Asahi

2001
ANNUAL REPORT
Empowering New Growth

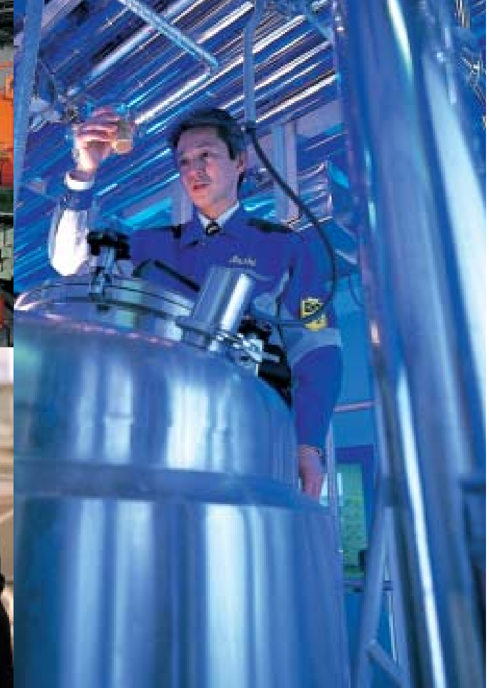
Asahi Super Dry —A World-class Beer

World's Top 5 Beer Brands (Shipments in millions of barrels)

Rank	Brand	Brewer	1990	1995	1996	1997	1998	1999	2000
1	Budweiser	Anheuser-Busch, Inc.	50.5	42.0	41.9	42.5	41.1	40.0	39.8
2	Bud Light	Anheuser-Busch, Inc.	11.9	18.5	21.1	23.4	26.4	29.4	32.5
3	Skol	American Beverage Co.	5.1	10.0	11.0	16.5	18.8	20.1	24.6
4	**Asahi Super Dry**	**Asahi Breweries, Ltd.**	**12.2**	**13.2**	**15.8**	**18.5**	**20.0**	**20.7**	**20.9**
5	Corona Extra	Grupo Modelo	9.0	13.2	14.9	16.6	17.7	19.1	20.5
	Total Top 5		**88.7**	**96.9**	**104.7**	**117.5**	**124.1**	**129.3**	**138.4**

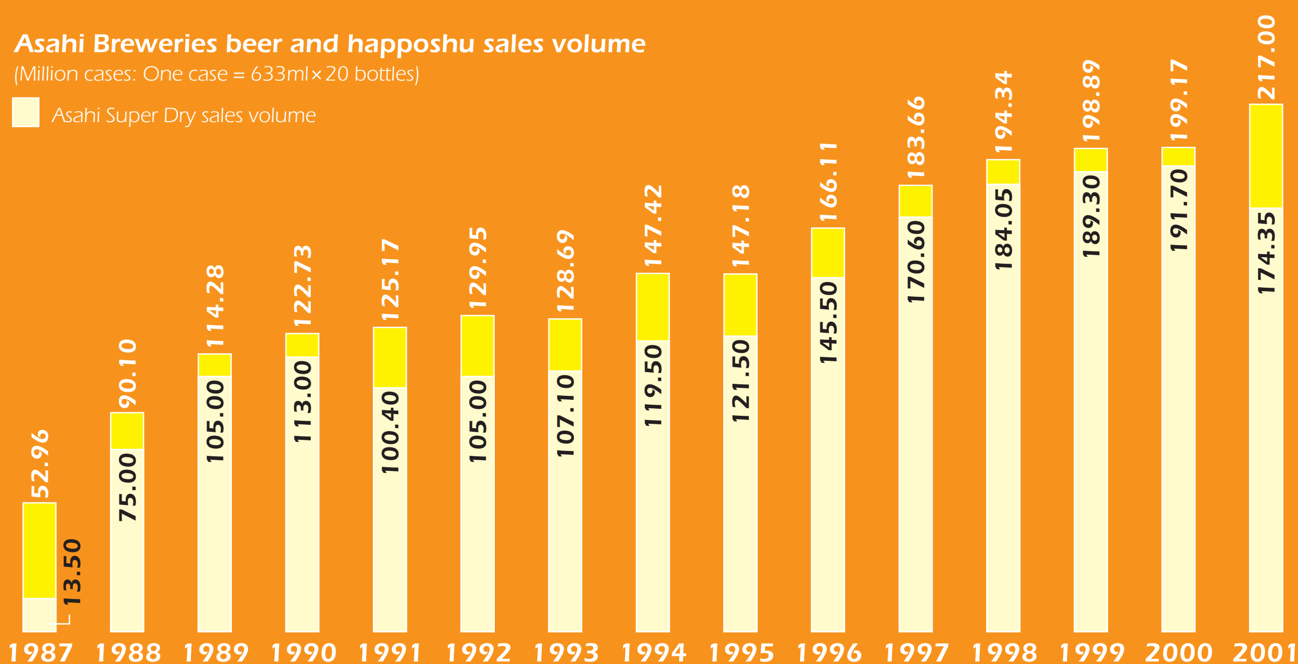
*Includes exports and license volume
*One U.S. barrel = 1.173477653 hectoliters

Source: Impact Databank



Asahi Breweries beer and happoshu sales volume

(Million cases: One case = 633ml × 20 bottles)



Have you tried our *Asahi Super Dry?* If your answer is "yes," you have our heart-felt gratitude. If your answer is "no," don't put it off any longer. You will discover a super crisp, super clear taste that has captured fans around the world and earned *Asahi Super Dry* recognition as an outstandingly powerful brand.

Asahi Super Dry was born in Japan on March 17, 1987, as the world's first "*karakuchi*" (crisp taste) beer, and rapidly created a sensation among Japanese, whose image of beer had been limited to the strong bitterness of lagers. From beer yeast and raw materials to brewing method—everything about *Asahi Super Dry* was revolutionary, and it was welcomed by consumers with surprise and excitement as a completely novel type of beer

Have you tried it?

with a sharp aftertaste and a crisp, clear flavor. It created an entirely new category of "*karakuchi*" beer within the Japanese beer market.

Asahi Super Dry recorded astounding sales of 13.5 million cases in its first year, at a time when simply reaching first-year sales of 1 million cases was considered a major success. In its second year of sales, it raced to a decisive lead ahead of rival products, becoming the second most popular brand in the industry. Third-year annual sales skyrocketed to over 100 million cases. Additional momentum was generated starting in 1993 from the promotion of Fresh Quality Management, which imparted extra freshness in addition to a unique taste, lifting *Asahi Super Dry* to the top position among domestic brands in 1997. Market share has expanded every year, overwhelming competitors to record sales of 174.35 million cases in 2001.

Asahi Super Dry continues to demonstrate solid strength amid intense brand competition, with even greater potential for strengthened brand value as a favorite among beer lovers all over the world.

Profile

Since its establishment in 1949, Asahi Breweries Ltd. has played a significant role in Japan's beer industry. Business performance advanced rapidly with the release of *Asahi Super Dry* in 1987, capturing the top share in the domestic beer market in 1998. In 2001, we entered the happoshu business with the highly acclaimed *Asahi Honnama*, and claimed the top share in the combined beer and happoshu market. Based on these strong brands and solid marketing and sales efforts, Asahi Breweries will fully leverage this substantial competitive position towards offering a complete lineup of alcoholic beverages around its core products of beer and happoshu.

Under the Group vision of "Taking on the challenge of creating a fun and an affluent lifestyle culture for a new era through its food and health businesses," we also endeavor to achieve further growth as a total alcoholic beverages and soft drink group. Towards this goal, full advantage will be taken of our superior expertise in brand creation and development, as well as our proven experience in marketing and sales cultivated in its beer and happoshu businesses. This will be achieved by our excellent systems of production, distribution, stringent quality control and environmental management; the formula for consistently providing customers with attractive, high-quality products.

Contents

Forward-Looking Statements

The current plans, forecasts, strategies and performance presented in this annual report include forward-looking statements based on assumptions and opinions arrived at from currently available information. Asahi Breweries cautions readers that future actual results could differ materially from these forward-looking statements depending on the outcome of certain factors. All such forward-looking statements are subject to certain risks and uncertainties including, but not limited to, economic conditions, trends in consumption and market competition, foreign exchange rates, tax and other systems influencing the company's business areas.

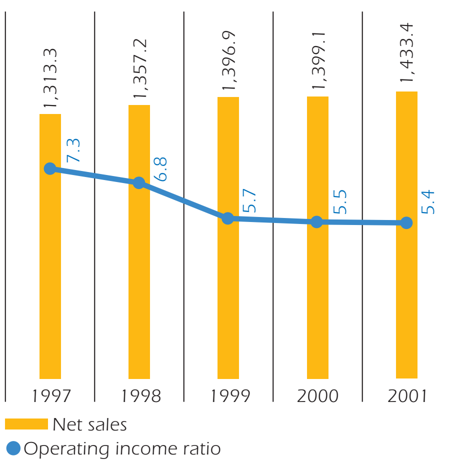
Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31,2001 and 2000

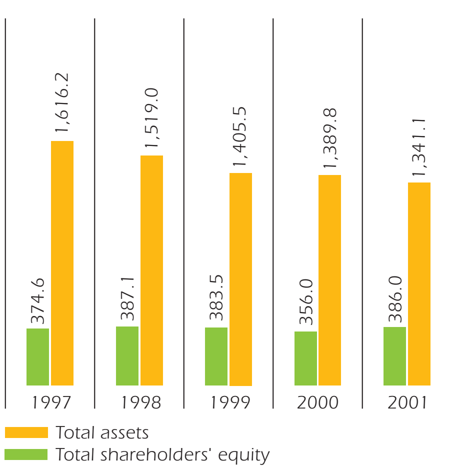
	Millions of yen		Increase (Decrease)	Thousands of U.S. dollars (Note)
	2001	2000	%	**2001**
For the year:				
Net sales	**¥1,433,364**	¥1,399,108	2.4	**$10,862,933**
Operating income	**77,777**	76,550	1.6	**589,443**
Net income (loss)	**13,617**	(15,707)	186.7	**103,198**
Net cash provided by operating activities	**110,107**	61,007	80.5	**834,460**
Capital investments	**64,829**	66,518	(2.5)	**491,315**
At year-end:				
Total assets	**¥1,341,103**	¥1,389,827	(3.5)	**$10,163,721**
Interest-bearing debt	**417,167**	503,371	(17.1)	**3,161,553**
Total shareholders' equity	**385,965**	356,009	8.4	**2,925,085**
Per share data (in yen and U.S. dollars):				
Net income (loss)	**¥ 27.00**	¥ (31.54)	185.6	**$ 0.20**
Cash dividends applicable to the year	**13.00**	12.00	8.3	**0.10**
Total shareholders' equity	**752.25**	715.04	5.2	**5.70**

Note:
U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥131.95 to U.S.$1, the exchange rate prevailing at December 31, 2001

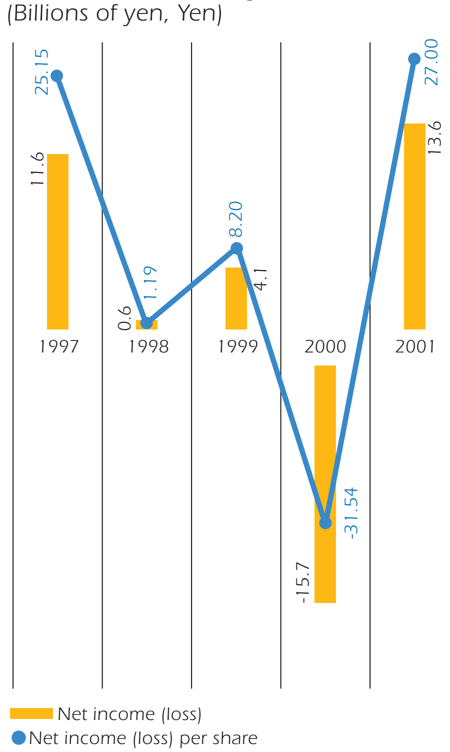
Net sales and
Operating income ratio
(Billions of yen, %)



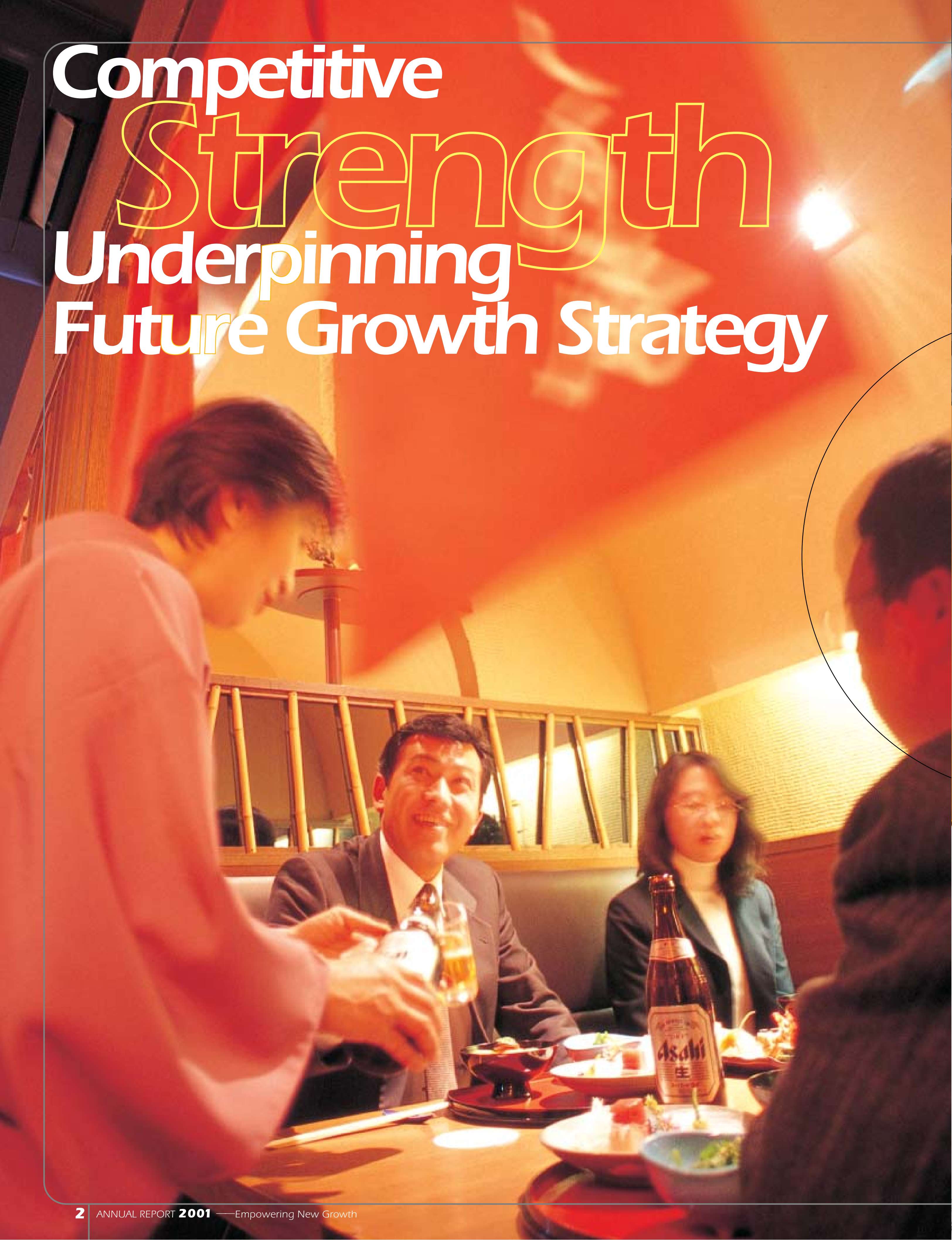
Total assets and
Total shareholders' equity
(Billions of yen)



Net income (loss) and
Net income (loss) per share
(Billions of yen, Yen)



Competitive Strength Underpinning Future Growth Strategy

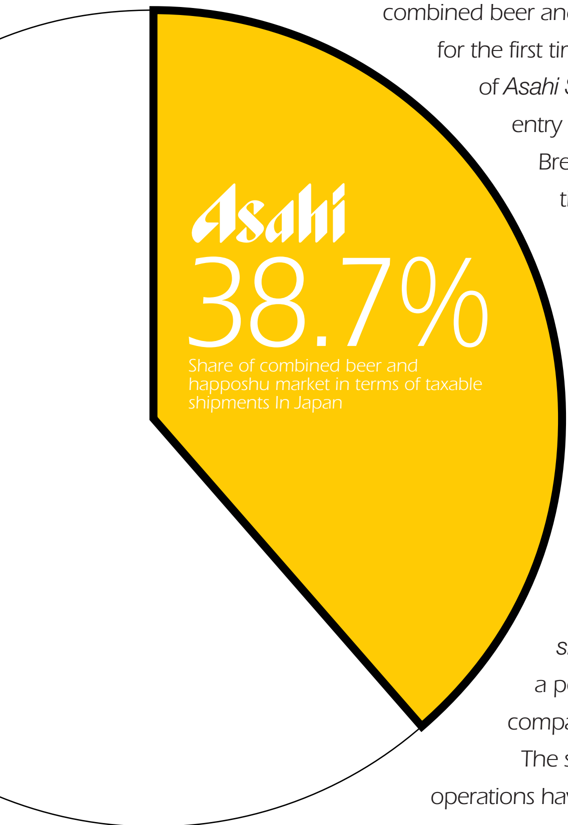


Message from the Management

Claiming Top Share in the Combined Beer and Happoshu Market; Establishing the Foundation for a Complete Alcoholic Beverage Product Line

We are pleased to announce that in 2001, Asahi Breweries accomplished its twin goals of capturing the top share in the combined beer and happoshu (low-malt beer) market in Japan and laying the foundations for offering a complete lineup of alcoholic beverages.

We captured a 38.7% share based on taxable shipments in the combined beer and happoshu market, returning to the top spot for the first time in 48 years, with the proven recognition of *Asahi Super Dry* brand image and our successful entry into the happoshu market defining Asahi Breweries as the top competitor. At the same time, we established a marketing structure to support a complete lineup of alcoholic beverages by clearing the initial hurdle of sharing sales channels and marketing know-how following the integration of sales operations with Nikka Whiskey Distilling Co., Ltd. in April 2001. We have already begun to reap the benefits of this new structure: sales in our spirits and *sho-chu* segments recovered from a period of decline to levels comparable to the previous term.



The successes of our alcoholic beverages operations have created a dynamic source of energy toward empowering the growth of the entire Group.

