



# Briefing on Interim Financial Results and Business Policies



9th August 2005

**ASAHI BREWERIES, LTD**

URL <http://www.asahibeer.co.jp>

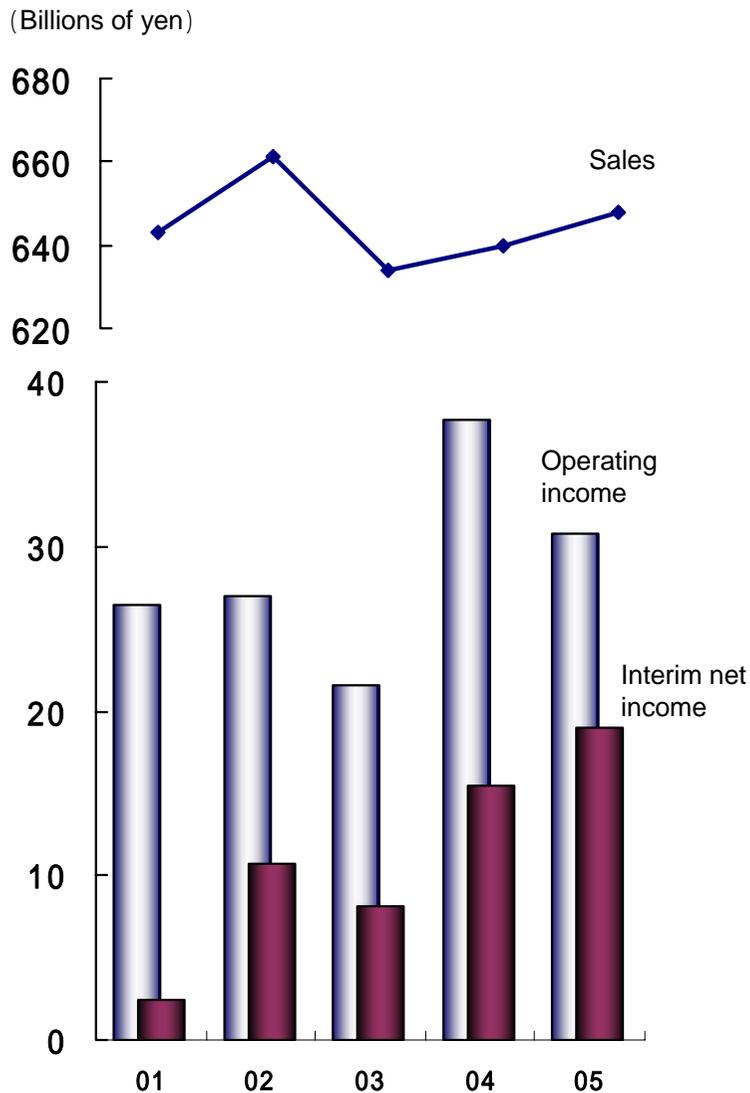
## **Asahi Beer Group**

**Overview of the first term of 2005 and  
future business policies.**

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# Overview of Interim Financial Results for 2005 (consolidated) **Asahi**

## 2005 Interim Results (consolidated)



(Billions of yen)

	Interim Results (JAN - JUN)			YoY (%)
	2005	2004	YoY (%)	
Asahi Breweries	<b>479.4</b>	502.0	(22.5)	-4.5%
Asahi Soft Drinks	<b>110.0</b>	97.2	12.8	13.1%
Asahi Food & Healthcare	<b>12.8</b>	10.9	1.9	16.9%
Others	<b>54.4</b>	38.0	16.4	43.2%
<b>Net Sales</b>	<b>656.6</b>	648.1	8.5	1.3%
Asahi Breweries	<b>26.5</b>	35.2	(8.7)	-24.6%
Asahi Soft Drinks	<b>3.2</b>	2.8	0.3	12.1%
Asahi Food & Healthcare	<b>0.2</b>	(0.7)	0.9	-
Others	<b>0.9</b>	0.4	0.5	125.0%
<b>Operating Income</b>	<b>30.8</b>	37.7	(6.9)	-18.2%
<b>Ordinary Income</b>	<b>31.9</b>	36.1	(4.2)	-11.6%
<b>Interim Net Income</b>	<b>19.0</b>	15.4	3.6	23.0%

- Sales: Reduced beer business sales offset by soft drink business, M&A investment effects, and other factors
- Operating income: Increased profits from Group operations, major drop for the beer business, leading to reduced income.
- Interim net income: Record high, due to the contribution of special incomes (income on realty sales, etc.).

