

Asahi



2007 Financial Results Briefing

February 2008

ASAHI BREWERIES, LTD.

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



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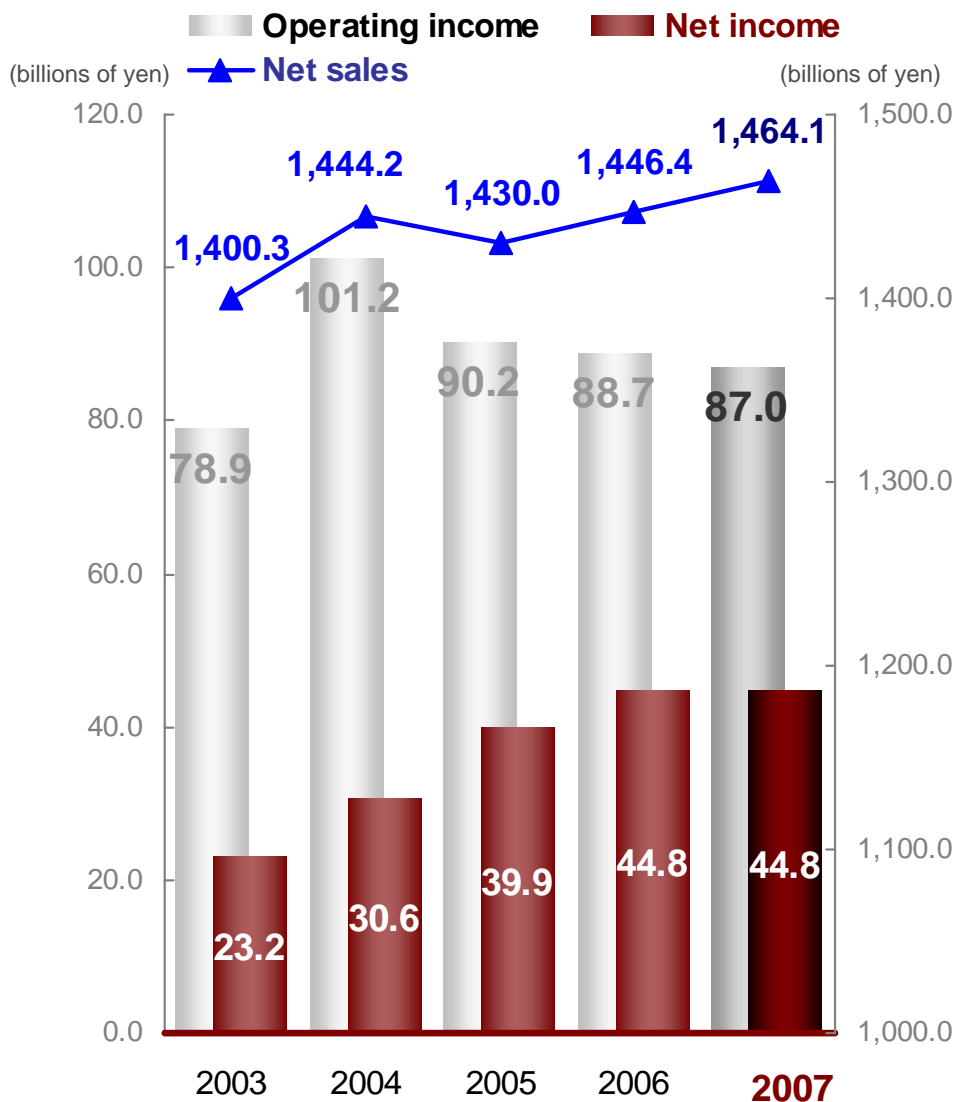
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Overview of 2007 Results



	(billions of yen)			
	2007	2006	YoY (%)	
Alcoholic beverages	1,030.7	1,031.0	(0.3)	0%
Soft drinks	268.3	249.9	18.4	7%
Food and healthcare	69.2	55.7	13.5	24%
Overseas	55.4	57.1	(1.7)	(3%)
Other	40.5	52.7	(12.2)	(23%)
Total sales	1,464.1	1,446.4	17.7	1%
Alcoholic beverages	79.9	78.6	1.3	2%
Soft drinks	8.1	10.2	(2.1)	(21%)
Food and healthcare	1.3	0.4	0.9	234%
Overseas	(5.5)	(3.9)	(1.6)	-
Other	3.2	3.4	(0.2)	(7%)
Total operating income	87.0	88.7	(1.7)	(2%)
Equity method income	9.0	6.4	2.6	41%
Ordinary income	90.2	90.1	0.1	0%
Net income	44.8	44.8	0.0	0%