Shigeo Fukuchi
Chairman of the Board and Chief Executive Officer
Kouichi Ikeda
President and Chief Operating Officer

Rise in Consolidated Sales and Income; Reporting Record-High Sales

Reviewing our performance in 2001 by segment, our beer and happoshu business significantly outperformed the industry average on a taxable shipment basis, growing 9.4% year-on-year even as total taxable shipments for the combined beer and happoshu market remained little changed from the previous term with a 0.3% increase.

In the happoshu market, we began selling our *Asahi Honnama* product in February 2001. Despite being the last of the major breweries to enter into the market, *Asahi Honnama* enjoyed enthusiastic support from customers, capturing a 22.3% share of the market and successfully becoming the second most recognized brand in its first year. Our entry into the happoshu market stimulated interest and demand, and contributed significantly to expanding the overall market by 42.2% from the previous term.

Meanwhile, *Asahi Super Dry* performed admirably in a beer market that retreated by 11.6%. Our efforts to concentrate management resources along with a brand

strategy appealing to its freshness paid off, enabling *Asahi Super Dry* to secure a market share exceeding the combined shares of the next three ranking brands. Due to *Asahi Super Dry*'s excellent performance, Asahi Breweries was able to earn the number one position after 48 years in the combined beer and happoshu market.

The whiskey and *sho-chu* business, from early results, clearly proved the value of integrating its sales with Nikka Whiskey. *Taketsuru* was highly valued in both the commercial and gift markets, and has matured into our main medium- to high-quality whiskey brand. Dominating our sales in the home consumer market, the *Black Nikka Clear Blend*, based on total cases sold increased 18.0% over the previous term, with more than one million cases sold for the second consecutive year. Both brands are steadily increasing their share of the market.

In the *sho-chu* market, where continued growth is expected, genuine *Ichibanfuda*, along with the Korean *sho-chu* products, *HOUKAI* and *BIDAN*, all improved their performance, driving total *sho-chu* sales up by 36.1% year-on-year. *HOUKAI* did exceptionally well, and together with *BIDAN*, sales of Korean *sho-chu* leapt 51.0% on the previous term.

In addition to these products, in fiscal year 2001 we entered the high-growth canned *chu-hi* market, and introduced new brands in the wine market, thus gaining momentum toward establishing a complete alcoholic beverage product line. As a result, total sales in the alcoholic beverages business grew 4.6% on the previous term to ¥1,179,412 million in fiscal year 2001. In terms of consolidated sales volume, while soft drinks and food business sales declined 6.7% year-on-year to ¥2,017.72 million, expanded sales in the alcoholic beverages business contributed to a 2.4% increase on the year to ¥1,433,364 million, a record-high. Consolidated operating income totaled ¥77,777 million, up 1.6% compared with the previous term, and the consolidated net income reached ¥13,617 million, as the alcoholic beverages business, buoyed by vigorous happoshu sales, enjoyed significant growth, enabling us to report higher sales and income for the term.

On Target for Delivering a Firm Basis for Growth

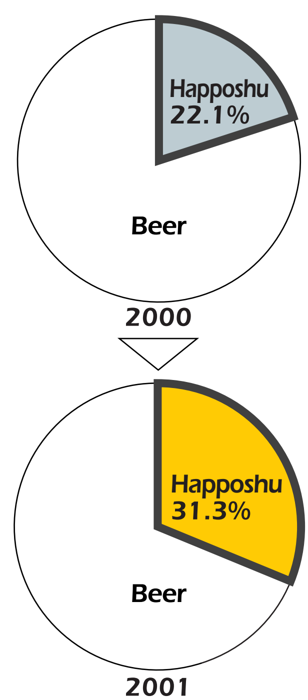
The Asahi Breweries Group formulated a medium-term Group management plan in 2000, and is promoting the establishment of a business model for achieving profitability and growth at maximum efficiency across the entire Group. The first stage of this plan, the two-year period, 2000 to 2001, aims to enhance innovative management and bolster the management base. Consequently, we have endeavored to reform our corporate governance, strengthen our financial structures, reorganize our group operations and establish systems and procedures for group management.

In the first stage, corporate governance was reformed through measures such as introducing an executive officer system, increasing the number of outside directors and offering stock options. At the same time, we strengthened our financial structures by reducing unrealized losses on securities holdings and provided for the shortfall in employee pension reserves to meet the requirements of new accounting standards, while also proceeding to dispose of real estate assets. All measures generally completed on schedule. Group affiliated businesses have already completed integrating and/or dissolving our restaurant subsidiaries and withdrawing from unprofitable outlets. In terms of organizing systems and procedures for group management, we established

What is happoshu?

Happoshu is a beer-flavored alcoholic beverage which uses less malt than beer. Under Japan's Liquor Tax Law, happoshu is taxed at a lower rate than beer, and thus bears a lower overall price tag. Its share of the Japanese home consumption market has steadily grown on a sales volume basis over the past several years.

Share of happoshu in the combined beer and happoshu market in Japan (based on taxable shipment)



Asahi Management Service Co., Ltd. and Asahi Logistics Co., Ltd. in order to raise the efficiency of our intermediary and distribution divisions.

Through these measures, we have overcome most of the hurdles set for the first stage, and have emerged with a solid foundation for pursuing our goal of achieving growth for the entire Group in the second stage.

Building on Unrivaled Competitiveness in Beer and Happoshu as a Core Management Resource

The objective of the second stage of our medium-term Group management plan, encompassing the three year period from 2002 to 2004, is to enhance competitiveness and achieve growth across the entire Group. Our unrivaled position in the combined beer and happoshu market not only contributes to earnings, but also plays a pivotal role in accelerating the growth of the entire Group. Cash earned by this business, as well as proven strengths in product development, brand building, sales channels, and production and distribution expertise, represent extremely valuable management resources. By fully leveraging these resources, the entire Group will realize greater competitiveness and growth, including the development of new businesses.

Therefore, in 2002—the first year of the second stage—we intend to achieve the two goals of solidifying our position in the combined beer and happoshu market and bolstering our complete lineup of alcoholic beverages, taking full advantage of the superior competitiveness in the beer and happoshu business. In consolidating our position in the combined beer and happoshu market, we will concentrate on expanding *Asahi Super Dry* and *Asahi Honnama* sales and profits to strengthen their brand power.

In order to strengthen our complete range of alcoholic beverages, we will take advantage of our strong sales base in the combined beer and happoshu market to efficiently expand sales of spirits as well as the high-growth categories of low-alcohol beverages, *sho-chu* and wine. At the same time, we will aggressively pursue mergers and acquisitions to further enhance our existing lineup of alcoholic beverages. For example, we have reached a basic agreement with Kyowa Hakko Kogyo Co., Ltd. regarding the acquisition of its alcoholic beverages business, which we announced on February 18, 2002. While details are still being negotiated, we fully expect this business acquisition to significantly expand our product lineup in the high-growth categories of *sho-chu* and low-alcohol beverages, secure competitive brands, and improve market share and production capabilities, while also obtaining manufacturing and marketing licenses for *sho-chu* (Ko-type). We are confident that these factors will promote our strategy for providing a complete selection of alcoholic beverages.

Introducing Asahi Breweries' New, Profit-oriented Management Accounting System

The dramatic increase in operating income in our mainstay alcoholic beverages business during fiscal year 2001 confirms we are achieving progress toward our goal of profit-oriented management. In January 2002, in order to further strengthen this profit-oriented structure, we established the Cost & Performance Management Office to promote cost reduction on a company-wide basis and introduce "VIP" (Value Increase Program), a new

Nikka Single Cask Yoichi (10 years old)

Nikka Single Cask Yoichi (10 years old) received the highest score in the "Best of the Best 2001—The World's Most Definitive Whisky Tasting" event sponsored by *Whiskey Magazine*, a British publication that specializes in Whisky.

Sho-chu (Ko-type)

Distilled using a continuous still. Alcoholic content below 36%.

Sho-chu (Otsu-type)

Distilled using a pot still. Alcoholic content 45% or less.

management accounting system.

Accordingly, in January, we launched the first "VIP" system—controlling our budget on an operational headquarters basis. Under this system, a profit target is set for each regional headquarters, branch office or brewery, incorporating capital costs based on assets held by each operation, with progress monitored on a monthly basis. The system will enable balance sheet management on an operation-by-operation basis and provide flexible control over sales promotion expenses, a significant risk factor for breweries, with the purpose of stabilizing profit across periodic swings in sales.

In order to establish a solid foundation for our core alcoholic business, we will also apply this profit-oriented management approach to our Group management, with a view toward full-scale deployment beyond 2002.

Improving Competitiveness Across the Entire Group

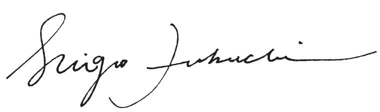
In the soft drinks business, which we recognize as one of our most challenging endeavors, we have been pursuing corporate innovation since 2000 to effect a transformation from sales-oriented to profit-oriented management. In 2001, our strategy of securing profit ran head on into intensifying price competition in the market, and we fell short of attaining both our sales and profit targets. However, we are passionately implementing cost reduction measures, such as raising the efficiency of the supply chain from procurement of raw materials to marketing, and reducing sales promotion expenses. Steady progress is being made towards profit-oriented structural reform.

In 2002, we will continue to raise the efficiency of the supply chain in order to cut costs and strengthen product development and prioritize marketing activities centered on tea-based drinks, canned coffee and carbonated drinks in order to expand both sales and profit.

As for the food and pharmaceutical businesses, from July 2002, these will be combined into a new company, Asahi Food and Healthcare Co., Ltd. By sharing and effectively utilizing management resources, such as the respective technology and expertise of both operations in brewer's yeast and other materials and sales channels, we will achieve improved efficiencies in the development of products and businesses and increase sales.

In our overseas business, our priority regions are in China and Southeast Asia, areas of high potential for market growth and profit, while we expand the efficient marketing activities in North America and Europe. In 2002, we will accelerate our efforts to improve competitiveness and profitability.

Overall, we intend to maintain the rapid pace of reform of Group management beyond the coming year toward meeting our goals of heightening competitiveness and achieving growth across the entire Group.



Shigeo Fukuchi
Chairman of the Board and
Chief Executive Officer

Kouichi Ikeda
President and Chief Operating Officer

An Interview with the New President of Asahi Breweries, Ltd.

Aggressively cultivating our core alcoholic beverage business

Kouichi Ikeda
President and COO
1963 Graduated from Kyushu University; joined Asahi Breweries
1996 Appointed Director and Senior General Manager of Kyushu, Chugoku and Shikoku Regional Headquarters
1997 Appointed Managing Director and Senior Managing Director of Kyushu and Chugoku Regional Headquarters
1999 Appointed Senior Managing Director, Senior Deputy General Manager of Sales & Marketing Headquarters and Senior General Manager of Shutoken Regional Headquarters
2001 Appointed Senior Managing Director
2002 Appointed President and Chief Operating Officer

Q What are your thoughts on recapturing after 48 years the top share in the combined beer and happoshu market?

I am extremely happy and proud, considering that this achievement was the result of demonstrated customer preference for our products. I joined the company nearly 40 years ago, spending most of those years in the sales division of the beer business, and had the honor to be in charge of the Kyushu Region when it captured the top share ahead of the rest of the country. Now, our major goal of achieving top share nationwide in the combined beer and happoshu market was attained while I was the head of Sales & Marketing Headquarters, so I was especially pleased. As the top maker, we have the opportunity and momentum for continuing to provide an excellent product assortment. I intend to stand at the forefront to encourage even greater momentum.

Q Tell us about the restructuring plans for 2002.

Even as we respond to a market characterized by severe competition for market share, we also remain committed to establishing a management structure focused on profitability. I have stressed cost control ever since my days as head of Sales & Marketing Headquarters, and I intend to pursue measures to further strengthen this profit-oriented structure.

For example, we introduced "VIP" (Value Increase Program), a management accounting system, in January 2002. Through this system, we will be able to effectively control and assess the achievement of profit targets for each workplace, a level of management not possible before now. We have also set up the Cost & Performance Management Office, entrusted with promoting cost reductions on a company-wide basis. By having this office report directly to me and quickly taking action from the point of formulating ideas to implementation, I expect to see direct results in improved profits.

Defining our goals down to the workplace level is vital for energizing the activities of the entire Company, as well as the Group as a whole. It also enables every employee to share in both the goals and the responsibility to achieve them.

Q What about your management strategy for the future?

As COO, my mission is two-fold. First, we must establish an indisputable position at the top of the combined beer and happoshu market as the foundation for developing the entire Group. Next, we must further enhance our competitiveness in the alcoholic beverages business. Beer and happoshu, which constitute approximately 70% of the alcoholic beverages market by volume, are delivered everyday throughout the nation and sold by various scale outlets, restaurants and bars. We must not only seize a large market stake in the beer and happoshu market but also attain higher supply chain profitability in manufacture, sales and distribution and utilize this strength for the alcoholic beverage business and other businesses, in order to realize higher profitability for the Group as a whole.

In order to strengthen Group competitiveness, we must never become complacent in our top position, and must continue to aggressively pursue marketing and management in the combined beer and happoshu market as our foundation for profitability.

Bold Strategies for a Changing Market

Alcoholic and Soft Drink Markets in Japan

Convergence of Alcoholic Beverages and Soft Drink Markets

Gradual deregulation of liquor retailing in Japan has led to an increase in the number of supermarkets and convenience stores allowed to sell alcoholic beverages, and consequently over the years, a growing number of mass retailers sell both alcoholic beverages and soft drinks. Since many of the wholesalers who act as intermediaries in the distribution system also handle both alcoholic and non-alcoholic beverages, the two markets have begun to converge.

This trend of co-retailing of alcoholic and non-alcoholic beverages is expected to become even more pronounced as a result of major deregulation scheduled for 2003.* Makers in turn will be required to provide comprehensive proposals and supply capabilities that transcend the boundaries of alcoholic and non-alcoholic beverages.

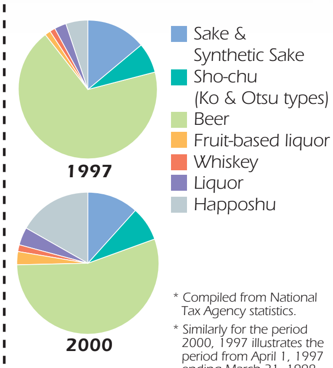
*** Deregulation in alcoholic beverages retailing**
Minimum requirements for obtaining domestic liquor sales license in Japan will be relaxed following the scheduled reform of the Liquor Tax Law in 2003. At present, about half of the convenience stores and supermarkets in Japan hold liquor sales licenses, but reform of the tax laws is expected to result in an increase in this number.

Diversification in Preferences and Purchasing Criteria of Consumers

The preferences and purchasing criteria of consumers are becoming ever more diversified, causing a change in the alcoholic and soft drink markets. For example, in the alcoholic beverages market, we have seen greater demand for low-priced happoshu, while low-alcoholic beverages centered on *chu-hi* and fruit-based alcoholic beverages such as wines are increasing their share of the overall market compared to a few years ago. Similarly, in the soft drink market, product categories such as tea-based beverages have demonstrated extraordinary growth, further diversifying major product categories.

This trend has fueled a product development race among makers, and as many new products in various categories hit the market, consumers face a rapidly expanding range of choices. It is becoming important for a maker to have powerful and market-leading brand names in as many product categories as possible.

Change in product composition in the alcoholic beverage market

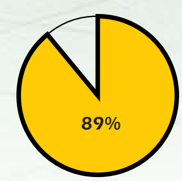


* Compiled from National Tax Agency statistics.
* Similarly for the period 2000, 1997 illustrates the period from April 1, 1997 ending March 31, 1998.

Growing Interest in Health

In Japan, as in Europe and the United States, people are becoming more interested in their health. According to a "Food and Health" survey* conducted by Asahi Breweries' Institute Lifestyle & Culture in 2001, as many as 89% of respondents said they were "interested" in health issues. And the majority of respondents pointed to "paying attention to diet" as the most important factor in their daily efforts for maintaining health. This growing interest in health is changing the nature of the demand for food, therefore wielding considerable influence on the alcoholic beverage and non-alcoholic beverage market as well.

*** "Food and Health" survey**
Conducted in August 2001 via the Internet, targeting men and women living in the Tokyo metropolitan area, ages 15 to 69. The number of valid responses was 1,000.

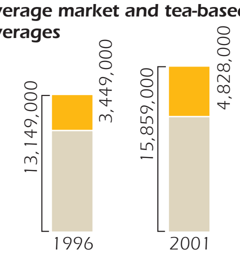


"Have an interest in health"/"Have some interest in health"

Changes in the Soft Drink Market

In response to diversifying consumer preferences and a stronger orientation towards health, we have also observed in recent years a growing interest in tea-based drinks, health drinks, vegetable-based drinks and mineral water in the soft drink market, with demand for such beverages increasing each year, even as existing markets for canned coffee and carbonated drinks have matured. It is particularly noteworthy that tea-based beverages and water, which were traditionally served free of charge at restaurants and drinking establishments in Japan, have become accepted as priced beverages. This change has been underpinned by a growing trend towards seeking quality and convenience in daily life, for example, choosing tastier water than tap water and seeking to avoid the extra effort of making tea at home. We see extremely high potential in the soft drink market propelled by the favorable winds of these changing lifestyles.

Growth in the total non-alcohol beverage market and tea-based beverages



(Production volume in kiloliters)
Source: The Japan Soft Drinks Association statistics

Strategy 1: Preparing for an age requiring comprehensive strengths

In light of the evolution in the alcoholic and soft drink markets, makers will need to exhibit greater versatility than ever before in their responses to the needs of the market and customers. In other words, they must provide a rich assortment of highly competitive brand names across a wide-range of product categories, while offering comprehensive proposals and an ample supply of products.

This has been the guiding framework for Asahi Breweries operations since 2000 in line with its new medium-term Group management plan. Under the vision of "Taking on the challenge of creating a fun and affluent lifestyle culture through food and health related businesses," we are promoting our transformation from a specialized producer of beer to a group providing a complete lineup of alcoholic and non-alcoholic beverages. We are also applying our strength in cultivating new businesses to attain our goal of profitable growth.

A Complete Lineup of Alcoholic Beverages

In addition to beer and happoshu, we are expanding our product lines in areas such as spirits, *sho-chu*, canned *chu-hi** and wine, strengthening our foundation as a maker for a total range of alcoholic beverages.

* Canned *chu-hi* is a mixed drink of flavored soda and clear high-alcoholic beverages such as vodka and *sho-chu*. Alcoholic content is between approximately 5% and 8%.

