

Asahi

2006 Interim Financial Results

2006 Interim Financial Results Overview and Future
Business Strategy

August, 2006

ASAHI BREWERIES, LTD.

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



Asahi Beer Group

Overview of 2006 Interim Financial Results for Six Months Ended June 30, 2006 and Future Business Strategy

Chairman of the board and CEO

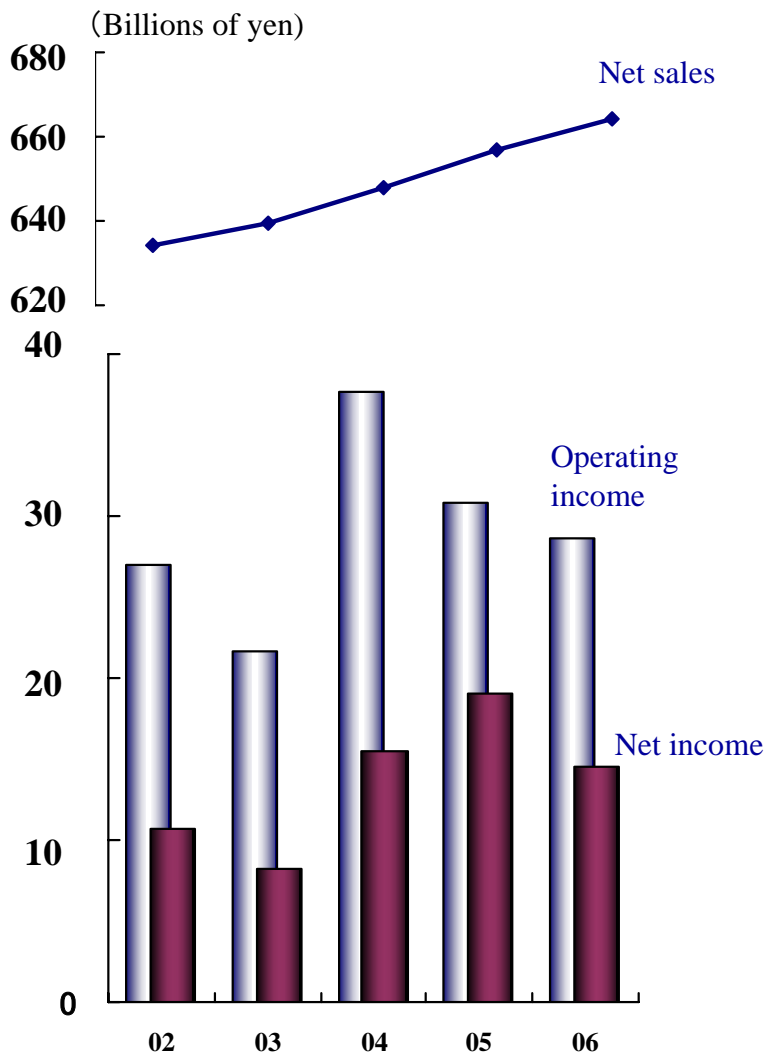
Kouich Ikeda



Overview of 2006 Interim Financial Results (Consolidated)



