

2004 Interim Results Presentation



August 10, 2004

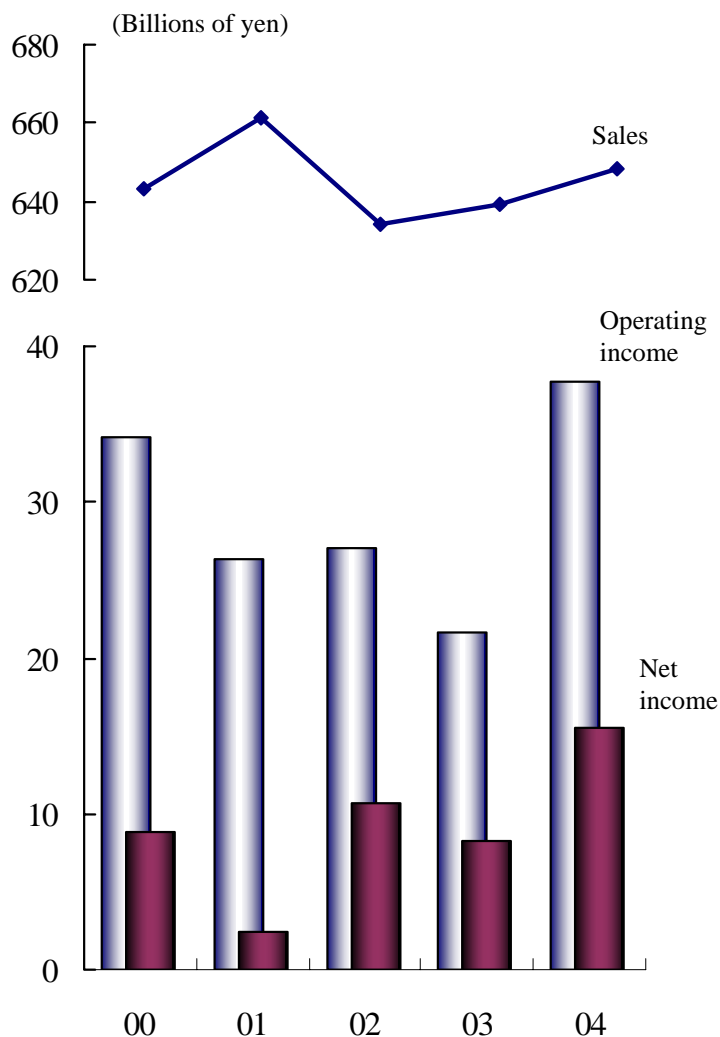
Asahi Breweries, Ltd.

URL <http://www.asahibeer.co.jp/english/index.html>

2004 Interim Results Overview (consolidated)



2004 Interim Results (consolidated)



(Billions of yen)

	Interim Results (Jan - Jun)		
	2004	2003	YoY (%)
Asahi Breweries	502.0	500.1	1.9 (0.4%)
Asahi Soft Drinks	97.2	92.5	4.7 (5.1%)
Asahi Food & Healthcare	10.9	10.7	0.2 (2.1%)
Others	38.0	36.3	1.7 (4.5%)
Net Sales	648.1	639.6	8.5 (1.3%)
Asahi Breweries	35.2	21.8	13.4 (61.7%)
Asahi Soft Drinks	2.8	0.1	2.7 -
Asahi Food & Healthcare	-0.7	-0.3	-0.4 -
Others	0.4	0.0	0.4 -
Operating Income	37.7	21.6	16.1 (74.5%)
Ordinary Income	36.1	18.7	17.4 (93.2%)
Net Income	15.4	8.2	7.2 (87.4%)