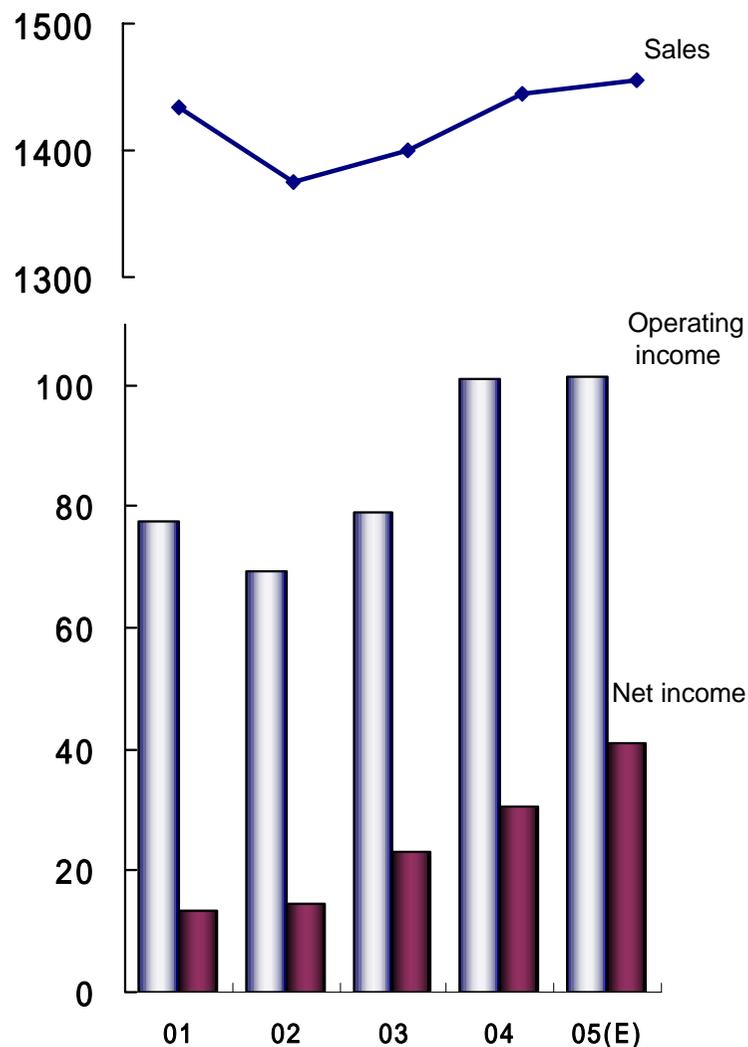
# Anticipated performance for full financial year (consolidated)



## 2005 Full-year forecasts (consolidated)

(Billions of yen)

(Billions of yen)



	Full Year (JAN-DEC)			YoY (%)
	2005 Estimate	2004 Actual	YoY (%)	
Asahi Breweries	1,095.0	1,116.4	(21.4)	-1.9%
Asahi Soft Drinks	216.9	204.0	12.9	6.3%
Asahi Food & Healthcare	26.5	22.3	4.2	18.8%
Others	116.6	101.5	15.1	14.9%
<b>Net Sales</b>	<b>1,455.0</b>	<b>1,444.2</b>	<b>10.8</b>	<b>0.7%</b>
Asahi Breweries	90.0	91.7	(1.7)	-1.9%
Asahi Soft Drinks	9.0	8.1	0.9	10.6%
Asahi Food & Healthcare	0.3	(0.6)	0.9	-
Others	2.2	2.0	0.2	10.0%
<b>Operating Income</b>	<b>101.5</b>	<b>101.2</b>	<b>0.3</b>	<b>0.2%</b>
<b>Ordinary Income</b>	<b>98.5</b>	<b>95.6</b>	<b>2.9</b>	<b>3.0%</b>
<b>Net Income</b>	<b>41.0</b>	<b>30.6</b>	<b>10.4</b>	<b>34.0%</b>

- Sales: Reduced sales from the beer business offset by increased sales from the soft drink companies and Group companies.
- Operating income: Aiming to equal the profit rate of the preceding year (7%) with the contributions of Group businesses.
- Net income on the term: We anticipate a new income record, due to an improvement in extraordinary profit and loss.

# Overview of Group Strategy and Policies for the Future



Our push for “three-pronged growth” – One year to reliably achieve the goals of our medium-term management plan.

## Other alcohol business

- **Recovery in the beer business, combined with sales expansion by launching new happoshu and zasshu (no-malt beer) products**  
Beer fell short of targets because of the slow market, but happoshu + zasshu products will reach the sales targets.
- **Improving the market position of our Other Alcohol sector**  
Total sales will fall short of the target, but shochu and low-alcohol products will expand their market position.

\* Details to follow.