2006 Interim Financial Results (Consolidated)



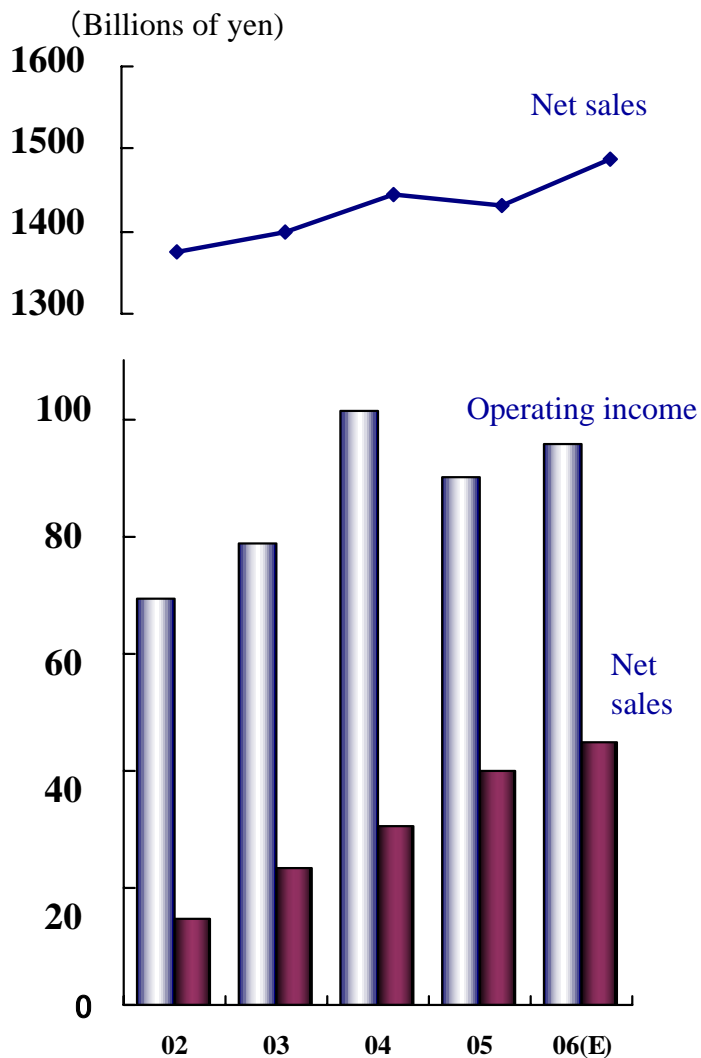
(Billions of yen)

		2006 (January - June)		
		2005	YoY	YoY (%)
Asahi Breweries	469.8	479.4	-9.6	-2.0%
Asahi Soft Drinks	112.5	110.0	2.5	2.3%
Asahi Food & Healthcare	14.8	12.8	2.0	15.8%
Other	67.3	54.4	12.9	23.7%
Net sales	664.4	656.6	7.8	1.2%
Asahi Breweries	25.8	26.5	-0.7	-2.7%
Asahi Soft Drinks	3.5	3.2	0.3	10.4%
Asahi Food & Healthcare	-0.1	0.2	-0.3	-
Other	-0.6	0.9	-1.5	-
Operating income	28.6	30.8	-2.2	-7.1%
Non-operating balance	1.1	1.1	0.0	-4.7%
Ordinary income	29.7	31.9	-2.2	-7.0%
Extraordinary balance	-3.4	1.5	-4.9	-
Interim net income	14.5	19.0	-4.5	-23.8%

2006 Full-Year Forecasts (Consolidated)



2006 Full-Year Forecasts (Consolidated)



(Billions of yen)

	2006 (January - December)			
		2005	YoY	YoY(%)
Asahi Breweries	1,073.0	1,054.2	18.8	1.8%
Asahi Soft Drinks	230.0	225.1	4.9	2.2%
Asahi Food & Healthcare	30.6	26.8	3.8	14.1%
Other	154.4	123.9	30.5	24.6%
Net sales	1,488.0	1,430.0	58.0	4.1%
Asahi Breweries	84.0	78.5	5.5	7.0%
Asahi Soft Drinks	10.0	9.5	0.5	4.7%
Asahi Food & Healthcare	0.7	0.7	0.0	2.7%
Other	0.8	1.5	-0.7	-48.5%
Operating income	95.5	90.2	5.3	5.8%
Non-operating balance	-0.5	1.2	-1.7	-
Ordinary income	95.0	91.4	3.6	3.9%
Extraordinary balance	-12.0	-15.7	3.7	-
Net income	45.0	39.9	5.1	12.9%