● Record interim earnings achieved

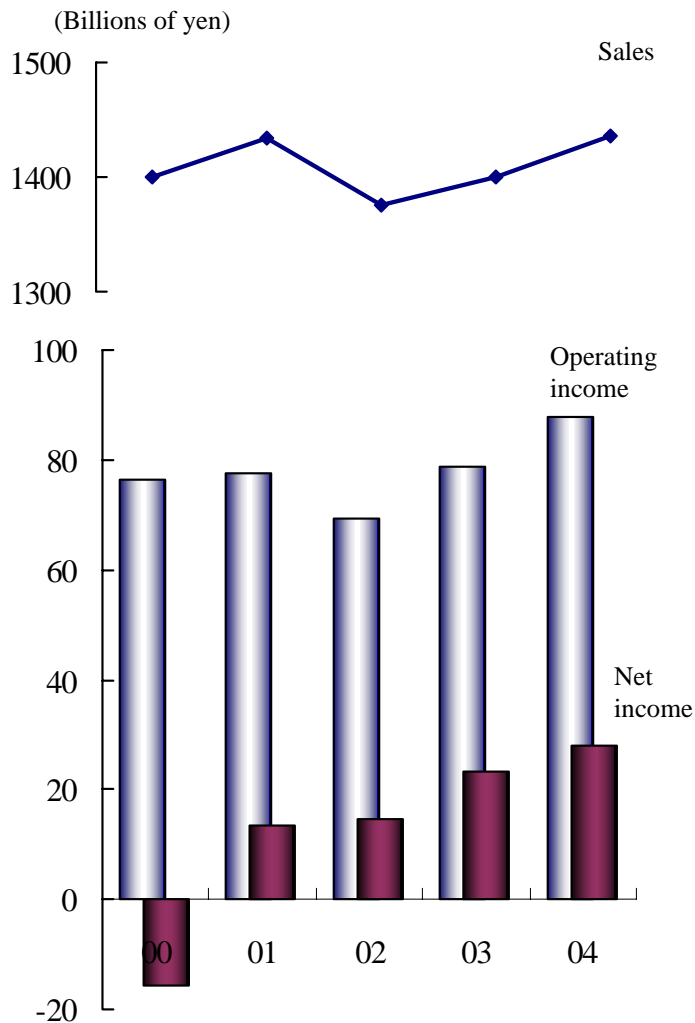
- Asahi Breweries: Substantial rise in earnings due to lower manufacturing and distribution costs, and cuts in fixed expenses
- Asahi Soft Drinks: Greater revenues and earnings from rise in sales and structural reforms that lowered costs

2004 Full Year Forecasts (consolidated)



2004 Full Year Forecasts (consolidated)

(Billions of yen)



	Revised Estimate (Jan - Dec)		
	2004 Estimate	2003 Actual	YoY (%)
Asahi Breweries	1,123.0	1,107.0	16.0 (1.4%)
Asahi Soft Drinks	204.0	189.4	14.6 (7.7%)
Asahi Food and Healthcare	23.9	22.0	1.9 (8.5%)
Others	84.1	81.9	2.2 (2.7%)
Net Sales	1,435.0	1,400.3	34.7 (2.5%)
Asahi Breweries	80.0	72.4	7.6 (10.6%)
Asahi Soft Drinks	7.0	2.8	4.2 (148.7%)
Asahi Food and Healthcare	-0.4	0.0	-0.4 -
Others	1.4	3.7	-2.3 -
Operating Income	88.0	78.9	9.1 (11.4%)
Ordinary Profit	84.0	70.4	13.6 (19.2%)
Net Income	28.0	23.2	4.8 (20.6%)

● Record figures forecast for sales, ordinary and net income

- Overall rise in net sales of 2.5% led by Asahi Soft Drinks
- Operating profit forecast for Asahi Breweries and Asahi Soft Drinks each revised upward by ¥2.0 billion

◆ During the first year of the Second Group Medium-Term Business Plan, establish a new earnings structure

Alcoholic Beverages

- **Secure position in the beer/happoshu business**
⇒ Beer recovery and strengthening of happoshu brands further secures position
- **Expand sales and improve efficiency in the comprehensive alcohol division**
⇒ Strengthen core brands, implement new proposals to unify the Group, improve marketing efficiency
- **Streamline fixed expenses, including manufacturing, distribution, advertising and sales promotion costs.**
⇒ Achieve cost and expense reductions that exceed original plan *Details follow