## Group business

- **Asahi Soft Drinks’ growth strategy and promotion of structural reform**  
Growth in core brands and new hit products deliver industry-leading growth (+12%).
- **Sales expansion and improved profitability for Asahi Food and Health Care**  
Expanding sales in core products, such as Mintia, and improving efficiency in the direct marketing business to move into the black

**Further growth and stronger profitability, with consideration and execution of strategic business investment.**

## Overseas businesses

- **Reinforcing existing operations and pursuing synergy with Tingyi and Haitai Beverage**  
New China Business Coordination Department to reinforce existing business and strengthen the foundations of Beijing Breweries.  
While Tingyi demonstrated strong performance, Haitai closed six month with earnings that ran short of the original forecast due to a slow market.

**Ongoing efforts to put business on a stronger footing in China and Southeast Asia.**

## Building optimum production and logistics systems, and improving financial position.

Asahi

### ◆ Efforts to build the ideal production and logistics structures for the group.

#### ■ Merger between Nikka Whisky and Asahi Kyowa Liquor Manufacturing Co., Ltd. (January 2006).

- Closure of the Tsuchiura factory (shochu and low-alcohol drink production), transfer of its functions, and greater cost efficiency in indirect departments.

#### ■ Winemaking subsidiaries merged into Sainte Neige (August 2005).

- Asahi Beer Wineries liquidated, strengthen domestic wine brands and improve cost competitiveness.

#### ■ Restructuring of logistics subsidiaries New creation of Asahi Logistics and two specialist large truck haulage companies (January 2006).

- Integration of the trading areas of five logistics subsidiaries, and subdivision of functions to raise quality and cost competitiveness.

#### ■ Scrapping of beer factory bottle manufacturing lines (2005~2006).

- Promotion of more efficient production systems in beer factories, in line with falling bottle demand.



Optimization of the entire supply chain – For even stronger cost competitiveness.

### ◆ Improving the financial position: Efforts for front-loading the processing of loss-accounting risks and condensing assets.

2004: Liquidation of the “Century Development Plan” – Front-loaded processing of realty losses (¥22 billion).

2005: Integration of Nikka, restructuring of distribution companies, etc. – Processing of realty liquidation losses, aimed at equipment depreciation losses and asset consolidation.



Efforts to raise efficiency and consolidate assets in order to reach profit targets for 2006.

## Cash flow strategy (business investment and reduction of financial liabilities).

Asahi

### ◆ Strategic business investment, including M&A (guideline value for medium-term investment: ¥100 billion).

2004: Beverage joint venture with Tingyi, conversion of Haitai Beverage to a consolidated subsidiary (total investment of around ¥40 billion).

2005: Acquisition of Sunwell and LB Saitama (total investment of around ¥7 billion).

Consideration and implementation of strategic business investments by a Business Development department under the direct management of the president.

#### ■ Acquisition of Sunwell (a health foods subsidiary of Yamanouchi Pharmaceutical Co., Ltd.

- Direct marketing of high-quality health foods through membership channels (sales of ¥1.7 billion and ordinary income of ¥200 million in 2004).
- Cooperation with the health foods business of Asahi Food and Healthcare in R&D, procurement and marketing.



#### ■ Acquisition of LB Saitama (chilled beverage subsidiary of Kanebo).

- A chilled beverage manufacturer with a nationwide production and distribution network. (sales of ¥11.4 billion and ordinary income of ¥800 million in 2004).
- Pursuit of synergies in product development, marketing and production between the chilled drinks business of Asahi Beverage and the company with the top share in chilled teas.



### ◆ Stronger financial position through reduced financial liabilities (guideline value for medium-term reduction: ¥40 billion).

2004: ¥33.2 billion reduction (¥336.3 billion -> ¥303.1 billion).

2005: ¥7.9 billion increase (¥303.1 -> ¥311.0 billion).

Flexible response, based on consideration of the optimum capital composition (DE ratio) and balance between business investment and return to investors.

### ◆ Implementation of return to stockholders to raise corporate value (medium-term return guideline: ¥60 billion).

#### [1] Dividend policy

2004: Dividend increase by ¥2 per year (from ¥13 to ¥15 per share).

2005~: As the level of profit on the term rises, we are considering increasing dividends, aiming for an increase of at least 20% in consolidated payout ratio.

#### [2] Acquisition of own shares

2004: ¥6.8 billion acquired to fund elimination of mutual shareholding (March).

2005~: Consideration of implementation, while tracking share price movements and other factors (time and value of acquisition have not been determined).

#### Retirement of treasury stock.

2005: We have decided to retire 20 million shares (August), following redemption of convertible bonds (June).



