

# INTERIM REPORT 2005

人と人をうるおす  
*Coca-Cola*

KINKI Coca-Cola Bottling Co., Ltd.

<http://www.kinki.ccbc.co.jp>

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**Corporate Principle**

**“Company That Creates Refreshment”**

The Kinki Coca-Cola Bottling Group aims to :

Create opportunities that realize to a rich and prosperous lifestyle.

Respond to expectations and desire for progress.

Contribute to a healthier lifestyle.

**Vision 2006**

The Kinki Coca-Cola Bottling Group intends to :

Provide each and every single product with No.1 operation in the soft drink market,  
and offer refreshing moments to as many people as possible.

Treasure our customers as our partners to realize consumer's satisfaction,  
and grow together with customers.

Pursue consumer's satisfaction, with each of us trying hard to fulfill our role  
and accomplish our goals with pride and the spirit of challenge.

Increase profits every year through daily healthy business activities.

## 2004 ~ 2006 Midterm Business Plan

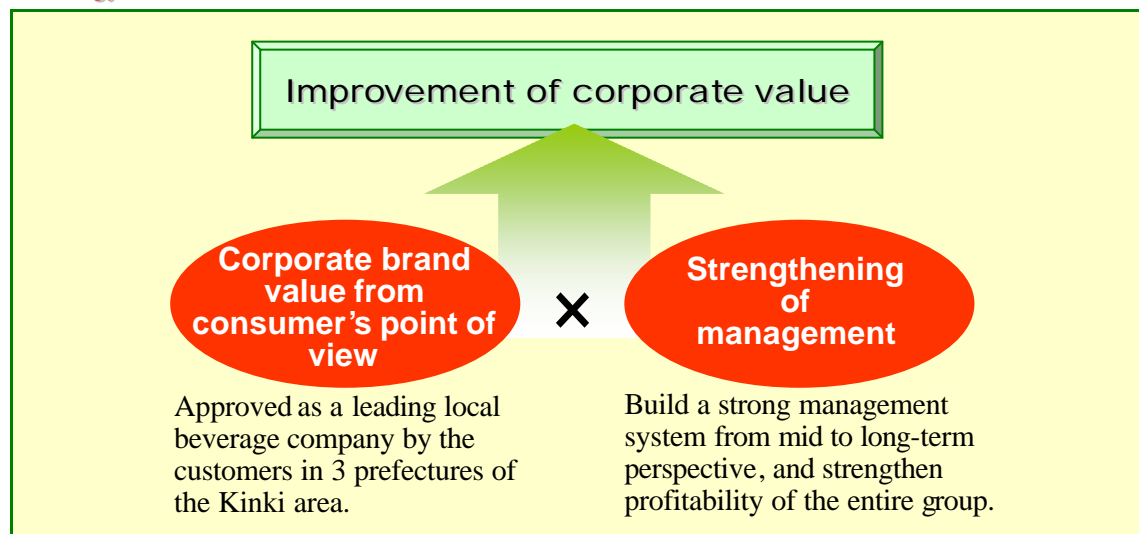
As we face the changes in the business environment, we newly adopted a 3-year midterm business plan for the period of 2004 to 2006. The aim is to flexibly adapt to future changes in the business environment by pursuing consumer's satisfaction and management restructuring, and strive for a strong business group.

A "Basic Strategy" has been undertaken to materialize "Vision 2006" raised by the group.

### Basic Strategy

1. Financial strategy
2. Strategy for improving corporate value from consumer's point of view
3. Restructuring strategy aimed at strengthening profitability and improving corporate value
4. Strategy for strengthening performance bases

### Strategy Axis



### 2006 Fixed Targets

|                  |   |                 |
|------------------|---|-----------------|
| S a l e s        | : | ¥ 187.2 billion |
| Ordinary profit: |   | ¥ 10.0 billion  |
| R O E            | : | 7.0 %           |

## Midterm Business Plan Specific Action of Basic Strategy

### 1. Financial strategy

- Upkeep an increase in revenue and profits.
- Improve finances to uplift stock value.
- Improve important management indices.

### 2. Strategy for improving corporate from customer's point of view

- Establish means of 2-way communication with consumer.
- Communicate directly within the coverage areas.
- Innovate business style for better consumer satisfaction with customers of partners.
- Establish a reliable quality assurance and control system.

### 3. Restructuring strategy aimed at strengthening profitability and improving corporate value

#### 【Within the Coca-Cola System】

- Strengthen the partnership with Cola-Cola (Japan) Co., Ltd.
- Make maximum use of advantages drawn from SCM (Supply Chain Management) including cost reduction and a lower cost price.
- Build a group structure necessary to transform into a sales company.
- Unify the information system (development system) in Japan.
- Strengthen cooperation with strategic partners.

#### 【Within our group】

- Integrate and restructure administrative departments that include group companies.
- Innovate management in order to improve the quality and speed of decision-making and strategy execution.
- Institute a new retirement allowance system.
- Apply progress management system to control departmental activity plans.
- Strengthen cooperation with strategic partners.

#### 【Strategy for social contributions】

- .Penetrate corporate compliance
- Strengthen environmental activities.