Soft Drinks

- **Establish a foundation for growth by strengthening key brands**
⇒ Focusing on strengthening of *Mitsuya Cider* brand, achieve growth exceeding industry average (+5%)
- **Lower costs through structural reform**
⇒ Achieve cost reductions that exceed original plan (Original plan ¥1.4bn → ¥1.9bn)

Food & Health; Overseas Business

- **Improve the earnings structure of existing businesses**
⇒ New brewery at Beijing Beer Asahi in operation (May); begin rebuilding of existing Chinese business
⇒ Strengthen the direct marketing business of Asahi Food & Healthcare

Supplier; Support Business

- **Strengthen Group competitiveness and implement restructuring**
⇒ Transfer of Nippon National Seikan Company;
Restore operating profitability in restaurant business (improve by ¥0.3bn)

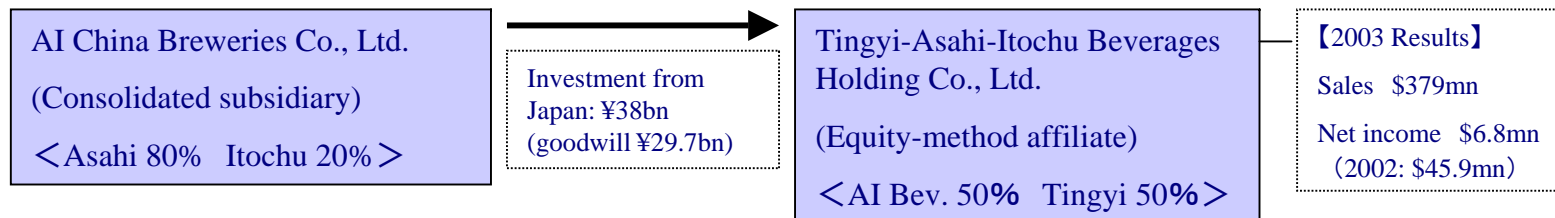
Shareholder Returns

- Treasury stock acquisition (¥6.8 billion)
- Increase full year dividends by two yen (¥13 → ¥15) to provide shareholder returns in line with the business plan

Business Investment

- Launched joint beverage venture with Tingyi (Cayman Islands) Holding Corp (a major Chinese food company)
- Haitai Beverage Co. (a major Korean beverage company) made a consolidated subsidiary

★ Beverage joint venture launched with Tingyi (Cayman Islands) Holding Corp.



- Chinese soft drinks business: Expand business scale utilizing know-how of the Asahi Group
- China beer business: Find ways to generate synergies

★ Haitai Beverage Co. made a consolidated subsidiary

- Haitai Beverage (Increased holding 20% ⇒ 41%: ¥2.6bn invested)
- Full-scale entry into the steadily growing Korean beverage market
- Strengthen management with technology and expertise from Japanese beverage business

	2002	2003
Sales	KRW 366.7bn (¥36.7bn)	KRW 351.8bn (¥35.2bn)
Operating Income	KRW 17.8bn (¥1.8bn)	KRW 10.3bn (¥1.0bn)
Net Income	KRW 5.5bn (¥0.5bn)	KRW 1.9bn (¥0.2bn)