**We will pursue shareholder-oriented management and work to build share value.**

## **Domestic alcoholic beverage business**

### **Overview of the first term of 2005 and future business policies**

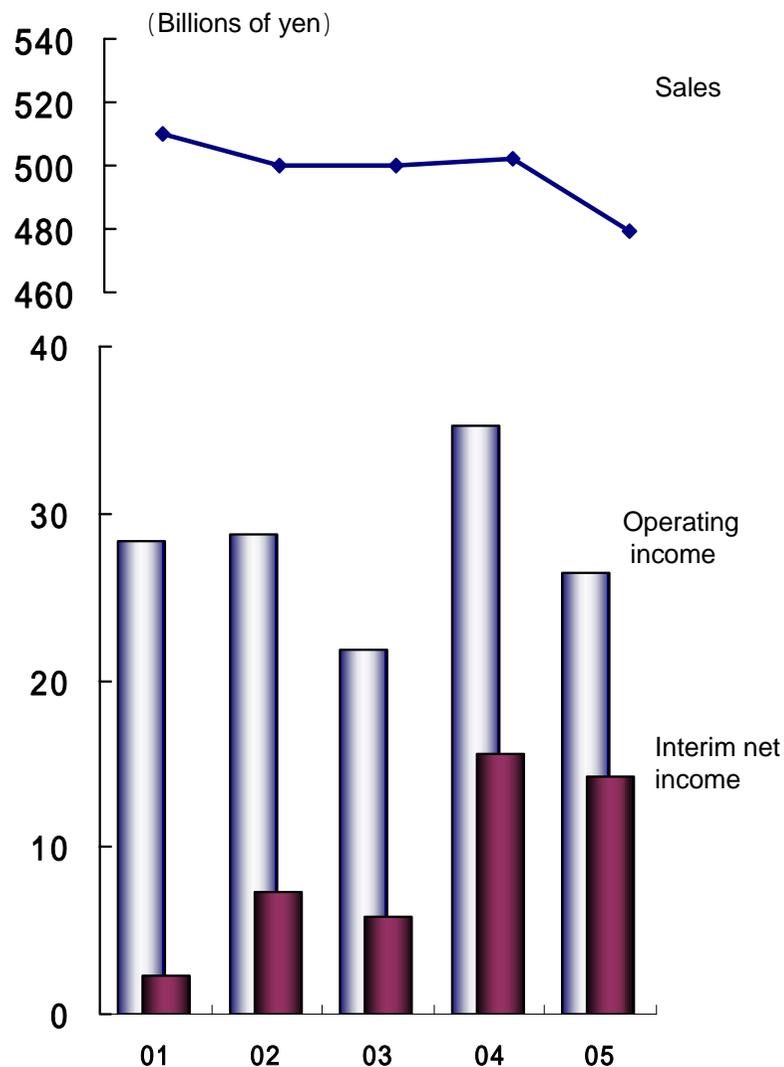
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# 2005: Overview of Interim Financial Results (Non-consolidated).



## 2005 Interim Results (non-consolidated)

(Billions of yen)