Cultivating Potential Demand

While business is centered on canned coffee and carbonated drinks, Asahi Breweries is actively building a strong brand presence in growing markets such as tea-based beverages.

Development of New Businesses

New businesses will be cultivated that effectively leverages our management resources. As part of such efforts, we are developing functional food products with health claims and health food supplements that use brewer's yeast. We respond to customer's needs from the viewpoint of food and health.

Spirits:
Other alcoholic beverages
(spirits, *sho-chu*, low-alcohol beverages, wine)

Food

Beer & Happoshu

Group Vision:
Taking on the Challenge of Creating an Enjoyable and Affluent Lifestyle Culture Through the Pursuit of Food and Health Businesses

Soft drinks

Pharmaceuticals

Strategy 2: Preparing for an age that expects profitability

In the alcoholic and soft drink markets, competition is intensifying among makers promoting their comprehensive strengths. It is difficult to expect any rapid growth in the overall market, due to declining birthrates, maturing of markets and a slump in personal consumption. Surviving an adverse business environment requires a disciplined attention to generating profit in the face of severe competition, in addition to product development and marketing capabilities.

In this context, profit and operating efficiencies are consistently stressed. For example, we focused on establishing a few powerful product brands in the fiercely competitive beer market, and resisted the temptation to dilute development investments by haphazardly creating new brands in the hope of boosting short-term sales associated with new products. Furthermore, in 2002 we introduced "VIP" (Value Increase Program), a new management accounting system. "VIP" will facilitate balance sheet management, flexible control of marketing and promotion expenses, and thorough control over profitability on an operation-by-operation basis. This is designed to accomplish our profit targets and raise corporate value.

Under this management policy geared towards profitability and operational efficiency, we are also striving to build a business model for Group management that will raise profitability to the highest possible level of efficiency and encourage growth. First, we intend to solidify our competitiveness in the core business of beer and happoshu to secure management resources such as unrivaled competitiveness, marketing channels, development technology and know-how on production and distribution. Then, management resources will be fully leveraged to maximize the profit-generating capability of the entire Group. To this end, management resources will be concentrated into areas with high potential for profit or high growth. We are confident that focused efforts among Group companies within strategic business areas will generate strong synergies and a multiplying effect on performance.

Utilizing development technology and marketing channels

Sales integration with Nikka Whiskey Distilling Co., Ltd.

The move facilitated the development of proposals for alcoholic beverages as a whole by increasing the number of product items, and improved operating efficiencies through shared sales staff and channels.

Entry into new product areas

As a follow-up to happoshu, we also entered the canned *chu-hi* market.

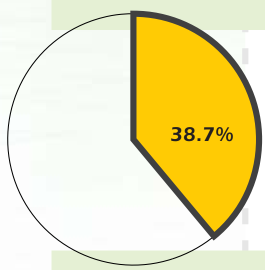
Establishment of Full House Co., Ltd.

Offers consulting services for restaurants and drinking establishments.

Strategic Reorganization of Research & Development

In October 2001, our research and development division was recognized by setting up a new system comprising two research headquarters—the Research & Development Headquarters for mid- to long-term research aimed at developing new businesses, and the Product & Technology Development Headquarters to conduct research on new product development for existing businesses. At the same time, an R&D Assessment Committee was established within the Research & Development Headquarters as a consulting organization for research and development issues spanning the entire Group, thereby facilitating the exchange of research results while prioritizing research and development efforts. These changes are expected to improve the efficiency of R&D, quickly develop new sources of profit and make maximum use of our management resources.

Beer & Happoshu



Market Share in 2001: 38.7%
Establishing Dominant Share and Brand Value, and Applying it to Other Areas

Utilizing production and distribution know-how

Establishment of Asahi Logistics Co., Ltd.

Improves the efficiency of distribution operations for the entire group by concentrating the distribution operations of affiliated companies.

Strengthening the development structure for production technology

We will promote rapid technological development and technology-sharing among our breweries by concentrating the functions of production technology development in core breweries.

Promotion of Supply Chain Management (SCM)

We led the industry in achieving company-wide and group-wide SCM in the beer business.

Reorganization of the Food Service Business and Strengthening of our IT Business

We reorganized ten food service subsidiaries in late October 2001, into four companies responsible for General Food Service Business, Beer Garden Business, New Business Development Business and Pub Restaurant Business and began withdrawing from unprofitable outlets. As in our other restructuring efforts, the intent is to improve operational efficiencies and rationalize our organization to improve profitability across the entire Group.

In our IT business, Asahi Breweries sold 49% of the outstanding stock of fully-owned subsidiary Asahi Beer Information System, Ltd. (ABIS) to CRC Solutions Corp (CRC). in August 2001, and in September the reorganized ABIS began operating under the name of Asahi Business Solutions Corp (Nais). By forging a stronger business relationship with CRC, we plan to raise the level of technology and improve the management structure, as well as to bolster the IT strategy of the Asahi Breweries Group as a whole. Asahi Business Solutions will eventually provide services outside the Asahi Breweries Group.

Core business fueling the success in other areas

Review of Operations

Alcoholic Beverages

Asahi Breweries, Ltd.
(unconsolidated results)

—Regained top share in the combined beer and happoshu market for first time in 48 years
—Integrated sales division with Nikka Whiskey; promoting complete lineup of alcoholic beverages

Initial Target Attained; Steady Progress Towards Complete Lineup of Alcoholic Beverages and Bolstering Profitability

Asahi Breweries enormous success as a newcomer in the happoshu market along with continuing strong growth by *Asahi Super Dry* lifted our share of the combined beer and happoshu market from 35.5% in the previous term to 38.7% in fiscal 2001, based on taxable shipments. Thereby enabled us to accomplish our major goal of recapturing the top share in the combined beer and happoshu market for the first time in 48 years.

Significant progress was also achieved towards our goal of laying the foundations for offering a complete lineup of alcoholic beverages. We established the necessary marketing structure for sharing sales channels and marketing know-how by integrating our Sales Management Department with that of Nikka Whiskey Distilling Co., Ltd. in April. The new structure, which is intended to provide restaurants and drinking establishments and sales outlets with complete proposals encompassing alcoholic beverages centered on beer and happoshu, as well as to provide sales outlets with comprehensive marketing and promotion strategies, has already positively impacted our business performance in 2001.

Asahi Super Dry ***Asahi Honnama (happoshu)***

The accomplishment of these twin goals for 2001 represents a solid platform for enhancing profitability for the Group as a whole.

Beer and Happoshu

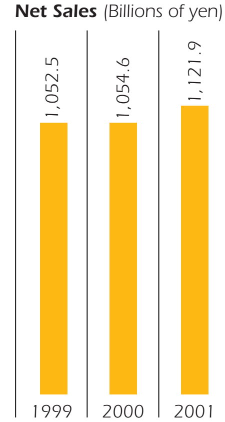
Sales: Significantly Outperformed Industry Average

In the combined beer and happoshu market in 2001, Asahi Breweries maintained a strong and influential presence. With our entry into the happoshu market stimulating demand, this market segment grew 42.2% over the previous term. Our taxable shipments of beer and happoshu rose 9.4% year-on-year for the sixth consecutive year of positive growth, despite an 11.6% contraction in the beer market, which restrained demand in the combined beer and happoshu market to an overall increase by 0.3%, basically unchanged from the previous year.

Even as the beer market as a whole suffered an 11.6% year-on-year decline in taxable shipments, our flagship *Asahi Super Dry* performed admirably in the face of adverse conditions, reporting sales of 174.35 million cases, a decrease of only 9.1% from the previous term. *Asahi Super Dry* has secured its position as the unrivaled top beer brand with a market share exceeding the combined shares of the next three ranking brands.

Supplementing our brand strategy by emphasizing product freshness, we

Net Sales (Billions of yen)



Asahi Breweries, Ltd.
(unconsolidated net sales)

Beer & Happoshu

moved to establish its reliability by providing maintenance and on-site seminars for the 220,000 nationwide outlets handling Asahi's draft beer.

In February, we launched *Asahi Honnama*. Even though we were the last of the major beer makers to enter the happoshu market, the product generated strong interest well in advance of its release, and attained cumulative sales of 200 million cans (based on 350 ml cans) within only 8 months of its launch—the fastest growth on record. In its very first year, *Asahi Honnama* achieved sales of 39.02 million cases, more than 2.5 times our initial sales target, capturing 22.3% of the market. The resounding success of this product was a major factor in stimulating demand for the entire happoshu market.

As a result, combined sales volume for beer and happoshu in 2001 grew 3.2% compared with the previous term, to ¥1,074,778 million.

Spirits: other alcoholic beverages

Sales Integration and Brand Strategy Bear Fruit; Growth Achieved Across the Board

Whisky

Even as the market for whisky and related products suffered a 10% year-on-year drop in the number of cases sold, we achieved results that outperformed the industry average, thanks to the effects of sales integration and a successful brand

strategy that emphasized superior quality. Sales volume for whisky and related products reached ¥21,346 million in fiscal year 2001.

The *Taketsuru* series, for which sales commenced in 2000, was highly valued in both the commercial and gift markets, and continues its growth as our main medium- to high-quality Whiskey brand. In the home consumption market, sales of *Black Nikka Clear Blend* exceeded one million cases for the second consecutive year, and further extending its sales performance by 18.0% over the previous term, confirming its widespread popularity in this market segment.

Taketsuru 12 Years **Black Nikka Clear Blend** **HOUKAI Sho-chu** **Caliterra**

In 2001, the Nikka brand was chosen among our peers to exhibit worldwide technology leadership and quality. Our *Nikka Single Cask Yoichi (10 years old)** received the highest score among 47 brands submitted by three countries by 62 judges who participated in the "Best of the Best 2001—The World's Most Definitive Whisky Tasting" event sponsored by *Whiskey Magazine*, a British publication that specializes in Whiskey. Prior to the tasting, we had been selling about 20 bottles of *Nikka Single Cask Yoichi (10 years old)* per month over the Internet. Following the tasting, sales skyrocketed to over 2,400 bottles in the month of December 2001 alone, and continues to enjoy strong support by whisky lovers everywhere.

* *Nikka Single Cask Yoichi (10 years old)* is a whisky that has been bottled straight from the same cask in which the malt was maturated. The quality of the natural ingredients and distilling technology is directly reflected in the product's taste.

Wine

Amid severe market conditions, with the economic slump inflicting a significant year-on-year decline in total demand for the third consecutive year, we implemented aggressive marketing and promotion activities, mainly for *Caliterra*, a high-quality Chilean wine that began selling in July. As a result, the number of units sold in 2001 for both domestically-produced and imported wines increased by 31.8% over the previous term, boosting sales volume by 21.6% to ¥8,454 million.

Sho-chu, Low-Alcohol Beverages, Other Alcoholic Beverages

In the *sho-chu* market, we focused our marketing and promotion efforts on restaurants and drinking establishments following the sales integration in April, and also succeeded in increasing performance for the genuine *sho-chu*, *Ichibanfuda*, as well as the two Korean *sho-chu* products, *HOUKAI* and *BIDAN*. In particular, *HOUKAI* —which we introduced to the market towards the end of 2000 with full-scale marketing in 2001—fared well, and together with *BIDAN*, combined sales of Korean *sho-chu* achieved year-on-year growth of 51.0%. With our marketing strategy centered on Korean *sho-chu* products, further inroads will be achieved in 2002.

In the area of low-alcohol beverages, we began selling *Asahi Chu-hi Gorichu* in May, marking our entry into the canned *chu-hi* market. Sales of the product in its first year totaled 2.47 million cases (based on 250 ml cans, 24 cans per case) .

Asahi Super Sour chu-hi
Canned *Asahi Super Sour chu-hi* is being planned for release on May 22, 2002.

After adding sales of *Taru Hi-Club* and Chinese liquor *Kiraku*, total sales volume in 2001 for the *sho-chu*, low-alcohol beverages and other alcoholic beverages segment rose 214.4% compared with the previous term to ¥15,069 million.

Sales volume for the alcoholic beverages segment as a whole, including ¥506 million in sales from syrup and related products, rose 6.4% compared to the previous term to ¥1,120,154 million. Similarly, the consolidated sales volume within the same segment increased by 4.6% compared to the previous term, to ¥1,179,412 million.

Leveraging Core Businesses to Enhance Our Position Towards Offering a Complete Lineup of Alcoholic Beverages

In 2002—the first year of the second stage of our medium-term Group management plan—it is expected that our position will continue to be solidified in the combined beer and happoshu market and bolster our drive to offer a complete lineup of alcoholic beverages. Our strategy is to maintain an overwhelmingly dominant position in the combined beer and happoshu market, the main segment of the overall liquor market, establish a competitively efficient marketing structure for alcoholic products, and expand sales and profit by selling a variety of alcoholic beverages.

To concrete our position in the combined beer and happoshu market, we will concentrate our efforts on the two brands—*Asahi Super Dry* and *Asahi Honnama*, and increase sales and profit by utilizing the advantages of being No.1, while further enhancing the dominant brand power of *Asahi Super Dry*. To that end, we will focus our advertising campaign on its uniquely crisp and fresh quality while at the same time increasing the number of sales centers in the commercial market to turn the brand into a cash-generating powerhouse.

We intend to establish *Asahi Honnama* in the happoshu market as the top brand by renewing trial marketing, which was previously hampered by the shortage of products immediately following their introduction, and by earning customer loyalty.

To achieve a complete lineup of alcoholic beverages, full advantage of the strong marketing base will be established in the combined beer and happoshu market, and implement proposal-based activities focused on whisky, *sho-chu* and cannned *chu-hi*, to realize continued growth in sales and profit.

In the whisky segment, the efficiency of our promotion and marketing will be increased by targeting super markets, convinience stores, discount stores and the commercial market.

As for high-growth products such as *sho-chu*, low-alcohol beverages and wine, ambitious increases are planned in sales while re-building our brand image in the canned *chu-hi* market which we entered in 2001. In 2002, we plan to acquire the alcoholic beverages business of Kyowa Hakko Kogyo Co., Ltd., which promises to provide a variety of advantages in these markets, enabling us to expand our product lineup, secure highly competitive brands, enhance market share and production capacity and obtain manufacturing and marketing licenses for *sho-chu* (Ko-type).

We will actively pursue additional merger and acquisition opportunities in order to rapidly promote a complete lineup of alcoholic beverages.

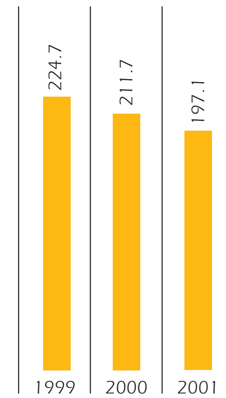
Through these activities, our overall competitiveness will be strengthened in the alcoholic market and establish a solid foundation for the development of the entire Group.

Soft Drinks

Soft Drinks

—New Products *Uma-Cha* and *Asahi Baku-Sui* performing well in fast-growing tea-based beverages market
—Fujisan Plant completed: reinforcing capacity to meet increased demand for tea-based beverages
—Progress achieved in management reforms and cost reductions towards realizing profit-oriented management

Net Sales (Billions of yen)



Asahi Soft Drinks Co., Ltd.
(unconsolidated net sales)

The Asahi Breweries Group pursues its key soft drinks business through its listed subsidiary, Asahi Soft Drinks Co., Ltd.

Promoting Management Reforms in a Foundation-building Phase Amid Intensifying Price Competition

The soft drink industry in 2001 experienced double-digit annual growth in Japanese tea and mineral water products as makers introduced new products such as tea-based beverages and pursued aggressive marketing activities. Other categories, however, fared less well, with unit-based sales for the total market estimated to have increased by 1% compared with the previous term. The lower prices resulting from severe competition significantly restrained profits.

In response to this situation, Asahi Soft Drinks, maintained its operational focus according to the medium-term Group management plan—"Corporate Reform Fulfillment Program, Freshen Up Plan 21," and designated the year 2001 as a period of laying the foundation for innovative management and improving performance. We refused to engage in a profit-squeezing price war, and instead aggressively promoted operational reforms based on our priorities of strengthening new product development, and marketing towards profit-oriented management. Therefore, although intensifying price competition restrained fiscal year 2001 performance for Asahi Soft Drinks, we stayed the course in implementing profit-oriented measures, we accomplished our cost reduction program on schedule by controlling sales promotion expenses, and are making steady progress in our endeavors to improve profitability.

WONDA ***Mitsuya Cider*** (Clear, carbonated soft drink) ***Juroku-Cha***

Strengthening Product Development and Cultivating Alliances and Collaborations Within and Beyond the Group

In 2001, we implemented a variety of concrete efforts toward achieving profitability. For example, we introduced a Project Team System to bolster our capability for developing new products. This approach affords total control of product development, sales and promotion activities and profitability by product category. Under this system, we actively encourage the assessment of development concepts in the context of the end-market, and encouraged a sense of creative competition in our internal development efforts, in an effort to identify and adopt "best practices" for the development process.

In our sales activities, we uniformly reduced sales and promotion expenses to impress upon our employees our own commitment to profitability, and actively encouraged them to shift their own mindset from securing sales space to securing profit. At the same time, we prepared to introduce a personnel assessment system incorporating profit-based performance.

In our vending machine business, we signed marketing agreements with Calpis Co., Ltd. in April, Kagome Co., Inc. in May and Taisho Pharmaceutical Co., Ltd. in June, in order to achieve market dominance and higher efficiencies through increased sales per vending machine.

In addition to these activities, we sought to optimize production and inventory reduction by introducing Supply Chain Management (SCM) and bringing greater efficiency to marketing and distribution while expanding sales channels through closer collaboration with the alcoholic beverages division of Asahi Breweries. The results from these measures are assured to reflect improved business productivity.

Tea-based Beverages Show Progress, While Falling Short of Expectations

Our approach in this business segment is to develop and cultivate attractive brands that stimulate purchasing interest.

First, we began selling *Uma-Cha* in the fast-growing category of Japanese green tea and *Asahi Chara* — a daily supplement drink — in the health drinks category. We also introduced new products utilizing Asahi Breweries' technology and know-how in malt and brewer's yeast, such as *Asahi Baku-Sui* and *Issho-Ni-Kobo* and followed through with aggressive marketing. These new products yielded greater results than our initial projections, with *Uma-Cha* in particular becoming a major hit with sales exceeding 13 million cases.

However, we experienced larger-than-expected declines in sales of our existing brands *Juroku-Cha*, *Mitsuya Cider*, *Bireley's* and *WONDA*, which caused total sales for 2001 to fall by 7.9% compared with the previous term to 104.20 million cases. As a result, sales volume for the period under review came to ¥197,059 million, down 6.9%, or ¥14,593 million over the previous term.