■ Medium-Term Business Strategy (2007 – 2009)

Alcoholic Beverages Business

- Reinforce the foundations of Asahi's brands, focusing on *Asahi Super Dry*
→ Produce stable, long-term cash flows

Group Business

- Further growth of existing group companies
- Pursue synergies with acquisition of new additions to our operating base through M&As
- Continuous and aggressive investment

■ Overview of 2007 (Results and Issues)

Results

- (1) Strengthened group growth foundations
 - Business and capital tie-up with Kagome Co., Ltd., vending machine joint venture with Calpis Co., Ltd., converted Asahi Soft Drinks Co., Ltd., into wholly owned consolidated subsidiary
- (2) Promotion of earnings structure reform
 - Transferred soft drinks and RTD beverages production and distribution function to Ibaraki Brewery, curbed fixed costs such as advertising and promotional expenses for alcoholic beverages
- (3) Dynamic growth of soft drinks business in China
 - Increased equity-method investment profit due to dynamic growth in profits at Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.

Issues

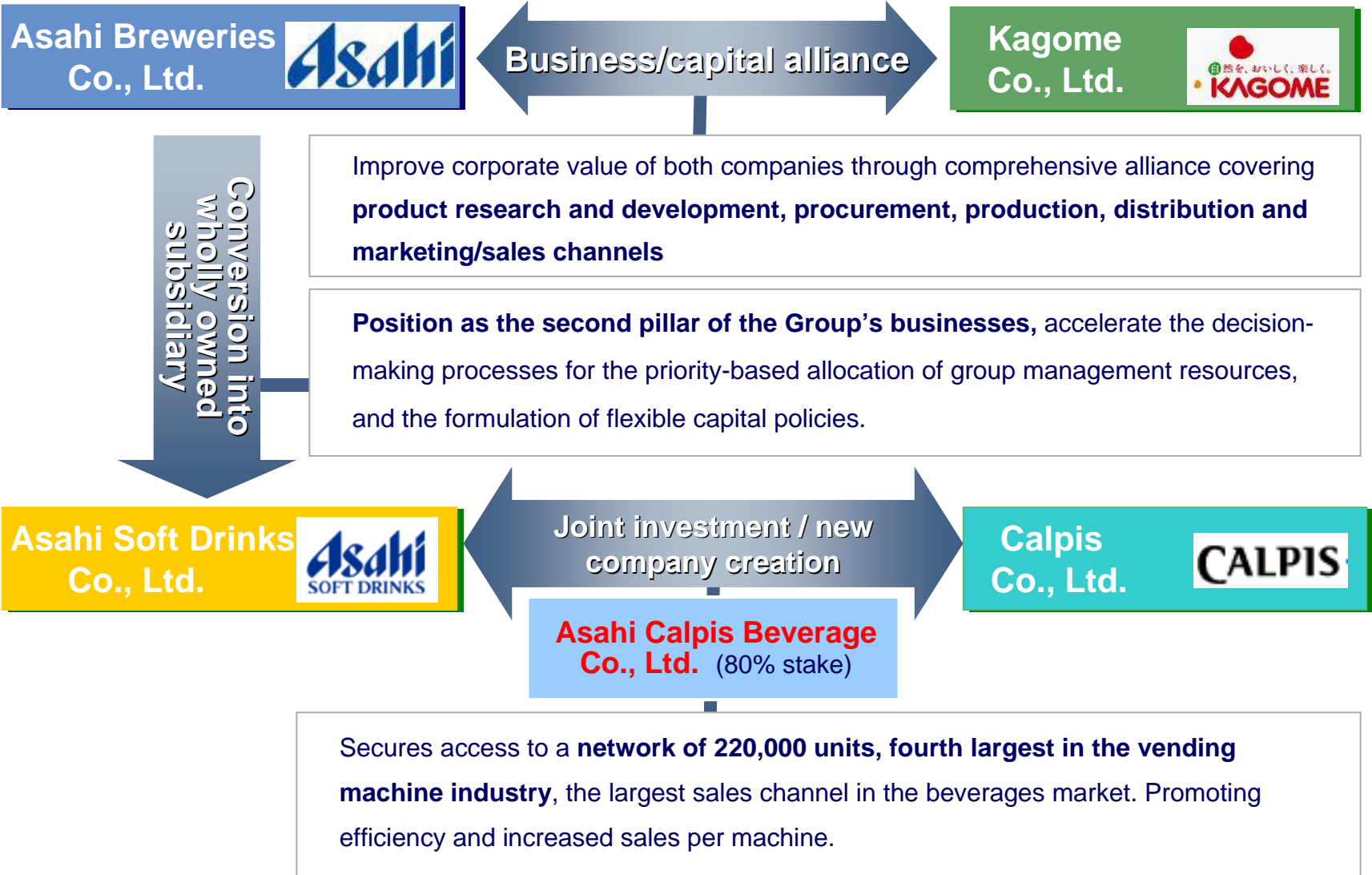
- (1) Objectives set out under the domestic beer business growth strategy not achieved
- (2) Decline in earnings for the soft drinks and overseas businesses due to factors such as rising cost of raw materials