◆ Domestic Alcohol Business

- ◎ To concentrate management resources on beers and beer-type beverages (Happoshu and new genre) and to rebuild the growth foundation for the entire alcoholic beverages business
- Facilitated the trend of consumers' return to beers by promoting sales of "Super Dry" and expanded sales chiefly in the on-premise market. ⇒ Achieved a 50% share in the beer market
- In the "new genre" segment, the new product "Asahi Gubinama" performed strongly, while the market share declined in the combined Happoshu (law-malt) and "new genre" segments

⇒ To strive to restore overall sales momentum in beers and beer-type beverages by focusing on launches of new products in the Happoshu and New genre segments * To be shown in the following slides

◆ Group Business

- Asahi Soft Drinks: Achieved 4% growth, outperforming the industry average, and promoted structural reforms. ⇒ Build a business structure to make a further leap
- Asahi Food & Healthcare: Growth in "MINTIA" and "BALANCEUP" continued and "Slim up Slim" became a hit product

⇒ To demonstrate synergies with LBs in chilled drinks business and with Sunwell and Wakodo in food and healthcare business, and strengthen foundation for growth

◆ Overseas Business

- Beers operations in China: Started construction of a new brewery in Hangzhou and beefed up production capacity of Beijing Beer Asahi Co., Ltd. ⇒ Achieved steady sales growth and profitability improvement
- Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.: Sales of bottled tea and water grew dramatically. Synergies demonstrated in finance and production operations ⇒ Revenue contribution outpacing initial target
- Haitai Beverage Co., Ltd.: A sharply shrinking market and a surge in raw materials prices ⇒ Business results fell short of targets. Pressing ahead with management reforms

⇒ To make efforts to improve profitability of existing companies and further expand the growth foundation in China and other Asian countries

“Earnings Structure Reform” :

Establish optimum production and distribution structures



Centralization of the Group’s production and distribution functions in the Kanto area

Capital Investment : ¥22.5 billion (2006-2009)



Achieve cost reduction of ¥5 billion per annum for the entire Group

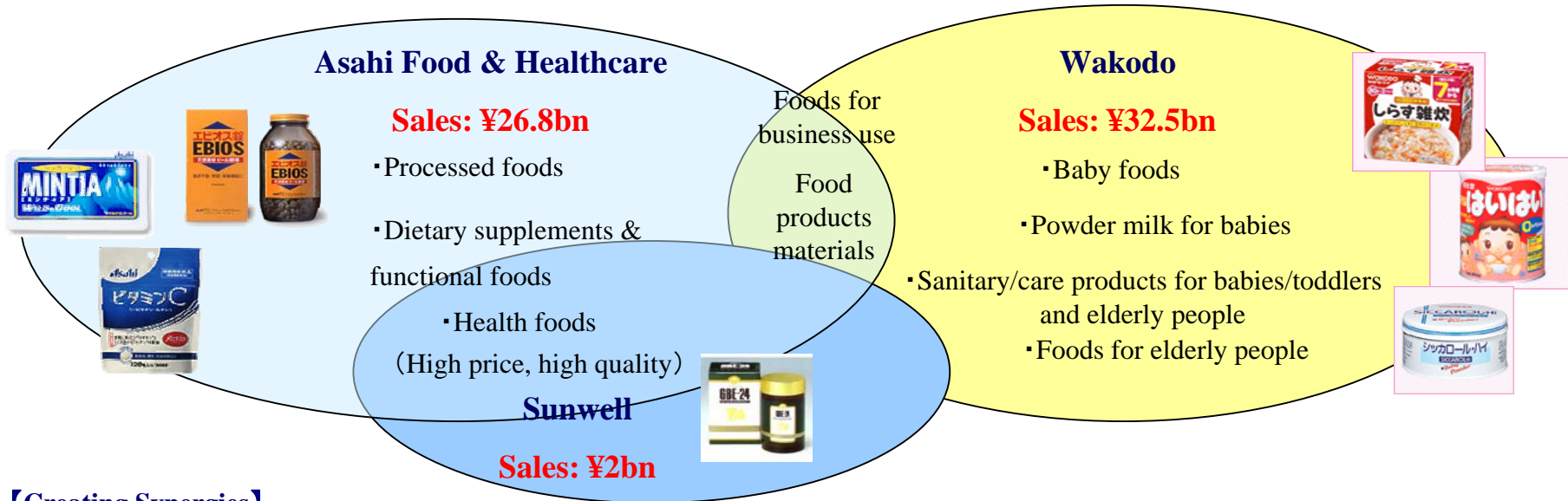
Strengthening Food and Healthcare Business

