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Overview of 2007 Results

Operating income
Net income
Net sales

(billions of yen)

2007 2006 YoY (%)

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


<table>
<thead>
<tr>
<th>Alcoholic Beverages Business</th>
<th>Group Business</th>
</tr>
</thead>
</table>
| • Reinforce the foundations of Asahi’s brands, focusing on *Asahi Super Dry*  
  → Produce stable, long-term cash flows |
| • 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

Asahi Breweries Co., Ltd.  →  Business/capital alliance  →  Kagome Co., Ltd.

Asahi Soft Drinks Co., Ltd.  →  Joint investment / new company creation  →  Calpis Co., Ltd.

Improve corporate value of both companies through comprehensive alliance covering product research and development, procurement, production, distribution and marketing/sales channels.

- Position as the second pillar of the Group's businesses, accelerate the decision-making processes for the priority-based allocation of group management resources, and the formulation of flexible capital policies.

Asahi Calpis Beverage Co., Ltd. (80% stake)

Secures access to a network of 220,000 units, fourth largest in the vending machine industry, the largest sales channel in the beverages market. Promoting efficiency and increased sales per machine.
Promoting Earnings Structure Reform

◆ 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
Growth in the Chinese Soft Drinks Business

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment from Asahi Breweries (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>364</td>
</tr>
<tr>
<td>2004</td>
<td>479</td>
</tr>
<tr>
<td>2005</td>
<td>702</td>
</tr>
<tr>
<td>2006</td>
<td>1,093</td>
</tr>
<tr>
<td>2007</td>
<td>1,278</td>
</tr>
</tbody>
</table>

* Results through Q3 2007

Sales breakdown and market share

- **No.1**: Fruit Juice 17% → 52.5% market share
- **No.3**: Bottled Water 23% → 17.9% market share
- **No.1**: Tea Beverages 59%

Source
Composition: Based on sales proceeds from January through September
Market share: AC Nielsen (as of November 2007)
Group Management Issues

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

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

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 (%)

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

YoY (%)

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## Beer and Beer-Type Beverages: Taxable Sales Volume (Jan – Dec 2007)

(millions of cases)

<table>
<thead>
<tr>
<th></th>
<th>Industry total</th>
<th>Asahi Breweries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases</td>
<td>YoY change</td>
</tr>
<tr>
<td>Beer</td>
<td>274.04</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Happoshu</td>
<td>121.67</td>
<td>(2.5%)</td>
</tr>
<tr>
<td>New genre</td>
<td>100.37</td>
<td>4.4%</td>
</tr>
<tr>
<td>Total</td>
<td>496.08</td>
<td>(0.3%)</td>
</tr>
</tbody>
</table>

### Asahi Breweries’ Market Share by Category

- **Beer**
  - Asahi: 49.4%
  - Company B: 28.7%
  - Company C: 13.7%
  - Company D: 7.5%

- **Happoshu**
  - Asahi: 27.7%
  - Company C: 53.7%
  - Company B: 11.0%
  - Company D: 6.5%

- **New Genre**
  - Asahi: 19.2%
  - Company C: 16.6%
  - Company B: 43.1%
  - Company D: 20.4%
### 2008 Sales Targets by Brand

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

**Market outlook**

<table>
<thead>
<tr>
<th></th>
<th>08 vs. 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>Approx. -4~5%</td>
</tr>
<tr>
<td>Happoshu</td>
<td>Approx. -5~6%</td>
</tr>
<tr>
<td>New genre</td>
<td>Flat / slight inc.</td>
</tr>
<tr>
<td>Total</td>
<td>-3~4%</td>
</tr>
</tbody>
</table>

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

2007 sales breakdown for Asahi Breweries

- **Beer**: 71.9%
- **Happoshu**: 17.9%
- **New genre**: 10.2%
**Beer-Type Category 2008 Brand Strategy**