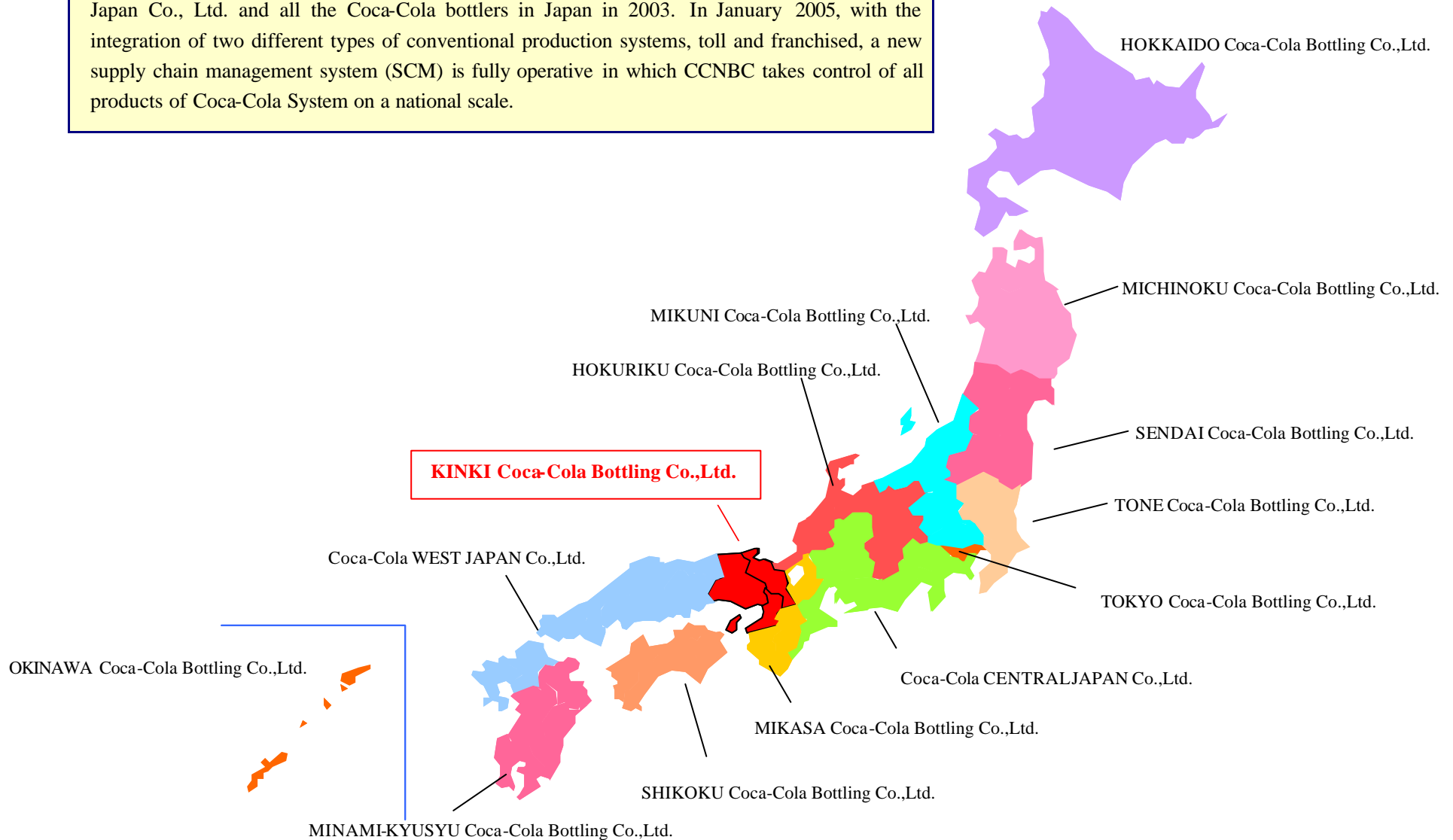
### 4. Strategy for strengthening performance bases

- Provide CDP (Career Development Programs) for the entire group staff.
- Create a corporate atmosphere that pursues consumer satisfaction.
- Develop human resources who have the desire to achieve and take pride in their work.
- Redesign the personnel system for promoting group business.

## The Coca-Cola System in Japan

### Coca-Cola National Beverage Co., Ltd. Starts Operations

Coco-Cola National Beverage Co., Ltd. (CCNBC), which was jointly set up by Coca-Cola Japan Co., Ltd. and all the Coca-Cola bottlers in Japan in 2003. In January 2005, with the integration of two different types of conventional production systems, toll and franchised, a new supply chain management system (SCM) is fully operative in which CCNBC takes control of all products of Coca-Cola System on a national scale.



# Coca-Cola National Beverage Co., Ltd. Starts Operations

## Cost Reduction

The integrated SCM aims to increase productivity through improved management of resources distributed across Japan and to reduce cost through standardization of the operational processes and integration of the information system. The profits realized by the cost reduction will be given back to the shareholders, bottlers, to be reinvested to strengthen sales proposal capabilities and production capacity so that the Coca-Cola System as a whole would extend the competitiveness and enjoy a long-term growth of profits.

The cost reduction effect achieved in the 15 months between the launch of CCNBC in October 2003 and the end of the year 2004 was estimated at approximately ¥16.5 billion, which surpassed the goal of ¥12 billion.

As was projected at the start, an annual cost reduction of ¥25 billion will be achieved by fiscal 2007 (¥7 billion in procurement, ¥12 billion in production and ¥6 billion in distribution).

For the maintenance and improvements of the supply chain, CCNBC plans to invest ¥4 billion for the development of new products and production facility and ¥9 billion for the integrated information system in Fiscal 2004 and also plans to continue investments for the next three years.

## Nationwide Optimization of the Production Capacity

With the introduction of the integrated nationwide SCM, the Coca-Cola System will integrate existing 34 factories (104 production lines) into 27 factories (90 production lines including 3 new production lines) by 2007. For the first step, 4 factories (6 production lines) will stop the operation in Fiscal 2005.

## Akashi Logistics Center is Under Construction

With the aim of reducing distribution costs within the Coca-Cola System, we are being built **Akashi Logistics Center**. This center will be located on the premise of our Akashi Factory and leased to CCNBC.

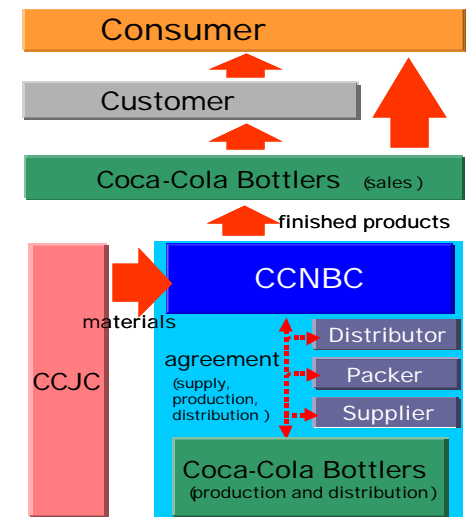
### < Overview of Akashi Logistics Center >

|                      |               |
|----------------------|---------------|
| Amount of Investment | ¥3.5 billion  |
| Completion           | November 2005 |



An Image

### 【Structure of supply and demand】

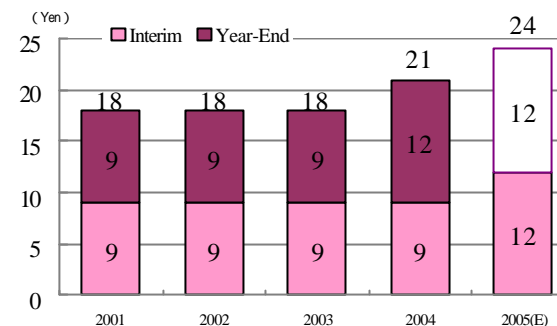


## Policy of rewarding shareholders

### Dividend

The company increased the year-end dividend to ¥12 per share for Fiscal 2004, reflecting its focus on shareholders' interest. The company plans to increase the annual total of the Dividend to ¥24 per share for Fiscal 2005.

#### Dividend Per Share



### Change in the Number of Shares for A Unit of Transaction

Considering the movement of stock prices, the requirement from the market and other factors, we changed the number of shares for a unit of transaction so that corporate as well as individual investors can invest in a more flexible way, thus stimulating the mobility of stocks on June 1st, 2005.

|                           |   |
|---------------------------|---|
| Description of the Change | The number of shares for a unit of transaction was changed from 1,000 shares to <b>100 shares</b> . |
|---------------------------|---|

### Changes in preferential treatment for stockholders

In order to enhance the attractiveness of our stocks to investors and to improve understanding of our company, we made addition to the preferential treatment for stockholders with 100 shares or more but less than 1000 shares.



