichi Honbou | Representative Director & President, Minami Kyushu Coca-Cola Bottling Co., Ltd. |

Note: *Corporate Officer

## Auditors

| | | |
|---|---|---|
| Executive Corporate Auditor | Yasumasa Niimi | |
| Executive Corporate Auditor | Hiroshi Kanda | |
| Corporate Auditor | Tatsuo Hirakawa | Former Representative Director & Vice President, Ricoh Company, Ltd. |
| Corporate Auditor | Katsumi Sasaki | Representative Director & Vice President, Nishinippon City Bank Company, Limited |
| Corporate Auditor | Yukiko Kyokane | Attorney, Kyokane Law Office |

## Management Advisory Committee

| | | |
|---|---|---|
| Chairman | Masamitsu Sakurai | Representative Director & Chairman, Ricoh Co., Ltd. |
| Member | Masahiko Uotani | Director & Chairman, Coca-Cola (Japan) Co., Ltd. |
| Member | Shingo Matsuo | Representative Director & President, Kyushu Electric Power Co., Inc. |
| Member | Kazuhiko Enomoto | Representative Director & Chairman, Fukuoka Jisho Co., Ltd. Representative Director & Chairman, Royal Holdings Co., Ltd. |
| Member | Toshiaki Hanawa | Representative Director & President, Mitsubishi Heavy Industries Food & Packaging Machinery Co., Ltd. |
| Member | Susumu Ishihara | Representative Director & President, Kyushu Railway Company |
| Member | Takashi Matsuzaki | Attorney, Representative of Tokunaga, Matsuzaki & Saito Law Office |
| Member | Eiji Muto | Director & Chairman, NTT Data Institute of Management Consulting, Inc. |
| Member | Kunio Ito | Professor, Hitotsubashi University |
| Member | Masakazu Morito | Adviser, Kinki Coca-Cola Bottling Co., Ltd. |

## Corporate Officers

| | | |
|---|---|---|
| CEO | Norio Sueyoshi | |
| Executive Corporate Officer | Hijiri Morita | Senior Officer |
| Senior Corporate Officer | Shigejiro Sato | Business System Group Manager |
| Senior Corporate Officer | Akira Noguchi | SCM Group Manager |
| Senior Corporate Officer | Hiroyoshi Miyaki | Corporate Planning Group Manager |
| Corporate Officer | Kiyoshi Fujiwara | Marketing Planning Group Manager |
| Corporate Officer | Kazuhiko Shinpa | SCM 2nd Office Manager, SCM Group |
| Corporate Officer | Yoshimitsu Yoshitani | Finance 3rd Office Manager, Finance Group |
| Corporate Officer | Kiyotaka Yamada | Finance 2nd Office Manager, Finance Group |
| Corporate Officer | Hidetoshi Shimizu | BS 1st Office Manager, Business System Group |

## Group Corporate Officers

| | | |
|---|---|---|
| Group Senior Corporate Officer | Tadatsugu Harada | Representative Director & President, Coca-Cola West Japan Co., Ltd. |
| Group Senior Corporate Officer | Kouichi Morii | Director & Vice President, Coca-Cola West Japan Co., Ltd. |
| Group Senior Corporate Officer | Tamio Yoshimatsu | Representative Director & President, Kinki Coca-Cola Bottling Co., Ltd. |
| Group Senior Corporate Officer | Takeaki Sueyasu | Representative Director & President, Mikasa Coca-Cola Bottling Co., Ltd. |
| Group Senior Corporate Officer | Nobuji Kihara | Director & Executive Corporate Officer, Mikasa Coca-Cola Bottling Co., Ltd. |
| Group Senior Corporate Officer | Nobuo Shibata | Representative Director & President, Coca-Cola West Japan Products Co., Ltd. |
| Group Senior Corporate Officer | Junji Katsura | Executive Corporate Officer, Coca-Cola West Japan Co., Ltd. Representative Director & President, Coca-Cola West Japan Vending Co., Ltd. |
| Group Senior Corporate Officer | Shigeki Ota | Director & Senior Corporate Officer, Kinki Coca-Cola Bottling Co., Ltd. |
| Group Senior Corporate Officer | Taijiro Naniwa | Director & Senior Corporate Officer, Kinki Coca-Cola Bottling Co., Ltd. |
| Group Senior Corporate Officer | Masayuki Yamasaki | Representative Director & President, Coca-Cola West Daisen Products Co., Ltd. |
| Group Senior Corporate Officer | Noriyasu Yabumoto | Director & Executive Corporate Officer, Mikasa Coca-Cola Bottling Co., Ltd. Representative Director & President, Mikasa Beverage Services Co., Ltd. |
| Group Senior Corporate Officer | Minoru Yoshizawa | Vice President of Engineering, Coca-Cola National Beverages Co., Ltd. |
| Group Senior Corporate Officer | Mitsuo Isobe | Representative Director & President, Coca-Cola West Japan Customer Service Co., Ltd. |
| Group Senior Corporate Officer | Noriyuki Korasaki | Account Manager, Coca-Cola IBS Co., Ltd. |
| Group Senior Corporate Officer | Yukio Sako | Manager, Coca-Cola Vending Partnership Structure |
| Group Senior Corporate Officer | Takuo Shibata | Representative Director & President, Kinki Coca-Cola Products Co., Ltd. |
| Group Senior Corporate Officer | Toyojiro Yoshinaga | Representative Director & President, Kansai Beverage Service Co., Ltd. |
| Group Corporate Officer | Tadanori Taguchi | Administration Division Manager, Minami Kyushu Coca-Cola Bottling Co., Ltd. |
| Group Corporate Officer | Toshio Fukami | Representative Director & President, Nishinihon Beverage Co., Ltd. |