◆M&A/Strategic Business Investment (Total budget under medium-term plan : ¥100bn)

2004: Established TAI Beverages (joint venture with Tingyi) in China; converted Korea's Haitai Beverage to a consolidated subsidiary (total investment of around ¥40bn)

2005: Share acquisitions of Sunwell, LB Saitama and LB Nagoya (total investment of around ¥15bn)

2006: Share acquisitions of Wakodo (investment of around ¥43bn)



【Creating Synergies】

- ◆ Broaden contact with all age segments from babies/toddlers to elderly people.
- ◆ Leverage each other's technologies and materials to expand product offering.
- ◆ Utilize each other's powerful distribution channels.
- ◆ Expand overseas operations centering on Asia.

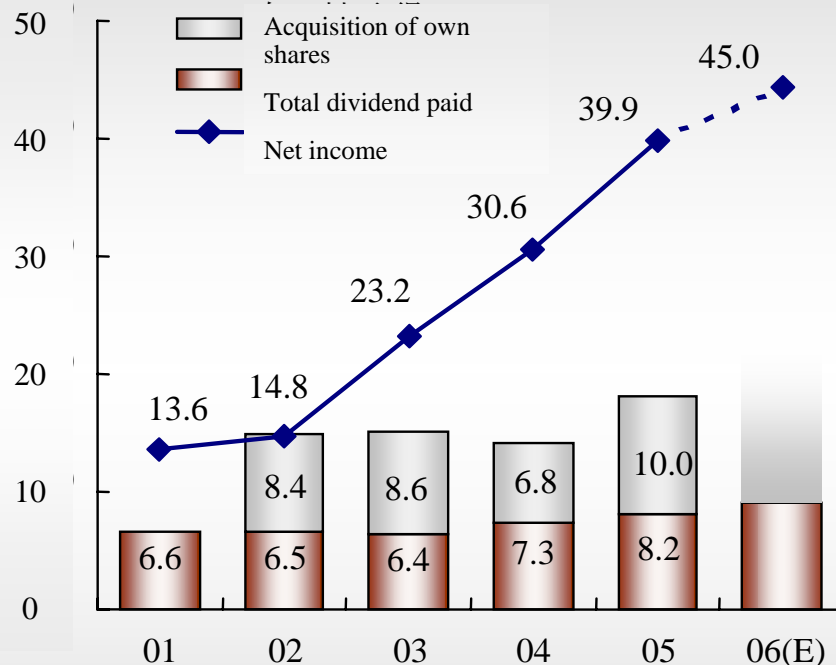
Develop Food and Healthcare Business into the Group's 3rd pillar of business.

(Total sales) ¥60bn ⇒ ¥100bn

◆ Increase Returns to Shareholders (Guideline value for medium-term returns : ¥60bn)

■ Net Profits and Gross Returns to Shareholders

(Billions of yen)



2004: Dividend increase (from ¥13 to ¥15 per share)

Acquisition of own shares (¥6.8bn)

2005: Dividend increase (from ¥15 to ¥17 per share)

Acquisition of own shares (¥10bn)

< Retirement of own shares (20mn shares) >

2006 onward:

【Shareholder Return Policy】

Asahi aims for an increase of at least 20% in consolidated payout ratio while at the same time upholding its basic shareholder return policy that dictates stable and sustained dividend payment. In addition, we will enhance overall returns to shareholders through timely execution of share buyback program.