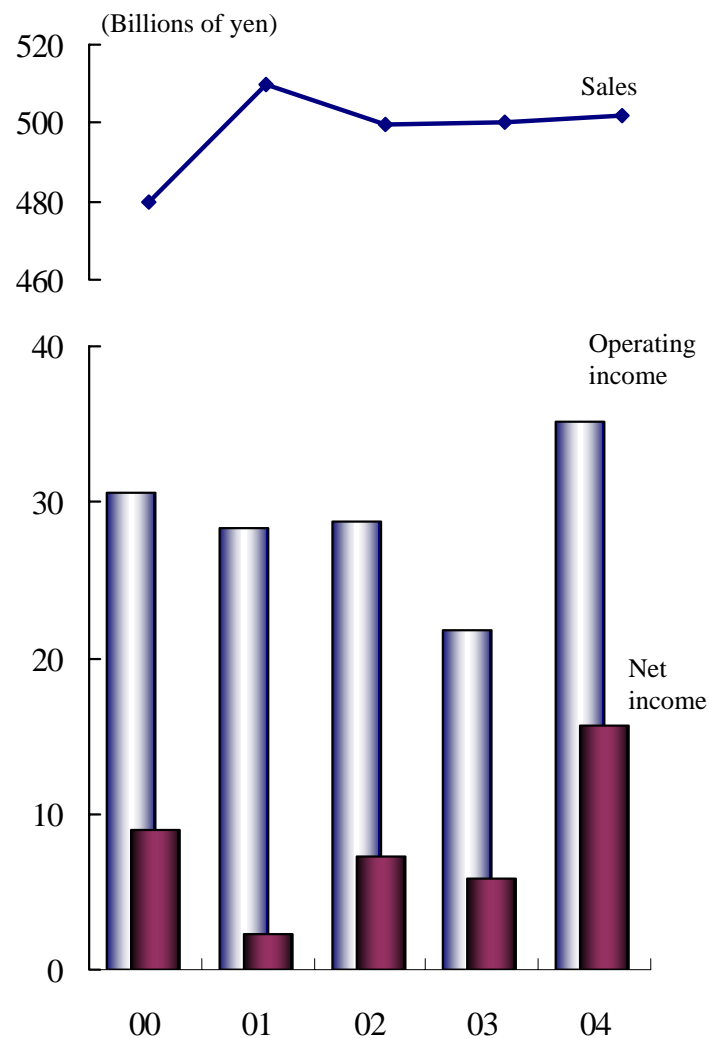
* Calculated at 1KRW = JPN 0.1

◆ Continue to formulate and implement investment strategies to enhance competitiveness of the Group

2004 Interim Results (non-consolidated)



2004 Interim Results (non-consolidated)



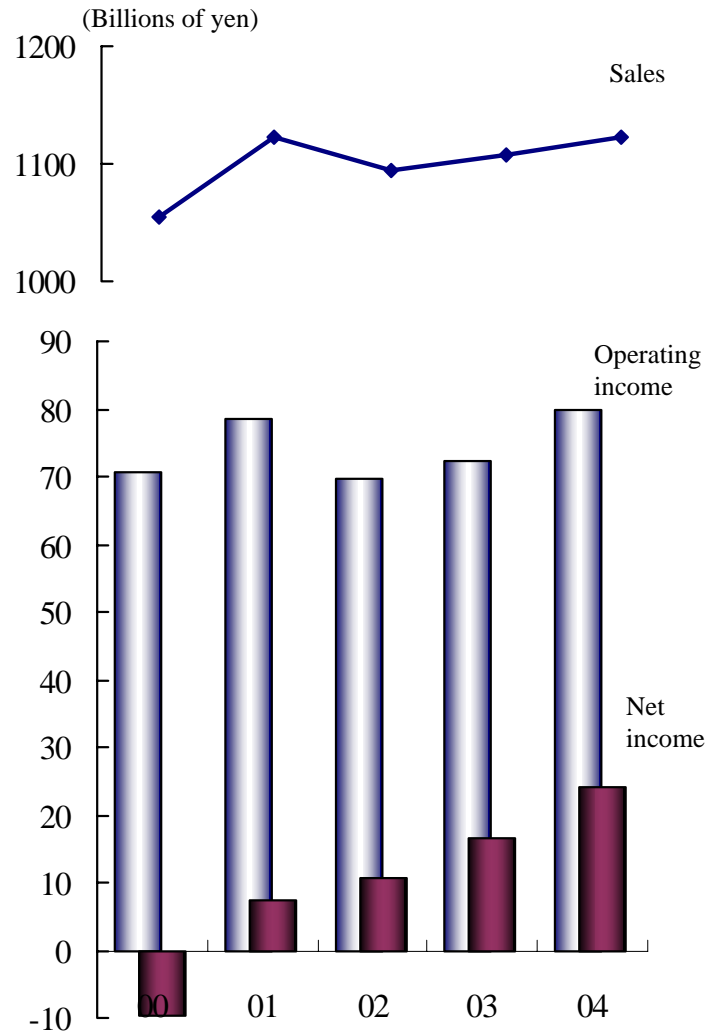
	Interim Results (Jan - Jun)		
	2004	2003	YoY (%)
Beer	340.4	353.1	-12.7 (-3.6%)
Happoshu	98.9	86.4	12.5 (14.5%)
Other	62.6	60.6	2.0 (3.3%)
Net sales	502.0	500.1	1.9 (0.4%)
Operating Income	35.2	21.8	13.4 (61.7%)
Ordinary Income	34.2	20.0	14.2 (71.0%)
Net Income	15.6	5.8	9.7 (166.1%)