# Coca-Cola West Group

The Coca-Cola West Group carries out business essentially in the manner of a single company. In order to effectively promote business, Group companies with functions that are in close contact with the market are organized by region and more highly specialized companies are managed on a functional basis.

- Coca-Cola West Holdings Co., Ltd.
  - < West Japan Region >
    - Coca-Cola West Japan Co., Ltd.
      - Nishinihon Beverage Co., Ltd.
      - Coca-Cola West Japan Vending Co., Ltd.
      - Coca-Cola West Japan Customer Service Co., Ltd.
  - < Kinki Region >
    - Kinki Coca-Cola Bottling Co., Ltd.
      - Kansai Beverage Service Co., Ltd.
      - Nesco Co., Ltd.
      - Kadiac Co., Ltd.
  - < Mikasa Region >
    - Mikasa Coca-Cola Bottling Co., Ltd.
      - Mikasa Beverage Service Co., Ltd.
      - Mikasa Service Co., Ltd.
  - < Manufacturing >
    - Coca-Cola West Japan Products Co., Ltd.
    - Kinki Coca-Cola Products Co., Ltd.
    - Coca-Cola West Daisen Products Co., Ltd.
  - < Distribution >
    - Coca-Cola West Logistics Co., Ltd.
  - < Other >
    - Nichibei Co., Ltd.
    - Takamasamune Co., Ltd.
    - West Japan Service Co., Ltd.
    - Rex Estate Co., Ltd.
    - Seiko Corporate Japan Co., Ltd.
    - C & C Co., Ltd.
    - Akiyoshi Systems Co., Ltd.

