Asahi

To be the **clear choice**

ANNUAL REPORT 2003

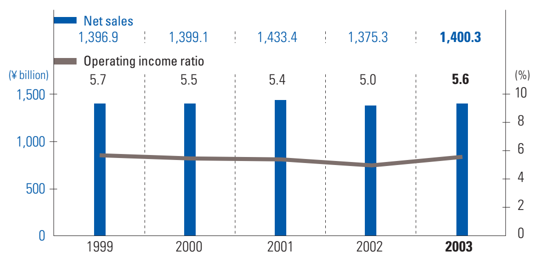
FINANCIAL HIGHLIGHTS

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2003, 2002 and 2001

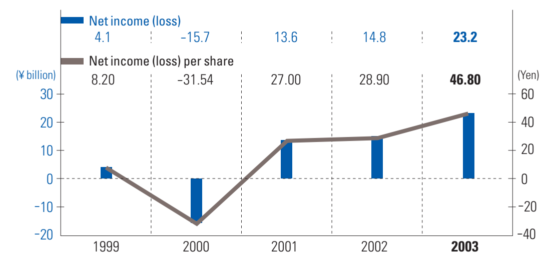
	Millions of yen			Thousands of U.S. dollars (Note)
	2003	2002	2001	**2003**
For the year:				
Net sales	**¥ 1,400,302**	¥ 1,375,267	¥ 1,433,364	**$ 13,071,054**
Operating income	**78,984**	69,341	77,777	**737,273**
Operating income ratio (%)	**5.6**	5.0	5.4	**5.6**
Net income	**23,210**	14,754	13,617	**216,653**
Net cash provided by operating activities	**115,358**	77,951	110,107	**1,076,804**
Capital investments	**38,184**	41,257	64,829	**356,427**
At year-end:				
Total assets	**1,244,410**	1,294,738	1,341,103	**11,615,887**
Interest-bearing debt	**336,285**	402,206	417,167	**3,139,037**
Total shareholders' equity	**398,153**	387,539	385,965	**3,716,541**
Per share data (in yen and U.S. dollars)**:**				
Net income – Primary	**¥ 46.80**	¥ 28.90	¥ 27.00	**$ 0.44**
– Fully diluted	**44.58**	27.46	25.25	**0.42**
Cash dividends applicable to the year	**13.00**	13.00	13.00	**0.12**
Total shareholders' equity	**810.19**	770.86	752.25	**7.56**
Key ratios:				
ROE (%)	**5.9**	3.8	3.7	
ROA (%)	**5.6**	4.4	4.4	
Total assets turnover (times)	**1.1**	1.0	1.1	
Shareholders' equity ratio (%)	**32.0**	29.9	28.8	
Interest coverage ratio (times)	**16.8**	12.1	9.9	
Debt-to-equity ratio (%)	**84.5**	103.8	108.1	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥107.13 to U.S.$1, the exchange rate prevailing at December 31, 2003.

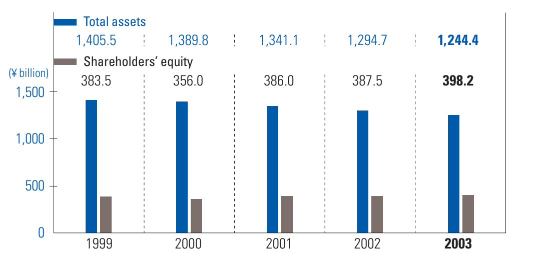
Net sales / Operating income ratio



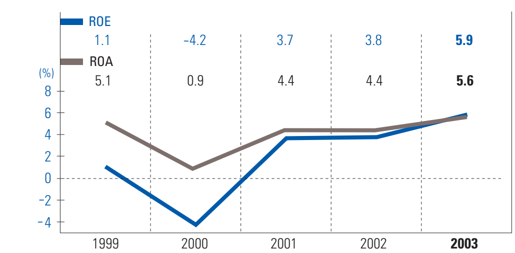
Net income (loss) / Net income (loss) per share



Total assets / Shareholders' equity



ROE / ROA ROA = Ordinary income/Total assets (average) x100



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.

To be the ***clear choice***

Asahi Breweries goes the distance in its Second Group Medium-Term Management Plan on commitment to "Food and Health"

CORPORATE PHILOSOPHY

The Asahi Breweries Group aims to satisfy customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and the enrichment of society worldwide.

PROFILE

The Asahi Breweries Group operates three main lines of business: the alcoholic beverages business, comprising the manufacture and sales of beer and happoshu* (low malt beer), shochu, low-alcohol beverages, whisky, wines, and other alcoholic beverages; the soft drinks business, engaging in the manufacture and sales of canned coffee, Japanese tea, and other soft drinks; and the food and pharmaceuticals business, providing brewer's yeast tablets and supplements, as well as dietary foods. In our alcoholic beverages business, the core of our Group, beer and happoshu boast leading brands such as *Asahi Super Dry*, the world's No.6** beer brand, and *Asahi Honnama* happoshu, which together have earned our company top domestic share in the combined beer and happoshu market. Building on its solid foundation in the alcoholic beverages business, the Asahi Breweries Group formulated the Second Group Medium-Term Management Plan for the three years from fiscal 2004 to 2006. Guided by our vision to generate a new Asahi Breweries Group with abundant growth potential, we plan to realize future expansion by reforming our business structure and organizational characteristics.

*** Happoshu**
Happoshu is a beer-flavored alcoholic beverage that uses less malt than beer. Under Japan's Liquor Tax Law, happoshu is taxed at a lower rate than beer due to its low malt content, 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.

****** Source: Impact Databank 2003 Edition

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MESSAGE FROM THE MANAGEMENT

Asahi Breweries had many successes during fiscal 2003, a year characterized by transition and adjustment. We achieved a record level of net income for the third consecutive year, introduced several innovative and popular new products, and made progress in diversifying our product lines and earnings base. Meanwhile, the five-year management plan we had adopted in fiscal 2000 was superseded by changes in the market and operating environment, forcing us to reconsider our course of action. After careful consideration of the best means to achieve our goals, we decided to end that business plan a year early and adopt a new set of strategies more in line with current realities. We would like to highlight our successes so far and outline our plans for the future.