In terms of production capacity, the Fujisan Plant in Fujinomiya City in Shizuoka Prefecture was completed and began operating in April. The plant will not only produce tea-based beverages to meet expanding demand, but is also equipped for internal manufacturing of PET bottles in order to increase profit margins.

Meanwhile, our Kashiwa Plant received HACCP (Hazard Analysis and Critical Control Points) approval from the Minister of Health, Labor and Welfare in October, marking the first HACCP approval for soft drink production in Japan.

Fujisan Plant

Achieving Higher Performance Through a More Effective Allocation of Management Resources

We expect severe price competition to continue in the soft drinks market in 2002. However, Asahi Soft Drinks sees great potential in this market, especially for tea-based beverages and health drinks. Therefore, we will continue to improve product development and marketing capabilities in 2002, and at the same time enhance price competitiveness by redirecting the priorities of our corporate culture and management structures toward profitability and efficiency throughout the company. We will reallocate the resources freed up by reductions in sales and promotion expenses in 2001 toward profitable categories and regions (Tokyo Metropolitan Area and Kinki regions) and refocus our sales targets to develop

RIN BAKU-SUI CONCEPT-SAN Bireley's

close-contact sales activities for customers in priority regions.

We will also more effectively allocate management resources in product development, selection and marketing priority in order to establish powerful brand names. In 2002, sales and profit will be expanded by centering our strategy on the high-growth potential of tea-based beverages; coffee, which continues to maintain a significant share of the beverages market; and carbonated drinks, which have served as the basis of our business since the beginning.

Moreover, in response to the convergence of the non-alcoholic and alcoholic beverages markets, greater cost competitiveness will be achieved by further strengthening our collaboration with Asahi Breweries throughout the entire supply chain, from procurement of raw materials to production, distribution and marketing. Specifically, we will secure new locations with an emphasis on profitability through collaborations in the vending machine business, as well as promote the sharing of sales channels and marketing data while integrating distribution and other intermediary operations.

In support of these objectives, a personnel assessment system will be introduced that rewards employees who demonstrate results and improve the operational standards of the company as a whole through internal incentives.

Through these activities, Asahi Soft Drinks will establish a profitable business model in the soft drinks market, and pursue Group synergy between the soft drink and alcoholic beverages markets.

Soft Drinks

Food

—Aggressive product development in the brewer's yeast extract business earned recognition for its excellent properties
—Freeze-dried (FD) products expanded into confectioneries and health foods
—Scores of new commercial frozen food products introduced

Asahi Beer Food Ltd., our wholly owned subsidiary, significantly contributed to the 40 trillion yen value of the overall food market through products such as brewer's yeast extract and freeze-dried products.

Proposal-based Marketing Activities in Response to Health-oriented and Convenience Needs

Consumers' interest in quality and safety within the food market intensified in 2001 food market, due to the circulation of genetically-modified food and the outbreak of Bovine Spongiform Encephalopathy (BSE), even as the decline in prices accelerated. Under these circumstances, Asahi Beer Food aggressively promoted product development emphasizing quality and proposal-based activities.

Our mainstay area of brewer's yeast related-products, brewer's yeast extract, achieved brisk sales, as growing health concerns were accompanied by renewed interest in the functionality of brewer's yeast. In addition, new products which do not contain beef extracts also contributed to raising sales volumes by 14% year-on-year. As for FD materials, our new FD roasted pork fillet—a basic ingredient for Chinese instant ramen noodles processed in China—was well received by the market. In addition to our existing presence in the instant noodles and instant miso soup niche, in 2001 we entered the retort-packed ingredient market as well as fruits and health products. Sales from these areas contributed to achieving annual sales 13% over the previous term. In the commercial frozen food category, our test kitchen was utilized to bolster our proposal-based marketing activities. We actively cultivated latent user demand through aggressive promotions and introduced scores of new products, such as *Ebi Nira Yakiman* . The success of such new products drove sales to 5% over the previous term. Sales of retail food products declined by 18% year-on-year in the wake of the introduction by convenience stores of private brand products and the negative publicity surrounding the outbreak of BSE.

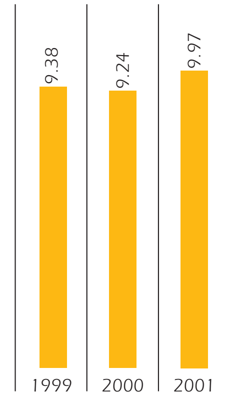
In October 2001, we introduced an in-house company system based on product category in order to improve profitability. On the financial side, fund management was centralized to achieve more efficient utilization through a joint cash management service.

As a result, sales in our food products business in fiscal 2001 increased by 7.8% over the previous term to ¥9,970 million.

Leveraging our Strengths in Product Development, Proposal-based Marketing and Quality Assurance

Severe market conditions are expected to continue through 2002, amid growing demands for lower trading prices and a further acceleration in the trend toward overseas production by food makers. Under such circumstances, we will move to strengthen our market competitiveness and increase both customer loyalty and the power of our corporate image by developing best-selling products, thereby achieving higher standards of proposal-based marketing and quality assurance, and responding rapidly and accurately to the needs and preferences of the consumer. Integration with Asahi Beer Pharmaceutical Co., Ltd. scheduled in July 2002 is expected to yield a number of advantages, such as strengthening our business and management foundations and further expanding our brewer's yeast business. Under this new structure, active engagement in promising new businesses in the food market will be undertaken.

Net Sales (Billions of yen)



Asahi Beer Food Ltd.
(unconsolidated net sales)

"Beer Partner" Snacks

Meast and Super Meast

Meast and Super Meast brewer's yeast extract seasonings made using brewer's yeast processing technologies. These high-quality Asahi products enjoy widespread popularity as professional cooking seasonings.

Freeze-dried Food

Frozen Food

Pharmaceuticals

—Brewer's yeast products record a phenomenal growth of 2,200% over the previous year
—*Super Brewer's Yeast* brand established as a multi-supplement
—*Actio* series introduced into food products with potential health benefits market

Our wholly-owned subsidiary, Asahi Beer Pharmaceutical Co., Ltd., handles over-the-counter (OTC) drug and health food supplements using natural ingredients such as yeast.

Brewer's Yeast-based Products Ride the Momentum of a Successful Publicity Strategy

Asahi Beer Pharmaceutical's brewer's yeast products showed significant growth in fiscal 2001, buoyed by growing interest in health issues. Nevertheless, severe conditions persisted across the market as a whole, under the influence of stagnant consumption. As a result, although fiscal year 2001 sales increased 119% over the previous term to ¥5,084 million, we reported an operating loss of ¥16 million, reflecting increased advertising and publicity expenses for our primary brand, *Super Brewer's Yeast*.

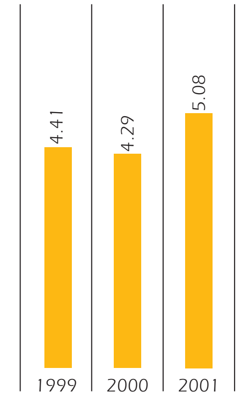
By product category, our publicity strategy using health magazines and television successfully raised consumer recognition of brewer's yeast products as a treasure-trove of nutritious ingredients essential for maintaining good health. Sales of *Cooking Brewer's Yeast* significantly increased by 2,200% over the previous term to ¥509 million, and *Super Brewer's Yeast*, established as a multi-supplement for preventing lifestyle-related diseases, recorded a year-on-year increase in sales by 738% to ¥656 million. *EBIOS* sales also rose by 20% over the previous term to ¥1,390 million on the back of a boom in diet products using brewer's yeast. Along with this growing demand, productivity for brewer's yeast products also improved. The *Actio* series, our main brand for supplements, achieved sales of ¥442 million, a 175% year-on-year increase, thanks to the food products with potential health benefits system which began in April, along with the introduction of seven new types of *Actio* covered by the system. Food products with potential health benefits are allowed to state these possible benefits in its nutritious content information, further reinforcing their appeal for consumers. Regarding our *SHIN-LACTONE A*, lactic acid bacteria preparation, we strengthened retail marketing and sales promotion amid intensifying price competition, and managed to report sales of ¥258 million, reporting a decrease of 3% in sales.

In addition to these product strategies, we introduced a system using mobile personal computers for rapidly sharing marketing information in order to strengthen sales and marketing capabilities.

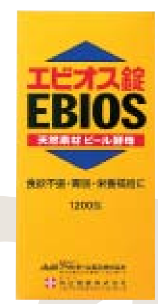
Pursuing an Aggressive Sales Expansion Strategy in a Dynamic Market

While the OTC market is expected to remain relatively stable in 2002, markets for non-pharmaceutical products such as health foods and supplements are expected to exhibit steady growth, providing ample growth opportunities for all pharmaceutical-related products. Therefore, Asahi Beer Pharmaceutical will pursue an aggressive growth strategy for both OTC and non-pharmaceutical markets toward improving its overall competitiveness. We also expect the integration with Asahi Beer Food Ltd. in July 2002 to yield additional advantages, such as stronger market competitiveness from sharing marketing channels and technology, and improved profitability through the integration of middle office functions. Along with this integration, we are planning to begin selling in the OTC market three pharmaceutical brands which are currently being marketed under contract by Tanabe Seiyaku Co., Ltd. We will also continue to direct our energy into the non-pharmaceutical products market, centered on brewer's yeast products, in order to cultivate sales through new product development and the expansion of marketing channels.

Net Sales (Billions of yen)



Asahi Beer Pharmaceutical Co., Ltd.
(unconsolidated net sales)



EBIOS
(Brewer's yeast for medical use)

Super Brewer's Yeast

Actio Acerola

Global Operations

Our international marketing strategy targets specific regions centered on beer as our main product. Having captured the top share in the combined beer and happoshu markets in Japan in 2001, we now intend to implement a full-scale marketing program targeting our overseas business.

North America

In 1988, we first launched *Asahi Super Dry* in North America, the world's largest beer market. In 1994, we began local production at Molson Canada Ltd., located in Vancouver.

In North America, we are currently focusing our marketing efforts on the west and east coasts of America as well as Hawaii, where Japanese beer brands are in high demand. Similarly, we are targeting the west and east regions of Canada, where the Japanese beer market is rapidly growing.

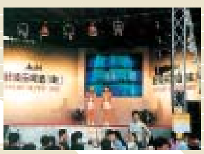
Within these regions, we are improving the efficiency of marketing activities by maintaining a balance between sales and sales promotion expenses. Additionally, efforts are underway with Molson Canada to reduce production costs.

Europe

We will further concentrate efforts to expand sales in countries and regions, such as United Kingdom and Germany, where demand for beer is strong. In 2001, *Asahi Super Dry* achieved solid sales growth, particularly in London, which is characterized as the largest imported beer market in Europe. This year also featured an increase in production at Prague Breweries in the Czech Republic, boosting volume by more than 50% compare to last year. As is the case in North America, this region's sales promotion and production costs will be spot lighted for further improvements.

China

Although intensifying competition along with China's participation in the World Trade Organization are expected to bring major changes in market conditions, we regard the country as a high priority region with enormous potential. Shenzen Tsingtao Beer Asahi Co., Ltd., our joint venture with Tsingtao Breweries, has maintained steady operations since 1999 and has already reported an income by achieving a record volume of 1,067,000 hl in 2001. We provide thorough technology cooperation to the company to improve competitiveness by raising product quality and reducing production costs. At the same time, on the marketing front we are endeavoring to raise profitability by placing a priority on China's fast growing mass retail market. In addition, we have entered the soft drink market in cooperation with Tsingtao Breweries, to form a new company Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd. Operating from a new plant which became operational in August 2001, we are actively producing and marketing oolong tea, Japanese green tea, English tea and mineral water.



Other Asian Regions

In January 2002, we formed an alliance with Thailand's Boon Rawd Group and plan to start selling locally-brewed *Asahi Super Dry* in Thailand and neighboring countries starting in March 2002, marking our entry into the promising Thai beer market. We also intend to expand our business with the members of ASEAN (the Association of Southeastern Asian Nations) through a local brewery owned by the Boon Rawd Group as production bases for the region. The gradual lowering and abolition of local tariffs is expected to take place following the formation of the ASEAN Free Trade Area (AFTA), opening excellent prospects for market expansion.

Strengthened collaboration between our production bases in Thailand and China will improve competitiveness and profitability by reducing distribution and production costs throughout the Asia.

In addition, *Asahi Super Dry* is already exported to the South Korean market, and sales of non-alcoholic drinks such as Oolong Tea have commenced through Korean Hete Soft Drink Co. Ltd., a company applying equity method.

Sales and marketing centers
Production centers

Corporate Citizenship

The 21st century has been described as the "Century of a sustainable society," and we have certainly witnessed the urgency of environmental issues. We are responsible to pass on to our children a healthier planet, a birthright which is only possible through our concerted efforts to directly confront and resolve pressing environmental problems.

In this context, Asahi Breweries has led the Group in actively promoting environmental management. In April 2000, a Group Environmental Committee comprising of Asahi Breweries and seven major subsidiaries was set up. Group Environmental Guidelines have been established, and an aggressive group-wide effort is in progress to address environmental responsibilities. In addition, we began conducting environmental audits on Group companies in 2001.

Social and cultural involvement through the volunteer efforts of individual employees is another major area of our community commitment. These include search and rescue support for natural disasters, assistance for orphans and regional community revitalization programs.

To promote these endeavors, on August 30, 2001, Asahi Breweries revised its guidelines on social contribution activities which include environmental conservation. At the same time, we have established and started to implement an assessment system for social contribution activities based on a guideline jointly developed with the Nomura Research Institute. Through these various efforts, the Asahi Breweries Group is expressing a clear and unwavering commitment to raising the social as well as financial value of the company.

Environmental Activities

Promoting Environmental Management Across the Enterprise

Responsible environmental management is expected and supported not only in production divisions, but across all corporate divisions including sales. Environmental audits for all Asahi Breweries divisions began in 1999, followed by audits of major subsidiaries in 2000.

Strengthening Environmental Control Systems

Asahi Breweries' head office acquired ISO 14001 certification in August 2001. All our breweries—except for one just recently transferred in March 2002—have already acquired certification.

In 2001, environmental audit standards and systems were established for the entire Asahi Breweries Group.

Communicating our Environmental Responsibility to Communities

In 2001, we began publishing the "Asahi Breweries Eco Books"—a series of academic and educational books on environmental issues, as part of our community involvement focussing on forestry and water resources.

Efforts to Reduce Waste

Our earnest commitment to waste reduction began in 1998, when we achieved 100% waste recycling at all nine breweries in Japan. We have also introduced fuel-efficient facilities combining cogeneration systems and ammonia-absorption refrigeration units at four domestic breweries in order to conserve energy and reduce CO_2 emissions. In addition, at the Nagoya Brewery, we are taking action to completely eliminate the use of CFC gases in both production process and in our facilities and equipment, such as air conditioners and refrigerators. Our Kanagawa Brewery, scheduled to come on line in 2002, will use absolutely no CFC gases.

Promoting the Recycling of Containers and Materials

The collection and reuse of returnable containers is high on our environmental agenda. At the same time, we are decreasing environmental impact by using recycled materials and recyclable materials for sales promotion items, such as billboards, product posters and gifts.

Preserving the Earth's Natural Resources

Asahi Breweries owns 2,169 hectares of forests in Japan, as one way to contribute to the preservation and cultivation of forest resources and to absorb CO_2. In 2001, this company-owned forest (Shobara Forestry Station) received the FSC Forest Management Certification*. It is our intention to increase the public awareness of FSC certification in Japan.

In June 2001, we launched the Mt. Fuji Environmental Protection Campaign 2001, with the goal of protecting the Earth's natural resources, including forests. A portion of the sales of *Asahi Draft Beer Fujisan* were donated for this cause.

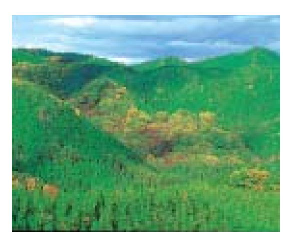
*Forest Management Certification: An international system under which environmentally conscious and economically sustainable forest management is certified by a third party. The system operated by FSC (Forest Stewardship Council, headquartered in Mexico) is the most widely accepted system throughout the world.

ISO 14001 Certification


Asahi Breweries Eco Books

Steiny Bottles

The bottles are labeled, "returnable," to encourage our customers to return them for reuse.


Shobara Forestry Station

Forest Management Certification

Social and Cultural Activities

Employee Training with International NGOs

At the international level, we provide support for developing nations in their efforts to achieve a level of self-reliance and a better quality of life. Since 1999, we have dispatched employees to NGO Study Tours as an opportunity to more deeply understand international cooperation and support based on first-hand experience.


NGO Study Tour

Support for Welfare Facilities

We are particularly proud of our management of the KIDS Project in three regions in Japan, which increase contact between children living in out-of-home care, such as group homes, and the general community. The events are designed and organized by Asahi Breweries Group's employees on a volunteer basis.


KIDS Project

Public Awareness Campaign for Moderate Drinking

As an alcoholic beverage maker, we actively support educational campaigns to encourage moderate drinking. As part of this drive, we produced a preventive educational video in 2001 targeting drinking by minors, which is illegal in Japan. Asahi Breweries provided these videos free of charge to junior high schools.


Preventive Educational Video

Support for the Arts

We enthusiastically support activities which enrich the contribution of art and culture to society. The "Lobby Concert," affords young musicians an opportunity to perform in the lobby of our headquarters. As of the end of 2001, 78 concerts have been held since the first one in 1999.

In 2001, Asahi Beer Arts Foundation was presented with the Grand Mécénat Award for Outstanding International Exchange by the Association for Corporate Support of the Arts for its support of cultural activities by foreign students.


Concerts by Foreign Students in Japan

Building Partnerships with Arts-related Regional NPOs

Our cooperation with arts-related NPOs supports the discovery of young artists and the sponsorship of exhibitions featuring with collaboration between traditional and contemporary arts.

Providing Information to Society

"Asahi Breweries Mécénat*" communicates Asahi Breweries' cultural activities and support for the arts and culture to the public, while the "Asahi Breweries PHILANTHROPY" provides information on social activities.

*Mécénat:corporate art support


Asahi Breweries Mécénat

Asahi Beer Oyamazaki Villa Museum

Located in the Oyamazaki-cho in Kyoto Prefecture, the museum was opened in 1996. The structure achieves a remarkable harmony between the main building and annex. The main building was originally a mountain villa built by Shotaro Kaga, a hardheaded Kansai region businessman of the Taisho and Showa eras. Its main structural features were left intact when it was renovated into a museum. The annex building, known as the "Treasure Chest of the Earth," was designed by Tadao Ando, one of the foremost modern architects of the day. In April 2000, the total number of visitors since its opening surpassed the 500,000 mark.