1,000 shares or more : products (about ¥3,300)



500 shares or more but less than 1,000 shares : products (about ¥1,400)



100 shares or more but less than 500 shares : products (about ¥700)



## New Campaign on Georgia

Our "Georgia" brand, which has been the best seller in the refreshing beverage market in Japan, was renewed for the first time in these 5 years.

In order to keep high level of support from consumers for 10 years ahead, we are trying to increase the penetration of the value of the "Georgia" brand into younger men and women of 20s and 30s in addition to the core-target of 30s and 40s.

New logotype



### A new brand, "Grande", launched

A new brand, "Grande", was launched on the 5th of September, featuring the natural taste and aroma of coffee by using only handpicked large particles of coffee beans produced in Brazil.

"Georgia Grande" is made of only large particles of coffee beans with good taste and high quality produced in Brazil, which is handpicked by experienced appraisers. The well-balanced combination of bitterness and sweetness and the rich aroma is realized by our dedicated efforts to find not only the best usage of beans and the best method of parching but also the conditions for extraction and the choice of secondary materials.



Coca-cola, Georgia, Sokenbicha and Aquarius are the four major brands of our group and account for about 60 % of our total sales. Georgia sells best among these four brands and accounted for 30.3% of our total sales in 2004.

## Consolidated Financial Highlights

|  | 2002/6   | 2003/6   | 2004/6   | 2005/6   | YoY        | 2005/12 (E) | YoY        |
|--|----------|----------|----------|----------|------------|-------------|------------|
| Sales Volume (Cases in thousands)      | 38,978   | 37,226   | 39,376   | 39,784   | 101.0%     | 87,000      | 102.6%     |
| Sales (Yen in millions)                | 86,778   | 86,021   | 90,886   | 86,169   | 94.8%      | 185,400     | 96.0%      |
| Operating Profit (Yen in millions)     | 2,118    | 1,716    | 3,060    | 2,506    | 81.9%      | 7,900       | 98.9%      |
| Recurring Profit (Yen in millions)     | 2,129    | 1,664    | 2,903    | 2,431    | 83.7%      | 7,800       | 99.9%      |
| Net Profit (or loss) (Yen in millions) | -1,362   | -429     | 958      | 1,365    | 142.6%     | 4,400       | 120.9%     |
| Operating Profit on Sales              | 2.5%     | 2.0%     | 3.4%     | 2.9%     | - 0.5point | 4.3%        | + 0.2point |
| Recurring Profit on Sales              | 2.5%     | 1.9%     | 3.2%     | 2.8%     | - 0.4point | 4.2%        | + 0.2point |
| Net Profit on Sales                    | -        | -        | 1.1%     | 1.6%     | + 0.5point | 2.4%        | + 0.5point |
| EPS (Yen)                              | -21.78   | -6.87    | 15.32    | 21.84    | + 6.52     | 70.36       | + 14.09    |
| Shareholder's Equity Ratio             | 68.5%    | 68.0%    | 60.5%    | 63.9%    | + 3.4point | 65.6%       | + 2.4point |
| BPS (Yen)                              | 1,311.92 | 1,308.06 | 1,173.58 | 1,213.79 | + 40.21    | 1,265.86    | + 61.92    |
| ROA                                    | -        | -        | -        | -        | -          | 6.5%        | ±0.0point  |
| ROE                                    | -        | -        | -        | -        | -          | 5.6%        | + 0.7point |

## Business outline of consolidated subsidiaries

| Company                            | Business Outline  | Note  |
|------------------------------------|---|---|
| Kansai Beverage Services Co., Ltd. | <ul style="list-style-type: none"> <li>* Operates vending machine management business</li> <li>* Operates drinks</li> <li>* Provides maintenance services for vending machine and peripherals</li> <li>* Supplies ground coffee to offices</li> <li>* Agency sales of telephone cards</li> <li>* Operates desk duties at branches managed by Kinki</li> </ul> | Kinki Coca-Cola Vending, Rex Techno Systems, Remy and FV Nishi-Nihon were merged to form Kansai Beverage Service on February 1, 2002. |
| Nesco Co., Ltd.                    | *Operates drinks vending machines.  |   |
| Kinki Coca-Cola Products Co., Ltd. | * Consignment production of drinks ( coca-cola products )   |   |
| Kansai Logistics Co., Ltd.         | * Consigned distribution of beverages and food products   | Established on January 4, 2002. Started sales on May 1  |
| Rex Estate Co., Ltd.               | * Sell, leases, brokers and manages real estate   |   |
| Rex Leasing Co., Ltd.              | Auto leasing and general leasing business   |   |
| Seiko Cooperate Japan Co., Ltd.    | * Auto maintenance   * Sell used cars   | A wholly owned subsidiary of Rex Leasing Co., Ltd.  |
| Kadiac Co., Ltd.                   | * Operates soft drinks vending machines etc. at Kansai New Airport  |   |
| C&C Co., Ltd.                      | * Franchise business (meals, rental videos)   * Foods sales   |   |
| Akiyoshi Systems Co., Ltd.         | * Operates of Akiyoshi grilled chicken restaurants  |   |

# Consolidated Balance Sheet      Assets Section

(Units: Yen in millions)