Strengthening Group Growth Foundations



- Promote reorganization of group businesses and alliances with companies outside the group





◆ Building optimum production and distribution structures for the group

- Transfer production and distribution functions for soft drinks and RTD beverages to Asahi Breweries' Ibaraki Brewery
 - Soft drink bottle-can production line put into operation; Production of PET bottle soft drink products began in January 2008
 - Transfer of Nikka's RTD beverage production functions; Integration of Asahi Soft Drinks' distribution center
- Higher ratio of PET bottles produced in house at soft drinks plants
 - Expansion of PET bottle production line at Mt. Fuji Plant



◆ Streamlining the Alcoholic Beverages Business

- Promote efficient use of advertising and promotional expenses resulting in savings that exceed plans
 - Towards medium- to long-term structural reform
- Focus efforts on achieving greater efficiency through measures including capital investment aimed at streamlining the distribution division and saving labor at the production division



Target for earnings structure reform (2009 vs. 2006):
10.0 – 15.0 billion yen

Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.

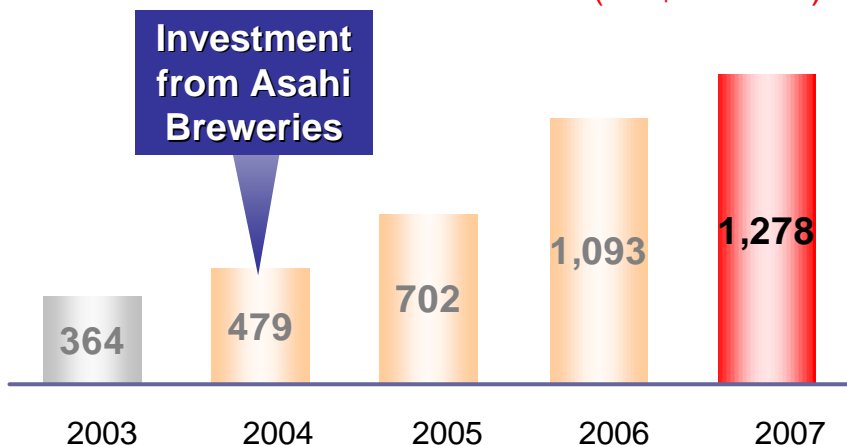
(equity method subsidiary)

- ◆ Assist efforts to improve performance through support in areas such as production technology, financial management, and strategy formulation
- ◆ Success in category strategies focused on tea and drinking water (becoming No.1 in market for bottled water also)
- ◆ Aggressive expansion of production bases; Virtuous cycle of capital investment and revenue growth
 - Step up technical cooperation to establish high quality product structure and support further growth



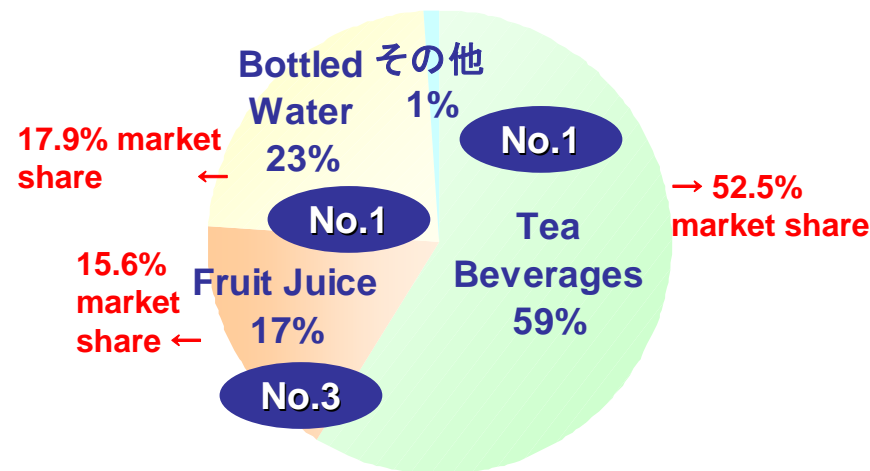
■ Tingyi-Asahi-Itochu Beverages: Sales in the soft drinks segment

(US\$ millions)