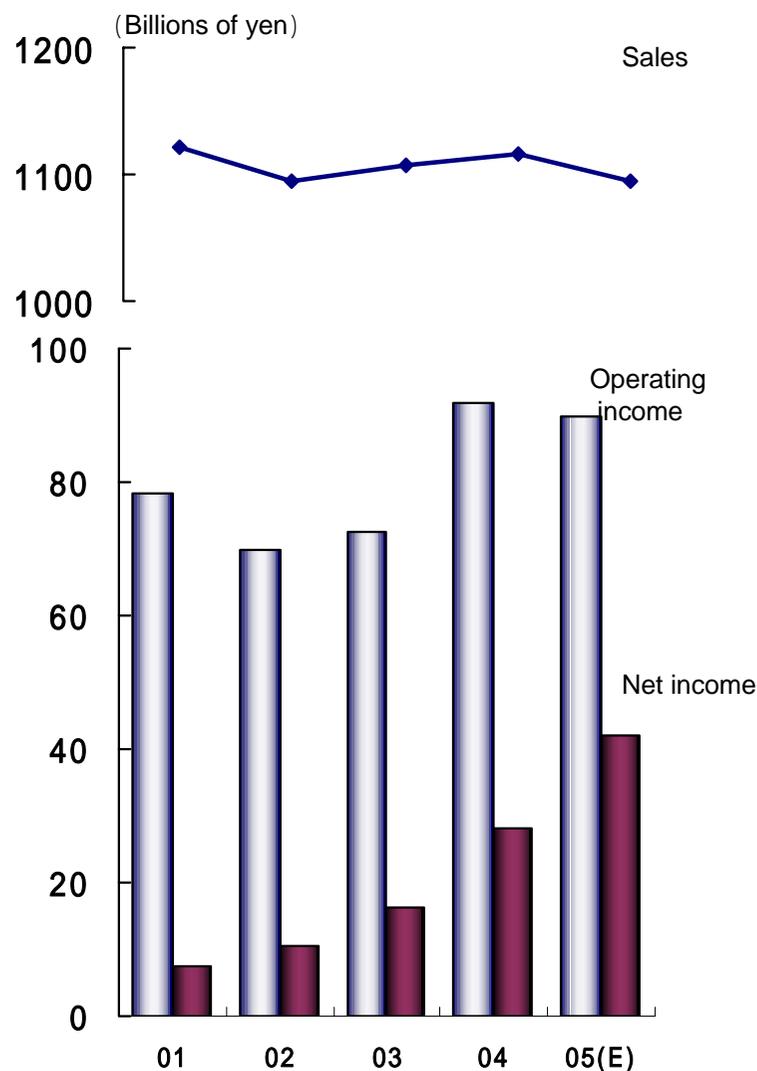
	Interim Results (JAN-JUN)			
	2005	2004	YoY (%)	
Beer	315.0	340.4	(25.4)	-7.5%
Happoshu	80.9	98.9	(18.0)	-18.2%
Zasshu (no-malt beer)	18.6	-	186.0	-
Other Alcohol	64.9	62.7	2.2	3.5%
<b>Net sales</b>	<b>479.4</b>	<b>502.0</b>	<b>(225.0)</b>	<b>-44.8%</b>
<b>Operating Income</b>	<b>26.5</b>	<b>17.5</b>	<b>9.0</b>	<b>-24.6%</b>
<b>Ordinary Income</b>	<b>26.2</b>	<b>34.2</b>	<b>(79.0)</b>	<b>-23.2%</b>
<b>Interim Net Income</b>	<b>14.3</b>	<b>15.6</b>	<b>(12.0)</b>	<b>-8.0%</b>

- Sales: Happoshu and non-malt beer to secure increased sales, covering the shortfall from beer.
- Ordinary income: Reduced by a decline in sales and proactive investment in advertising and sales promotion costs.
- Medium-term net income: 8% down, despite the contribution of special incomes.

# Anticipated performance for the full business year of 2005 (non-consolidated)



## 2005 Full-year forecasts (non-consolidated)



(Billions of yen)

	Full Year (JAN-DEC)		
	2005 Estimate	2004 Actual	YoY (%)
Beer	747.0	786.8	(39.8)
Happoshu	154.1	200.6	(46.5)
Zasshu (no-malt beer)	57.4	-	57.4
Other Alcohol	136.5	129.0	7.5
<b>Net sales</b>	<b>1,095.0</b>	1,116.4	(21.4)
<b>Operating Income</b>	<b>90.0</b>	91.7	(1.7)
<b>Ordinary Income</b>	<b>88.0</b>	88.7	(0.7)
<b>Net Income</b>	<b>42.0</b>	28.2	13.8

- Sales: Increased sales are anticipated in the second half, but sales for the term will still be down.
- Ordinary income: Will hold to the ¥90 billion target for 2006 by cutting of additional costs.
- Net income on the term: A record value is anticipated due to reduced special losses.