Dividend payout ratio	48.1%	45.0%	27.8%	24.0%	20.7%	-
Ratio of total returns to shareholders	49%	101%	65%	46%	46%	-



Pursuit of shareholder value



2001 ~ **2004** | **2005** | **2006** | **2007** ~

Management Reforms
Introduction of a group management system

Reform of the Group's earnings and business structures

Establish the Group's new growth path

Action plan to achieve an ever-growing Asahi Breweries Group

- Governance reforms
- Financial restructuring
- Entry into the Happoshu market
- Full-scale launch covering entire range of alcoholic beverages
- Reorganization of the Group's operations
- Reconstruction of the soft drinks / food and healthcare businesses

- ◎ Start the plan one year ahead of schedule to accelerate results and solve remaining problems
- Stabilize the alcoholic beverages business as the "cash cow"
 - ⇒ Implement growth strategy and earnings structure reforms
- Reform the Group's business structure.
 - ⇒ Strengthen existing businesses and promote M&As
- Enhance shareholder return and reduce debts

- Return the alcoholic beverages business to the growth path.
- Further promote earnings structure reforms
- Grow and develop the acquired business foundations
- Enhance shareholder return

➔ Achieve "a group of companies full of growth potential"

Domestic Alcohol Business

**Overview of 2006 Interim Financial Results for Six
Months Ended June 30, 2006
and Future Business Strategy**

President and CEO

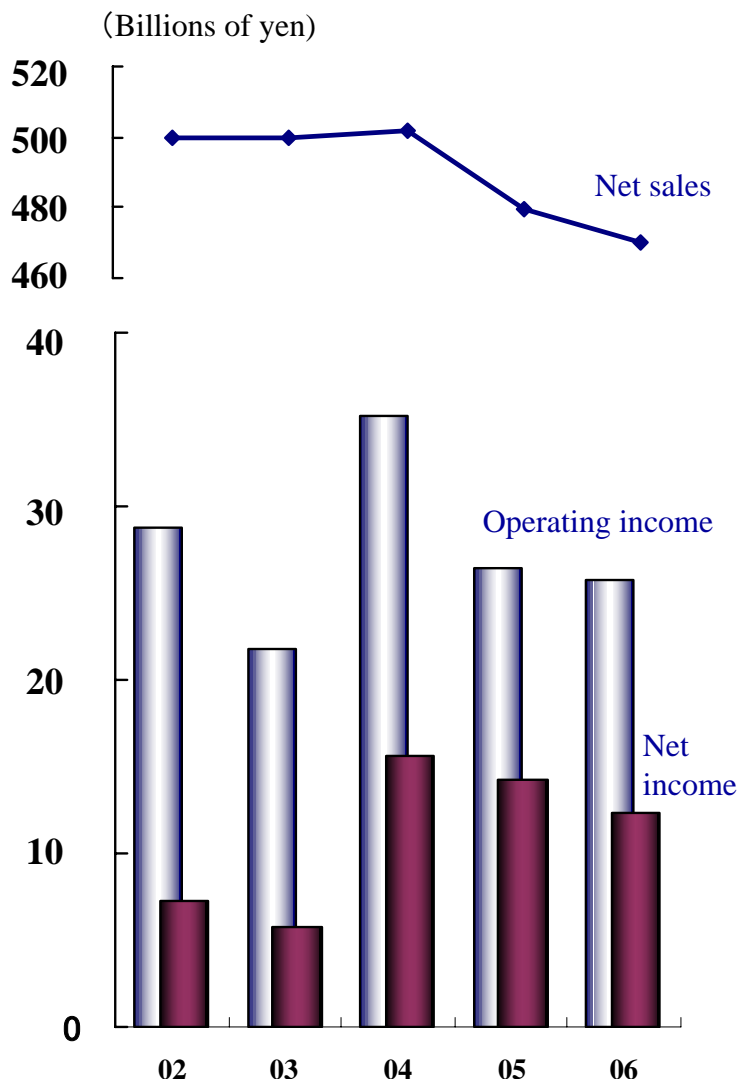
Hitoshi Ogita



Overview of 2006 Interim Financial Results (Non-consolidated)