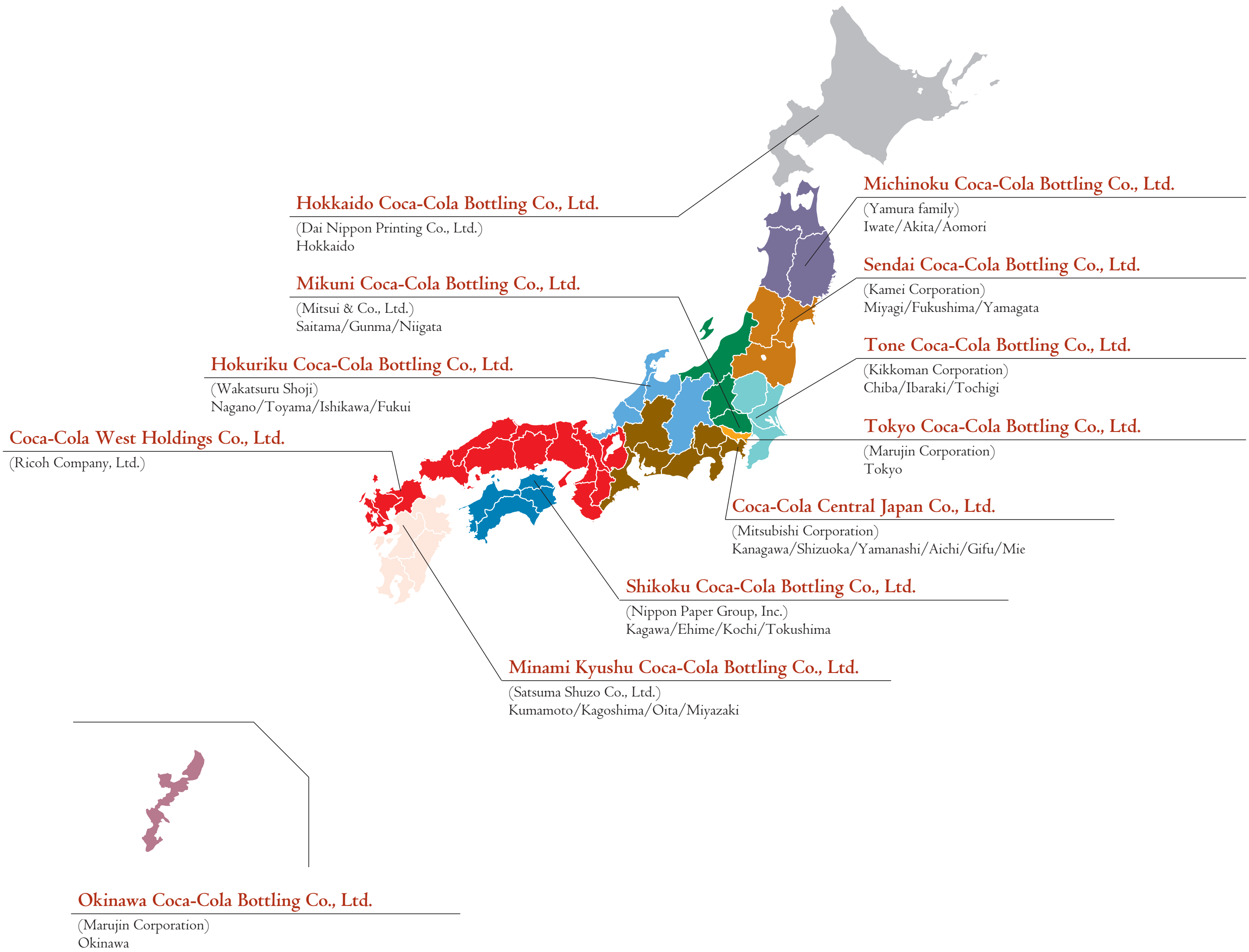
# Coca-Cola System in Japan

## Japan's Coca-Cola system consists of Coca-Cola (Japan) Co., Ltd., 12 bottling companies (bottlers) that manufacture and sell Coca-Cola products in the different regions of the country and other companies.

Coca-Cola (Japan) Co., Ltd. produces concentrates of Coca-Cola and other beverages. Coca-Cola National Beverages Co., Ltd., which oversees procurement, manufacturing and distribution on a national level, then supplies these concentrates to the bottlers, which in turn use them to manufacture various products under strict quality control in their respective plants. The bottlers distribute products to their 515 sales centers throughout Japan, which ship the products directly to nearly 1.15 million shops and other outlets by delivery trucks called "route trucks." In addition, approximately 980,000 vending machines are installed extensively and efficiently all over the country for the convenience of consumers. Thus, the unique Coca-Cola system can grow with the changing needs of local industries and communities.

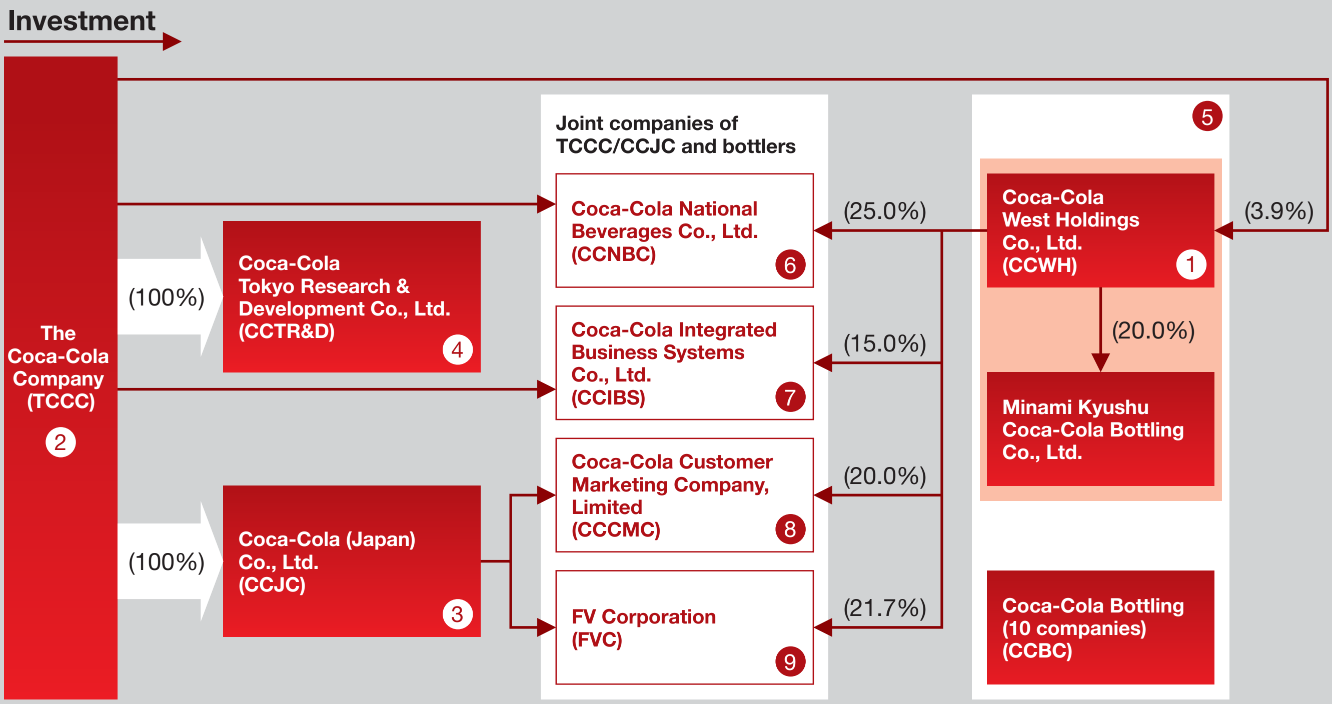
### 12 Bottlers (As of January 2007)