Asahi Beer Oyamazaki Villa Museum

Financial Section

10 Years Summary

Years ended December, 31

	Millions of yen			
	1992	1993	1994	1995
For the year:				
Net sales	¥ 949,113	¥ 951,199	¥1,075,540	¥1,087,900
Operating income	52,297	62,556	80,858	77,829
Net income (loss) before income taxes	22,554	17,880	25,168	24,480
Net income (loss)	3,882	3,434	6,492	6,607
Capital investments	54,141	69,592	19,015	33,906
Depreciation	26,937	29,196	31,407	32,629
<Segment information>				
Sales:				
Alcoholic beverages	726,642	715,615	832,963	832,106
Soft drinks and food	151,322	144,262	167,007	170,241
Pharmaceuticals	34,337	36,123	34,645	39,746
Real estate	23,194	32,380	16,752	4,415
Others	13,618	22,819	24,173	41,392
Operating income:				
Alcoholic beverages	30,580	34,539	67,820	64,935
Soft drinks and food	8,081	8,227	13,668	13,668
Pharmaceuticals	5,665	5,595	3,406	4,625
Real estate	16,878	25,254	4,000	4,071
Others	681	468	360	175
Financial Position				
Total assets	2,120,711	1,829,223	1,782,546	1,727,834
Total shareholders' equity	290,043	288,071	294,945	298,804
Interest-bearing debt	1,411,062	1,040,544	957,227	893,300
	Yen			
Per share data				
Net income (loss): Primary	9.30	8.23	15.49	15.60
: Fully diluted	—[*1]	—[*1]	—[*1]	—[*2]
Shareholders' equity	695.03	689.97	697.84	703.45
Cash dividends applicable to the year	8.00	8.00	9.50	9.50

	%			
Ratios				
Net income to shareholders' equity (ROE)	1.3	1.2	2.2	2.2
Operating income per net sales	5.5	6.6	7.5	7.2
Operating income per net sales (exclusive of alcohol tax)	9.0	10.6	12.5	11.9
Shareholders' equity to total assets	13.7	15.7	16.5	17.3

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥131.95 to U.S.$1, the exchange rate prevailing at December 31, 2001.

[*1] Disclosure of fully diluted per share data of net income was not required for the years 1992 through 1994.

[*2] Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.

[*3] In case of net loss, disclosure of fully diluted per share data is not required.

	Millions of yen						Thousands of U.S. dollars (Note)
	1996	1997	1998	1999	2000	**2001**	**2001**
	¥1,212,046	¥1,313,257	¥1,357,217	¥1,396,898	¥1,399,108	**¥1,433,364**	**$10,862,933**
	99,643	96,299	91,893	80,122	76,550	**77,777**	**589,443**
	36,291	32,798	23,273	15,038	(18,116)	**18,611**	**141,046**
	8,231	11,555	579	4,082	(15,707)	**13,617**	**103,198**
	48,366	100,936	103,449	63,149	66,518	**64,829**	**491,315**
	34,245	35,740	39,656	43,840	51,790	**52,901**	**400,917**
	933,072	1,017,915	1,068,908	1,114,441	1,127,737	**1,179,412**	**8,938,325**
	192,127	204,199	234,729	229,704	216,191	**201,772**	**1,529,155**
	40,158	41,891	—	—	—	**—**	**—**
	3,819	4,488	4,921	3,897	4,194	**3,058**	**23,175**
	42,870	44,764	48,659	48,856	50,986	**49,122**	**372,278**
	86,489	92,140	92,583	86,037	86,774	**92,635**	**702,046**
	11,686	5,290	7,641	6,972	2,009	**(1,485)**	**(11,254)**
	5,343	5,723	—	—	—	**—**	**—**
	3,326	3,453	3,060	1,623	2,717	**1,833**	**13,892**
	430	1,007	950	94	(758)	**(816)**	**(6,184)**
	1,697,268	1,616,210	1,519,014	1,405,507	1,389,827	**1,341,103**	**10,163,721**
	319,645	374,591	387,089	383,474	356,009	**385,965**	**2,925,085**
	861,955	695,569	613,194	502,327	503,371	**417,167**	**3,161,553**
	Yen						U.S. dollars (Note)
	19.18	25.15	1.19	8.20	(31.54)	**27.00**	**0.20**
	17.56	23.36	—*2	8.11	—*3	**25.25**	**0.19**
	723.99	776.68	777.60	777.04	715.04	**752.25**	**5.70**
	10.00	11.00	12.00	12.00	12.00	**13.00**	**0.10**
	%						
	2.7	3.3	0.2	1.1	(4.2)	**3.7**	**3.7**
	8.2	7.3	6.8	5.7	5.5	**5.4**	**5.4**
	13.7	12.3	11.5	9.7	9.2	**9.0**	**9.0**
	18.8	23.2	25.5	27.3	25.6	**28.8**	**28.8**

Overview

During the fiscal year ending December 31, 2001, corporate capital investment, which had been showing signs of recovery, declined in response to the slump in the IT industry originating in the United States, and compounded by the downturn in consumer spending. The overall condition of the Japanese economy was further aggravated by growing uncertainty following the September 11, 2001 terrorist attacks in the United States, further extending an extremely challenging period for the corporate operating environment.

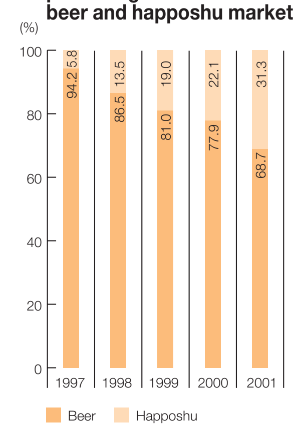
The market for alcoholic beverages also remained severe, with intensifying price competition driven by increasing customer demand for lower prices, in addition to further diversification in customer tastes and preferences and the shift in sales to discount outlets at the distribution level.

Consequently, total sales for beer and happoshu the main product lines of Asahi Breweries, Ltd. showed little change from the previous year, as the Company's successful efforts to expand the happoshu market by more than 40% were dampened by double-digit declines in the overall beer market.

However, the Company achieved a 9.4% increase in combined taxable shipments of beer and happoshu to 217.73 million cases, accomplishing positive growth for the sixth consecutive year and outperforming the industry average while claiming the leading share (38.7%) in the Japanese domestic market.

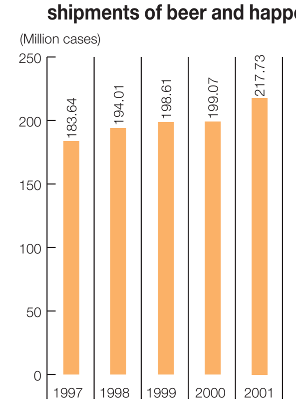
In the soft drinks industry, little growth was evident in any product categories except for Japanese tea and mineral water, which showed double-digit year-on-year increases. Results in carbonated drinks and fruit drinks were particularly harsh. While the sales volume for the soft drinks market as a whole is estimated to have increased by 1%, the decline in retail prices caused by severe price competition restrained revenue.

Individual beer and happoshu percentage in the combined beer and happoshu market



* Based on taxable shipments

Asahi's combined taxable shipments of beer and happoshu



Net sales

Consolidated net sales for the fiscal year increased ¥34.3 billion, or 2.4%, to ¥1,433.4 billion (US$10,862.9 million), a record-high, despite a 6.7% decline of ¥14.4 billion in soft drinks and food operations, while sales in alcoholic beverages operations increased ¥51.7 billion, or 4.6%.

By segment, alcoholic beverages sales increased slightly from 80.6% to 82.3%, while soft drinks and food sales dropped from 15.5% to 14.1%.

Operating income

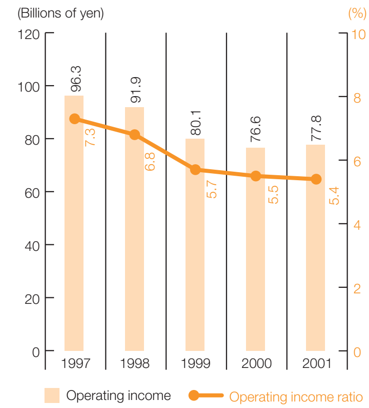
Cost of sales and alcohol tax increased ¥15.2 billion, or 1.5%, to ¥1,004.0 billion (US$7,608.7 million), and the cost of sales and alcohol tax ratio decreased slightly from 70.7% to 70.0%, mainly due to cost reductions in the alcoholic beverages operations.

Selling, general and administrative costs increased 5.3%, or ¥17.8 billion, from ¥333.8 billion in the previous term to ¥351.6 billion (US$2,664.8 million). As a result, the ratio of selling, general and administrative costs to net sales rose from 23.9% to 24.5%, under the impact of falling sales volume for beer and the launching of happoshu sales at a lower alcohol tax rate.

Although the costs of sales promotions and advertisements rose ¥6.1 billion, or 4%, to ¥160.9 billion (US$1,219.4 million), the ratio of costs of sales promotions and advertisements to net sales remained at roughly the same level as in the previous term, 11.2% in fiscal year 2001, compared to 11.1% in fiscal year 2000.

As a result, operating income rose ¥1.2 billion to ¥77.8 billion (US$589.4 million), a 1.6% increase. The operating income ratio showed little change at 5.4%, compared with 5.5% in the previous term.

Operating income and Operating income ratio



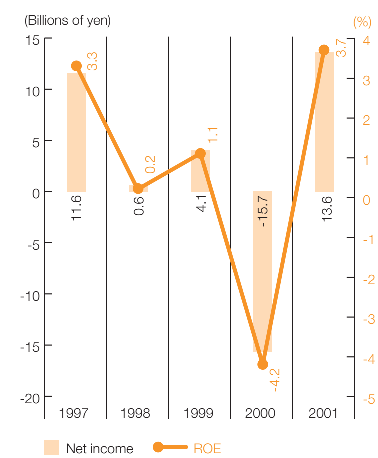
Other income and expenses

Interest payments decreased ¥4.3 billion in line with the reduction in interest-bearing debt. On the other hand, as a result of efforts to significantly resolve unrealized losses from marketable securities, the Company reported a ¥7.7 billion (US$58.4 million) loss on the devaluation of investment securities, compared with a ¥1.4 billion loss in the previous term, and a ¥2.3 billion (US$17.4 million) loss on the sale of investment securities, compared with a ¥40.8 billion loss on the sale of marketable securities in the previous term a relatively smaller but necessary amount, due to the continued influence of low stock prices. The Company also stated a ¥20.4 billion (US$154.9 million) loss for this term, representing a lump sum settlement for difference arising from the transition to new accounting standards on retirement benefits.

Net income

The Company achieved a record-high net profit of ¥13.6 billion (US$103.2 million) for the term, a ¥29.3 billion increase over the ¥15.7 billion net loss in the previous term, yielding a 1.0% net income ratio and a 3.7% Return on Equity (ROE), a significant improvement over the previous term. Net profit per share also marked a record high of ¥27.00.

Net income (loss) and ROE



Dividend

As a token of gratitude to shareholders for enabling the Company to attain the top share in beer and happoshu sales, Asahi Breweries, Ltd. decided to issue a commemorative dividend of ¥1.00 in addition to the ordinary dividend of ¥6.00 per share. Including the half-term dividend of ¥6.00 per share, dividends per share for the full term will have increased by ¥1.00, to ¥13.00 (US$0.10).

Review of operations by segment

	Millions of yen		Percent change
	2001	2000	
Sales			
Alcoholic beverages	**¥1,179,412**	¥1,127,737	4.6
Soft drinks and food	**201,772**	216,191	−6.7
Real estate	**3,058**	4,194	−27.1
Others	**49,122**	50,986	−3.7
Operating income (loss)			
Alcoholic beverages	**92,635**	86,774	6.8
Soft drinks and food	**(1,485)**	2,009	−173.9
Real estate	**1,833**	2,717	−32.5
Others	**(816)**	(758)	−7.7

Alcoholic beverages

Sales in the alcoholic beverages operations rose ¥51.7 billion, or 4.6%, to ¥1,179.4 billion (US$8,938.3 million). Of the total, a 10.5% decline in beer sales of ¥108.9 billion was offset by a ¥142.5 billion increase in sales of happoshu, a new market for the Company, raising combined sales for beer and happoshu by ¥33.7 billion, or 3.2%.

By product, the Company's flagship *Asahi Super Dry* battled adverse market conditions to expand its share of the market and further establish its position as the top brand, reporting a 9.1% decline in sales of 174.35 million cases compared to the 11.6% drop in taxable shipments in the overall beer market. Meanwhile, *Asahi Honnama*, the Company's new entry into the happoshu market in February 2001, reached sales of 39 million cases in its first year, more than 2.5 times the initial target of 15 million cases, despite being the last entry into the market. As a result, the Company's share in both the beer and happoshu markets expanded to 46.2% and 22.3%, respectively.

While combined beer and happoshu sales rose 9.4% to 217.83 million cases from 199.17 million cases in the previous term, price per case fell 5.6%.

In other alcoholic beverages such as whiskey and *sho-chu*, the Company began to benefit from the operational integration with consolidated subsidiary Nikka Whiskey Distilling Co., Ltd. implemented in April 2001, with continued strong performance in whiskey products such as the *Taketsuru* product family in the commercial and gift markets and *Black Nikka Clear Blend* in the home consumer market. Genuine *sho-chu Ichibanfuda* and Korean *Sho-chu* products, *HOUKAI* and *BIDAN* are now offered in many restaurants and drinking establishments, and are also doing well.

In the low-alcohol beverages operations, the Company's introduction of *Asahi Chu-hi Gorichu* in May 2001 also contributed to sales.

Net operating income increased ¥5.9 billion, or 6.8%, to ¥92.6 billion (US$702.0 million), supported by stronger sales and the effective use of sales and promotion expenses, lifting the ratio of operating income to net sales to 7.9% from 7.7% in the previous term.

Soft drinks & food

Combined sales of the soft drinks and food operations fell ¥14.4 billion, or 6.7%, to ¥201.8 billion (US$1,529.2 million), represented by a 6.9% decline in soft drinks, in spite of a 7.8% rise in the sales of food products.

Of the total, sales of soft drinks decreased ¥14.6 billion, or 6.9%, to ¥197.0 billion (US$1,493.0 million), due to an increasingly competitive operating environment, in which new products such as *Asahi Umacha* and *Asahi Chara* met and exceeded initial sales targets, while sales of existing brands such as *Juroku-Cha*, *Mitsuya Cider* (clear, carbonated soft drink), *Bireley's* and *WONDA* not only fell short, but suffered greater than expected declines, resulting in a 7.9% decrease in combined soft drink sales of 104.2 million cases.

Sales in the food operations grew 7.8% over the previous term. This favorable performance followed the brisk sales enjoyed in our mainstay brewer's yeast business driven by growing demand for brewer's yeast extract, as well as in the processed foods and freeze-dried products businesses, which benefited from product development emphasizing quality and proposal-based marketing activities.

Due to the effect of the decline in sales, net operating income fell ¥3.5 billion, or 173.9% from the previous term, resulting in an operating loss of ¥1.5 billion (US$11.3 million) for the term under review.

Real estate

In real estate operations, while income from the office and warehouse rental business remained at levels similar to the previous term, real estate sales declined, resulting in a decrease in sales of ¥1.1 billion, or 27.1%, to ¥3.1 billion (US$23.2 million). Operating income fell by ¥0.9 billion, or 32.5%, to ¥1.8 billion (US$13.9 million).

Others

In other operations, sales of brewer's yeast for cooking purposes rose with the popular use of brewer's yeast in diet programs in the pharmaceutical business, though the restaurant business remained weak due to the slump in consumption, resulting in a 3.7% decrease in combined sales to ¥49.1 billion (US$372.3 million) and an operating loss of ¥0.8 billion (US$6.2 million), a decline of ¥0.1 billion, or 7.7% from the previous term.

Liquidity and capital resources

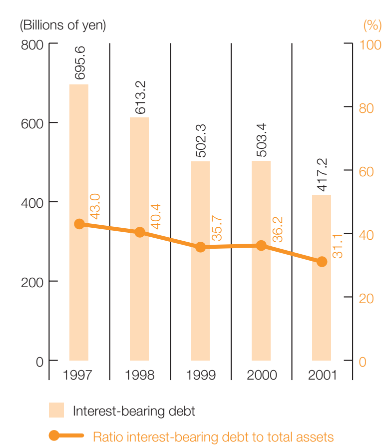
Asahi Breweries Ltd. gains its capital resources principally from cash flows from its operating activities, loans and the issuance of bonds or stock. These are mainly allocated to capital investment, business investment and loan repayments.

Free cash flows increased by ¥36.7 billion, or 100%, to ¥73.4 billion (US$556.3 million) and were mainly allocated to repaying interest-bearing debt. As a result, the outstanding balance of interest-bearing debt was reduced by ¥86.2 billion, or 17.1%, to ¥417.2 billion (US$3,161.5 million).

The reduction of interest-bearing debt is a key corporate goal. Ongoing efforts to bring down the outstanding amount successfully reduced the level of interest-bearing debt to a little under a third of its peak of ¥1,411.1 billion in fiscal 1992 during the term in review.

Meanwhile, daily financing needs are in principle met through short-term loans and the issuance of commercial paper.

Interest-bearing debt and Ratio interest-bearing debt to total assets



Assets, liabilities and shareholders' equity

Total assets at fiscal year-end amounted to ¥1,341.1 billion (US$10,163.7 million), a 3.5% decrease of ¥48.7 billion, mainly due to losses on the sale and devaluation of investment securities.

Current assets decreased by ¥86.1 billion, or 17.3%, to ¥412.6 billion (US$3,127.2 million), largely as a result of reporting available-for-sale securities, previously recorded as current assets, under fixed assets, in accordance with new accounting standards for financial instruments. Receivables rose 1.7% along with the increase in sales to ¥280.4 billion (US$2,124.8 million). The turnover period of trade receivables for the term was 2.2 months, unchanged from the previous term.

Inventories for this term remained at about the same levels as the previous term, amounting to ¥93.9 billion (US$711.7 million) despite the increase in sales, resulting in an improved turnover period for inventories to 0.79 months from 0.81 months.