2006 Interim Financial Results (Non-consolidated)

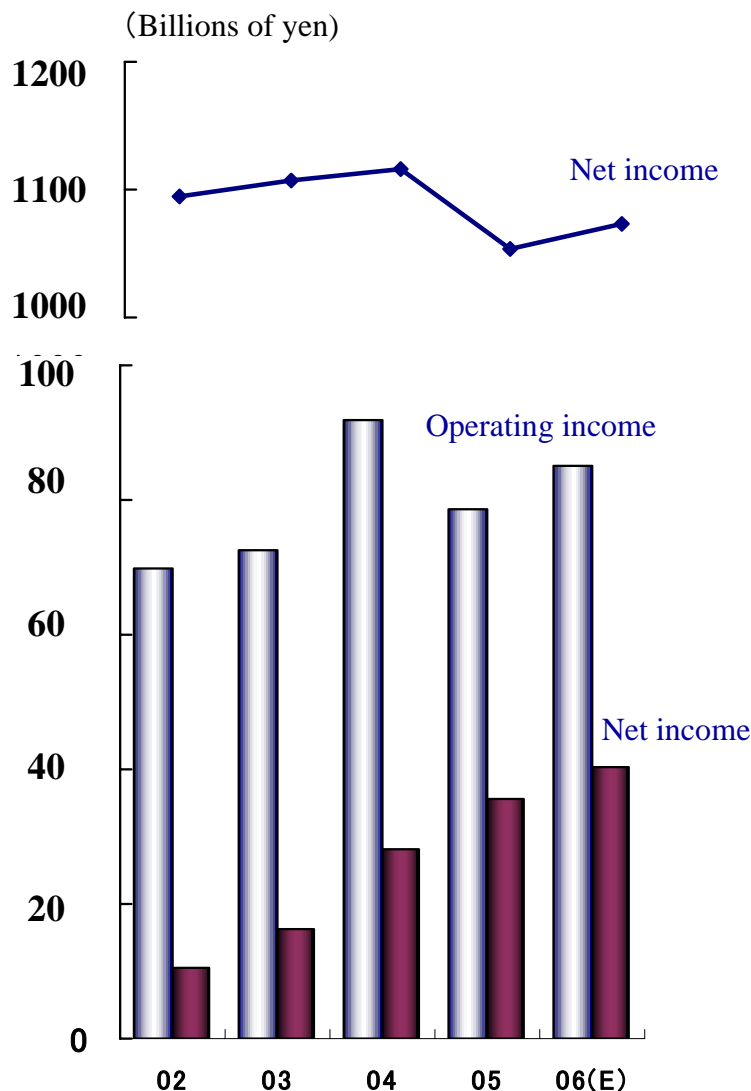


(Billions of yen)

		2006 (January - June)		
		2005	YoY	YoY(%)
Beer	323.1	315.0	8.1	2.6%
Happoshu	52.0	80.9	-28.9	-35.8%
New genre	28.3	18.6	9.7	52.1%
Othe alcohol beverages	65.5	64.2	1.3	2.0%
Other	0.9	0.7	0.2	36.8%
Net sales	469.8	479.4	-9.6	-2.0%
Operating income	25.8	26.5	-0.7	-2.7%
Non-operating balance	-0.7	-0.3	-0.4	-
Ordinary income	25.1	26.2	-1.1	-4.2%
Extraordinary balance	-3.6	-1.4	-2.2	-
Interim net income	12.3	14.3	-2.0	-13.9%

2006 Full-Year Forecasts (Non-consolidated)

2006 Full-Year Forecasts (Non-consolidated)



(Billions of yen)