* Results through Q3 2007

■ Sales breakdown and market share



Source

Composition: Based on sales proceeds from January through September

Market share: AC Nielsen (as of November 2007)



Objectives set out under domestic beer business growth strategy not achieved

◆ Aim to bolster the competitiveness of beer and beer-type beverages with a pivotal focus on brand investment in Asahi Super Dry

- Improved performance figures for the Super Dry brand; Style Free a hit product
→ **No.1 market share for the 7th consecutive year**
- Total sales plan objectives remain unachieved owing primarily to intensified competition in the new genre market
[Details: p.8 onwards]

Decline in earnings for soft drinks and overseas businesses due to factors such as rising costs of raw materials

◆ Achieve self-reliant growth in the soft drinks, food and healthcare, and overseas businesses and bring forth group synergies that go beyond boundaries

- Food and healthcare business: Profits increased at Asahi Food and Healthcare and Wakodo as a result of increased sales of major brands and streamlining measures
- Profits declined in the soft drinks and overseas businesses owing to increased fixed expenses, mainly from rising raw materials costs and intensifying competition
[Details: p.13 onwards]

Revision of prices on domestic beer and beer-type beverages

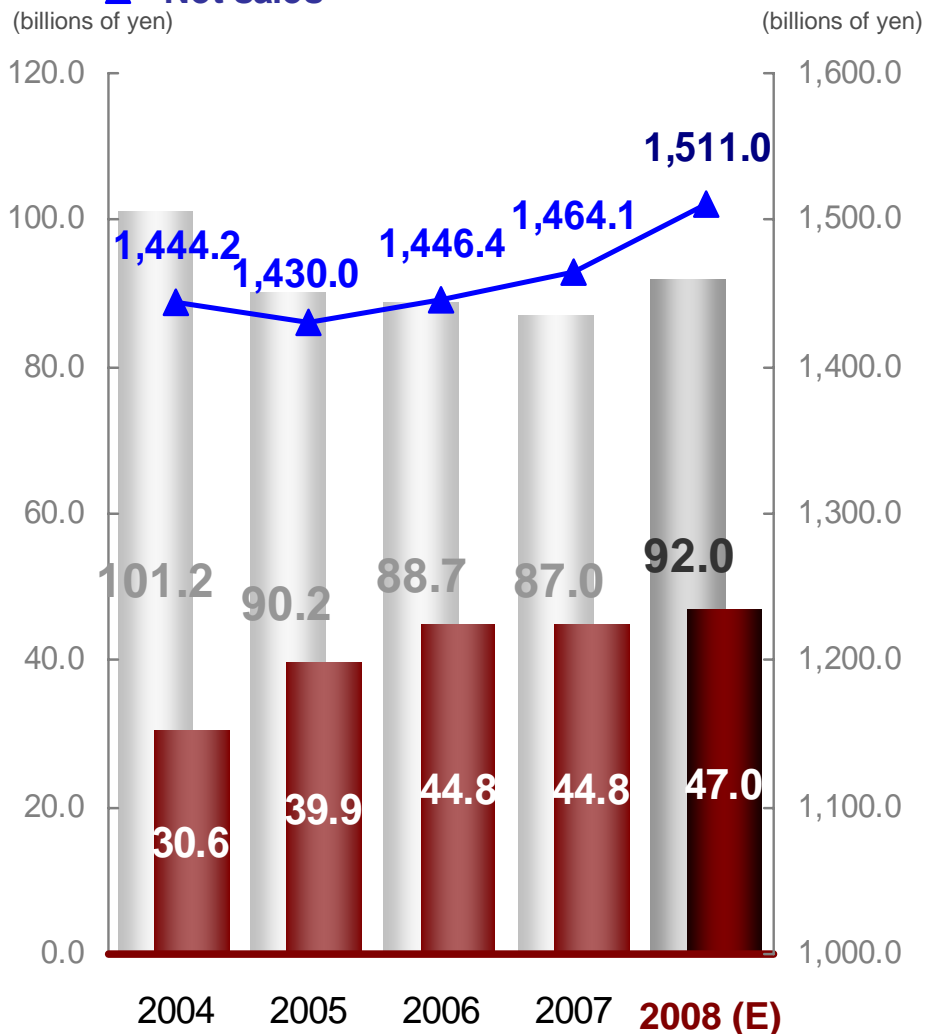
- To provide a stable supply of high quality products amid continued increases in prices of raw materials, such as aluminum and malt, pass on, through selling prices, the portion of cost increases that we cannot cover through our own efforts.
- Retail prices of beer-type beverages are expected to increase by 3 to 5% from March.
→ Restore the alcoholic beverage industry's financial health and improve profitability through earnings structure reform.