|  | 2002/6  | 2003/6  | 2004/6  | 2005/6  | YoY    |
|--|---------|---------|---------|---------|--------|
|  | 38,772  | 34,062  | 34,184  | 33,470  | -714   |
| Cash and deposits                      | 8,977   | 5,353   | 4,277   | 4,463   | 186    |
| Notes receivable & Accounts receivable | 12,609  | 12,190  | 13,450  | 12,036  | -1,414 |
| Securities                             | 1,599   | -       | -       | -       | -      |
| Inventories                            | 9,642   | 9,926   | 8,903   | 5,930   | -2,973 |
| Deferred tax assets                    | 1,219   | 690     | 2,556   | 3,110   | 554    |
| Others                                 | 4,835   | 6,012   | 5,098   | 7,982   | 2,884  |
| Reserve for uncollectable accounts     | -111    | -110    | -103    | -53     | 50     |
|  | 81,135  | 86,198  | 87,205  | 85,346  | -1,859 |
| Tangible fixed assets                  | 65,977  | 66,368  | 65,365  | 65,822  | 457    |
| Buildings & structures                 | 16,441  | 15,291  | 14,567  | 14,594  | 27     |
| Machinery, equipment & vehicles        | 12,356  | 10,912  | 9,842   | 7,445   | -2,397 |
| Vending machines                       | 13,986  | 14,562  | 14,969  | 15,377  | 408    |
| Land                                   | 18,235  | 20,214  | 20,189  | 19,823  | -366   |
| Construction in progress               | 22      | -       | 38      | 1,917   | 1,879  |
| Lease assets                           | 3,490   | 3,628   | 3,918   | 4,782   | 864    |
| Other tangible fixed assets            | 1,443   | 1,758   | 1,839   | 1,881   | 42     |
| Intangible assets                      | 5,210   | 5,134   | 3,344   | 3,558   | 214    |
| Software                               | 1,821   | 1,921   | 2,511   | 3,061   | 550    |
| Consolidated adjustment account        | 2,133   | 1,881   | 198     | 172     | -26    |
| Others                                 | 1,255   | 1,331   | 633     | 324     | -309   |
| Investments, etc.                      | 9,948   | 14,696  | 18,495  | 15,965  | -2,530 |
| Investment securities                  | 2,094   | 5,991   | 7,046   | 6,487   | -559   |
| Deferred tax assets                    | 2,099   | 2,660   | 6,371   | 4,723   | -1,648 |
| Miscellaneous investments              | 6,141   | 6,634   | 5,596   | 5,239   | -357   |
| Reserve for uncollectable accounts     | -387    | -590    | -518    | -485    | 33     |
|  | 119,908 | 120,260 | 121,390 | 118,817 | -2,573 |

## Consolidated Balance Sheet - Liabilities & Capital Section -

(Units: Yen in millions)

|   | 2002/6  | 2003/6  | 2004/6  | 2005/6  | YoY    |
|---|---------|---------|---------|---------|--------|
| Current liabilities                                 | 19,267  | 26,844  | 29,223  | 27,472  | -1,751 |
| Notes payable & accounts payable                    | 8,549   | 8,526   | 7,710   | 4,076   | -3,634 |
| Short-term debts                                    | 2,136   | 1,806   | 12,392  | 14,863  | 2,471  |
| Convertible bonds due within one year               | -       | 8,167   | -       | -       | -      |
| Unpaid accounts                                     | 4,196   | 3,066   | 4,020   | 3,281   | -739   |
| Unpaid corporate taxes, etc.                        | 230     | 259     | 250     | 344     | 94     |
| Other   | 4,154   | 5,018   | 4,849   | 4,904   | 55     |
| Fixed liabilities                                   | 18,490  | 11,527  | 18,687  | 15,358  | -3,329 |
| Convertible Bonds                                   | 8,167   | -       | -       | -       | -      |
| Long-term debts                                     | 2,948   | 3,347   | 12,932  | 9,197   | -3,735 |
| Retirement benefits                                 | 5,227   | 6,325   | 1,123   | 1,639   | 516    |
| Reserve for directors' retirement allowances        | 275     | 232     | 204     | 206     | 2      |
| Deferred tax liabilities                            | 444     | 432     | 468     | 418     | -50    |
| Other   | 1,426   | 1,189   | 3,957   | 3,895   | -62    |
| Total liabilities                                   | 37,757  | 38,371  | 47,911  | 42,830  | -5,081 |
| Minority interest                                   | 49      | 58      | 73      | 88      | 15     |
| Capital   | 10,948  | 10,948  | 10,948  | 10,948  | -      |
| Capital surplus                                     | 10,040  | 10,040  | 10,040  | 10,040  | -      |
| Retained earnings                                   | 60,993  | 60,860  | 52,091  | 54,704  | 2,613  |
| Net unrealized holding gains on securities          | 129     | 7       | 360     | 258     | -102   |
| Treasury stock                                      | -9      | -25     | -33     | -52     | -19    |
| Total capital                                       | 82,101  | 81,830  | 73,406  | 75,899  | 2,493  |
| Total of liabilities, minority interest and capital | 119,908 | 120,260 | 121,390 | 118,817 | -2,573 |

# Consolidated Income Statement

(Units: Yen in millions)

|  | 2002/6 | 2003/6 | 2004/6 | 2005/6 | YoY    | YoY(%) |
|--|--------|--------|--------|--------|--------|--------|
| Sales Volume (Cases in thousands)                          | 38,978 | 37,226 | 39,376 | 39,784 | 408    | 101.0% |
| Sales  | 86,778 | 86,021 | 90,886 | 86,169 | -4,716 | 94.8%  |
| Sales cost   | 44,950 | 45,929 | 49,094 | 47,387 | -1,707 | 96.5%  |
| Net sales  | 41,827 | 40,091 | 41,791 | 38,781 | -3,009 | 92.8%  |
| S&GA   | 39,709 | 38,375 | 38,730 | 36,274 | -2,456 | 93.7%  |
| Operating profit   | 2,118  | 1,716  | 3,060  | 2,506  | -554   | 81.9%  |
| Non-operating income                                       | 288    | 160    | 204    | 153    | -51    | 75.0%  |
| Non-operating expenses                                     | 277    | 212    | 360    | 229    | -131   | 63.6%  |
| Recurring profit   | 2,129  | 1,664  | 2,903  | 2,431  | -472   | 83.7%  |
| Extraordinary profits                                      | 355    | 305    | 14     | 4      | -10    | 28.6%  |
| Extraordinary losses                                       | 5,079  | 2,773  | 1,601  | 642    | -959   | 40.1%  |
| Net profit (or loss) before tax                            | -2,594 | -802   | 1,316  | 1,793  | 476    | 136.2% |
| Corporate taxes, corporate resident taxes & business taxes | 297    | 249    | 246    | 253    | 7      | 102.8% |
| Corporation tax adjustment                                 | -1,538 | -627   | 101    | 160    | 59     | 158.4% |
| Minority shareholders gain                                 | -9     | -4     | -10    | -12    | -2     | -      |
| Net profits (or loss)                                      | -1,362 | -429   | 958    | 1,365  | 407    | 142.6% |

## Consolidated Manufacturing Expenses

(Units: Yen in millions)

|  | 2003/6 | 2004/6 | 2005/6 | YoY  |
|--|--------|--------|--------|------|
| Personnel Costs                            | 931    | 935    | 919    | -16  |
| Unitily Costs                              | 616    | 607    | 608    | 1    |
| Manufacturing consignment processing costs | 960    | 1,102  | 355    | -747 |
| Maintenance costs                          | 452    | 475    | 503    | 28   |
| Operation expenses                         | 441    | 410    | 305    | -105 |
| Depreciation costs                         | 848    | 759    | 576    | -183 |
| Other fixed expenses                       | 332    | 214    | 411    | 197  |
| Total                                      | 4,580  | 4,502  | 3,680  | -822 |

## 【 Production 】

(Unit: thousand cases)

|                   | 2003/6 | 2004/6 | 2005/6 | YoY   |
|-------------------|--------|--------|--------|-------|
| Production volume | 42,527 | 41,651 | 37,116 | 89.1% |