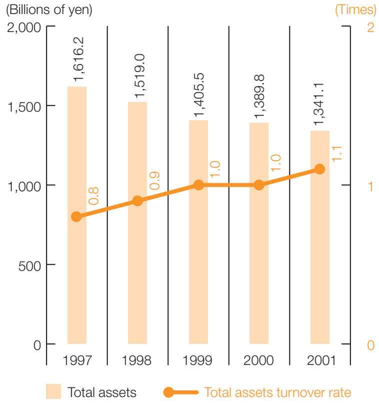
Property, plant and equipment decreased by ¥2 billion, or 0.3%, to ¥741.8 billion (US$5,622.0 million).

Investments and other non-current assets increased by ¥40.5 billion, or 27.7%, to ¥186.6 billion (US$1,414.5 million), due to the inclusion of available-for-sale securities, previously stated under current assets, in accordance with new accounting standards for financial instruments. The increase was also due to the subsequent devaluation and sales, which resulted in a net increase of ¥34.5 billion in the value of investment securities, as well as an increase of ¥16.5 billion in tax-deferred assets resulting from a change in accounting standards for retirement benefits.

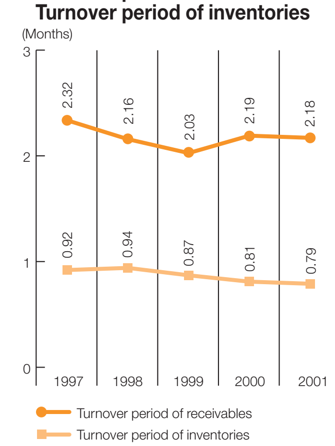
Current liabilities declined by ¥41.3 billion, or 6.2%, to ¥618.9 billion (US$4,690.0 million). This is mainly due to the reduction of ¥42 billion in commercial paper and ¥23.2 billion in bank loans.

Long-term liabilities decreased by ¥15.8 billion, or 4.7%, to ¥318.6 billion (US$2,414.5 million), following a reduction of ¥14.6 billion in corporate bonds and ¥10.1 billion in long-term loans.

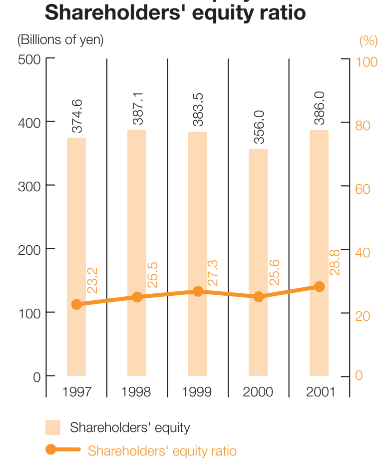
Total assets and Total assets turnover rate



Turnover period of trade receivables and Turnover period of inventories



Shareholders' equity and Shareholders' equity ratio



Total shareholders' equity increased by ¥30.0 billion, or 8.4%, to ¥386.0 billion (US$2,925.1 million), due to an increase of ¥4.9 billion in common stock and ¥11.4 billion in additional paid-in capital arising from the conversion of convertible bonds and the transformation of Nikka Whiskey Distilling Co. Ltd. into a wholly owned subsidiary through stock swaps, as well as an increase of ¥11.9 billion in retained earnings due to the stating of current profit. As a result, the equity ratio improved to 28.8% from 25.6% in the previous term.

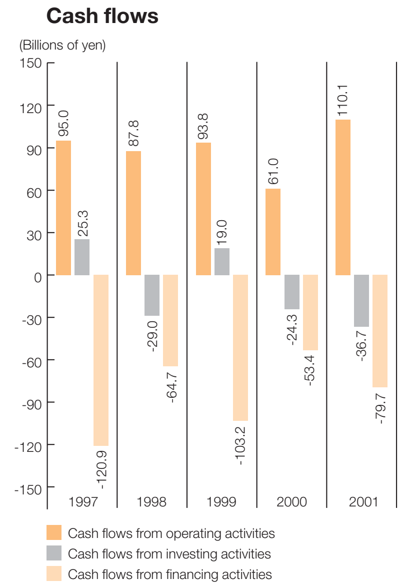
Cash flows

Net cash provided by operating activities increased by ¥49.1 billion, or 80.0%, to ¥110.1 billion (US$834.5 million), reflecting the considerable increase in pretax income.

Net cash used in investment activities increased by ¥12.4 billion, or 51.1%, to ¥36.7 billion (US$278.1 million), as the ¥21.3 billion income from the sale of investment securities was subtracted from an outflow of ¥69.2 billion in capital investments centered on the construction of new beer and beverage plants and expansion of production facilities.

Net cash used in financing activities increased by ¥26.3 billion, or 49.2%, to ¥79.7 billion (US$604.1 million), mainly on the reduction of debt and payment of cash dividends.

As a result, cash and cash equivalents at end of year declined ¥5.4 billion, or 21.8%, to ¥19.4 billion (US$146.7 million).



Capital investment

Capital investments decreased ¥1.7 billion, or 2.5%, to ¥64.8 billion (US$491.3 million). The main items included were ¥36.1 billion for the construction of a new beer plant and expansion of production facilities and ¥6.2 billion for the construction for a new beverage plant and expansion of production facilities.

Research & development activities

The Asahi Breweries Group develops new products and technologies in the areas of alcoholic beverages, soft drinks, food and pharmaceuticals. The Company is actively involved in joint research with public institutions such as universities as well as with other companies and in commissioned research. The Company endeavors to be on the cutting edge of research and development by aggressively incorporating advanced biotechnology and other advanced technologies.

R&D expenses for the entire Group amounted to ¥6.5 billion (US$49.3 million) for the term under review. Only the total amount for R&D expenses is reported due to the difficulty of dividing the cost of basic research into a segmented format.

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2001 and 2000

Assets	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current assets:			
Cash and time deposits (Note 3)	¥ 20,307	¥ 17,322	$ 153,899
Marketable securities (Note 5)	—	68,450	—
Notes and accounts receivable:			
Trade	259,925	254,976	1,969,875
Other	20,439	20,743	154,900
Allowance for doubtful accounts	(5,970)	(2,523)	(45,244)
Inventories (Note 4)	93,908	94,812	711,694
Deferred income taxes (Note 9)	4,723	1,756	35,794
Other current assets (Note 3)	19,297	43,161	146,244
Total current assets	412,629	498,697	3,127,162
Property, plant and equipment (Notes 2 and 7)**:**			
Land	208,805	213,329	1,582,455
Buildings and structures	388,678	369,506	2,945,646
Machinery and equipment	554,147	519,316	4,199,675
Construction in progress	10,129	25,313	76,764
	1,161,759	1,127,464	8,804,540
Accumulated depreciation	(419,931)	(383,613)	(3,182,501)
	741,828	743,851	5,622,039
Investments and other non-current assets:			
Investment securities (Note 5)	84,256	54,535	638,545
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	13,061	8,238	98,984
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliated companies	1,200	1,024	9,094
Other	4,920	5,793	37,287
Deferred income taxes (Note 9)	44,444	27,982	336,825
Other investments	38,765	48,576	293,785
	186,646	146,148	1,414,520
Foreign currency translation adjustments (Note 2)	—	1,131	—
	¥1,341,103	¥1,389,827	$10,163,721

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current liabilities:			
Bank loans (Note 7)	¥ 85,553	¥ 108,759	$ 648,374
Long-term debt due within one year (Note 7)	74,330	70,668	563,319
Notes and accounts payable:			
Trade	86,642	84,542	656,628
Other (mainly construction)	49,464	56,962	374,869
Alcohol tax and consumption tax payable	151,748	149,914	1,150,042
Deposits received	78,300	74,155	593,407
Income taxes payable (Note 9)	19,868	3,424	150,572
Accrued liabilities	52,915	49,300	401,023
Commercial paper	19,000	61,000	143,994
Other current liabilities	1,031	1,382	7,814
Total current liabilities	618,851	660,106	4,690,042
Long-term debt (Note 7)	238,284	262,944	1,805,866
Employees' severance and retirement benefits (Note 8)	35,161	31,344	266,472
Deferred income tax liabilities (Note 9)	—	1,574	—
Long-term deposits received	33,530	30,518	254,111
Other long-term liabilities	11,622	8,027	88,079
Minority interests	17,690	39,305	134,066
Commitments and contingent liabilities (Note 11)			
Shareholders' equity (Note 10)**:**			
Common stock			
Authorized — 992,305,309 shares			
Issued — 513,585,004 shares in 2001 and 497,992,540 shares in 2000	182,531	177,666	1,383,335
Additional paid-in capital	180,894	169,457	1,370,928
Retained earnings	20,864	9,010	158,121
Foreign currency translation adjustments (Note 2)	2,275	—	17,241
Treasury stock, at cost	(599)	(124)	(4,540)
Total shareholders' equity	385,965	356,009	2,925,085
	¥1,341,103	¥1,389,827	$10,163,721

Consolidated Statements of Operations

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	2001
Net sales (Note 15)	¥1,433,364	¥1,399,108	¥1,396,898	$10,862,933
Costs and expenses (Note 15)**:**				
Cost of sales	437,594	419,967	410,784	3,316,362
Alcohol tax	566,376	568,771	567,528	4,292,353
Selling, general and administrative	351,617	333,820	338,464	2,664,775
	1,355,587	1,322,558	1,316,776	10,273,490
Operating income (Note 15)	77,777	76,550	80,122	589,443
Other income (expenses):				
Interest and dividend income	2,530	5,605	7,791	19,174
Interest expenses	(8,136)	(12,426)	(20,134)	(61,660)
Equity in net income of unconsolidated subsidiaries	197	51	132	1,493
Gain (loss) on sale of marketable securities	(2,290)	(40,810)	14,494	(17,355)
Gain (loss) on sale and disposal of property, plant and equipment – net	(7,946)	(6,602)	5,817	(60,220)
Gain (loss) on sale of investment in affiliated companies	77	(4)	21,003	584
Loss on liquidation of specified money trusts	—	—	(46,252)	—
Loss on liquidation of unconsolidated subsidiaries (Note 12)	(1,003)	(453)	(33,968)	(7,601)
Loss on devaluation of marketable securities	(7,676)	(1,360)	—	(58,174)
Employees' severance and retirement benefit expense	—	(18,110)	—	—
Amortization of net transition obligation(Notes 2 and 8)	(20,445)	—	—	(154,945)
Other – net	(14,474)	(20,557)	(13,967)	(109,693)
	(59,166)	(94,666)	(65,084)	(448,397)
Income (loss) before income taxes	18,611	(18,116)	15,038	141,046
Income taxes (Notes 2 and 9)	(6,065)	1,288	(10,622)	(45,965)
Income (loss) before minority interest in net loss (income) of consolidated subsidiaries	12,546	(16,828)	4,416	95,081
Minority interests in net loss (income) of consolidated subsidiaries	1,071	1,121	(334)	8,117
Net income (loss)	¥ 13,617	¥ (15,707)	¥ 4,082	$ 103,198

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income (loss)	¥27.00	¥(31.54)	¥8.20	$0.20
Diluted net income	25.25	—	8.11	0.19
Cash dividends applicable to the year	13	12	12	0.10

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2001, 2000 and 1999

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 1998	497,807	¥177,559	¥169,351	¥40,187
Cumulative effect of adopting deferred income tax accounting (Note 2)				(812)
Net income				4,082
Cash dividends paid (¥12.00 per share)				(6,223)
Bonuses to directors and corporate auditors				(178)
Shares issued upon conversion of convertible debentures	182	106	105	
Increase resulting from increase in consolidated subsidiaries				220
Decrease resulting from increase in consolidated subsidiaries				(915)
Balance at December 31, 1999	497,989	177,665	169,456	36,361
Net loss				(15,707)
Cash dividends paid (¥12.00 per share)				(5,975)
Bonuses to directors and corporate auditors				(161)
Shares issued upon conversion of convertible debentures	3	1	1	
Increase resulting from increase in consolidated subsidiaries				46
Decrease resulting from increase in consolidated subsidiaries				(5,554)
Balance at December 31, 2000	497,992	177,666	169,457	9,010
Net income				**13,617**
Cash dividends paid (¥12.00 per share)				**(6,020)**
Bonuses to directors and corporate auditors				**(50)**
Shares issued upon conversion of convertible debentures	7,721	4,471	4,464	
Shares issued upon share exchange between consolidated subusidiaries	7,872	394	6,973	
Increase resulting from increase in consolidated subsidiaries				**84**
Increase resulting from liquidation of consolidated subsidiaries				**4,223**
Balance at December 31, 2001	**513,585**	**¥182,531**	**¥180,894**	**¥20,864**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 2000	$1,346,465	$1,284,252	$ 68,283
Net income			**103,198**
Cash dividends paid ($0.10 per share)			**(45,623)**
Bonuses to directors and corporate auditors			**(379)**
Shares issued upon conversion of convertible debentures	33,884	33,831	
Shares issued upon share exchange between consolidated subusidiaries	2,986	52,846	
Increase resulting from increase in consolidated subsidiaries			**637**
Increase resulting from liquidation of consolidated subsidiaries			**32,005**
Balance at December 31, 2001	**$1,383,335**	**$1,370,928**	**$158,121**

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2001, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Cash flows from operating activities:			
Income (loss) before income taxes	¥18,611	¥(18,116)	$141,046
Depreciation (Note 15)	52,901	51,790	400,917
Increase (decrease) in provision for employees' retirement benefits	(31,344)	18,407	(237,545)
Increase in provision for employees' severance and retirement benefits	47,945	—	363,357
Increase in allowance for doubtful accounts	10,934	2,191	82,865
Interest and dividend income	(2,530)	(5,605)	(19,174)
Interest expenses	8,136	12,426	61,660
Equity in net income of unconsolidated subsidiaries	(197)	(51)	(1,493)
Loss on sale of securities	—	40,972	—
Loss on sale of marketable securities	2,216	—	16,794
Loss on devaluation of marketable securities	7,676	1,360	58,174
Loss on liquidation of unconsolidated subisidaries	1,003	453	7,601
Gain on sale of property, plant and equipmentnet – net	(4,320)	(1,363)	(32,740)
Loss on disposal of property, plant and equipment – net	12,266	7,965	92,959
Decrease (increase) in notes and accounts receivable	9	(18,985)	68
Decrease in inventories	1,695	8,183	12,846
Decrease in notes and accounts payable (excluding construction)	(2,860)	(8,751)	(21,675)
Increase (decrease) in accrued alcohol tax payable	3,556	(1,798)	26,950
Decrease in accrued consumption taxes payable	(1,733)	(1,854)	(13,134)
Bonuses paid to directors and corporate auditors	(50)	(302)	(379)
Other	2,940	(3,820)	22,282
Subtotal	126,854	83,102	961,379
Interest and dividends received	2,961	6,419	22,440
Interest paid	(8,545)	(16,293)	(64,759)
Income taxes paid	(11,163)	(12,221)	(84,600)
Net cash provided by operating activities	110,107	61,007	834,460
Cash flows from investing activities:			
Payments for time deposits	—	(3,937)	—
Proceeds from time deposits	3,495	—	26,487
Payments for purchases of marketable securities	—	(88,714)	—
Proceeds from sales of marketable securities	—	90,105	—
Payments for purchases of property, plant and equipment	(69,186)	(52,875)	(524,335)
Proceeds from sales of property, plant and equipment	9,182	4,013	69,587
Payments for purchases of intangible assets	(4,255)	(2,539)	(32,247)
Payments for purchases of investment securities	(11,470)	(5,456)	(86,927)
Proceeds from sales of investment securities	21,310	24,495	161,501
Proceeds from collections of advances	4,937	3,609	37,416
Other	9,286	7,018	70,375
Net cash used in investing activities	(36,701)	(24,281)	(278,143)
Cash flows from financing activities:			
Increase (decrease) in bank loans	(60,365)	13,724	(457,484)
Proceeds from long-term debt	7,656	1,465	58,022
Repayments of long-term debt	(25,169)	(39,906)	(190,746)
Proceeds from bonds and convertible debentures issued	50,000	50,000	378,931
Redemption of bonds	(47,950)	(72,014)	(363,395)
Cash dividends paid	(6,020)	(5,975)	(45,623)
Cash dividends paid to minority in consolidated subsidiaries	(116)	(511)	(879)
Other	2,255	(205)	17,089
Net cash used in financing activities	(79,709)	(53,422)	(604,085)
Effect of exchange rate change on cash and cash equivalents	397	(592)	3,009
Net decrease in cash and cash equivalents	(5,906)	(17,288)	(44,759)
Cash and cash equivalents at beginning of year (Note 2)	24,743	37,948	187,518
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	515	4,083	3,903
Cash and cash equivalents at end of year (Note 3)	¥19,352	¥ 24,743	$146,662
Supplemental disclosures of cash flow information:			
Conversion of convertible debentures to common stock and additional paid-in capital	¥ 8,935	¥ 2	$ 67,715

See accompanying notes.

	Millions of yen
	1999
Cash flows from operating activities:	
Net income	¥ 4,082
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation (Note 15)	43,840
Gain on sale and disposal of property, plant and equipment – net	(5,817)
Loss on liquidation of unconsolidated subsidiaries (Note 12)	33,968
Gain on sale and devaluation of securities – net	(14,494)
Gain on sale of investments in affiliated companies	(21,003)
Loss on liquidation of specified money trusts	46,252
Minority interests in net income of consolidated subsidiaries	334
Equity in net income of unconsolidated subsidiaries and affiliated companies	(132)
Other	29
Changes in operating assets and liabilities:	
Decrease in notes and accounts receivable	15,081
Decrease in inventories	6,752
Increase in other current assets	(2,078)
Decrease in notes and accounts payable (excluding construction)	(6,912)
Increase in alcohol tax and consumption tax payable	1,098
Increase in deposits received	3,787
Decrease in income taxes payable	(8,985)
Decrease in accrued and other liabilities	(1,982)
Net cash provided by operating activities	93,820
Cash flows from investing activities:	
Capital investments (Note 15)	(63,149)
Proceeds from disposal of property, plant and equipment	12,283
Decrease in accounts payable relating to construction	(4,758)
Decrease in marketable and investment securities	64,004
Proceeds from sale of investment in a subsidiary	13,208
Decrease in specified money trusts	33,204
Decrease in long-term loans receivable	(32,336)
Increase in other investments	(3,450)
Net cash provided by investing activities	19,006
Cash flows from financing activities:	
Proceeds from long-term loans from banks	46,524
Repayments of long-term loans from banks	(110,863)
Redemption of bonds	(52,531)
Proceeds from bonds and convertible debentures issued	33,600
Decrease in bank loans	(31,479)
Equity finance of subsidiary	17,791
Cash dividends paid	(6,223)
Net cash used in financing activities	(103,181)
Effect of exchange rate change on cash and cash equivalents	(131)
Net increase in cash and cash equivalents	9,514
Cash and cash equivalents at beginning of year	16,370
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	2,565
Cash and cash equivalents at end of year (Notes 2 and 3)	¥ 28,449
Supplemental disclosures of cash flow information:	
Conversion of convertible debentures to common stock and additional paid-in capital	¥ 211
Cash paid during the year for:	
Interest	16,079
Income taxes	24,211

See accompanying notes.