SUSTAINED GROWTH CREATION

Kouichi Ikeda President and COO **Shigeo Fukuchi** Chairman and CEO

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Fiscal 2003 Performance Results

Three Consecutive Years of Record Earnings

Asahi Breweries achieved year-on-year increases in sales and earnings for fiscal 2003. Consolidated net sales rose 1.8% to ¥1,400 billion, while operating income jumped 13.9% to ¥79 billion. Consolidated net income surged 57.3% to ¥23 billion, setting a new record high for the third straight year.

Three principal factors have underpinned our recent accomplishments. First is a widening of the foundation of our core alcoholic beverages business. Along with steady sales of our mainstay beer *Asahi Super Dry*, we achieved strong sales of new products such as the happoshu *Asahi Honnama Aqua Blue*, launched in July 2003. Acquisitions and marketing alliances have led to greater sales and improved profitability for shochu, low-alcohol beverages, whisky and spirits, and wines. In addition, the return to profitability in our soft drinks business made a vital contribution to the rise in earnings.

The second factor behind our success is the improvement in the Group's cost competitiveness. We have been diligent in our efforts to reduce variable costs, cutting approximately ¥10.8 billion in the alcoholic beverages business and ¥3.5 billion in the soft drinks business.

Third is the series of fiscal and business restructuring measures we have implemented. Along with fueling record net income for the third straight year, these measures have reduced our debt to a total of ¥65.9 billion and lowered the debt-to-equity ratio to less than 1. This has allowed us to acquire ¥8.6 billion in treasury stock and vastly improve both our financial position and capital efficiency ratio.

A New Management Plan for a Changing Environment

The First Group Medium-Term Management Plan— Successes and Challenges

Our strong performance in fiscal 2003 was due to the successful initial implementation of the First Group Medium-Term Management Plan, which had been designed to cover the five-year period from fiscal 2000 through 2004. The basic outline of this plan called for management reform and strengthening of the business foundation during the first two years, and increased competitiveness and growth for the entire Group during the third year and beyond. In line with this strategy, we successfully diversified the alcoholic beverages business through M&A and other investments, restructured Group businesses, and reformed our corporate governance policies. We also restructured our financial and business position with strict measures such as accounting for unrealized losses on marketable securities.

Since the second stage of the plan began in fiscal 2002, we have concentrated on bolstering key business areas outside the alcoholic beverages business, such as soft drinks, food and pharmaceuticals, and overseas business, as well as cultivating new businesses. In these areas, however, we have not achieved the success envisioned in our initial forecasts. Moreover, the operating environment and market have changed so dramatically since the First Group Medium-Term Management Plan was formulated that we came to realize a new plan would be necessary.

The Second Group Medium-Term Management Plan was introduced to accelerate the progress made under the first plan,

"The three factors behind our third consecutive year of record earnings were a broadening of the product base, greater cost competitiveness, and efficient financial and business restructuring."

and to quickly resolve outstanding issues. Specific measures include initiatives aimed at quickly responding to developments such as the shift in consumer preferences.

The new plan covers the three-year period from fiscal 2004 through 2006, but we consider this timeframe to be little more than a "way station" in our Group development. Successful implementation of this plan will lay the foundation for rapid development of the entire Group, and provide it with long-term growth.

Initiatives for Further Growth

Goals of the Second Group Medium-Term Management Plan

The primary goal of our new management plan is to "create a new Asahi Breweries Group with abundant growth potential." By growth potential we mean not only expanded sales, but greater earnings as well. We are restructuring businesses throughout the Group to realize this kind of profitable growth.

Beginning with the core alcoholic beverages business, in which the beer and happoshu category is a mature market, we will solidify our position through steady growth, while at the same time continuing to improve our cost competitiveness and increase our earnings capacity. We will also enhance other alcohol categories apart from beer and happoshu, diversifying earnings to generate the stable, long-term cash flows of a comprehensive alcoholic beverages producer.

Successful diversification initiatives in the alcoholic beverages business already have been reflected in our results. Under the new business plan, we will implement similar initiatives to improve earnings in soft drinks, food and pharmaceuticals, and overseas business. We also plan to use the cash flows generated by the alcoholic beverages business over the next three years to build a growth structure for the Group, making further investments in business diversification efforts, including possible M&A activities.

In accordance with our long-standing policy, cash flows are allocated in an appropriate ratio for business investment, returns to shareholders, and reduction of debt.

Through the successful realization of these measures, in the final year of the plan in fiscal 2006, we aim to achieve net sales of ¥1,660 billion (up 19% from fiscal 2003 results), operating income of ¥115 billion (up 46%), and net income of ¥50 billion (up 116%). We also intend to achieve an operating income ratio of near 7.0% and ROE of more than 10% by fiscal 2006.

Strategies and Targets for Fiscal 2004

Our primary goal for fiscal 2004, the first year of our Second Group Medium-Term Management Plan, is to establish a new earnings structure. In the alcoholic beverages business, we will continue to aim for further growth and efficiency as a leading

"Our targets for fiscal 2006 include an operating income ratio of near 7.0%, ROE of more than 10%, and net income more than double that of fiscal 2003."

"The Second Group Medium-Term Management Plan outlines our response to dramatic changes in the market over the last few years."

comprehensive alcoholic beverages producer. In soft drinks, food and pharmaceuticals, and overseas business, we will improve the earnings capacity for existing businesses, while investing in these businesses to ensure growth for the entire Asahi Breweries Group.

As a result of these measures, for fiscal 2004, we forecast net sales of ¥1,440 billion (up 2.8% from fiscal 2003), operating income of ¥84 billion (up 6.4%), and net income of ¥26 billion (up 12.0%).

Corporate Governance and Harmony with Society

Organizational Reform and Progress with CSR Management

Proper implementation of measures and initiatives outlined above, as well as realization of profitable growth, depend on further strengthening of our corporate governance. The fundamental principles supporting Asahi Breweries' management structure have always been to strive for greater fairness and transparency in management, a quicker decision-making process, and strict adherence to compliance policies. Building on this base, we are now clarifying areas of responsibility for our managers to allow them to demonstrate stronger leadership, as well as strengthening management's commitment to the goals of the second medium-term plan.