Note: Major investor shown in brackets



## Group Overview (As of April 2007)

Note: Figures in brackets show voting rights (percentage of shares)




### ① Coca-Cola West Holdings Co., Ltd. (CCWH)

Japan's largest Coca-Cola bottler, formed in July 2006 by integrating the management of Coca-Cola West Japan Co., Ltd. and Kinki Coca-Cola Bottling Co., Ltd. The Company entered into an equity-based business alliance with Minami Kyushu Coca-Cola Bottling Co., Ltd. in March 2007.

### ② The Coca-Cola Company (TCCC)

Established in 1919 in Atlanta, Georgia, in the United States. TCCC holds the rights to license bottlers to manufacture and distribute Cola-Cola products. Bottling contracts with bottlers are entered into by TCCC or one of its subsidiaries.

### ③ Coca-Cola (Japan) Co., Ltd. (CCJC)

Established in 1957 in Tokyo as "Nihon Inryo Kogyo K.K.," a wholly owned subsidiary of The Coca-Cola Company of the U.S., and then renamed in 1958 to Coca-Cola (Japan) Co., Ltd. CCJC is engaged in marketing, planning, and manufacture of Coca-Cola and other concentrates in Japan.

### ④ Coca-Cola Tokyo Research & Development Co., Ltd. (CCTR&D)

Established in January 1993 as a wholly owned subsidiary of The Coca-Cola Company of the U.S. Since January 1995, the center has been involved in product development and technical support responding to needs in the Asian region.

### ⑤ Coca-Cola Bottlers (CCBC)

In Japan, there are 12 bottlers. Each bottler manufactures and distributes products within the region for which it is responsible.

### ⑥ Coca-Cola National Beverages Co., Ltd. (CCNBC)

Established in April 2003 as a joint company of The Coca-Cola Company and all the Japanese bottlers to create an optimum national supply chain management (SCM) system for the Coca-Cola system in Japan. CCNBC started its operations in October the same year. The company oversees the group's joint procurement of raw materials/ingredients, manufacturing on a national level, and supply-demand planning and coordination, and supplies products to the bottlers.

### ⑦ Coca-Cola Integrated Business Systems Co., Ltd. (CCIBS)

Established in January 2007 as a joint company of The Coca-Cola Company and all the Japanese bottlers, CCIBS provides business consulting for the Coca-Cola system in Japan. It also develops supporting information systems and is responsible for their overall maintenance and running.

### ⑧ Coca-Cola Customer Marketing Company, Limited (CCCMC)

Established in January 2007 as a joint company of Coca-Cola (Japan) Co., Ltd. and all the Japanese bottlers. Responsible for business negotiations with major retailers, such as nationwide convenience store and supermarket chains, as well as developing proposals for sales promotions and storefront activities.

### ⑨ FV Corporation (FVC)

Established in May 2001 as a joint company of Coca-Cola (Japan) Co., Ltd. and all the Japanese bottlers. Its functions include: sales to organizations spread over wide areas in the vending machine business and handling of products other than corporate products (those authorized by Coca-Cola (Japan) Co., Ltd.).

Coca-Cola West

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