## Consolidated SG&A Costs

|   | 2003/6 | 2004/6 | 2005/6 | YoY    |
|---|--------|--------|--------|--------|
| Personnel Costs   | 13,364 | 12,227 | 12,212 | -15    |
| Full-service sales commissions                            | 7,660  | 8,168  | 7,595  | -573   |
| Sales promotional expenses and advertisement expenses     | 3,944  | 4,533  | 4,262  | -271   |
| Vending machine expenses                                  | 1,618  | 1,868  | 1,699  | -169   |
| Products delivery expenses                                | 3,546  | 3,800  | 3,027  | -773   |
| Business consignment expenses                             | 71     | 130    | 157    | 27     |
| Depreciation  | 4,531  | 4,537  | 4,352  | -185   |
| Computer expenses   | 478    | 431    | 243    | -188   |
| Other fixed costs (repairs, entertainment, miscellaneous) | 3,163  | 3,036  | 2,733  | -303   |
| Total   | 38,375 | 38,730 | 36,274 | -2,456 |



## Consolidated Nonoperating Income

### 【 Nonoperating income 】

(Units: Yen in millions)

|                                 | 2003/6 | 2004/6 | 2005/6 | YoY |
|---------------------------------|--------|--------|--------|-----|
| Interest and dividends received | 22     | 38     | 29     | -9  |
| Real estate leasing charges     | 59     | 66     | 48     | -18 |
| Equity in profit of affiliate   | -      | 31     | 10     | -21 |
| Other                           | 79     | 66     | 65     | -1  |
| Total                           | 160    | 204    | 153    | -51 |

### 【 Nonoperating expenses 】

(Units: Yen in millions)

|                               | 2003/6 | 2004/6 | 2005/6 | YoY  |
|-------------------------------|--------|--------|--------|------|
| Interest paid                 | 72     | 118    | 79     | -39  |
| Real estate leasing costs     | 29     | 47     | 34     | -13  |
| Abandonment loss              | 57     | 139    | 95     | -44  |
| Equity in losses of affiliate | 7      | -      | -      | -    |
| Other                         | 44     | 55     | 20     | -35  |
| Total                         | 212    | 360    | 229    | -131 |

## Consolidated Extraordinary Income

### 【 Extraordinary profit 】

(Units: Yen in millions)

|                            | 2003/6 | 2004/6 | 2005/6 | YoY |
|----------------------------|--------|--------|--------|-----|
| Proceeds from sale of land | 293    | 0      | 0      | 0   |
| Other                      | 12     | 14     | 4      | -10 |
| Total                      | 305    | 14     | 4      | -10 |

### 【 Extraordinary losses 】

(Units: Yen in millions)

|   | 2003/6 | 2004/6 | 2005/6 | YoY    |
|---|--------|--------|--------|--------|
| Loss from sales of fixed assets and fixed assets removal expenses | 467    | 287    | 327    | 40     |
| Special retirement allowances                                     | 871    | 1,309  | -      | -1,309 |
| Loss on adopting retirement benefits accounting                   | 1,339  | -      | -      | -      |
| Loss on evaluation of golf course membership                      | 47     | -      | 30     | 30     |
| Investment securities valuation losses                            | 47     | 4      | -      | -4     |
| Expense of new type of paper money - ready on vending machine     | -      | -      | 284    | 284    |
| Total   | 2,773  | 1,601  | 642    | -959   |

# Consolidated Cash Flow

(Units: Yen in millions)

|   | 2005/6 |  | 2005/6 |
|---|--------|--|--------|
| . Cash flow from operating activities                             | 6,547  | . Cash flow from investing activities            | -9,982 |
| Net profit before adjustment, including tax, for interim term     | 1,793  | Expenses from fixed-term deposits                | -10    |
| Depreciation  | 6,118  | Proceeds from fixed-term deposits                | 10     |
| Amortization of long-term prepaid expenses                        | 1,369  | Purchase of tangible fixed assets                | -9,063 |
| Allowance for depreciation on consolidation adjustment account    | 13     | Sale of tangible fixed assets                    | 933    |
| Increase of retirement benefits                                   | 271    | Purchase of intangible fixed assets              | -700   |
| Decline in reserve for director's retirement allowance            | -46    | Purchase of long-term prepaid expenses           | -1,275 |
| Increase in reserves for bad debt                                 | 12     | Purchase of investment securities                | -14    |
| Interest and dividends received                                   | -29    | Sale of investment securities                    | -      |
| Interest paid   | 79     | Loans extended                                   | -14    |
| Equity in losses of affiliate                                     | -10    | Loans recovered                                  | 138    |
| Profit from sale of investment securities                         | -      | Decline in other investments                     | 12     |
| Loss from valuation of investment securities                      | -      | . Cash flow from financing activities            | 3,288  |
| Loss of evaluation of golf course membership                      | 30     | Increase of short-term debt                      | 5,500  |
| Profit from sale of tangible fixed assets                         | -0     | Income from long-term debt                       | 1,100  |
| Loss from sales of fixed assets and fixed assets removal expenses | 327    | Repayment of long-term debt                      | -2,546 |
| Retirement allowances   | -      | Share buyback costs                              | -9     |
| Increase in trade receivables                                     | 597    | Dividend payable                                 | -750   |
| Decline in inventories  | 3,110  | Dividend paid to minority stockholders           | -4     |
| Decline in trade payables   | -2,971 | . Decline in cash and cash equivalents           | -146   |
| Increase in unpaid consumption tax and others                     | -34    | . Cash and cash equivalents at beginning of year | 4,579  |
| Directors' bonuses payable  | -116   |  |        |
| Increase in other assets and liabilities                          | -3,561 | . Cash and cash equivalents at end of year       | 4,433  |
| Subtotal  | 6,954  |  |        |
| Interest and dividends received                                   | 64     |  |        |
| Interest payable  | -82    |  |        |
| Retirement allowances payable                                     | -      |  |        |
| Corporate taxes payable   | -388   |  |        |