Asahi Breweries is also introducing new personnel and compensation systems that emphasize abilities and results, and we are expanding the scope of its management development training. Through these measures, we are seeking to create a structural character that is able to draw out the "will to meet any challenge," the force binding together our corporate Group.

We realize that increasing the level of trust held by society in the entire Asahi Breweries Group is an essential part of creating an enduring corporation that will last well into the future. To help make this structure a reality, in fiscal 2003, we established a CSR Committee, through which we will devote extensive effort toward enhancing trust in our relationships with customers, local communities, business partners, employees, and all Asahi Breweries' stakeholders.

We will continue to concentrate our efforts toward realization of "an Asahi Breweries Group with abundant growth potential." Thank you for your understanding and support of Asahi Breweries.

March 2004

Shigeo Fukuchi Chairman and Chief Executive Officer

Kouichi Ikeda President and Chief Operating Officer

SPECIAL **FEATURE**

Assessing the First

2000—2003 Group Medium-Term Management Plan

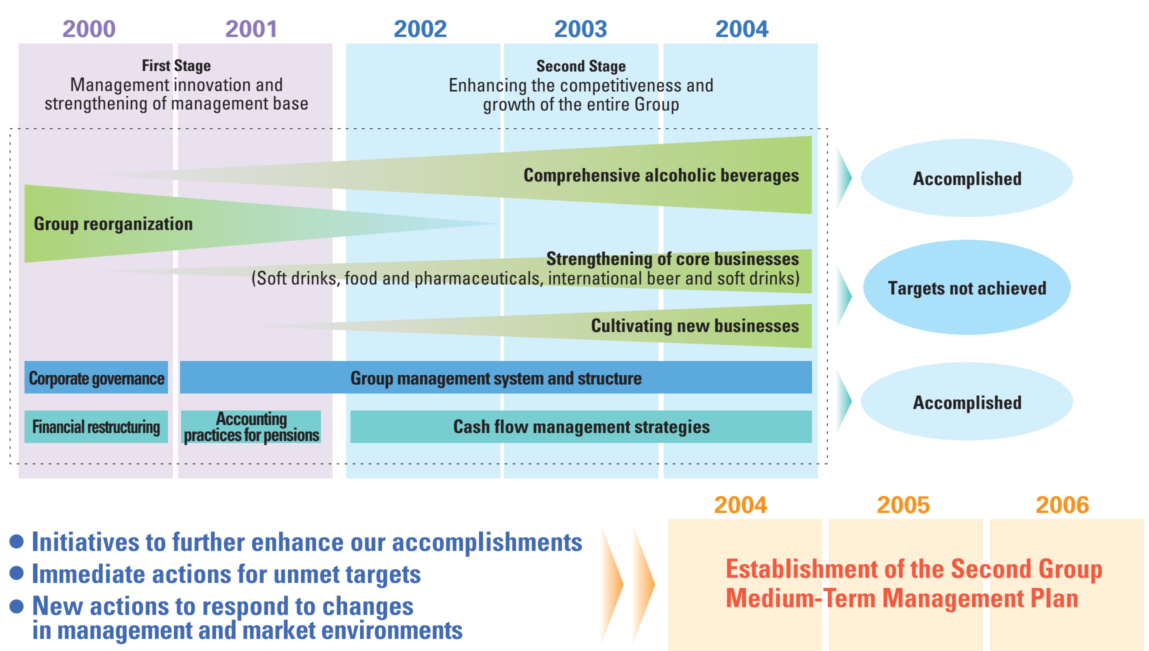
Performance Summary and Future Targets

The Asahi Breweries Group formulated its first medium-term plan to provide operating guidelines for the five-year period from fiscal 2000 through 2004. The plan comprised two stages. The first stage, covering the first two years of the plan, was devoted to implementation of corporate governance reforms, including management reform and strengthening of our business foundations, a restructuring of the Group, introducing an executive officer system, increasing the number of outside directors, and adopting a stock option plan. Measures to improve the Group's financial position were also implemented, such as accounting for unrealized losses on marketable securities, adopting new accounting procedures, including the elimination of shortages in pension reserves and disposing of real estate assets. All of these measures were completed on schedule and according to plan.

The second stage of the plan, beginning in fiscal 2002, concentrated on basic strategies to increase competitiveness and provide growth for the Group as a whole. Looking to generate growth in alcoholic beverage categories other than beer and happoshu, we pursued diversification by enhancing the product lineup through acquisition and sales alliances and securing the position of leading brands. At the same time, we worked to strengthen our soft drinks, food and pharmaceuticals, and overseas business, as well as cultivate new business ventures. The successes achieved through these measures did not meet initial expectations, however, and we found that the market had changed dramatically since the formulation of the plan.

It had become clear that the Group needed to accelerate the successes begun under the first plan, quickly address unresolved issues, and provide timely responses to new management initiatives. The First Group Medium-Term Management Plan was therefore ended a year ahead of schedule, and a new plan formulated with revised targets for fiscal 2004, and appropriate strategies outlined for the three-year period from fiscal 2004 through 2006.

The First Group Medium-Term Management Plan



Goals of the Second 2004—2006 Group Medium-Term Management Plan

- Recasting the earnings structure towards profitable growth
- Solidifying our position and strengthening cost competitiveness in the alcoholic beverages business
- Seeking to stabilize and extend the alcoholic beverages business as our cash cow
- Bolstering our soft drinks, food and pharmaceuticals, and overseas business
- Improving our financial position and capital efficiency

1. Structural Reforms

The primary goal of the Second Group Medium-Term Management Plan is to "create a new Asahi Breweries Group with abundant growth potential." Sales growth is of course crucial to realizing this goal, but we are also emphasizing the importance of earnings. Specifically, targets for fiscal 2006 are net sales of ¥1,660 billion (up 19% from fiscal 2003 results), operating income of ¥115 billion (up 46%), and net income of ¥50 billion (up 116%). To realize this level of profitable growth, the Asahi Breweries Group will make dynamic reforms to both the earnings structure of existing businesses and the Group's overall business structure.