# Beer, Happoshu and New Category: First-half Performance



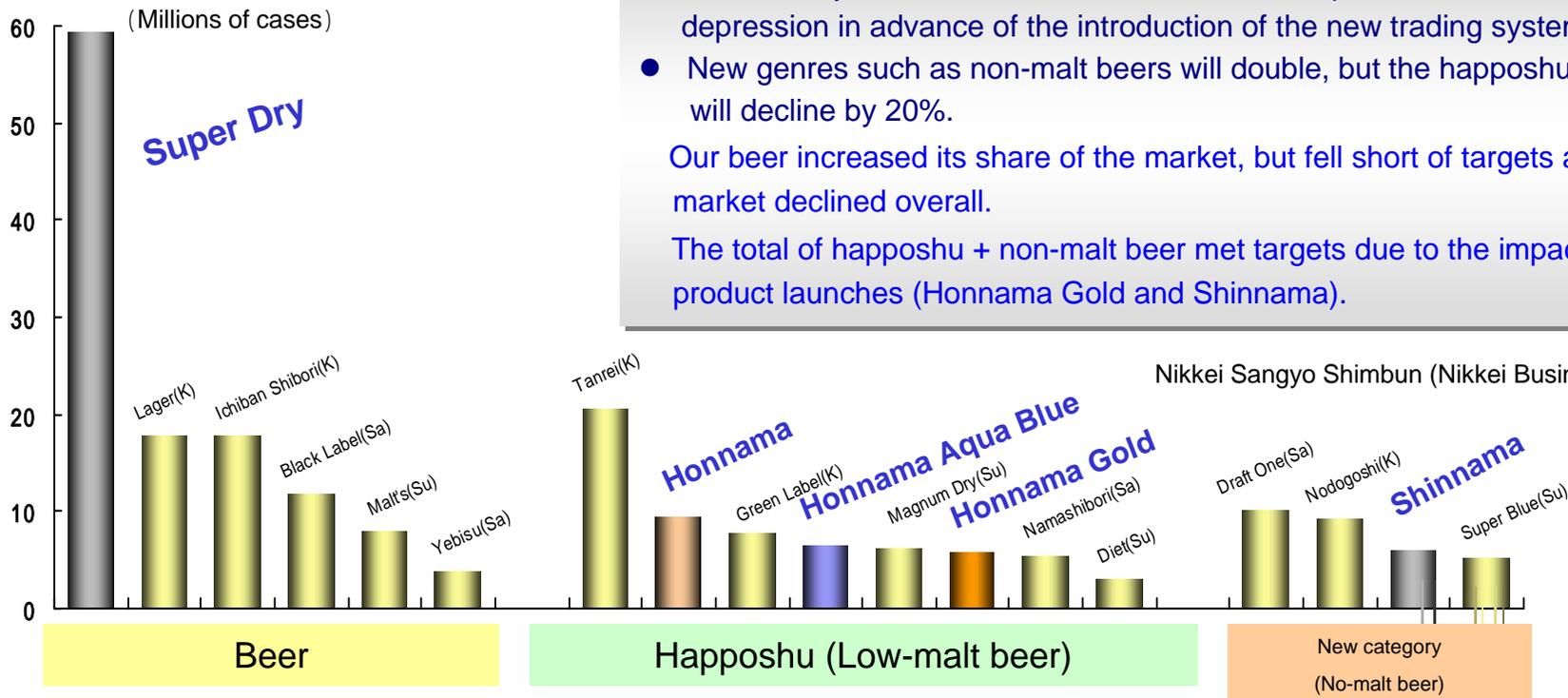
## Beer/Happoshu/New category Taxable Volume (JAN-JUN 2005)

(Millions of cases)

	Industry Overall (JAN-JUN 2005)			
	Cases	YoY (%)		Breakdown (% change)
<b>Beer</b>	<b>125.13</b>	-10.85	(-8.0%)	54.8% (-3.2%)
Happoshu	<b>70.46</b>	-17.86	(-20.2%)	30.9% (-6.7%)
New category	<b>32.66</b>	22.26	(+213.9%)	14.3% (+9.9%)
Happoshu+New category	<b>103.12</b>	4.40	(+4.5%)	45.2% (+3.2%)
<b>Total</b>	<b>228.25</b>	-6.44	(-2.7%)	100.0%

	Asahi Breweries (JAN - JUN 2005)			
	Cases	YoY (%)		Share (% change)
<b>Beer</b>	<b>61.90</b>	-4.54	(-6.8%)	49.5% (+0.6%)
Happoshu	<b>22.16</b>	-4.85	(-18.0%)	31.4% (+0.9%)
New category	<b>6.19</b>	6.19	-	18.9% (+18.9%)
Happoshu+New category	<b>28.34</b>	1.34	(+4.9%)	27.5% (+0.1%)
<b>Total</b>	<b>90.24</b>	-3.21	(-3.4%)	39.5% (-0.3%)

## Sales of Major Brands (JAN - JUN)



- The industry as a whole has suffered a 2.7% drop due to demand depression in advance of the introduction of the new trading system.
- New genres such as non-malt beers will double, but the happoshu market will decline by 20%.

Our beer increased its share of the market, but fell short of targets as the market declined overall.

The total of happoshu + non-malt beer met targets due to the impact of new product launches (Honnama Gold and Shinnama).

Nikkei Sangyo Shimbun (Nikkei Business Daily)