2008 Performance Forecast



■ Operating income ■ Net income
▲ Net sales



(billions of yen)

	2008 targets	2007	YoY (%)	
Alcoholic beverages	1,044.0	1,030.7	13.3	1%
Soft drinks	302.9	268.3	34.6	13%
Food and healthcare	77.7	69.2	8.5	12%
Overseas	61.0	55.4	5.6	10%
Other	25.4	40.5	(15.1)	(37%)
Net sales	1,511.0	1,464.1	46.9	3%
Alcoholic beverages	82.0	79.9	2.1	3%
Soft drinks	9.1	8.1	1.0	13%
Food and healthcare	1.9	1.3	0.6	45%
Overseas	(2.6)	(5.5)	2.9	-
Other	1.6	3.2	(1.6)	51%
Operating income	92.0	87.0	5.0	6%
Equity method income	9.0	9.0	0.0	0%
Ordinary income	93.0	90.2	2.8	3%
Net income	47.0	44.8	2.2	5%



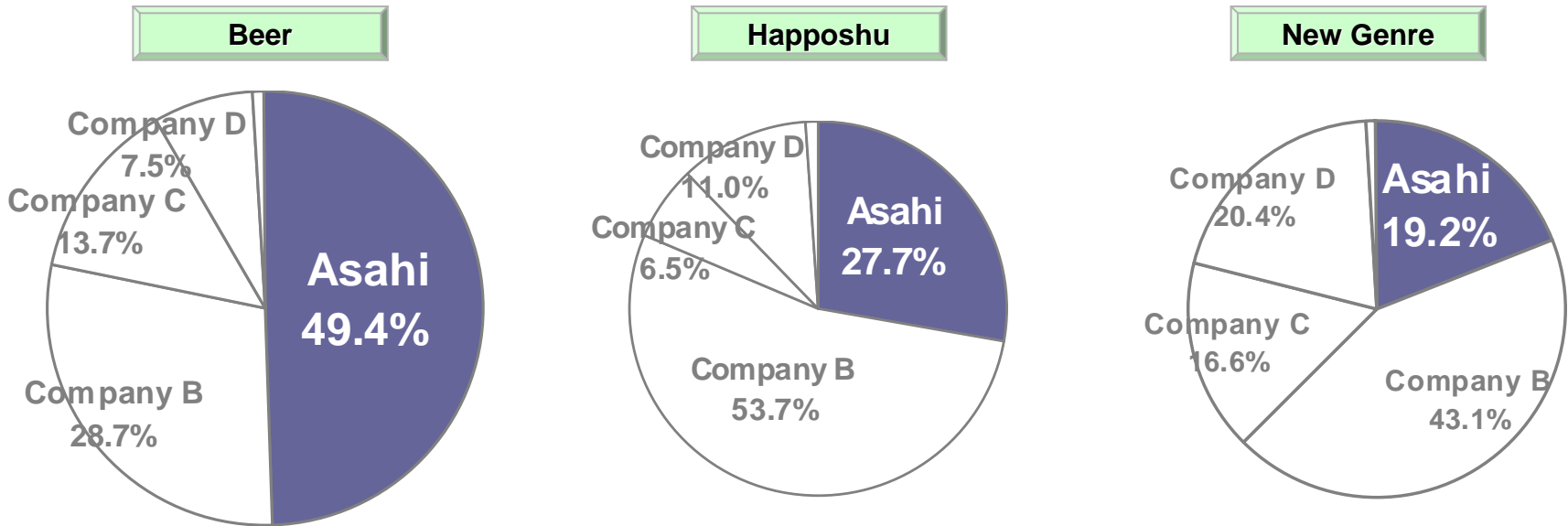
Beer-Type Beverages 2007 Sales



■ Beer and Beer-Type Beverages: Taxable Sales Volume (Jan – Dec 2007) (millions of cases)

	Industry total			Asahi Breweries		
	Cases	YoY change	Composition	Cases	YoY change	Market share
Beer	274.04	(0.9%)	55.2%	135.28	(1.7%)	49.4%
Happoshu	121.67	(2.5%)	24.5%	33.73	14.5%	27.7%
New genre	100.37	4.4%	20.2%	19.24	(8.8%)	19.2%
Total	496.08	(0.3%)	-	188.25	0.1%	37.9%