Beginning with the core alcoholic beverages business, Asahi Breweries will solidify its position in the beer and happoshu market and further increase cost competitiveness, protecting and growing this "cash cow" operation. Rapid expansion and cultivation of other alcoholic beverage categories will also be undertaken to diversify our earnings base and foster a corporate culture that generates stable, long-term earnings.

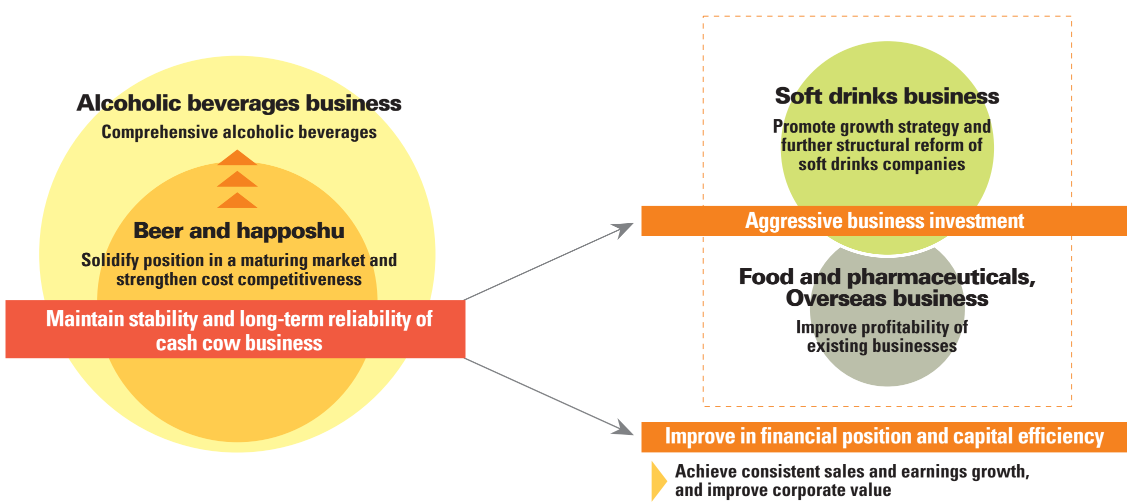
Under this new management plan, Asahi Breweries will also implement initiatives to improve earnings in its soft drinks, food and pharmaceuticals, and overseas business, and proactively pursue M&A and other investments for these

Results and Targets

(¥ billion)	2003	2006	% change
Net sales	1,400	1,660	19%
Operating income	79	115	46%
Net income	23	50	116%

	2003	2006
Operating income ratio	5.6%	Approx. 7%
ROE	5.9%	Over 10%

Reforming Earnings Structure and Business Structure Toward Profitable Growth



businesses as a means to build a growth structure for the entire Group. At the same time, cash resources will be used to provide returns to shareholders and reduce debt, further increasing corporate value. The proportion of operating income from non-alcohol businesses is currently 8.4%, but we expect the success of these measures to push that level to over 20% by fiscal 2006. ▸Fig.1

2. Cash Flow Strategies ▸Fig.2

Assuming successful implementation of the new plan, free cash flow generated over the three-year period from existing businesses is expected to amount to approximately ¥200 billion. This will be allocated in an appropriate ratio for business investment, returns to shareholders, and reduction of debt. Specifically, this will mean ¥100 billion can be slated for M&A and other business investment, and ¥100 billion for shareholder returns and reduction of debt. These are rough estimates built on current forecasts, and Asahi Breweries intends to adopt a flexible policy that takes full account of business conditions to ensure the most effective allocation of cash resources.

Investment will encompass a wide array of opportunities both in Japan and overseas, following Asahi Breweries' long-standing policy of pursuing business committed to "Food and Health." Emphasis will be placed on opportunities that offer significant contributions to consolidated earnings and provide

Guidelines for Net Sales by Segment

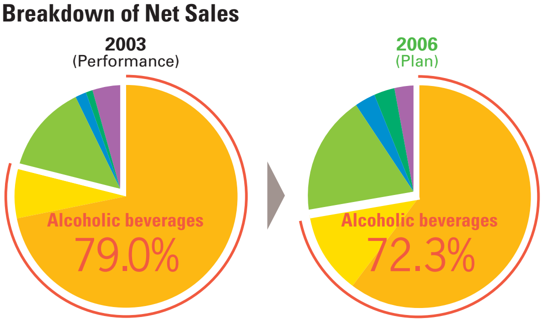
(¥ billion)	2003	2006	Increase / Decrease
Alcoholic beverages	1,107	1,200	+93
Soft drinks	189	300	+111
Food and pharmaceuticals	22	50	+28
Overseas business	13	50	+37
Other businesses	69	60	–9
Net sales	**1,400**	**1,660**	**+260**

Guidelines for Operating Income by Segment

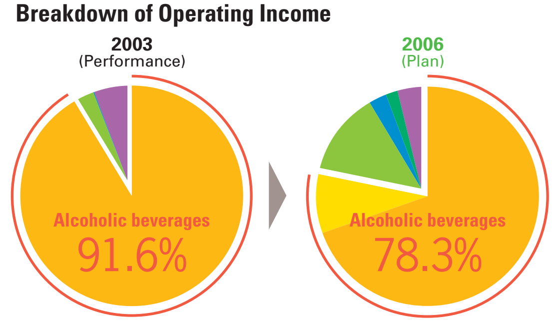
(¥ billion)	2003	2006	Increase / Decrease
Alcoholic beverages	72.4	90.0	+17.6
Soft drinks	2.8	15.0	+12.2
Food and pharmaceuticals	0	3.0	+3.0
Overseas business	–1.5	2.0	+3.5
Other businesses	5.2	5.0	–0.2
Operating income	**78.9**	**115.0**	**+36.1**

Fig.1

Breakdown of Net Sales



Breakdown of Operating Income



Beer and happoshu / Other alcoholic beverages / Soft drinks / Food and pharmaceuticals / Overseas business / Other businesses potential for realization of Group synergies. The decision to invest will be made following a thorough analysis of the feasibility of each proposal, with the assessment of investment value determined using internal standards based on projected cash flows. Decisions regarding the sale of investments are made on a case-by-case basis, though a minimum requirement is that investments must generate operating profit within five years.