1. Basis of Presenting Consolidated Financial Statements

ASAHI BREWERIES, LTD. (the "Company"), a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen in accordance with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying consolidated financial statements have been translated from the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the appropriate Local Finance Bureau of the Ministry of Finance of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan. The consolidated statement of cash flows for 1999 and the consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and not required to be filed with the regulatory authorities.

The financial statements are stated in Japanese yen. The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at December 31, 2001, which was ¥131.95 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2000 and 1999 financial statements to conform to the presentation for 2001.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (25 domestic and 13 overseas subsidiaries for 2001 and 2000, and 27 domestic and 2 overseas subsidiaries for 1999). All significant intercompany transactions and account balances are eliminated in consolidation. Effective for the year ended December 31, 2001, all companies in Japan are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or through certain other means. Prior to January 1, 2001, only majority-owned companies were consolidated. The application of this rule to the Company's consolidated financial statements had no effect.

In the elimination of investments in subsidiaries, the assets and liabilities of subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of investment cost over net assets is amortized over five years on a straight-line basis.

Equity method

Investments in certain unconsolidated subsidiaries are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

Cash flow statement

Effective from the year ended December 31, 2000, the Company prepared the 2000 consolidated cash flow statement as required by and in accordance with the new Japanese accounting standard for preparing cash flow statements. The 1999 consolidated cash flow statement was voluntarily prepared in a form familiar to readers outside Japan. In preparing the consolidated cash flow statements for 2001 and 2000, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents. Prior to 2000, however, cash and cash equivalents included only cash and time deposits with maturity of three months or less. The effect for the beginning of 2000 was to increase cash and cash equivalents by ¥9,499 million. The 1999 consolidated cash flow statements have not been restated. Other differences in the consolidated cash flow statement for 2001 and 2000 and those for 1999 include the use of pretax income in 2001 and 2000 instead of net income in 1999, additional disclosure in cash flows from operating activities in 2001 and 2000 of interest expenses, interest and dividend income and interest and dividends received.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of the Company's collection losses.

Securities

Prior to January 1, 2001, securities of the Company and its consolidated subsidiaries (the "Companies") were stated at moving-average cost.

Effective January 1, 2001, the Companies adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments " issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The companies did not have trading securities at December 31, 2001. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities are stated at moving-average cost at December 31, 2001, after which those with available fair market values will be required to be stated at fair market values, and the corresponding unrealized gains or unrealized losses, net of applicable income taxes, will be reported as a separate component of shareholders' equity.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, income before income taxes increased by ¥278 million ($2,107 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard on January 1, 2001, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other non-current assets. As a result, at January 1, 2001, securities in current assets decreased by ¥68,450 million ($518,757 thousand) and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

Inventories

Inventories are stated at cost. Cost is determined mainly by the weighted-average method for all inventories except for raw materials and supplies which are determined using the moving-average method.

Property, plant and equipment

Property, plant and equipment are carried substantially at cost. Depreciation is provided by the straight-line method with respect to production facilities and by the declining-balance method with respect to remaining assets, except for the buildings acquired on or after April 1, 1998, which are depreciated based on the straight-line method due to the amendments to the Corporation Tax Law. Also due to the amendments, the Company shortened the estimated useful lives of buildings, excluding building fixtures, effective January 1, 1999. The effect of this change was to increase depreciation by ¥828 million and to decrease income before income taxes by ¥804 million. Estimated useful lives of the assets are as follows:

Buildings and structures	3–50 years
Machinery and equipment	2–20 years

Japanese tax regulations allow a company to defer capital gains on the sale of real estate if the company intends to offset such gains against the cost of newly acquired property, plant and equipment. When such accounting is followed, the cost of the new property, plant and equipment is reduced to the extent of the deferred capital gains, thereby affecting related depreciation charges and accumulated depreciation.

In addition to the above, for production equipment to be scrapped in conjunction with the closing of the Tokyo brewery, the portion not yet depreciated is depreciated based on the remaining period until the planned date of scrapping.

Income taxes

Effective January 1, 1999, the Company adopted the new accounting standard, which recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Under the new accounting standard, the provision for income taxes is computed based on the pretax income or loss included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences.

Before January 1, 1999, income taxes were provided for the amounts currently payable for each year based on the taxable income, and deferred income taxes were recognized only insofar as they related to the temporary differences arising from the elimination of unrealized intercompany profits.

The effects for the year ended December 31, 1999 were to increase total current assets, non-current assets, non-current liabilities, net income and retained earnings by ¥1,280 million, ¥2,776 million, ¥1,677 million, ¥3,907 million and ¥4,183 million, respectively. Cumulative effect of adopting the new acconting standard amounting to ¥812 million is substracted from the retained earnings brought forward from the previous year.

Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

At December 31, 2000, the Company and its consolidated subsidiaries accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Companies recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective January 1, 2001, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at December 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of January 1, 2001 and the liabilities for severance and retirement benefits recorded as of January 1, 2001 (the "net transition obligation") amounted to ¥20,445 million ($154,945 thousand). The entire net transition obligation amounting to ¥20,445 million ($154,945 thousand) was recognized as an expense in the year ended December 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended December 31, 2001, severance and retirement benefit expenses increased by ¥18,772 million ($142,266 thousand) and income before income taxes decreased by ¥18,772 million ($142,266 thousand) compared with what would have been recorded under the previous accounting standard.

(Changes in accounting policies)

The Company and its domestic consolidated subsidiaries covered 40% of the amount that would have been required if all eligible employees voluntarily terminated their employment as of the balance sheet date. However, effective in the fiscal year ended December 31, 2000, the Company and its domestic consolidated subsidiaries changed the accounting policy to cover 100% of such amount. And certain consolidated subsidiaries changed the accounting policy to recognize the liabilities in the amount equal to the present value of the estimated amount of lump-sum payments and annuities. These changes were made in line with the "Medium-Term Group Management Plan" adopted in October 2000, and reflect a review of the Company's and its consolidated subsidiaries' personnel policies primarily in sales operations. This measure addresses the age structure of employees and the increased number of expected service years of employees, and pertinent deliberations with regard to future retirement benefits payable.

As a result of these changes, in the year ended December 31, 2000, operating income decreased by ¥322 million and loss before income taxes increased by ¥18,442 million compared with what would have been reported under the previous accounting policies.

Annual contributions, which consist of normal costs as well as of amortization of prior service costs over approximately 13 years and 9 months, are charged to income when paid.

Translation of foreign currency accounts

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year–end rates. Prior to January 1, 2001, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective January 1, 2001, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year–end rate.

The effect on the consolidated income statement of adopting the Revised Accounting Standard was immaterial.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year–end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Due to the adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity and minority interests. The prior year's amount, which is included in assets, has not been reclassified.

Derivative financial instruments

The new accounting standard for financial instruments, effective from the year ended December 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries (the "Companies") defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

3. Cash and Cash Equivalents

Reconciliation of cash and time deposits shown in the consolidated balance sheet and cash and cash equivalents shown in the consolidated statement of cash flows as of December 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Cash and time deposits	**¥20,307**	¥17,322	**$153,899**
Less: Time deposits with maturities exceeding three months	**(955)**	(4,034)	**(7,237)**
Add: Short-term highly liquid investments with maturities of not exceeding three months	**—**	11,455	**—**
Cash and cash equivalents	**¥19,352**	¥24,743	**$146,662**

As explained in Note 2, cash and cash equivalents prior to 2000 included only cash and time deposits with maturity of three months or less.

4. Inventories

Inventories at December 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished goods	¥10,444	¥11,651	$ 79,151
Work in process	39,668	40,030	300,629
Raw materials	25,868	26,360	196,044
Supplies	10,137	9,538	76,825
Merchandise	7,439	6,862	56,377
Property for sale	352	371	2,668
	¥93,908	¥94,812	$711,694

5. Securities

A. As permitted in the first year of applying the new accounting standards for financial instruments, available-for-sale securities are stated at cost at December 31, 2001. Had available-for-sale securities with cost of ¥44,457 million ($336,923 thousand) and fair values of ¥40,734 million ($308,708 thousand) been stated at fair values, unrealized losses net of deferred income taxes of ¥1,557 million ($11,800 thousand) would have been ¥2,166 million ($16,415 thousand) and it would have been reported in the shareholders' equity at December 31, 2001.

B. Total sales of available-for-sale securities sold in the year ended December 31, 2001 amounted to ¥21,309 million ($161,493 thousand) and the related gains and losses amounted to ¥843 million ($6,389 thousand) and ¥3,060 million ($23,191 thousand), respectively.

C. The following tables summarize book values of securities with no available fair values as of December 31, 2001:

	Millions of yen	Thousands of U.S. dollars
(a) Held-to-maturity debt securities		
Type	Book value	Book value
Non-listed foreign securities	¥21,493	$162,887
(b) Available-for-sale securities		
Type	Book value	Book value
Non-listed equity securities	¥17,253	$130,754
Preference shares	13,500	102,311
Others	613	4,646

D. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

Millions of yen

Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	¥ 13	¥98	¥ 1	—	¥ 112
Held-to-maturity debt securities					
Foreign securities	1,122	—	20,371	—	21,493
Total	¥1,135	¥98	¥20,372	—	¥21,605

Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
	Thousands of U.S. dollars				
Available-for-sale securities:					
Corporate bonds	$ 99	$743	$ 7	—	$ 849
Held-to-maturity debt securities					
Foreign securities	8,503	—	154,384	—	162,887
Total	$ 8,602	$743	$154,391	—	$163,736

E. In November 2001, the Company contributed, receiving no cash, certain investment securities to its employee retirement benefit trust. The market value of the contributed securities at the time of contribution was ¥12,840 million ($97,310 thousand). Upon contribution of these securities, a "gain on securities contributed to employee retirement benefit trust" amounting to ¥6 million ($45 thousand) was recognized.

F. At December 31, 2000, book value, market value and net unrealized loss of quoted securities included in marketable securities and investments in the accompanying balance sheets were as follows:

	Millions of yen
	2000
Book value:	
Current assets–corporate shares	¥68,450
Investments and other assets	788
	¥69,238
Market value:	
Current assets–corporate shares	¥66,930
Investments and other assets	808
	¥67,738
Net unrealized loss	¥ (1,500)

6. Derivative Financial Instruments

The Companies use interest rate swap and forward currency exchange contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. The Company's Finance Department reports information on derivative transactions to the Manager and Executive Officer of the Finance Department whenever necessary.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables
Interest rate swap contracts	Interest on foreign currency bonds and loans payable

The effectiveness of hedging was not monitored in case interest rate swap contracts meet certain hedging criteria.

The contract amounts and unrealized gain or loss at December 31, 2000 of outstanding derivative transactions were as follows:

	Millions of yen
	2000
(1) Currency-related	
Forward currency exchange contracts:	
Buy	
U.S. dollars	
Contracts outstanding	¥ 13
Unrealized gain	1
Deutsche marks	
Contracts outstanding	44
Unrealized gain	0
Euros	
Contracts outstanding	5
Unrealized gain	0
(2) Interest-related	
Interest rate swaps:	
Pay fixed	
Contracts outstanding	¥29,000
Unrealized loss	589

7. Bank Loans, Commercial Paper and Long-term Debt

Bank loans at December 31, 2001 and 2000 were represented by short-term notes or overdrafts, bearing interest at average rates of 0.38% per annum for 2001 and 1.41% per annum for 2000.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,515,726 thousand). There is an outstanding balance of ¥19,000 million ($143,994 thousand) at December 31, 2001 and outstanding balance of ¥61,000 million at December 31, 2000.

Long-term debt at December 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Domestic debentures:			
2.00% debentures due in 2001	¥ —	¥ 10,000	$ —
2.45% debentures due in 2001	—	10,000	—
2.85% debentures due in 2001	—	20,000	—
1.60% debentures due in 2002	10,000	10,000	75,786
2.70% debentures due in 2002	15,000	15,000	113,679
3.05% debentures due in 2002	15,000	15,000	113,679
2.50% debentures due in 2003	10,000	10,000	75,786
1.11% debentures due in 2004	30,000	30,000	227,359
1.54% debentures due in 2004	10,000	10,000	75,786
0.48% debentures due in 2005	5,000	—	37,893
0.50% debentures due in 2005	15,000	—	113,679
0.63% debentures due in 2006	5,000	—	37,893
0.66% debentures due in 2006	25,000	—	189,466
1.48% debentures due in 2006	20,000	20,000	151,573
0.90% convertible debentures due in 2001	—	10,042	—
2.50% mortgage convertible debentures due in 2001	—	108	—
0.95% convertible debentures due in 2002	8,419	8,419	63,804
1.00% convertible debentures due in 2003	15,452	15,452	117,105
0.70% convertible debentures due in 2005	29,998	29,998	227,344
Various bonds and notes issued by consolidated subsidiaries	21,492	27,040	162,881
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:			
Secured loans due through 2013 at interest rates of mainly 1.8% to 5.4%	13,007	16,445	98,575
Unsecured loans due through 2012 at interest rates of mainly 0.8% to 3.3%	64,246	76,108	486,897
	312,614	333,612	2,369,185
Amount due within one year	(74,330)	(70,668)	(563,319)
	¥238,284	¥262,944	$1,805,866

The trust deeds, under which the convertible debentures were issued, provide, among other conditions, for the conversion prices per share into common shares. The current conversion prices per share at December 31, 2001 were as follows:

	Yen	Thousands of U.S. dollars
0.95% convertible debentures due in 2002	¥1,165.00	$ 8.83
1.00% convertible debentures due in 2003	1,165.00	8.83
0.70% convertible debentures due in 2005	1,763.00	13.36

At December 31, 2001, 37,504 thousand shares of common stock were issuable upon full conversion of outstanding convertible debentures at the current conversion prices.

As for 0.90% convertible debentures due in 2001, 0.95% convertible debentures due in 2002 and 1.00% convertible debentures due in 2003, there are certain restrictions on the payment of cash dividends as defined in the indenture as long as the bonds are outstanding.

At December 31, 2001, the domestic debentures and secured long–term loans were collateralized by "factory mortgages" pursuant to the Factory Hypothecation Law of Japan as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥29,214	$221,402
Buildings and structures (net of depreciation)	14,110	106,934
Machinery and equipment (net of depreciation)	11,674	88,473
Deposits	2,000	15,158
	¥56,998	$431,967

The aggregate annual maturities of long-term debt at December 31, 2001 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2002	¥12,445	$ 94,316
2003	41,163	311,959
2004	16,074	121,819
2005	1,119	8,480
2006	947	7,177
2007 and thereafter	5,505	41,721
	¥77,253	$585,472

8. Employees' Severance and Retirement Benefits

As explained in Note 2. Significant Accounting Policies, effective January 1, 2001, the Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of December 31, 2001 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥70,559	$534,740
Less fair value of pension assets	(20,642)	(156,438)
Less fair value of employees' retirement benefit trust	(12,576)	(95,309)
Less unrecognized actuarial differences	(2,180)	(16,521)
Employees' severance and retirement benefits	¥35,161	$266,472

Included in the consolidated statement of income for the year ended December 31, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Service costs – benefits earned during the year	¥ 3,584	$ 27,162
Interest cost on projected benefit obligation	1,913	14,498
Expected return on plan assets	(480)	(3,638)
One-time amortization of net transition obligation	20,445	154,945
Severance and retirement benefit expenses	¥25,462	$192,967

The discount rate and the rate of expected return on plan assets used by the Company are mainly 3% and 3 %, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over 10 years, and actuarial gains/losses are recognized in statement of operations using the straight-line method over 10 years.

Unamortized prior service costs under the non-contributory funded pension plan at December 31, 2000 amounted to ¥14,023 million.

Charges with respect to employees' retirement benefits for the years ended December 31, 2000 and 1999 were ¥23,658 million and ¥4,289 million, respectively.

9. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 42% for 2001, 42% for 2000 and 47% for 1999.

The actual effective tax rate differed from the normal effective rate, primarily as a result of expenses not deductible for tax purposes, bad debt expense not deductible for current year and loss on liquidation of consolidated subsidiaries not deductible for current year.

Income taxes of ¥6,065 million ($45,965 thousand), ¥1,288 million (credit) and ¥10,622 million for the years ended December 31, 2001, 2000 and 1999, respectively, in the accompanying consolidated statements of operations reflect the addition (in case of debit) or subtraction (in case of credit) of deferred income taxes of ¥18,859 million ($142,925 thousand) (credit), ¥10,671 million (credit) and ¥4,336 million (debit), respectively.

Significant components of deferred income tax assets and liabilities as of December 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred income tax assets:			
Allowance for doubtful receivables	¥ 9,598	¥ 4,049	$ 72,740
Severance and Retirement benefits	14,755	8,237	111,823
Accrued expenses for enterprise tax	1,747	—	13,240
Depreciation	2,076	1,242	15,733
Accrued expenses for write-offs of fixed assets	753	753	5,707
Loss on devaluation of investment securities	2,875	—	21,789
Net operating loss carry forwards	4,970	5,228	37,666
Unrealized gain on sale of non-current assets eliminated on consolidation	14,317	14,045	108,503
Others	4,941	3,722	37,445
	56,032	37,276	424,646
Valuation allowance	(4,542)	(4,282)	(34,422)
Total deferred income tax assets	51,490	32,994	390,224
Deferred income tax liabilities:			
Reserves deductible for Japanese tax purposes	(2,323)	(3,256)	(17,605)
Total deferred income tax liabilities	(2,323)	(3,256)	(17,605)
Net deferred income tax assets	¥49,167	¥29,738	$372,619
Deferred income tax liabilities:			
Revaluation gain of assets acquired in merger	—	(¥ 1,574)	—
Total deferred income tax liabilities	—	(1,574)	—
Net deferred income tax liabilities	—	(¥ 1,574)	—

10. Shareholders' Equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Effective October 1, 2001, the Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

11. Commitments and Contingent Liabilities

At December 31, 2001, the Company and its consolidated subsidiaries were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, affiliated companies, employees and others, including letters of awareness and keep-well agreements, in the amount of ¥12,122 million ($91,868 thousand).