■ Asahi Breweries' Market Share by Category





Beer-Type Beverages 2008 Sales Targets



■ 2008 Sales Targets by Brand

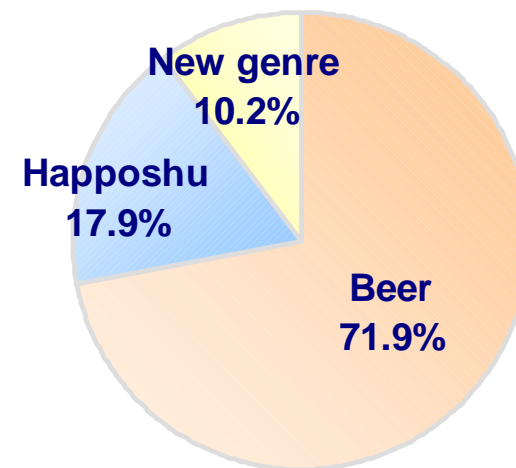
		(millions of cases)		
		2008 target	2007	YoY (%)
Beer	Super Dry	126.30	130.70	(3.4%)
	Jukusen	2.50	1.00	150.0%
	Other	1.20	2.99	(59.9%)
Beer total		130.00	134.69	(3.5%)
Happoshu	Honnama Draft	11.00	11.32	(2.8%)
	Honnama Aqua Blue	9.00	9.29	(3.1%)
	Style Free	10.00	8.30	20.5%
	Other	2.50	4.70	(46.8%)
Happoshu total		32.50	33.61	(3.3%)
New genre	Clear Asahi	10.00	-	-
	Ajiwai	6.00	2.34	156.4%
	Other	5.50	16.74	(67.1%)
New genre total		21.50	19.08	12.7%
Total		184.00	187.38	(1.8%)

Market outlook

	08 vs. 07
Beer	Approx. -4-5%
Happoshu	Approx. -5-6%
New genre	Flat / slight inc.
Total	-3-4%

*Price elasticity applicable to the price revision is assumed to be 0.6 to 0.7.

2007 sales breakdown for Asahi Breweries





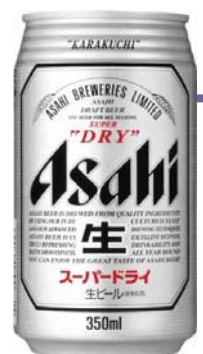
Beer-Type Category 2008 Brand Strategy



2007

First Half of 2008

Beer



Super Dry

Super Dry. Implement measures, primarily targeting core users, to reinforce fundamental brand strengths



Prime Time



"Flavor is Joy!"
gift campaign



Renewal of the **"Feel the Freshness"**
package



Jukusen

Launch: Mar. 11

Establish flagship brand in the growing premium beer market

Happoshu



Style Free (sugar free)



Honnama Draft



Honnama Aqua Blue



Zeitaku-biyori

Style Free to become the leading brand in the functional Happoshu market



Honnama Draft

Launch: Feb. 26

Establish the brand in the standard Happoshu market

New Genre



Ajiwai



Gokuuma



Gubinama



Shinsei 3

Prioritize allocation of advertising/promotion expenses to develop and establish brands

Clear > Ajiwai > Gokuuma > Gubinama > Shinsei3



Clear Asahi

Launch: Mar. 25

Positioned as the Company's main brand in the new genre market

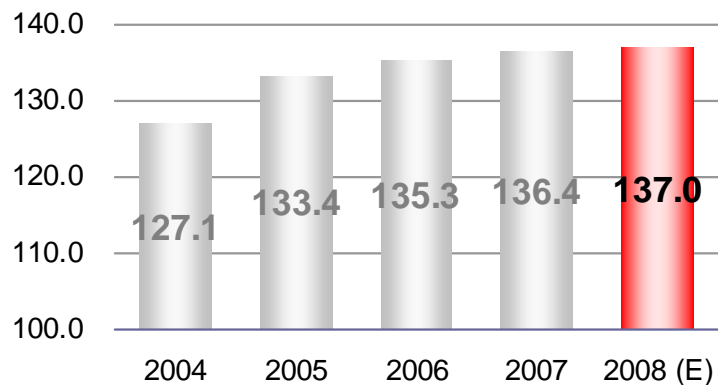


Overview of key brands in 2007

- Strong sales of core Shochu brands: *Kanoka* recorded double digit growth for the tenth consecutive year and *Satsumatsukasa* rose 30%
- *Asahi Shunka Shibori* achieved approx. 20% sales growth year on year, buoyed by introduction of *Sokai*
- Sales of Japanese whisky expanded thanks to renewal of *Black Nikka Clear Blend* and introduction of *Yoichi 500 ml.*

Past sales and 2008 sales plan

(billions of yen)



(billions of yen)