	2006 (January - December)			
		2005	YoY	YoY(%)
Beer	746.4	726.2	20.2	2.8%
Happoshu	107.6	147.4	-39.8	-27.0%
New genre	77.0	45.9	31.1	67.9%
Othe alcohol beverage	140.0	133.4	6.6	5.0%
Other	2.0	1.3	0.7	49.7%
Net sales	1,073.0	1,054.2	18.8	1.8%
Operating income	84.0	78.5	5.5	7.0%
Non-operating balance	-2.0	-1.6	-0.4	-
Ordinary income	82.0	76.9	5.1	6.6%
Extraordinary balance	-12.2	-15.3	3.1	-
Net income	40.0	35.5	4.5	12.7%

◆ Beer Category Taxable Volume

【Industry overall】

	Industry overall 2006 (January-June)				
	Millions of cases	YoY (Millions of cases)	YoY (%)	Breakdown	YoY
Beer	125.51	0.38	0.3%	54.4%	-0.4%
Happoshu (low-malt beer)	59.51	-10.95	-15.5%	25.8%	-5.1%
New genre (no-malt beer)	45.64	13.03	39.7%	19.8%	5.5%
Happoshu+New genre	105.15	2.03	2.0%	45.6%	0.4%
Total	230.66	2.40	1.1%	100.0%	-

【Asahi Breweries】

	Asahi Breweries 2006 (January-June)				
	Millions of cases	YoY (Millions of cases)	YoY (%)	Market share	YoY
Beer	62.77	0.87	1.4%	50.0%	0.5%
Happoshu (low-malt beer)	14.13	-8.03	-36.2%	23.8%	-7.7%
New genre (no-malt beer)	9.06	2.87	46.4%	19.8%	0.9%
Happoshu+New genre	23.19	-5.16	-18.2%	22.1%	-5.4%
Total	85.96	-4.29	-4.7%	37.3%	-2.3%

◆ Keg Beer - YoY Growth Rate

	January	February	March	April	May	June	Year-to-date
Asahi	23.6%	17.0%	10.5%	-8.3%	8.7%	4.2%	7.2%
Industry overall	13.3%	11.2%	10.3%	-9.3%	6.1%	-1.8%	3.0%

2006 Market Outlook

- ◆ Beer : roughly 1% decline
- ◆ Happoshu : roughly 9% decline
- ◆ New genre : roughly 19% growth

Market Total: Expected to be largely unchanged from the previous year.

Beer/Happoshu/New Genre: Sales Plan

(Millions of cases)

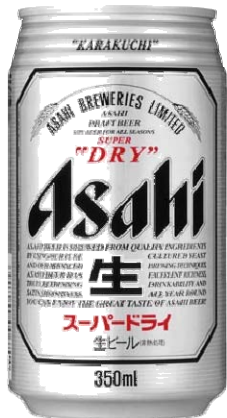
		2006 Targets		
			2005	YoY
	Super Dry	138.00	135.80	+1.6%
	Other	5.00	3.10	+61.3%
Beer		143.00	138.90	+3.0%
	Honnama	15.50	18.40	-15.8%
	Aqua Blue	10.50	12.30	-14.6%
	Gold	2.50	8.70	-71.3%
	Other	0.50	0.30	+66.7%
Happoshu		29.00	39.70	-27.0%
	Shinnama 3	10.00	3.00	+233.3%
	Gubinama	9.50	—	—
	Gokuuma	4.50	—	—
	Shinnama	—	11.80	—
New Genre		24.00	14.80	+62.2%
Total		196.00	193.40	+1.4%

※Premium beers
Total 3.25 million cases

『Prime Time』 2 million cases
『Jukusen』 800,000 cases

※Not including new products to be launched in this autumn

Beer Category: Future Initiatives



Strengthen B-to-B business and continue initiatives to further ensure freshness as a new standard of quality

Initiatives for celebrating the 20th anniversary of the launch



Strengthen sales of "premium beers"