## Capex and Depreciation - Consolidated

### 【 Capex 】

(Units: Yen in millions)

|   | 2002/12       | 2003/12       | 2004/12       | 2005/12 (E)   | YoY          |
|---|---------------|---------------|---------------|---------------|--------------|
| Vending machines                            | 5,517         | 6,779         | 7,228         | 7,539         | 311          |
| Buildings and structures                    | 1,362         | 495           | 1,373         | 2,657         | 1,284        |
| Machinery, equipment and vehicles           | 3,062         | 949           | 1,542         | 2,343         | 801          |
| Tools and implements                        | 1,006         | 620           | 800           | 352           | -448         |
| Land acquisition                            | 2,401         | -             | -             | 832           | 832          |
| Land disposal                               | -681          | -564          | -             | -             | -            |
| Construction in progress                    | -865          | 394           | 59            | -137          | -196         |
| Leased assets                               | 1,729         | 1,753         | 2,664         | 2,888         | 224          |
| <b>Total of tangible fixed assets</b>       | <b>13,531</b> | <b>10,426</b> | <b>13,675</b> | <b>16,475</b> | <b>2,800</b> |
| Intangible assets                           | 1,141         | 1,176         | 1,312         | 1,191         | -121         |
| (of which, softwares)                       | ( 1,555 )     | ( 1,000 )     | ( 1,084 )     | ( 998 )       | ( -86 )      |
| (of which, softwares in progress)           | ( -414 )      | ( 174 )       | ( 224 )       | ( 193 )       | ( -31 )      |
| (of which, consolidated adjustment account) | ( - )         | ( - )         | ( - )         | ( - )         | ( - )        |
| Long-term prepaid expenses                  | 2,430         | 2,934         | 2,634         | 1,952         | -682         |
| Other                                       | 575           | 129           | 9             | 22            | 13           |
| <b>Total investments</b>                    | <b>17,677</b> | <b>14,665</b> | <b>17,630</b> | <b>19,640</b> | <b>2,010</b> |

### Interim

|  | 2005/6       | YoY          |
|--|--------------|--------------|
|  | 4,287        | -202         |
|  | 101          | 30           |
|  | 217          | -797         |
|  | 254          | -75          |
|  | -            | -            |
|  | -            | -            |
|  | 1,414        | 1,820        |
|  | 1,394        | 186          |
|  | <b>7,667</b> | <b>962</b>   |
|  | 565          | 31           |
|  | ( 1,024 )    | ( 377 )      |
|  | ( -460 )     | ( -347 )     |
|  | ( - )        | ( - )        |
|  | 1,276        | 287          |
|  | 0            | -6           |
|  | <b>9,507</b> | <b>1,272</b> |

### 【 Depreciation 】

(Units: Yen in millions)

|   | 2002/12       | 2003/12       | 2004/12       | 2005/12 (E)   | YoY       |
|---|---------------|---------------|---------------|---------------|-----------|
| Vending machines                            | 5,606         | 5,874         | 6,044         | 6,235         | 191       |
| Buildings and structures                    | 1,438         | 1,252         | 1,145         | 1,130         | -15       |
| Machinery, equipment and vehicles           | 2,908         | 2,691         | 2,503         | 2,134         | -369      |
| Tools and implements                        | 525           | 575           | 624           | 689           | 65        |
| Leased assets                               | 1,668         | 1,618         | 1,754         | 1,907         | 153       |
| <b>Total</b>                                | <b>12,145</b> | <b>12,012</b> | <b>12,071</b> | <b>12,095</b> | <b>24</b> |
| Intangible assets                           | 1,328         | 2,859         | 1,162         | 1,066         | -96       |
| (of which, softwares)                       | ( 646 )       | ( 701 )       | ( 788 )       | ( 1,039 )     | ( 251 )   |
| (of which, Amortization of goodwill)        | ( 430 )       | ( 359 )       | ( 359 )       | ( 1 )         | ( -358 )  |
| (of which, consolidated adjustment account) | ( 252 )       | ( 1,795 )     | ( 26 )        | ( 26 )        | ( 0 )     |
| Long-term prepaid expenses                  | 2,256         | 2,480         | 2,458         | 1,871         | -587      |

### Interim

|  | 2005/6       | YoY       |
|--|--------------|-----------|
|  | 2,817        | 105       |
|  | 548          | -26       |
|  | 991          | -235      |
|  | 333          | 39        |
|  | 930          | 111       |
|  | <b>5,618</b> | <b>-7</b> |
|  | 509          | -64       |
|  | ( 496 )      | ( 123 )   |
|  | ( 0 )        | ( -179 )  |
|  | ( 13 )       | ( 0 )     |
|  | ( 1,258 )    | ( 6 )     |

## Parent Financial Highlights

|  |          |          |          |          |            | (Units: Yen in millions) |            |
|--|----------|----------|----------|----------|------------|--------------------------|------------|
|  | 2002/6   | 2003/6   | 2004/6   | 2005/6   | YoY        | 2005/12 (E)              | YoY        |
| Sales Volume (Cases in thousands)        | 37,815   | 36,123   | 38,381   | 38,854   | 101.2%     | 85,000                   | 102.5%     |
| Sales (Yen in millions)                  | 75,913   | 76,080   | 80,354   | 75,080   | 93.4%      | 162,700                  | 95.2%      |
| Operating profit (Yen in millions)       | 1,107    | 879      | 1,672    | 1,011    | 60.5%      | 5,400                    | 95.0%      |
| Recurring profit (Yen in millions)       | 1,203    | 1,216    | 1,871    | 1,417    | 75.8%      | 6,100                    | 99.3%      |
| Net profit [ or loss ] (Yen in millions) | -2,106   | -655     | 191      | 630      | 328.6%     | 3,200                    | 139.1%     |
| Operating Profit on Sales                | 1.5%     | 1.2%     | 2.1%     | 1.3%     | + 0.8point | 3.3%                     | ±0.0point  |
| Recurring Profit on Sales                | 1.6%     | 1.6%     | 2.3%     | 1.9%     | + 0.4point | 3.8%                     | + 0.1point |
| Net Profit on Sales                      | -        | -        | 0.2%     | 0.8%     | + 0.6point | 2.0%                     | + 0.7point |
| EPS (Yen)                                | -33.66   | -10.48   | 3.07     | 10.09    | + 7.02     | 51.17                    | + 15.21    |
| Equity Ratio                             | 74.0%    | 73.2%    | 64.4%    | 67.7%    | + 3.3point | 69.4%                    | + 1.8point |
| BPS (Yen)                                | 1,277.61 | 1,274.26 | 1,131.08 | 1,151.57 | + 20.49    | 1,180.97                 | + 27.54    |
| Interim dividends per share (Yen)        | 9.00     | 9.00     | 9.00     | 12.00    | + 3.00     | (Annual) 24.00           | + 3.00     |
| ROA                                      | -        | -        | -        | -        | -          | 5.7%                     | ±0.0point  |
| ROE                                      | -        | -        | -        | -        | -          | 4.4%                     | + 1.2point |