	2007	YoY	2008 target	YoY
Shochu	54.9	(4.0%)	55.0	0.2%
RTD	35.7	9.2%	35.7	0.0%
Whisky	27.3	(0.4%)	27.5	0.7%
Wine	15.3	1.3%	15.8	3.3%
Other	3.2	10.3%	3.0	(6.2%)
Other alcohol total	136.4	0.8%	137.0	0.4%

- Promote efficiency in production and sales with priority on improving profitability
- Aim to develop leading brands and create new value and new demand





■ Advertising and sales promotion expenses by category

(billions of yen)

	2002	2003	2004	2005	2006	2007	YoY	2008 plan	YoY
Sales promotion premium	67.9	77.9	76.3	77.8	80.8	77.9	(2.9)	75.2	(2.7)
Advertising/promotional expenses	38.1	31.2	32.3	32.2	32.7	34.9	2.2	31.8	(3.1)
Total	106.0	109.1	108.6	110.0	113.5	112.8	(0.7)	107.0	(5.8)

Breakdown

Beer	66.0	60.3	58.0	54.9	58.6	59.5	0.9	57.3	(2.2)
Happoshu	19.6	20.5	20.4	12.2	9.9	13.0	3.1	10.9	(2.1)
New genre	-	-	-	9.2	13.0	10.0	(3.0)	9.8	(0.2)
Beer-Type category total	85.6	80.8	78.4	76.3	81.5	82.5	1.0	78.0	(4.5)
Other alcoholic beverages total	20.4	28.3	30.2	33.7	32.0	30.3	(1.7)	29.0	(1.3)

→ -In 2007, Asahi saved 4.9 billion yen versus targets by reviewing terms of trade and reducing advertising costs.

-From 2008 onwards, the Company aims to maintain and expand profit in the alcoholic beverages business by rigorously controlling the overall budget and promoting medium- to long-term structural reforms.



Asahi Soft Drinks Co., Ltd.



◆ Growth Strategies, Structural Reform, and Taking on Challenges in New Areas

- Growth of the 3 key brands *Wonda*, *Mitsuya* and *Jurokucha* (*Mitsuya* achieved sales of 30 million cases)
- Sales volume grew 8%, exceeding the industry average of 3% growth, and we achieved record-high sales
- Profit declined owing to the surge in raw materials prices, product mix effects, and aggressive investment in sales promotion activities
 - Shift in allocation of business resources and pursuit of group synergies following conversion into a wholly owned subsidiary
 - Put PET line at the Ibaraki Brewery into operation, raise in-house production ratio, improve sales efficiency
 - Pursue synergies in vending machine business with establishment of **Asahi Calpis Beverage**



LB



- Sales registered double-digit growth owing to transfer of Asahi Soft Drinks' chilled drinks business as well as capital investment and the expansion of sales channels
- Profit declined due to rising raw materials costs and increases in fixed costs
 - Utilize expanded operating base and group synergies to pursue sales and profit growth



Promote restructuring and strategic M&As

- ◆ Continue with investment aimed at achieving dynamic growth with a core focus on Asahi Soft Drinks as the second pillar of the group's business



Asahi Soft Drinks 2008 Brand Strategy



N --- New product
R --- Renewal



Annual sales target

Key brands

Wonda


N


N

Jan 8 Wonda "Kin-no-bitō"
 Jan 29 Wonda "Cococcino"

Focus on low/non-sugar market, offer next-generation canned coffee products

33 M cases
YoY 116%

Mitsuya


N

N

Jan 8 Mitsuya Cider w/ condensed milk
 Jan 29 Mitsuya Cider Muscat

Promote the "safe, secure, natural" concept and aim to establish a second prominent brand

34 M cases
YoY 106%

Jurokucha


R


Feb 12 Jurokucha

Enhance the brand by promote the "healthy tea" concept and utilizing group synergies

19 M cases
YoY 112%

Focal categories

Japanese tea


N

N

N

N

1/15 Wakamusha "Umami Issen"
 Jan 15 Benifuki Ryokucha
Feb 26 Wakamusha "Zeitaku"

Promote the high value-added aspect of *Wakamusha*—"tea created by a prominent young tea expert"

9.8 M cases
YoY 108%

Water


R


Mar 4 Mt. Fuji Vanadium Natural Mineral Water

Promote the product's unique selling point: "rich in vanadium"

7.5 M cases
YoY 123%



Asahi Food and Healthcare Co., Ltd.



◆ Accelerate Growth Strategies, Structural Reform, and Measures to Ensure Safety and Confidence

- Achieved three consecutive terms of growth in sales and profit due to strong sales of mainstay *Mintia*, *Balance Up*, and *Slim Up Slim* as well as reductions in distribution and fixed costs
 - Work to further reinforce mainstay brands and streamline to absorb cost increases



Wakodo Co., Ltd.