# Beer, Happoshu and New Category: First-half Performance



## 2005 Monthly Sales Data (Beer/Happoshu/New Category)

Based on leading 5 companies taxable volume

【Industry Overall】

	Jan			Feb			Mar			Apr			May			Jun		
	YoY	Breakdown		YoY	Breakdown		YoY	Breakdown		YoY	Breakdown		YoY	Breakdown		YoY	Breakdown	
Beer	12.63	-17.3%	58.7%	15.29	-12.2%	51.4%	21.62	-6.6%	57.1%	24.25	-7.3%	51.8%	21.50	-6.0%	55.4%	29.85	-4.0%	56.0%
Happoshu	7.01	-21.5%	32.6%	12.02	-4.5%	40.5%	13.21	-17.9%	34.9%	13.43	-21.6%	28.7%	11.07	-22.6%	28.5%	13.72	-28.8%	25.8%
New Category	1.89	272.7%	8.8%	2.41	74.8%	8.1%	3.02	55.1%	8.0%	9.09	355.6%	19.4%	6.25	307.9%	16.1%	9.67	217.6%	18.2%
Happoshu+New Category	8.90	-5.6%	41.4%	14.43	3.3%	48.6%	16.23	-10.0%	42.9%	22.52	17.7%	48.1%	17.32	9.4%	44.6%	23.40	4.8%	44.0%
Total	21.54	-12.9%	-	29.71	-5.3%	-	37.84	-8.1%	-	46.77	3.3%	-	38.82	0.3%	-	53.25	-0.4%	-

【Asahi Breweries】

	1月			2月			3月			4月			5月			6月		
	YoY	Share		YoY	Share		YoY	Share		YoY	Share		YoY	Share		YoY	Share	
Beer	5.92	-22.8%	46.9%	7.12	-12.1%	46.6%	10.78	-4.2%	49.9%	11.67	-4.1%	48.1%	10.62	-5.1%	49.4%	15.79	-1.7%	52.9%
Happoshu	1.83	-38.6%	26.1%	4.04	19.1%	33.6%	4.17	-27.7%	31.6%	4.31	-9.4%	32.1%	3.39	-18.4%	30.6%	4.42	-25.9%	32.2%
New Category	-	-	-	-	-	-	-	-	-	2.76	-	30.3%	1.28	-	20.5%	2.13	-	22.0%
Happoshu+New Category	1.83	-	20.6%	4.04	-	28.0%	4.17	-	25.7%	7.06	48.5	31.4%	4.67	12.5%	27.0%	6.55	9.8%	28.0%
Total	7.75	-27.2%	36.0%	11.17	-2.8%	37.6%	14.95	-12.2%	39.5%	18.73	10.7%	40.0%	15.29	-0.3%	39.4%	22.35	1.4%	42.0%

## Asahi's sales composition by container type

	2004 Actual (JAN-JUN)			2005 Actual (JAN-JUN)			
	Beer	Happoshu	Total	Beer	Happoshu	Zasshu	Total
Bottle	31.3%	0.2%	22.3%	30.3%	0.2%	0.0%	20.8%
Can	46.8%	99.8%	62.1%	46.2%	99.8%	100.0%	63.1%
Keg	21.9%	0.0%	15.6%	23.5%	0.0%	0.0%	16.1%

## Asahi's YoY sales ratio by container type

	2004 Actual (JAN-JUN)			2005 Actual (JAN-JUN)			
	Beer	Happoshu	Total	Beer	Happoshu	Zasshu	Total
Bottle	-6.2%	-40.5%	-6.4%	-10.2%	-27.5%	-	-10.3%
Can	-4.8%	6.9%	0.3%	-8.4%	-17.9%	-	-2.3%
Keg	3.2%	39.6%	3.2%	-0.5%	-	-	-0.5%

## Market outlook for 2005

- ◆ Beer : 6~7% decline
- ◆ Happoshu : 26~27% decline
- ◆ New types : Threefold growth

Market Total : 3~4% decline overall

## Asahi Beer: Beer/Happoshu/Zasshu sales plan

(Millions of cases)

		Full year (JAN-DEC)		
		2005 Est.	2004 Act.	YoY (%)
	Super Dry	140.00	147.50	-5.1%
	Others	3.00	2.50	+20.0%
<b>Beer</b>		143.00	150.00	-4.8%
	Honnama	18.00	29.80	-39.6%
	Aqua Blue	12.50	20.30	-38.4%
	Gold	10.50	-	-
	Others	0.50	3.90	-12.8%
<b>Happoshu</b>		41.50	54.00	-23.0%
	Shinnama	18.50	-	-
<b>Zasshu</b>		18.50	-	-
<b>TOTAL</b>		203.00	204.11	-0.5%

**Happoshu +  
Zasshu  
60 million cases  
(up 11% on the  
preceding year)**

## Beer

- **Reinforcing the “Super Dry Project” with “Freshness” and “Umai Tarunama Project”.**  
Expanded sales of “Freshness Pack” products to emphasize freshness.  
Boosting commercial sales through Tarunama sales promotions etc.



- **Promotion of the “Beer Flavor Search Project” to encourage the move back to beer.**  
First edition of “Asahi Yeast Number” on sale (September 21st).  
Mixed sampler packs for taste-testing beers made with four different yeasts.