Return to shareholders has been partially provided through the acquisition of treasury stock, though in the future, Asahi Breweries will adopt a flexible approach that gives due consideration to the share price level. An increase in dividends will be considered, following the adoption of impairment accounting and depending on success of the business plan.

Reduction of debt will continue, with cuts of approximately ¥40 billion planned by the end of fiscal 2006.

3. Response to Changes in Accounting Standards ▸Fig.3

Impairment accounting for commercial fixed assets will be introduced in Japan in 2006. Though certain factors such as business groupings have yet to be determined, at this point Asahi Breweries has incorporated into its profit planning a total of ¥30 billion in extraordinary losses over the three-year period of the new business plan. Despite these extraordinary losses, the Asahi Breweries Group continues to expect new record levels of net income and plans to implement aggressive financial strategies in the future.

Fig.2
Cash Flow Strategies

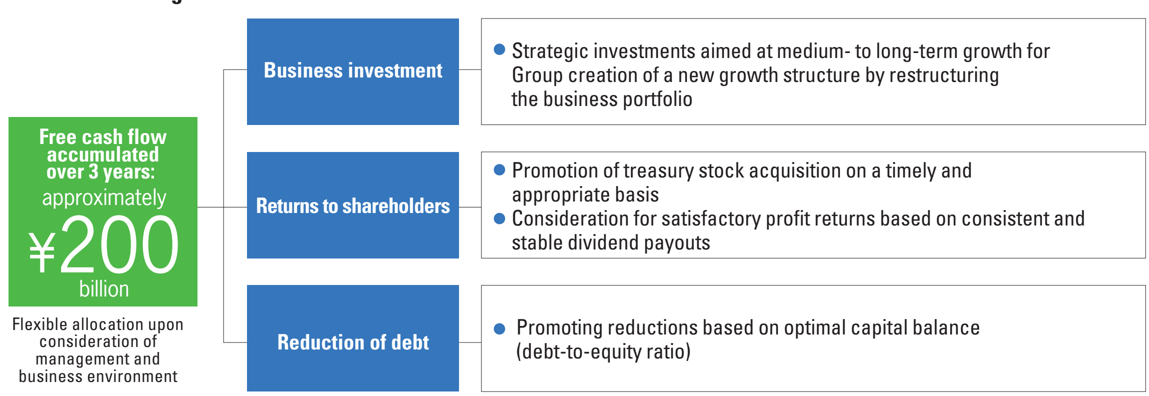


Fig.3
Financial and Business Restructuring, and Response to Change in Accounting Standards

(¥ billion)	2000	2001	2002	2003
Marketable securities, etc.	45.3	10.2	11.0	1.3
Shortfall in employee pension reserves	18.1	20.4	—	—
Business restructuring	5.8	5.9	5.4	7.7
Real estate disposal	2.0	3.2	4.6	8.3

2004—2006

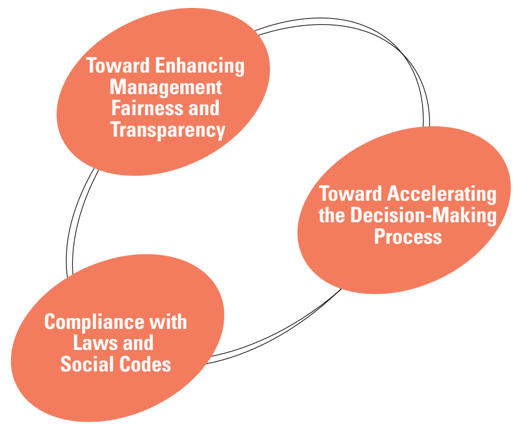
- Introduction of impairment accounting for fixed assets
- Projecting disposal loss on real estate (approx. ¥30 billion)

Improving level of net income ▸▸ Plan for achieving new record-high earnings for fiscal 2004—2006

Creating a Corporate Governance Structure Capable of Effectively Responding to Change

Basic Policy

The Asahi Breweries Group has consistently reinforced its corporate governance to maintain the trust of our stakeholders and achieve sustainable growth by focusing on enhanced management fairness and transparency, timely decision making, and thorough compliance. To ensure that we accomplish the goals of the Second Group Medium-Term Management Plan, we will strengthen the governance functions and accountability of our Board of Directors and promote thorough compliance with our Business Ethics Rule by all employees, while further pursuing efforts to create a structure worthy of our stakeholders' trust.



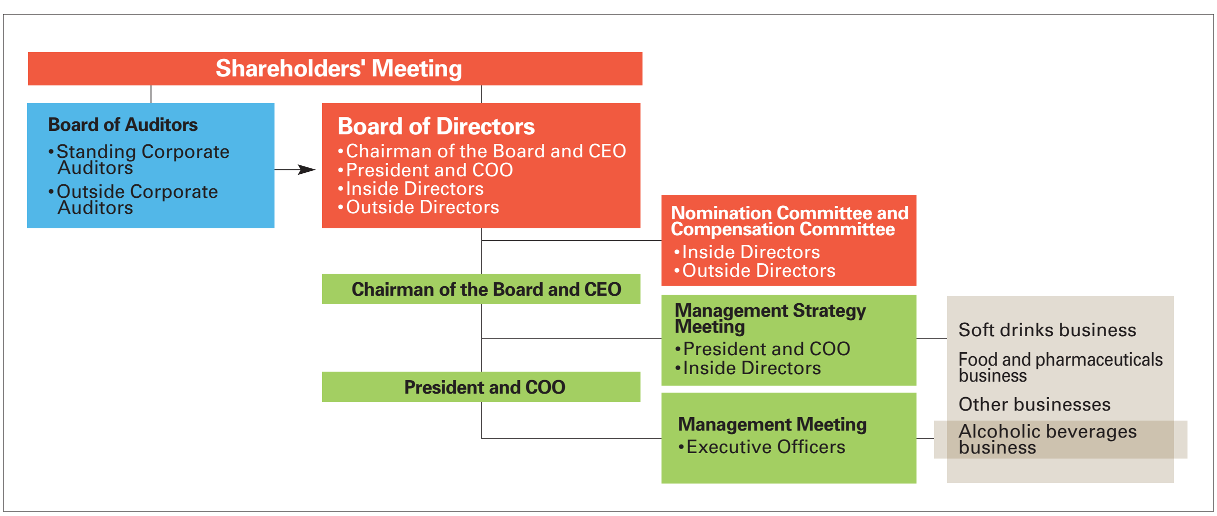
Toward Enhancing Management Fairness and Transparency

Establishment of Nomination Committee and Compensation Committee

To ensure fairness and transparency concerning appointment and compensation of senior officers, the Group has established a Nomination Committee and a Compensation Committee.