**2007**

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

**Happoshu**
- **Style Free (sugar free)**
- **Honnama Draft**
- **Honnama Aqua Blue**
- **Zeitaku-biyori**

**New Genre**
- **Ajiwai**
- **Gokuuma**
- **Gubinama**
- **Shinsei 3**

**First Half of 2008**

**Super Dry**: Launch: Mar. 11
- Establish flagship brand in the growing premium beer market

**Happoshu**
- **Honnama Draft**: Launch: Feb. 26
- Establish the brand in the standard Happoshu market

**New Genre**
- **Clear Asahi**: Launch: Mar. 25
- Positioned as the Company’s main brand in the new genre market

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

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

- “Flavor is Joy!” gift campaign

- Renewal of the “Feel the Freshness” package

- “Feel the Freshness” package

- “Flavor is Joy!” gift campaign

- **Prime Time**

- **Prime Time**
■ 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)

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

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

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

**Breakdown**

<table>
<thead>
<tr>
<th>Category</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>YoY</th>
<th>2008 plan</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beer</strong></td>
<td>66.0</td>
<td>60.3</td>
<td>58.0</td>
<td>54.9</td>
<td>58.6</td>
<td><strong>59.5</strong></td>
<td>0.9</td>
<td><strong>57.3</strong></td>
<td>(2.2)</td>
</tr>
<tr>
<td><strong>Happoshu</strong></td>
<td>19.6</td>
<td>20.5</td>
<td>20.4</td>
<td>12.2</td>
<td>9.9</td>
<td><strong>13.0</strong></td>
<td>3.1</td>
<td><strong>10.9</strong></td>
<td>(2.1)</td>
</tr>
<tr>
<td><strong>New genre</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.2</td>
<td>13.0</td>
<td><strong>10.0</strong></td>
<td>(3.0)</td>
<td><strong>9.8</strong></td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Beer-Type category total</strong></td>
<td>85.6</td>
<td>80.8</td>
<td>78.4</td>
<td>76.3</td>
<td>81.5</td>
<td><strong>82.5</strong></td>
<td>1.0</td>
<td><strong>78.0</strong></td>
<td>(4.5)</td>
</tr>
<tr>
<td><strong>Other alcoholic beverages total</strong></td>
<td>20.4</td>
<td>28.3</td>
<td>30.2</td>
<td>33.7</td>
<td>32.0</td>
<td><strong>30.3</strong></td>
<td>(1.7)</td>
<td><strong>29.0</strong></td>
<td>(1.3)</td>
</tr>
</tbody>
</table>
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

**Key brands**

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

- **Mitsuya**
  - Jan 8: Mitsuya Cider w/ condensed milk
  - Jan 29: Mitsuya Cider Muscat

- **Jurokucha**
  - Feb 12: Jurokucha

**Focal categories**

- **Japanese tea**
  - 1/15: Wakamusha "Umami Issen"
  - Jan 15: Benifuki Ryokucha

- **Water**
  - Mar 4: Mt. Fuji Vanadium Natural Mineral Water

**Annual sales target**

- **33 M cases** YoY 116%
  - Focus on low/non-sugar market, offer next-generation canned coffee products

- **34 M cases** YoY 106%
  - Promote the “safe, secure, natural” concept and aim to establish a second prominent brand

- **19 M cases** YoY 112%
  - Enhance the brand by promote the “healthy tea” concept and utilizing group synergies

- **9.8 M cases** YoY 108%
  - Promote the high value-added aspect of Wakamusha—“tea created by a prominent young tea expert”

- **7.5 M cases** YoY 123%
  - Promote the product's unique selling point: “rich in vanadium”
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

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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

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Reinforce operating base to improve profitability and promote growth

• 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

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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
## Overseas Business Overview and Strategy

### Chinese beer business

- 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

### Haitai Beverage of South Korea

### 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

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### Financial and Cash Flow Strategy

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

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

#### Investment aimed at strengthening foundations for growth
- Capital investment aimed at strengthening operating base and enhancing efficiency: **Approx. ¥140bn**
- Strategic business investment that includes M&As: **No upper limit set** (flexible use of debt financing depending on funding requirements)

#### Returns to shareholders
- Consolidated dividend payout ratio: **Aim for a stable increase in dividends with a goal of 20% or higher**
- Share buybacks: Positive approach to buybacks while giving consideration to funds requirements and other factors

#### Results for 2007

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