## Happoshu and non-malt beers

- **Building the Honnama brand lineup with the addition of “Honnama Gold”.**  
Reinforcement of in-store sales activities in volume retailers, tied in with advertising, and campaign development.
- **Raising Shinnama name recognition and boosting sales activities targeting volume retailers.**  
Step up advertising appeals and change the can and carton designs.



## Other Alcohol Sector: First-half performance



### ◆Market trends

- The shochu and low-alcohol markets remained solid, but their growth rates slowed.
- Foreign spirits showed signs of bottoming out, but wine is estimated to have declined further than expected.

### ◆Our business performance

- Creation of new value and new demand from reinforcement of the core brands, fused with Group strength and external expertise.

Major growth in core brands, such as Cocktail Partner and Kanoka, delivered market-beating growth in shochu and low-alcohol products.

Overall growth of 4.1% still falls short of targets.

### Other Alcohol Business 2005 sales

(Billions of yen)

		Interim Results (JAN-JUN)		
		2005	2004	YoY (%)
	Shochu	28.3	25.9	2.4 (9.3%)
	Low-alcohol drinks	14.7	13.8	0.9 (6.8%)
	Spirits	14.1	14.7	(0.6) (-4.1%)
	Wine	5.8	5.9	(0.1) (-2.5%)
	Other	1.3	1.4	(0.1) (-3.1%)
<b>Total</b>		<b>64.2</b>	<b>61.7</b>	<b>2.5 (4.1%)</b>

### Performance of core brands

- Cocktail Partner (4.12 million cases: +18%)
- Dew (800,000 cases)
- Daigoro (24,200kl: +2%)
- Kanoka (1.28 million cases: +35%)

# General Alcohol Sector: Annual Sales Plan and Initiatives



Sales target for the General Alcohol sector: 135.2 billion (up 6.4% on the preceding year)

## Shochu

- **Sales target: ¥56 billion (up 8.2% on the preceding year).**
  - Develop *Kanoka* into a big brand, shipping three million cases (new container, development of barley, rice and sweet potato varieties).
  - Stronger in-store sales measures for Type-Ko shochu and stronger overall sales proposals for Type-Otsu shochu to businesses, based on raw material types.



## Low-alcohol

- **Sales target: ¥33 billion (up 16.5% on the preceding year)**
  - Reinforcement of the core flavors of *Cocktail Partner* brand, with seasonal cans offered.
  - Revitalization of the *Dew Chu-hi* fruit liquor, by raising recognition and adding flavors.



## Whisky and spirits

- **Sales target: ¥28.5 billion (down 3.5% on the preceding year).**
  - Further reinforcement of *Black Nikka Clear Blend* for the home market, and of *Taketsuru* for business use.
  - Secure greater name recognition and trial use for the renewed *All Malt* and *Malt Club* brands.



## Wine

- **Sales target: ¥14.7 billion (up 2.1% on the preceding year).**
  - Reinforcement of the *Sainte Neige* brand, focused on the re-launched “Additive-free Series”.
  - Establishment of new products such as *Rose Mount* in the market, and further reinforcement of the *Maxium* brand.



**Set clear orders of priority between regions and between business types, then build brands through selective concentration.**

# Alcoholic Beverage Business: Advertising & Promotional Expenses and the New Trading System

## Advertising & Promotional Expenses Plan

(Billions of yen)

	2001	2002	2003	2004	2005 Plan		
					YoY	Target announced Feb.2005	
Beer	75.4	66.0	60.3	58.0	54.2	(3.8)	0.9
Happoshu	15.8	19.6	20.5	20.4	13.0	(6.9)	(0.9)
Zasshu	-	-	-	-	8.7	8.7	1.8
Beer/Happoshu/Zasshu Total	91.2	85.6	80.8	78.4	75.9	(2.0)	1.8
Other Alcohol Business	10.7	20.4	28.3	30.2	33.2	2.5	(7.1)
<b>TOTAL</b>	<b>101.9</b>	<b>106.0</b>	<b>109.1</b>	<b>108.6</b>	<b>109.1</b>	<b>0.5</b>	<b>(5.3)</b>
Sales promotion premiums	61.0	67.9	77.9	76.3	77.2	0.9	(5.3)
Advertising expenses	40.9	38.1	31.2	32.3	31.9	(0.4)	0.0

Revision due to sales correction in the Other Alcohol sector, and enlargement for growth in beer, happoshu and non-malt beers.

### ■ Introduction of the new trading system

- Introduction of the new trading system, based on a “cost-plus” approach will permeate the market, making a fair trading environment throughout the liquor distribution industry.  
Ongoing promotion for rooting the new transaction system in the market, to optimize liquor distribution as a whole.



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