# Parent Balance Sheet    Assets Section

(Units: Yen in millions)

|                                    | 2002/6  | 2003/6  | 2004/6  | 2005/6  | YoY    |
|------------------------------------|---------|---------|---------|---------|--------|
| Current assets                     | 35,718  | 31,636  | 30,362  | 29,189  | -1,173 |
| Cash and deposits                  | 7,354   | 4,066   | 3,049   | 3,053   | 4      |
| Notes receivable                   | 52      | 1       | 0       | 3       | 3      |
| Accounts receivable                | 11,978  | 11,533  | 11,964  | 10,029  | -1,935 |
| Securities                         | 1,599   | -       | -       | -       | -      |
| Inventories                        | 8,664   | 8,899   | 7,790   | 4,802   | -2,988 |
| Deferred tax assets                | 926     | 299     | 2,116   | 2,418   | 302    |
| Miscellaneous current assets       | 5,239   | 6,919   | 5,520   | 8,911   | 3,391  |
| Reserve for bad debts              | -96     | -83     | -79     | -30     | 49     |
| Fixed assets                       | 72,392  | 77,283  | 79,528  | 77,160  | -2,368 |
| Tangible fixed assets              | 54,233  | 54,441  | 53,342  | 53,621  | 279    |
| Buildings                          | 12,712  | 11,801  | 11,349  | 11,535  | 186    |
| Machinery, equipment, and vehicles | 10,232  | 8,958   | 7,941   | 5,837   | -2,104 |
| Vending machines                   | 13,676  | 14,290  | 14,745  | 15,174  | 429    |
| Land                               | 15,529  | 17,454  | 17,454  | 17,088  | -366   |
| Construction in progress           | 20      | -       | 38      | 1,917   | 1,879  |
| Other                              | 2,061   | 1,936   | 1,814   | 2,068   | 254    |
| Intangible assets                  | 2,030   | 2,516   | 2,791   | 3,227   | 436    |
| Softwares                          | 1,728   | 1,749   | 2,372   | 2,932   | 560    |
| Other                              | 302     | 767     | 418     | 294     | -124   |
| Investments, etc.                  | 16,128  | 20,324  | 23,394  | 20,310  | -3,084 |
| Investment securities              | 1,595   | 1,325   | 2,782   | 2,652   | -130   |
| Subsidiaries securities            | 3,663   | 7,870   | 6,393   | 5,853   | -540   |
| Long-term loans                    | 4,778   | 4,590   | 5,048   | 4,409   | -639   |
| Long-term deferred tax assets      | 1,906   | 2,235   | 6,008   | 4,345   | -1,663 |
| Miscellaneous investments          | 4,576   | 4,833   | 3,625   | 3,457   | -168   |
| Reserve for bad debts              | -391    | -531    | -463    | -408    | 55     |
| Total assets                       | 108,110 | 108,919 | 109,891 | 106,349 | -3,542 |

## Parent Balance Sheet      Liabilities/Stockholders' Equity Section

(Units: Yen in millions)

|  | 2002/6  | 2003/6  | 2004/6  | 2005/6  | YoY    |
|--|---------|---------|---------|---------|--------|
| Current liabilities                          | 13,743  | 22,309  | 25,789  | 24,004  | -1,785 |
| Accounts payable                             | 5,141   | 4,972   | 4,077   | 834     | -3,243 |
| Short-term debts                             | -       | -       | 10,948  | 12,328  | 1,380  |
| Convertible bonds due within one year        | -       | 8,167   | -       | -       | -      |
| Accounts payable-other                       | 3,751   | 2,756   | 3,687   | 2,780   | -907   |
| Expenses payable                             | 3,967   | 4,133   | 4,326   | 4,428   | 102    |
| Corporation taxes payable                    | 4       | 15      | 16      | 66      | 50     |
| Deposits received                            | 408     | 1,444   | 1,749   | 2,349   | 600    |
| Other  | 469     | 820     | 985     | 1,216   | 231    |
| Fixed liabilities                            | 14,413  | 6,893   | 13,353  | 10,335  | -3,018 |
| Convertible bonds                            | 8,167   | -       | -       | -       | -      |
| Long-term debts                              | -       | -       | 9,008   | 5,680   | -3,328 |
| Long-term accrued amount payable             | 503     | -       | 3,386   | 3,341   | -45    |
| Retirement benefits                          | 4,824   | 5,823   | 499     | 866     | 367    |
| Reserve for directors' retirement allowances | 240     | 174     | 138     | 127     | -11    |
| Miscellaneous fixed liabilities              | 679     | 894     | 321     | 319     | -2     |
| Total liabilities                            | 28,156  | 29,203  | 39,143  | 34,339  | -4,804 |
| Capital                                      | 10,948  | 10,948  | 10,948  | 10,948  | -      |
| Capital surplus                              | 10,040  | 10,040  | 10,040  | 10,040  | -      |
| Additional paid-in capital                   | 10,040  | 10,040  | 10,040  | 10,040  | -      |
| Retained earnings                            | 58,852  | 58,752  | 49,459  | 50,834  | 1,375  |
| Legal earnings reserve                       | 1,618   | 1,618   | 1,618   | 1,618   | -      |
| Voluntary reserve                            | 58,046  | 56,472  | 46,314  | 47,314  | 1,000  |
| Unappropriated profit for current term       | -812    | 660     | 1,526   | 1,900   | 374    |
| Net unrealized holding gains on securities   | 122     | 1       | 333     | 238     | -95    |
| Treasury stock                               | -9      | -25     | -33     | -51     | -18    |
| Total capital                                | 79,953  | 79,716  | 70,747  | 72,009  | 1,262  |
| Total liabilities and capital                | 108,110 | 108,919 | 109,891 | 106,349 | -3,542 |

## Parent Income Statement

(Units: Yen in millions)

|  | 2002/6 | 2003/6 | 2004/6 | 2005/6 | YoY    | YoY(%) |
|--|--------|--------|--------|--------|--------|--------|
| Sales Volume (Cases in thousands)              | 37,815 | 36,123 | 38,381 | 38,854 | 473    | 101.2% |
| Sales  | 75,913 | 76,080 | 80,354 | 75,080 | -5,274 | 93.4%  |
| Cost of goods sold                             | 41,070 | 42,475 | 45,582 | 43,349 | -2,233 | 95.1%  |
| Net sales                                      | 34,843 | 33,604 | 34,771 | 31,730 | -3,041 | 91.3%  |
| SG&A   | 33,735 | 32,725 | 33,099 | 30,718 | -2,380 | 92.8%  |
| Sales  | 29,740 | 29,316 | 30,481 | 28,312 | -2,168 | 92.9%  |
| General administrative expenses                | 3,994  | 3,408  | 2,617  | 2,406  | -211   | 91.9%  |
| Operating profit                               | 1,107  | 879    | 1,672  | 1,011  | -660   | 60.5%  |
| Non-operating profit                           | 307    | 529    | 553    | 651    | 97     | 117.7% |
| Non-operating expenses                         | 211    | 193    | 354    | 245    | -108   | 69.3%  |
| Recurring profit                               | 1,203  | 1,216  | 1,871  | 1,417  | -453   | 75.8%  |
| Extraordinary profit                           | 340    | 305    | 13     | 4      | -9     | 30.2%  |
| Extraordinary loss                             | 5,064  | 2,720  | 1,583  | 615    | -968   | 38.9%  |
| Net profit [ or loss ] before tax              | -3,520 | -1,199 | 301    | 805    | 504    | 267.3% |
| Corporation, resident and business taxes       | 20     | 15     | 15     | 12     | -3     | 80.0%  |
| Adjustment for corporation tax and other taxes | -1,434 | -558   | 94     | 163    | 69     | 172.6% |
| Net profit [ or loss ]                         | -2,106 | -655   | 191    | 630    | 438    | 328.6% |
| Retained earnings brought forward              | 1,293  | 1,316  | 1,334  | 1,270  | -64    | 95.2%  |
| Unappropriated retained profits                | -812   | 660    | 1,526  | 1,900  | 374    | 124.5% |