- Record interim earnings achieved
 - Decline in beer sales offset by rise in happoshu and other alcohol beverages
 - Substantial rise in earnings due to lower production and distribution costs, and cuts in fixed expenses

2004 Full Year Forecasts (non-consolidated)



2004 Full Year Forecasts (non-consolidated)



(Billions of yen)

	Revised Estimate (Jan - Dec)		
	2004 Estimate	2003	YoY (%)
Beer	775.7	784.4	-8.7 (-1.1%)
Happoshu	212.3	195.6	16.7 (8.5%)
Other	135.0	127.0	8.0 (6.3%)
Net Sales	1,123.0	1,107.0	16.0 (1.4%)
Operating Income	80.0	72.4	7.6 (10.6%)
Ordinary Income	69.0	62.8	6.2 (9.8%)
Net Income	24.0	16.4	7.6 (46.5%)

- Record figures forecast for sales and earnings
 - Decline in beer sales will be offset by rise in happoshu and other alcohol beverages
 - Operating income revised upward following additional reductions in costs and fixed expenses

Beer/Happoshu: Interim Results



◆ Beer/Happoshu Taxable Shipment (Jan – Jun)

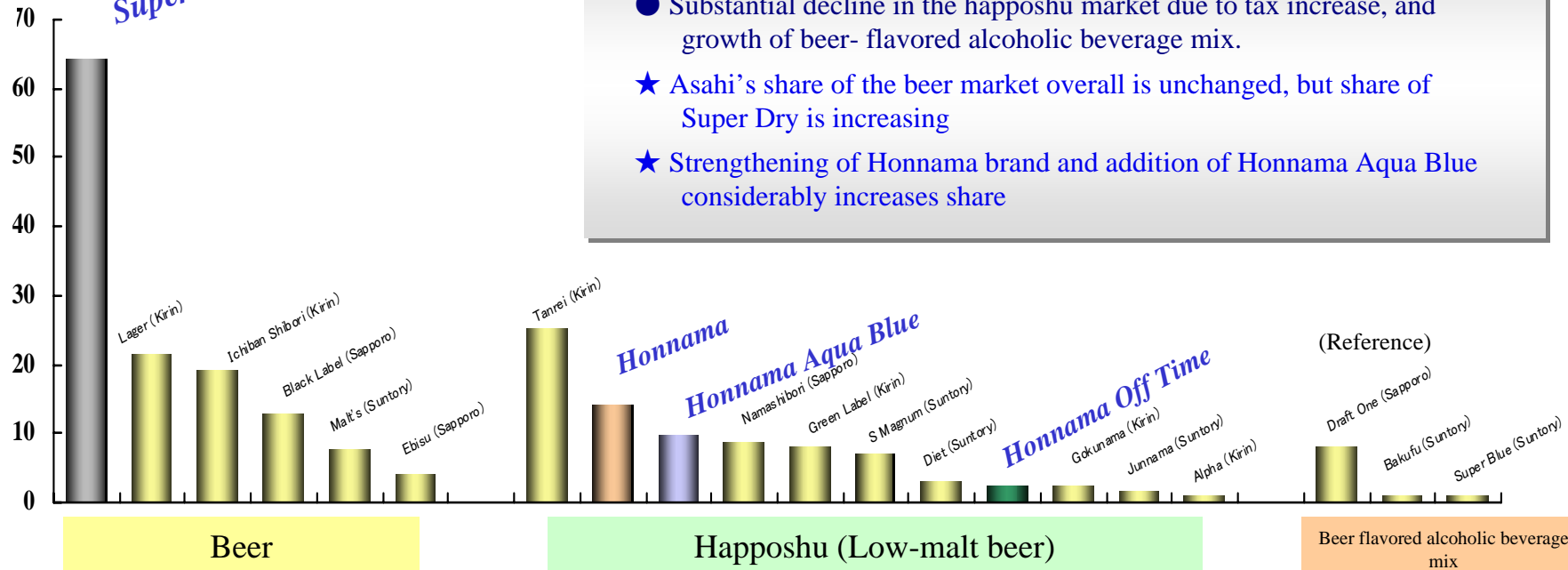
(Millions of cases)