Limited production



New brand products slated for release

Launch date: September 5, 2006

Due to be launched



Launch date: October 17, 2006

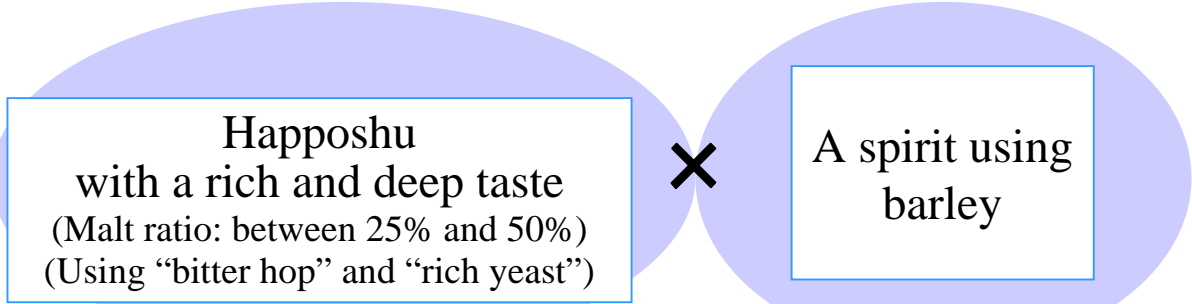
Expand product lineup by target

Launching of New Product “Gokuuma”



“Asahi Shinnama 3” with mild taste + sharp after-taste
 “Asahi Gubinama” with mild taste + light after-taste
 “Gokuuma” with mild taste + rich after-taste
 Aiming to become the No.1 brewery in the “new genre” category by offering three lines of products !

Name of product	Asahi 極旨 (Gokuuma)
Launch date	Tuesday, October 17, 2006
Sales target	4.5 million cases (Total of October - December sales)
Product concept	Extremely tasty “new genre” alcoholic beverage, featuring freshness and richness for daily enjoyment and pleasure



Refreshing and rich taste

◎ Highlights of the Six Months Ended June 30, 2006

- “Asahi Cocktail Partner”: 20% YoY growth (thanks partly to a new series of products and seasonal products)
- “Asahi Shunka Shibori”: 28% YoY growth (improved profile in the market segment of “chu-hi” using fruit juice)
- “Kanoka”: 22% YoY growth (partly helped by development efforts in using new raw materials, as evidenced by the addition of imo-jochu (sweet-potato shochu) to our “Kanoka” brand)



◆ Sales plan of Other alcoholic beverages

(Billions of yen)

		2006 Targets		
		2005	YoY	
Shochu	60.0	55.1	4.9	(8.9%)
RTD	35.0	32.7	2.3	(7.1%)
Whisky & Sprints	27.5	28.2	-0.7	(-2.6%)
Wine	15.0	14.5	0.5	(3.9%)
Others	2.5	2.9	-0.4	(-14.2%)
Total	140.0	133.4	6.6	(5.0%)

Market outlook (Company estimates)
±0%
+4%
-2%
+1%
—
—



Profitability improved as a result of effective use of advertising and sales promotion expenses as well as better efficiency in the entire supply chain

Trends in advertising and sales promotion expenses by category

(Billions of yen)

	2002	2003	2004	2005	2006 Plan		
						YoY	vs initial target
Beer	66.0	60.3	58.0	54.9	56.1	1.2	-1.6
Happoshu (Low-malt)	19.6	20.5	20.4	12.2	11.6	-0.6	1.2
New genre	-	-	-	9.2	13.8	4.6	6.7
Beer/Happoshu/New genre	85.6	80.8	78.4	76.3	81.5	5.2	6.3
Other alcohol business	20.4	28.3	30.2	33.7	32.4	-1.3	-0.2
Total	106.0	109.1	108.6	110.0	113.9	3.9	6.1
Sales promotion premiums	67.9	77.9	76.3	77.8	80.8	3.0	2.0
Advertising expenses	38.1	31.2	32.3	32.2	33.1	0.9	4.1



Expansion of budgets for Happoshu and “new genre” categories.
Profitability improvement in the other alcohol business

**QUALITY
&
CHALLENGE**
クオリティ & チャレンジ

Asahi

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