## Capex & Depreciation

### 【 Capex 】

(Units: Yen in millions)

|                                   | 2002/12   | 2003/12 | 2004/12   | 2005/12(E) | YoY      |
|-----------------------------------|-----------|---------|-----------|------------|----------|
| Vending machines                  | 5,405     | 6,687   | 7,145     | 7,430      | 285      |
| Buildings and structures          | 1,219     | 462     | 1,358     | 2,631      | 1,273    |
| Machinery and equipment           | 2,226     | 288     | 824       | 1,973      | 1,149    |
| Tools and implements              | 282       | 199     | 481       | 184        | -297     |
| Land acquired                     | 2,401     | -       | -         | 832        | 832      |
| Proceeds from sale of land        | -1,118    | -564    | -         | -          | -        |
| Construction in progress          | -865      | 399     | 59        | -137       | -196     |
| Total tangible fixed assets       | 9,550     | 7,473   | 9,870     | 12,913     | 3,043    |
| Intangible assets                 | 1,074     | 1,100   | 1,269     | 1,150      | -119     |
| (of which, softwares)             | ( 1,535 ) | ( 879 ) | ( 1,058 ) | ( 1,467 )  | ( 409 )  |
| (of which, softwares in progress) | ( -461 )  | ( 221 ) | ( 211 )   | ( -317 )   | ( -528 ) |
| Long-term prepaid expenses        | 1,923     | 2,118   | 1,858     | 1,947      | 89       |
| Miscellaneous investment          | 575       | 129     | 26        | 22         | -4       |
| Total investment                  | 13,124    | 10,823  | 13,024    | 16,032     | 3,008    |

### Interim

|  | 2005/6    | YoY      |
|--|-----------|----------|
|  | 4,247     | -202     |
|  | 96        | 33       |
|  | 42        | -604     |
|  | 173       | 29       |
|  | -         | -        |
|  | -         | -        |
|  | 1,413     | 1,819    |
|  | 5,974     | 1,077    |
|  | 553       | 32       |
|  | ( 1,000 ) | ( 366 )  |
|  | ( -447 )  | ( -334 ) |
|  | 915       | 157      |
|  | 10        | 4        |
|  | 7,454     | 1,271    |

### 【 Depreciation 】

(Units: Yen in millions)

|                          | 2002/12 | 2003/12 | 2004/12 | 2005/12(E) | YoY  |
|--------------------------|---------|---------|---------|------------|------|
| Vending machines         | 5,482   | 5,759   | 5,946   | 6,231      | 285  |
| Buildings and structures | 1,224   | 1,060   | 983     | 995        | 12   |
| Machinery and equipment  | 2,131   | 1,911   | 1,684   | 1,262      | -422 |
| Tools and implements     | 275     | 264     | 269     | 324        | 55   |
| Total                    | 9,112   | 8,994   | 8,884   | 8,812      | -72  |

### Interim

|  | 2005/6 | YoY  |
|--|--------|------|
|  | 2,771  | 103  |
|  | 478    | -16  |
|  | 608    | -216 |
|  | 157    | 36   |
|  | 4,016  | -92  |

|                            |         |         |         |         |         |
|----------------------------|---------|---------|---------|---------|---------|
| Intangible assets          | 610     | 650     | 744     | 987     | 243     |
| (of which, softwares)      | ( 608 ) | ( 649 ) | ( 743 ) | ( 984 ) | ( 241 ) |
| Long-term prepaid expenses | 1,808   | 2,021   | 1,879   | 1,867   | -12     |

|  |         |         |
|--|---------|---------|
|  | 471     | 121     |
|  | ( 470 ) | ( 121 ) |
|  | 935     | -15     |

# Company Overview

(as of June 30, 2005)

|                         |   |
|-------------------------|---|
| Name                    | KINKI COCA-COLA BOTTLING CO., LTD.  |
| Established             | September 1960  |
| Address                 | 7-9-31 Senrioka, Settsu-Shi, Osaka 566-8513                               |
| Capital                 | 10,948 million yen  |
| Main business objective | Manufacture and sale of soft drinks in Osaka, Hyogo and Kyoto prefecture. |
| Employees               | 1,365   |

## Board of directors (as of June 30, 2005)

|  |                    |          |                  |
|--|--------------------|----------|------------------|
| President<br>(Representative director) | Masakazu Morito    | Director | Yoshio Toguchi   |
| Managing director                      | Yutaka Miyazaki    | Director | Miyaki Hiroyoshi |
| Managing director                      | Tamio Yoshimatsu   | Director | Minoru Yoshizawa |
| Managing director                      | Shigeki Ota        | Director | Yasuhiro Sato    |
| Managing director                      | Taijiro Naniwa     | Director | Toshiaki Hanawa  |
| Director                               | Noriyuki Korasaki  | Auditor  | Toshio Takesue   |
| Director                               | Toyojiro Yoshinaga | Auditor  | Hiroshi Kanda    |
| Director                               | Akira Noguchi      | Auditor  | Naomichi Asano   |
| Director                               | Tadamasa Amitsuka  |          |                  |
| Director                               | Noriyasu Yabumoto  |          |                  |

Number of shares outstanding 62,591,049

Number of shareholders 5,562

| Major shareholders                            | No. of shares owned (,000) | Ratio (%) |
|---|----------------------------|-----------|
| Kirin Brewery Co., Ltd.                       | 25,779                     | 41.25     |
| Mitsubishi Heavy Industries Co., Ltd.         | 8,674                      | 13.88     |
| Japan Trustee Services Bank, Ltd.             | 2,281                      | 3.65      |
| The Master Trust Bank of Japan, Ltd.          | 2,189                      | 3.50      |
| Employee ownership                            | 1,698                      | 2.72      |
| Kamiyamato Co., Ltd.                          | 1,050                      | 1.68      |
| BBH Merrill Lynch Global A Location Fund      | 1,007                      | 1.61      |
| Yatani Co., Ltd.                              | 600                        | 0.96      |
| Morgan Stanley And Company International Ltd. | 513                        | 0.82      |
| Goldman Sachs International                   | 407                        | 0.65      |