12. Loss on Liquidation of Unconsolidated Subsidiaries

For the year ended December 31, 1999, loss on liquidation of unconsolidated subsidiaries amounted to ¥33,968 million, which comprised the investments written off by the Company and waived long-term loans receivable from unconsolidated subsidiaries.

13. Information for Certain Leases

Finance leases which do not transfer ownership to lessees (and do not have bargain purchase provisions) are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 2001 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥ 53,249	¥30,149	¥23,100	$ 403,554	$228,488	$175,066
Furniture and fixtures	106,402	59,927	46,475	806,381	454,164	352,217
Others	280	153	127	2,123	1,160	963
	¥159,931	¥90,229	¥69,702	$1,212,058	$683,812	$528,246

Future lease payments as of December 31, 2001, net of interest, under such leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥24,215	$183,516
Due after one year	52,048	394,453
	¥76,263	$577,969

Lease payments, depreciation equivalents and amounts representing interest under the finance leases which are accounted for in the same manner as operating leases for the years ended December 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Lease payments	**¥32,282**	¥32,466	**$244,653**
Depreciation equivalents	**25,838**	27,745	**195,817**
Amounts representing interest	**3,793**	4,604	**28,746**

14. Subsequent Events

A.

Main items approved at the shareholders' meeting of the Company held on March 28, 2002 were as follows:

Appropriation of retained earning:

	Millions of yen	Thousands of U.S. dollars
2001 year-end cash dividends (¥7.00 or $0.053 per share)	**¥3,591**	**$27,215**
Bonuses to directors and corporate auditors	**57**	**432**

It was resolved to appropriate ¥60 billion of additional paid-in capital and ¥9 billion of legal reserve of the Company primarily for the purpose of acquiring the Company's shares as described below.

The Company may acquire up to 60 million common shares of the Company and up to the total amount of ¥60 billion in a period from the close of this general meeting of shareholders to the close of the next ordinary general meeting of shareholders.

11 directors and 32 executive officers were given the right to subscribe newly issued shares (stock option), which will be exercisable from January 1, 2005 to March 27, 2012. The maximum number of shares to be issued is 200,000 for directors and 408,000 for executive officers.

B.

(1) On February 18, 2002, the Company and Kyowa Hakko Kogyo Co., Ltd. ("Kyowa") have reached a basic agreement to transfer Kyowa's alcoholic beverage business to the Company. This decision, which will see the transfer of businesses relating to *Sho-chu*, low alcohol beverages, wine and other related products, was reached at the meeting of the boards of directors of the two companies held on February 18, 2002. The raw alcohol business will not be included in the transfer.

(2) Details of the Agreement

①Alcohol Beverage Sales Division

Kyowa's Alcohol Beverage Sales Division will be transferred to the Company in the year of 2002. The Company will then take a responsibility for sales of *Sho-chu*, low alcohol beverage, wine and other related products.

②Alcohol Beverage Manufacturing Division

Kyowa will spin off its Tsuchiura and Moji alcohol beverage production plants to establish a new company ("NewCo"). The company will own 60 percent of the shares of the NewCo, which will be managed as a joint venture from 2002 onwards. The Company is scheduled to purchase the rest of shares of the NewCo three years later from the establishment of the new company, changing the NewCo to wholly-owned subsidiary of the Company.

③Alcohol Beverage Manufacturing Subsidiaries of Kyowa Hakko

Saint Neige Wine Co., Ltd., Satsuma-tsukasa Co., Ltd. And Yuki-no-hana Co., Ltd. are Kyowa's alcohol beverage manufacturing subsidiaries, located in Yamanashi pref., Kagoshima pref. and Hokkaido Japan respectively. All the shares Kyowa currently owns in these subsidiaries will be transferred to the Company.

(3) Business performance of Kyowa's alcoholic business unit to be acquired

Unit: Millions of yen

	FY2001 (April 1, 2000—March 31, 2001)	
	Alcoholic Beverage business unit	Kyowa Hakko (Non consolidated)
Sales Amount	¥38,588	¥306,653
Operating Profit	(263)	17,264

The consolidated and non-consolidated financial forecasts for year ending December 31, 2002 have not been finalized.

15. Segment Information

The Company operates primarily in the production and sales of alcoholic beverages, soft drinks and food, real estate and others.

Business segment information for the years ended December 31, 2001, 2000 and 1999 was as follows:

	Millions of yen					
Year ended December 31, 2001	Alcoholic beverages	Soft drinks and food	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,179,412	¥ 201,772	¥ 3,058	¥ 49,122	¥ —	¥ 1,433,364
Intersegment	2,104	5,180	457	657	(8,398)	—
Total sales	1,181,516	206,952	3,515	49,779	(8,398)	1,433,364
Operating expenses	1,088,881	208,437	1,682	50,595	5,992	1,355,587
Operating income (loss)	¥ 92,635	¥ (1,485)	¥ 1,833	¥ (816)	¥ (14,390)	¥ 77,777
Identifiable assets	¥ 933,195	¥ 101,691	¥105,746	¥ 38,896	¥ 161,575	¥ 1,341,103
Depreciation	41,900	5,627	1,162	1,707	2,505	52,901
Capital investments	47,473	8,834	2,302	1,607	4,613	64,829

Year ended December 31, 2000						
Sales:						
Outside customers	¥1,127,737	¥ 216,191	¥ 4,194	¥ 50,986	¥ —	¥ 1,399,108
Intersegment	2,113	4,678	366	153	(7,310)	—
Total sales	1,129,850	220,869	4,560	51,139	(7,310)	1,399,108
Operating expenses	1,043,076	218,860	1,843	51,897	6,882	1,322,558
Operating income (loss)	¥ 86,774	¥ 2,009	¥ 2,717	¥ (758)	¥ (14,192)	¥ 76,550
Identifiable assets	¥ 869,290	¥ 108,158	¥111,700	¥ 24,289	¥ 276,390	¥ 1,389,827
Depreciation	40,008	4,667	1,508	1,855	3,752	51,790
Capital investments	51,105	10,203	231	2,552	2,427	66,518

Year ended December 31, 1999						
Sales:						
Outside customers	¥1,114,441	¥ 229,704	¥ 3,897	¥ 48,856	¥ —	¥ 1,396,898
Intersegment	2,700	5,346	353	1,070	(9,469)	—
Total sales	1,117,141	235,050	4,250	49,926	(9,469)	1,396,898
Operating expenses	1,031,104	228,078	2,627	49,832	5,135	1,316,776
Operating income (loss)	¥ 86,037	¥ 6,972	¥ 1,623	¥ 94	¥ (14,604)	¥ 80,122
Identifiable assets	¥ 851,186	¥ 114,134	¥ 92,065	¥ 34,013	¥ 314,109	¥ 1,405,507
Depreciation	33,856	4,353	1,069	2,139	2,423	43,840
Capital investments	51,708	6,530	780	2,107	2,024	63,149

	Thousands of U.S. dollars					
Year ended December 31, 2001	Alcoholic beverages	Soft drinks and food	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	$8,938,325	$1,529,155	$ 23,175	$372,278	$ —	$10,862,933
Intersegment	15,945	39,257	3,464	4,979	(63,645)	—
Total sales	8,954,270	1,568,412	26,639	377,257	(63,645)	10,862,933
Operating expenses	8,252,224	1,579,666	12,747	383,441	45,412	10,273,490
Operating income (loss)	$ 702,046	$ (11,254)	$ 13,892	$ (6,184)	$ (109,057)	$ 589,443
Identifiable assets	$7,072,338	$ 770,678	$801,410	$294,778	$1,224,517	$10,163,721
Depreciation	317,545	42,645	8,806	12,937	18,984	400,917
Capital investments	359,780	66,950	17,446	12,179	34,960	491,315

Assets in the corporate column mainly comprise current and non-current securities of the Company.

Sales outside Japan and sales to foreign customers were less than 10% of the Company's consolidated net sales for 2001, 2000 and 1999.

Report of Independent Public Accountants

To the Board of Directors of
ASAHI BREWERIES, LTD.:

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) and its consolidated subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001, expressed in Japanese yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of ASAHI BREWERIES, LTD. and its consolidated subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except as noted in the following paragraph.

As explained in Note 2, ASAHI BREWERIES, LTD. and its consolidated subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards for tax-effect accounting effective from the year ended December 31, 1999, for cash flow statements effective from the year ended December 31, 2000 and for financial instruments and employees' severance and retirement benefits and the revised accounting standard for foreign currency translation effective from the year ended December 31, 2001. Also, effective January 1, 2000, ASAHI BREWERIES, LTD. and its consolidated subsidiaries changed the method of accounting for employees' serverance and retirement benefits as referred to in Note 2, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
March 28, 2002

Statement on Accounting Principles and Auditing Standards
This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Board of Directors, Auditors, and Executive Officers

Shigeo Fukuchi
Chairman of the Board and
Chief Executive Officer

Kouichi Ikeda
President and
Chief Operating Officer

Koichi Asahi
Executive Vice President

Sugao Nishikawa
Executive Vice President

Board of Directors

Shigeo Fukuchi
Chairman of the Board and CEO

1957 Graduated from Nagasaki University; joined Asahi Breweries
1988 Appointed Director and General Manager of Osaka Branch
1991 Appointed Managing Director and Senior Deputy General Manager of Sales & Marketing Headquarters
1993 Appointed Senior Managing Director
1996 Appointed Executive Vice President and Representative Director
1999 Appointed President and Representative Director
2000 Appointed President and Chief Operating Officer
2002 Appointed Chairman of the Board and Chief Executive Officer

Kouichi Ikeda
President and COO

1963 Graduated from Kyushu University; joined Asahi Breweries
1996 Appointed Director and Senior General Manager of Kyushu, Chugoku and Shikoku Regional Headquarters
1997 Appointed Managing Director and Senior Managing Director of Kyushu and Chugoku Regional Headquarters
1999 Appointed Senior Managing Director, Senior Deputy General Manager of Sales & Marketing Headquarters and Senior General Manager of Shutoken Regional Headquarters
2001 Appointed Senior Managing Director
2002 Appointed President and Chief Operating Officer

Executive Vice Presidents
Koichi Asahi
Sugao Nishikawa

Senior Managing Director
Sadao Ogura

Managing Directors
Masaaki Okada
Akira Ohara

Advisory Director
Yuzo Seto

Directors
Nobuo Yamaguchi
Yukio Okamoto
Tomoyo Nonaka

Auditors

Standing Corporate Auditors
Akashi Sato
Masaki Ogiya
Toshio Harada

Corporate Auditors
Takahide Sakurai
Matsutaro Morita

Executive Officers

Executive Officer and Vice President
Susumu Tsukada

Senior Managing Executive Officers
Junichi Sakamoto
Tomoaki Tsukiyama
Hiroshi Fujita
Hitoshi Ogita

Managing Executive Officers
Tadashi Asahara
Yutaka Nakamura
Masahiko Ozeki
Nagayuki Akimoto
Yoshihiro Goto
Masaru Kuraguchi
Masatoshi Takahashi

Executive Officers
Naoki Izumiya
Kazuo Motoyama
Yuji Ninomiya
Tsuneshiro Kitajima
Tadashi Tamada
Hikaru Kawamura
Hisao Tominaga
Hideyuki Ishibashi
Noboru Ninomiya
Masakazu Eto
Syunzo Asano
Tsugiya Iwasaki
Osamu Sasaki
Yoshifumi Nishino
Nobukazu Yoshioka
Akira Matsunobu
Kenshi Hirayama
Akiyoshi Koji
Seikou Takahashi
Sakae Mitani
Nobuo Nagura
Toshifumi Ishii

Major Subsidiaries

Domestic

Manufacturing

The Nikka Whisky Distilling Co., Ltd.
Issued Share Capital: ¥14,989 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of whisky

Asahi Beer Pax Co., Ltd.
Issued Share Capital: ¥3,000 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of bottles

Asahi Soft Drinks Co., Ltd.
Issued Share Capital: ¥11,081 million
Capital Investment Percentage: 51.2%
Principal Business: Production and sales of soft drinks

Asahi Beer Food, Ltd.
Issued Share Capital: ¥300 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of food

Asahi Beer Pharmaceutical Co., Ltd.
Issued Share Capital: ¥490 million
Capital Investment Percentage: 99.8%
Principal Business: Production and sales of pharmaceuticals and health food

Nippon National Seikan Company, Ltd.
Issued Share Capital: ¥1,000 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of cans

Asahi Beer Malt, Ltd.
Issued Share Capital: ¥90 million
Capital Investment Percentage: 91.9%
Principal Business: Processing of malt

Transportation

Asahi Logistics Co., Ltd.
Issued Share Capital: ¥836 million
Capital Investment Percentage: 100.0%
Principal Business: Transportation and warehousing

Restaurants

Asahi Food Create, Ltd.
Issued Share Capital: ¥1,500 million
Capital Investment Percentage: 100.0%
Principal Business: Operation of restaurants

Asahi Beer Garden, Ltd.
Issued Share Capital: ¥490 million
Capital Investment Percentage: 100.0%
Principal Business: Operation of restaurants

Real Estate

Asahi Beer Real Estate, Ltd.
Issued Share Capital: ¥3,000 million
Capital Investment Percentage: 100.0%
Principal Business: Real estate leasing, sales, and development

Overseas

United States

Asahi Beer U.S.A., Inc.
Issued Share Capital: US$32 million
Capital Investment Percentage: 99.2%
Principal Business: Sales and marketing of beer
Headquarters & Los Angeles Branch: 20000 Mariner Avenue, Suite 300, Torrance, CA 90503, U.S.A.
Tel: (1) 310-921-4000
Fax: (1) 310-921-4001

New York Branch
11 Martine Ave., Suite 770, White Plains, NY 10606, U.S.A.
Tel: (1) 914-428-3636
Fax: (1) 914-428-2444

Europe

Asahi Beer International Finance B.V.
Issued Share Capital: DGI.30 million
Capital Investment Percentage: 100.0%
Principal Business: Trading of securities and loans
Inquiries should be directed to the Tokyo Head Office.

Asahi Beer Europe Limited
Issued Share Capital: £8.1 million
Capital Investment Percentage: 100.0%
Principal Business: Sales and marketing of beer
17 Connaught Place, London W2 2EL, U.K.
Tel: (44) 20-7706-8330
Fax: (44) 20-7706-4220

Buckinghamshire Golf Company Limited
Issued Share Capital: £14 million
Capital Investment Percentage: 100.0%
Principal Business: Ownership and management of a golf club
Denham Court Drive, Denham
Buckinghamshire UB9 5BG, U.K.
Tel: (44) 1895-835777
Fax: (44) 1895-835210

Asia

Asahi Breweries Itochu (Holdings) Ltd.
Principal Business: Investment in Chinese breweries
Inquiries should be directed to the Tokyo Head Office.

Hangzhou Xihu Beer Asahi Co., Ltd.
Issued Share Capital: RMB226 million
Capital Investment Percentage: 55.0%
Principal Business: Production and sales of beer

Jiaxing Haiyan Beer Xihu Asahi Co., Ltd.
Issued Share Capital: RMB33 million
Capital Investment Percentage: 55.0%
Principal Business: Production and sales of beer

Quanzhou Qingyuan Beer Asahi Co., Ltd. Fujian
Issued Share Capital: RMB108 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of beer

Asahi Breweries Itochu China (Holdings) Ltd.
Principal Business: Investment in Chinese breweries
Inquiries should be directed to the Tokyo Head Office.

Beijing Beer Asahi Co., Ltd.
Issued Share Capital: RMB333 million
Capital Investment Percentage: 55.0%
Principal Business: Production and sales of beer

Yantai Beer Asahi Co., Ltd.
Issued Share Capital: RMB219 million
Capital Investment Percentage: 53.0%
Principal Business: Production and sales of beer

Yantai Beer Dong Ying Xinyi Co., Ltd.
Issued Share Capital: RMB8 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of beer

Shenzhen Tsingtao Beer Asahi Co., Ltd.
Issued share capital: RMB248 million
Capital Investment Percentage: 29.0%
Principal Business: Production and sales of beer

Asahi Beer (China) Investment Co., Ltd.
Issued Share Capital: RMB248 million
Capital Investment Percentage: 100.0%
Principal Business: Investment

Asahi Beer (Shanghai) Product Services Co., Ltd.
Issued Share Capital: RMB124 million
Capital Investment Percentage: 100.0%
Principal Business: Sales of beer

Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd.
Issued Share Capital: RMB70 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of beverage

(As of December 31, 2001)

Investor Information

Head Office
23-1, Azumabashi 1-chome,
Sumida-ku, Tokyo 130-8602, Japan
Tel: (03) 5608-5126
Fax: (03) 5608-7121
URL: http://www.asahibeer.co.jp

Fiscal Year-End Date
December 31 on an annual basis

Dividends
Year-end: To the recorded shareholders on December 31

Date of Establishment
September 1, 1949

Paid-in Capital
¥182,531 million

Number of Shares of Common Stock Issued
513,585,004

Number of Shareholders
60,199

Major Shareholders
The Dai-ichi Mutual Life Insurance Company
Sumitomo Mitsui Banking Corporation
Japan Trustee Services Bank, Ltd. (Trust account)
The Mitsubishi Trust and Banking Corporation
Fukoku Mutual Life Insurance Company
Asahi Kasei Corporation
Sumitomo Life Insurance Company
J.P. Morgan Trust Bank Ltd. (Trust account—tax exempt)
The Toyo Trust & Banking Co., Ltd.*
The Industrial Bank of Japan, Limited

*As of January 15, 2002, The Toyo Trust & Banking Co., Ltd. changed its trade name to UFJ Trust Bank Limited.

Number of Domestic Offices and Facilities
Regional Headquarters: 9
Branch Offices: 40
Breweries: 10
Laboratories: 6

Number of Overseas Offices
Business Coordination Department: 1
Business Offices: 5

Number of Employees
3,799

Stock Exchange Listings
Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges

Newspaper for Official Notice
Nihon Keizai Shimbun

Transfer Agent and Registrar
UFJ Trust Bank Limited.
Corporate Agency Department
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: (03) 5683-5111

Ordinary General Meeting of Shareholders
The ordinary general meeting of shareholders of the Company is normally held in March each year in Tokyo, Japan. In addition, the Company may hold an extraordinary meeting of shareholders as necessary, giving at least two weeks' prior notice to shareholders.

Auditor
Asahi & Co.

(As of December 31, 2001)

Asahi

ASAHI BREWERIES, LTD.

http://www.asahibeer.co.jp

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