◆ Reinforce operating base to improve profitability and promote growth

- Despite increasing raw materials prices, profits rose on strong sales of baby food products, including the re-launched *Eiyo Marche*, and reductions in fixed costs including sales promotion expenses
 - Bolster mainstay brands, reduce costs in all divisions, and advance into the baby food and overseas markets



Pursue synergies and promote strategic M&As

- Examine and execute new investments aimed at further reinforcing the food and healthcare business
- Establish the **Food Products R&D Division** to bolster the utilization of group synergies in product development efforts



Chinese beer business

Haitai Beverage of South Korea

- **Targets for the Chinese beer business not achieved owing to sharp increases in ingredient costs and intensifying competition from national brands.**
- **Losses expanded at Haitai Beverage Co., Ltd., as its biggest business category suffered from a sharp rise in fruit juice ingredient prices and the company's market share declined.**
 - Work to pass increases in ingredient costs on into selling prices
 - Thoroughly revise sales strategies and sales structure:
e.g. shift towards medium- to high-grade products
 - Promoting efficiency in production/distribution divisions to enforce cost reductions

Priority on reforming profit structure

Promoting strategic M&As/alliances in overseas business

- ◆ **Examine and execute new business investment to expand operating base in Asia**
 - Promote development of promising markets and M&As/alliances in the alcoholic and soft drinks businesses
 - Bolster managerial support for Tingyi-Asahi-Itochu Beverages Holding Co., Ltd., towards making it the No. 1 Chinese beverage maker, and promote new business development
 - Search for opportunities to advance into the food and healthcare business with focus on the Asian region



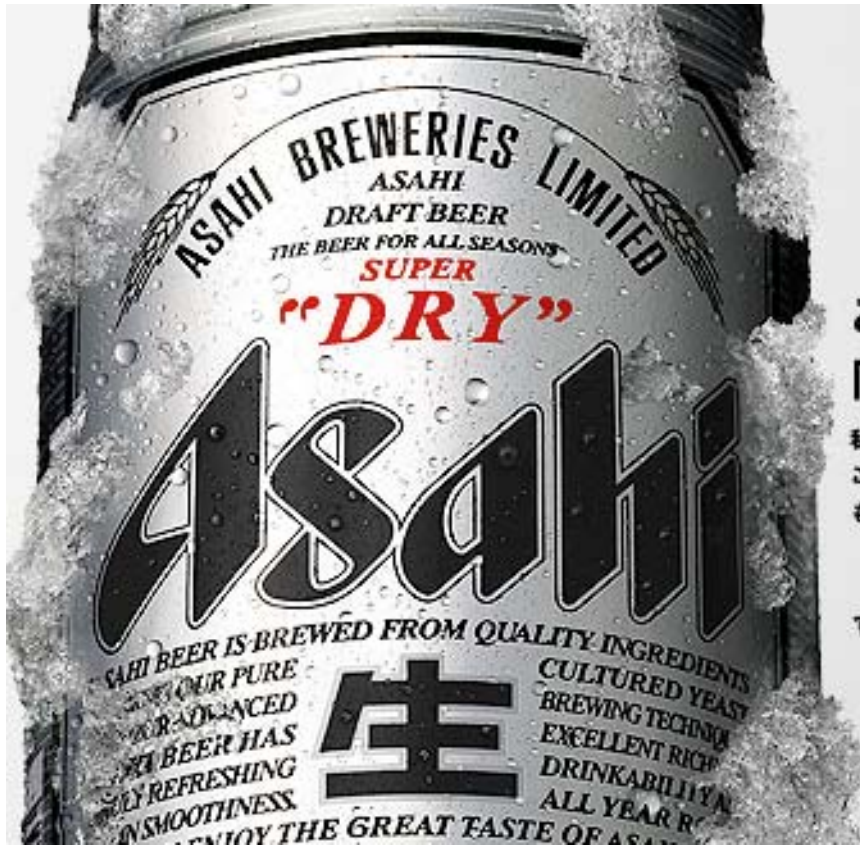
Operating cash flow (cumulative 2007–2009) Approx. ¥300 bn

◆ Cash flow allocation guideline → *Allocate flexibly as appropriate given the current operating and business environments*



◆ Results for 2007

	Result	YoY change	
Capital investment	44.5	7.6	Ibaraki Brewery project, construction of additional PET line at Asahi Soft Drinks
Strategic business investment	68.6	25.5	Investment in Kagome, TOB for Asahi Soft Drinks
Balance of debt financing	332.5	42.4	
Shareholder returns	9.4	0.8	Annual dividend is unchanged at 19.0 yen per share



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