Each committee comprises a total of four officers, of which two are Inside Directors and the others are Outside Directors.

The Nomination Committee, which recommends candidates for Directors, Executive Officers and Standing Auditors to the Board of Directors, held three meetings between April 2003 and March 2004. The Compensation Committee, which submits agendas to the Board of Directors regarding the compensation structure for Directors and Executive Officers, met five times between April 2003 and March 2004. We will continually advance the fairness and transparency of management through effective and appropriate actions of these bodies.



System of Outside Directors

In April 2000, we increased the number of our Outside Directors from one to three. By broadening the perspectives in Board of Directors' deliberations, we aim to enhance management fairness and transparency while further strengthening Group management capabilities.

Board of Auditors

The Board of Auditors is independent from the Board of Directors, and comprises five Standing Corporate Auditors chosen at our General Shareholders' Meeting, of which two are Outside Corporate Auditors. In compliance with Commercial Code rules, they conduct surveillance and auditing of management and Directors in order to contribute to the development of our business and ensure maximum return for our stakeholders.

Stock Option System

To maintain our management focus on shareholders, we have adopted a stock option system for Directors and Executive Officers and Corporate Auditors that promotes decision making and operational execution from the shareholders' point of view.

Compensation and Retirement Benefits for Senior Officers

During fiscal 2003, compensation paid to senior officers of Asahi Breweries Ltd. totaled ¥278 million. Compensation for Auditors totaled ¥75 million (including Auditors who have retired as of the end of the fiscal 2003). Executive bonuses paid out of profit totaled ¥41 million for Directors, and ¥6 million for Auditors. The company also paid ¥244 million in retirement benefits to a Director who retired during the previous fiscal year, and ¥19 million to two retired Auditors.

Toward Accelerating the Decision-Making Process

Management Strategy Meeting and Management Meeting

In operational execution, decision-making responsibilities are guided and implemented through two meetings.

The Management Strategy Meeting, directed by the CEO, is the venue for discussion of business of the entire Group. The Management Meeting, led by the COO, discusses our backbone alcoholic beverages business. These meetings maintain accountability of the Directors for the entire Group, and the COO and Executive Officers for the alcoholic beverages business, thereby accelerating decision making and clarifying responsibilities.

Compliance with Laws and Social Codes

Formulation of the Business Ethics Rule

In November 1999, we formulated the Asahi Breweries Group Business Ethics Rule, which outlines concrete guidance related to compliance issues contained in the Group's Corporate Philosophy and Guidelines for Corporate Activity. It lays out codes of conduct from the perspective of compliance with corporate ethics required of every Asahi Breweries Group company and all senior officers and employees in their daily operations. By spring 2004, all Group employees will be, in principle, required to attend training seminars on business ethics, after which they will be asked to sign a pledge concerning compliance with the Group Business Ethics Rule, in an effort to promote thorough understanding of both the significance and spirit of compliance management.

Establishment of the Clean Line System

In January 2003, the Asahi Breweries Group introduced a Clean Line System (in-house reporting system), which is operated under the Corporate Ethics Committee that oversees compliance for the entire Group. Under this system, employees can report problems related to violations of various laws and internal rules that arise in the workplace, either directly to the Corporate Ethics Committee or to a lawyer working under contract with the Company, in the event they do not feel comfortable or safe discussing specific issues with their immediate superiors.

Toward Strengthening Public Trust

Basic Policy

Demand has grown in recent years for greater Corporate Social Responsibility (CSR). As a company engaged in the manufacture and sales of alcoholic beverages, soft drinks, and food products consumed daily by our customers, we deliver safe and reliable products and aim to be a company with sustainable growth. To that end, we strive to meet the expectations of our diverse stakeholders and fully earn their trust by addressing social responsibilities related to human rights, employment, and compliance, as well as environmental conservation, moving beyond the pursuit of such traditional economic goals as sales and profits.

Consequently, in June 2002, the Asahi Breweries Group declared its support for the Global Compact, an international forum that seeks to address the various issues arising from globalization, and has been promoting activities in line with the nine principles in the three areas of human rights, employment standards, and environment laid out by the forum. We have also identified coexistence with society as an element of our Second Medium-Term Group Management Plan. In December 2003, we repositioned the CSR Project launched in May 2003 under the CSR Committee, a cross-divisional organization directed by the President. Upholding our Corporate Philosophy and Group Business Ethics Rule, we will promote CSR management on a Group-wide basis by conducting discussions on issues for the entire Group from a CSR perspective. Based on a positive evaluation of these efforts, we are registered as an SRI stock by several rating institutions.

Asahi Breweries and Major Stakeholders

Major SRI Funds that include Asahi Breweries

(please see P.66 for detail)

Dow Jones	ETHIBEL	FTSE*

* "FTSE Group is delighted to confirm that ASAHI BREWERIES, LTD. has been independently assessed according to the FTSE4Good criteria, and as of March 2004 has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the independent financial index company FTSE Group, FTSE4Good is a financial index series that is designed to identify companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series are doing more to manage their social, ethical and environmental impacts, and are better positioned to capitalize on the benefits of responsible business practice"

Responsibilities to Consumers

Basic Policy

As an absolute prerequisite for realizing our corporate commitment to customer satisfaction, we will strictly comply with all laws and regulations concerning consumer protection in every aspect, including manufacturing, quality, labeling and advertising, sales, and consumer information management, to prevent justifiable complaints. In the event of any consumer complaint, we will respond with promptness and sincerity.