	Industry Overall (Jan - Jun 2004)				Asahi Breweries (Jan - Jun 2004)					
	Cases	YoY (%)		Breakdown (% change)		Cases	YoY (%)		Share (% change)	
Beer	136.0	-4.8	(-3.4%)	60.6%	(+1.9%)	66.4	-2.4	(-3.4%)	48.9%	(+0.0%)
Happoshu	88.3	-10.6	(-10.7%)	39.4%	(-1.9%)	27.0	1.8	(+7.1%)	30.6%	(+5.1%)
Total	224.3	-15.3	(-6.4%)	100.0%	-	93.5	-0.6	(-0.6%)	41.7%	(+2.4%)

◆ Sales of Major Brands (Jan – Jun)

(Millions of cases)

Super Dry



■ Beer/Happoshu: Sales Plan

(Millions of cases)

	Total	2004 (Jan - Dec)	
		2003	YoY
<i>Super Dry</i>	145.5	146.6	-0.8%
Others	2.5	3.3	-23.3%
Beer total	148.0	149.9	-1.2%
<i>Honnama</i>	31.0	37.6	-17.6%
<i>Aqua Blue</i>	21.0	11.5	+83.4%
<i>Off Time</i>	4.0	—	—
Others	1.0	5.2	—
Happoshu total	57.0	54.3	+5.1%
Total	205.0	204.1	+0.4%

【2004 Industry Forecast】

- ◆ Beer: Approx. 3% decline
- ◆ Happoshu: Approx 8% decline
- ◆ Total: Approx. 5% decline

Beer

● Increase in activity to take advantage of the recovery trend in beer

⇒ Maximize the brand potential of *Super Dry*

- Freshness management to enhance appeal; initiate the Oishi Tarunama Project (an advice and training program for restaurants and bars, demonstrating how to improve the quality and taste of draft beer)

Happoshu

● Amid rapid centralization toward powerful brands, priority placed on brand strength

⇒ Strengthen brands by appealing to the individuality of the three Honnama brands, and generating synergies

- Clarify the distinctiveness of *Honnama*, *Aqua Blue* and *Off Time*, and conduct consumer campaigns

Comprehensive Alcohol Business: Interim Results



■ 2004 Interim Sales

(Billions of yen)

	Interim Results (Jan - Jun)		
	2004	2003	YoY (%)
Shochu	25.9	25.2	0.7 (2.8%)
Low-alcohol beverages	13.8	10.9	2.9 (26.7%)
Spirits	14.7	16.0	-1.3 (-8.3%)
Wine	5.9	6.3	-0.4 (-6.9%)
Other alcohol beverages	1.4	1.3	0.1 (-8.2%)
Total	61.7	59.7	2.0 (3.2%)

【Performance of core brands】

- *Cocktail Partner* (3.50mn cases; +41%)
- *Shunka Shibori* (2.43mn cases; +27%)
- *Daigoro* (23,800kl; ±0%)
- *Kanoka* (950,000 cases; +33%)
- *Black Nikka* (720,000 cases; +3%)

● Pursue sales expansion and streamlining in the Comprehensive Alcohol Beverage Business

- ⇒ Strengthen existing core brands in each category (*see above)
- ⇒ Create new value and demand through concentration of Group capabilities
 - Launch *SAZAN*, *GEN-AN*, *Dry Cooler* and other products
- ⇒ Enhance efforts toward trading normalization
 - Limit underselling of shochu, low-alcohol beverages and wine



Comprehensive Alcohol Beverages Business Sales target: ¥133.0bn (up 7% YoY)

Shochu

- Sales target: **¥54.0bn (+ 4.1%)**
 - Further strengthen core brands *Kanoka*, *Ichibanfuda* and *SAZAN* through commercial channels
 - Expand lineup of distinctive, premium Otsu-type shochu products

Low Alcohol

- Sales target: **¥31.0bn (+ 32.1%)**
 - Strengthen *Cocktail Partner* and *Shunka Shibori* brands, develop extension brands
 - Enliven *Dry Cooler* brand with new flavors

Whisky & other spirits

- Sales target: **¥30.0bn (- 7.3%)**
 - Nikka Whiskey 70th Anniversary Project (PR activity and appreciation campaign)
 - Strengthen household brand *Black Nikka Clear Blend* and commercial brand *Taketsuru*

Wine

- Sales target: **¥15.0bn (+ 2.8%)**
 - Strengthen major import wine brands, focusing on Maxxium brands
 - Strengthen sparkling wines, focusing on *GANCIA*, which is entering its peak production season



Increased sales from brand strengthening, along with further improvements to production and marketing efficiency

■ Reductions in Costs and Fixed Expenses

● Reductions in manufacturing and distribution costs, and streamlining of promotional and other fixed expenses

- ⇒ Cost and fixed expense reductions exceeded original plan (+ ¥2.5bn)
 - Streamlining of manufacturing and distribution divisions; Costs reduced at supplier companies
- ⇒ Further reductions being pursued through streamlining and optimization of the entire supply chain management system

■ Advertising and Promotional Expenses Plan

(Billions of yen)

	2000	2001	2002	2003	2004 (plan)		
						YoY	Against original plan
Beer	86.5	75.4	66.0	60.3	54.2	-6.1	2.3
Happoshu	-	15.8	19.6	20.5	20.0	-0.5	-1.5
Beer/Happoshu	86.5	91.2	85.6	80.8	74.2	-6.6	0.8
Comprehensive Alcohol beverages	-	10.7	20.4	28.3	31.3	3.0	-0.8
Total	86.5	101.9	106.0	109.1	105.5	-3.6	0.0
Sales promotion expenses	54.8	61.0	67.9	77.9	76.8	-1.1	-0.7
Advertising expenses	31.8	40.9	38.1	31.2	28.7	-2.5	0.7

■ Handling of operational reserve fund

¥9.0bn ⇒ ¥6.0bn Flexible management that responds to sales plan

Alcoholic Beverages Business: Introduction of New Trading System **Asahi**

■ Introduction of New Trading Structure (from Jan 2005)

Cease three-tiered pricing structure

- Recommended wholesale and retail prices will be abandoned, with only the manufacturer's shipping price shown to distributors
 - Prices set to reflect costs and profitability at all levels of distribution
- ⇒ Normalize the market price

Cease existing rebate structure

- Abandon the current rebate structure based on volume
 - Build a new structure that optimizes wholesale functions (distributing, information and proposal capabilities)
- ⇒ Improve transparency in trading, while streamlining alcohol distribution

Cease sales of beer gift certificates

- Beer gift certificates will no longer be sold after December 2004



Encourage strong and efficient alcohol distribution structure

Asahi

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