Main activities

- Controlling product freshness throughout the entire process, from manufacturing to storefront sales, by establishing the Total Freshness Management Committee.
- Inspecting all external publications by the Representations Committee composed of related divisions in the head office, to prevent misunderstandings on the part of consumers.
- Establishing the Customer Relations Office to act as liaison for receiving comments and complaints from consumers.

Responsibilities to Clients and Related Industries

Basic Policy

We will strive to develop related industries through fair trade and competition by complying with the Japanese Antimonopoly Law, the Unfair Competition Prevention Law, and laws related to intellectual property, in our dealings with clients, related industries, and competing companies.

Main activities

- Prohibiting activities tantamount to cartel formation and contract rigging, libelous attacks on competing companies, and unfair activities such as production of misleading comparative advertisements.

Responsibilities to Suppliers

Basic Policy

We will establish complete trust and long-term cooperation with the suppliers of raw materials and services through fair and transparent trade.

Main activities

- Disclosing information, through our Web site, of Asahi Breweries' standards for raw material procurement and evaluation standards of suppliers.
- Conducting questionnaires with potential suppliers to evaluate their consideration for the environment and their social responsibilities as a reference for selecting business partners.

Responsibilities to Employees

Basic Policy

Asahi Breweries and its employees will forge a relationship of mutual trust by fulfilling obligations and responsibilities to each other with integrity.

Main activities

- Eliminating all forms of discrimination, including those unrelated to the performance of business tasks, in accordance with Global Compact principles.
- Establishing a Clean Line System for internal reporting to enable employees to report issues related to corporate ethics without being placed at risk of sanction.

Responsibilities to Society

Basic Policy

Recognizing our obligations as a corporate citizen, we will actively fulfill our corporate responsibilities to national and local communities.

Main activities

- Actively implementing social welfare and cultural activities, cleanup activities, and employee volunteer activities.
- Producing educational pamphlets on moderate drinking, and educational videos to prevent drinking by minors*, available free of charge to educational institutions.

*Under Japanese law, persons under 20 years of age are prohibited from drinking alcohol.

- The Asahi Beer Arts Foundation provides support to foreign students, regional art exhibitions, etc.

Responsibilities to the Global Environment

Basic Policy

To put into practice our corporate mission of contributing to the creation of a sustainable society, we will actively seek to prevent pollution, recycle waste, and conserve energy in compliance with laws related to the environment, international standards such as ISO 14001, and our own Group Environmental Guidelines.

Main activities

- Participating in a national, large-scale wind-power generation project.
- Founding the Asahi Breweries environmental fund, Water Planet*, in 2003, aimed at supporting afforestation activities.

*The fund operates on donations from Asahi Breweries, Ltd., as well as its employees and customers. Shareholders can also participate in the Fund as an alternative to receiving complimentary items.

- Maintaining and protecting the FSC-certified Asahi Forest.

Shobara Forestry Station

Responsibilities to Governmental Institutions

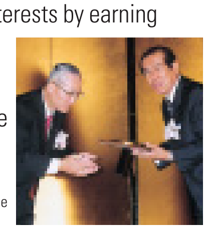
Basic Policy

We will maintain sound and neutral relationships with public servants and political institutions, refraining as a matter of course from any illegal actions as well as from activities that could be perceived as illegal or unethical.

Responsibilities to Shareholders and Investors

Basic Policy

We will strive to maximize shareholder interests by earning appropriate recognition in capital markets through fair and timely disclosure of corporate information and through positive investor relations activities.



Asahi Breweries receives the Award for Excellence in Corporate Disclosure from the Security Analysts Association of Japan.

ASAHI AT A GLANCE

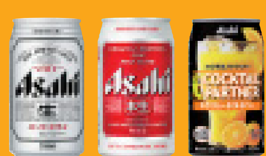
The Asahi Breweries Group business segments as represented in its consolidated accounting are: alcoholic beverages; soft drinks; food and pharmaceuticals; and other businesses.

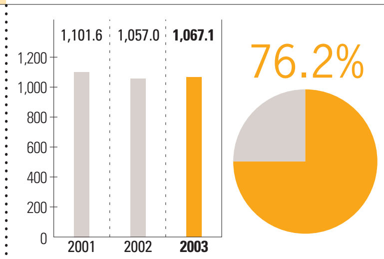
Entities that generate major profit for each business segment are: Asahi Breweries, Ltd. for the alcoholic beverages business; Asahi Soft Drinks Co., Ltd. for the soft drinks business; and Asahi Food & Healthcare Co., Ltd. for the food and pharmaceuticals business.

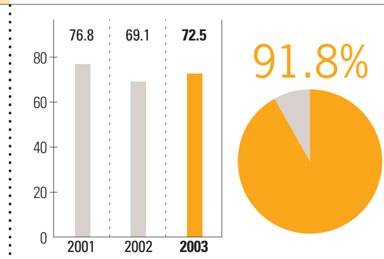
Please refer to the comparison chart at the top of the next page.

Net Sales (¥ billion) | Operating Income (¥ billion)

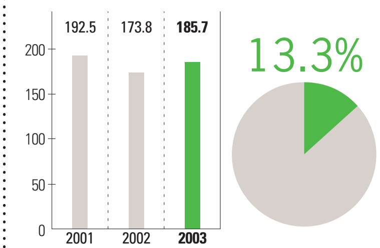
Alcoholic beverages

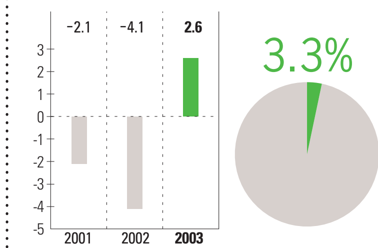




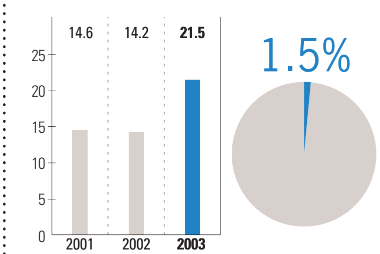


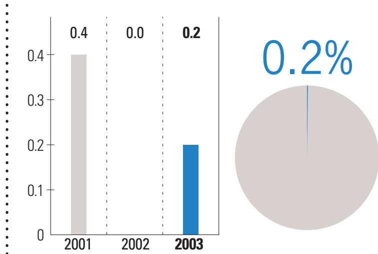
Soft drinks



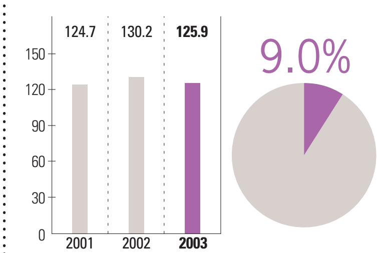


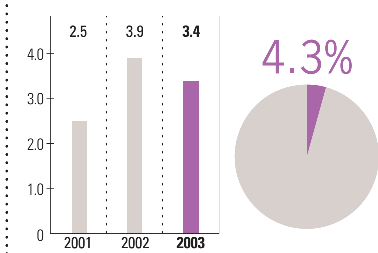
Food and pharmaceuticals





Other businesses





Note: Operating Income for Elimination and/or Corporate is not included.

Net sales for each business segment are mostly derived from the respective main business corporation of each segment.

Segment (¥ billion)	2003	2002	Year-on-year
Alcoholic beverages	1,067.1	1,057.0	+1.0%
Soft drinks	185.7	173.8	+6.9%
Food and pharmaceuticals	21.5	14.2	+51.4%
Other businesses	125.9	130.2	-3.3%

Company / Businesses (¥ billion)	2003	2002	Year-on-year
Asahi Breweries	1,107.0	1,093.8	+1.2%
Asahi Soft Drinks	189.4	177.6	+6.6%
Asahi Food & Healthcare	22.0	14.8	+49.0%
Other (including cancellation/deletion)	81.9	89.1	-8.1%

Business Outline	Highlights of the Year
Manufacturing and sales of domestic beers centered on *Asahi Super Dry*, international brand beers, *Asahi Honnama* happoshu, shochu, low-alcohol beverages, whisky and spirits, and wines. Asahi Breweries, Ltd. is the main business corporation.	• New happoshu product, *Asahi Honnama Aqua Blue*, became a major hit with consumers. • Expanded sales of comprehensive alcoholic beverages as a result of aggressive acquisition and sales alliances. • Achieved positive results by promoting cost reductions in manufacturing and logistics.
Manufacturing and sales of canned coffee such as *WONDA*, tea-based beverages such as *Asahi Juroku-Cha*, soft drinks such as *Mitsuya Cider* and *Bireley's*, and functional beverages. Asahi Soft Drinks Co., Ltd. is the main business corporation.	• Strengthened *WONDA*, *Asahi Juroku-Cha*, and *Mitsuya Cider* as core brands. • Significantly reduced costs through structural reform. • An increase in sales and positive structural reform contributed to the return to profitability.
Development and sales of healthcare foods, supplements made from brewer's yeast, seasonings, processed foods, and freeze-dried foods. Asahi Food & Healthcare Co., Ltd. is the main business corporation.	• Strengthened business foundation by absorbing Pola Foods Inc. • Began direct marketing to consumers through catalog shopping for products such as supplements.
Supplier businesses, including logistics and manufacturing, sales support businesses, operation of restaurants, and real estate business.	• Transferred all of the issued shares of Asahi Beer Pax Co., Ltd. to Ishizuka Glass Co., Ltd. • Established Asahi Field Marketing Co., Ltd. to strengthen our activities in the mass-retail business.

Alcoholic beverages business

Review of Consolidated Operations

Market Trends

In the face of continuing severe conditions impacting the domestic beer and happoshu market in 2003, total taxable shipments declined by 6.3%, largely due to increased taxes on happoshu starting in May, and a record cool summer. However, shochu and low-alcohol beverages fared favorably, reflecting the continuing diversification of consumer preferences. The market is expected to exhibit stable expansion, with estimated year-on-year taxable shipments for the entire market increasing by about 4% for shochu and about 8% for low-alcohol beverages. Deregulation of liquor sales licensing in September 2003 was accompanied by an increase in the number of supermarkets and convenience stores licensed to sell liquor. The mass-retail business is expected to play a more prominent role in the future.

Summary of Performance

Under these circumstances, total sales for the alcoholic beverages business increased 1.0% to ¥1,067,136 million, and operating income rose 4.8% to ¥72,452 million in fiscal 2003, achieving year-on-year increases in both sales and profits. While beer sales decreased under the dampening influence of the cool summer season, the success of our new happoshu product, *Asahi Honnama Aqua Blue*, and increased sales of other alcoholic beverages, such as shochu and low-alcohol beverages, offset the decline in beer sales. With regard to profit, in addition to growth in sales, year-on-year reductions of ¥10.8 billion in manufacturing and logistics costs at Asahi Breweries significantly contributed to the increased earnings.

Review of Operations for Fiscal 2003 (Asahi Breweries, Ltd.)

Non-consolidated sales of alcoholic beverages for Asahi Breweries, Ltd. are as follows:

Breakdown of net sales

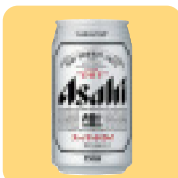
(¥ million)	2003	2002	Year-on- year
Beer and happoshu	979,960	1,012,046	-3.2%
Shochu	51,870	20,626	+151.5%
Whisky and spirits	32,349	31,234	+3.6%
Low-alcohol beverages	23,464	13,045	+79.9%
Wines	14,594	12,190	+19.7%
Other alcoholic beverages	2,666	1,543	+72.7%
Real estate	2,071	3,086	-32.9%
Total	1,106,977	1,093,773	+1.2%

Note: Net sales figures since September 2002 include sales from products transferred from KYOWA HAKKO KOGYO Co., Ltd. and Asahi Kasei Corporation following the acquisition of their businesses, and sales from products related to Maxxium Worldwide.

Beer and Happoshu

Total sales in the beer and happoshu category fell 3.2% year-on-year to ¥980 billion, as beer sales fell 7.7% to ¥784.4 billion, although happoshu sales performed favorably, rising 20.4% to ¥195.6 billion.

Nevertheless, the year-on-year decline in taxable shipments of beer was constrained to 8.0%, below the industry average, as the entire market experienced a year-on-year drop of 9.4%. Our market share in the beer market rose by 0.8% to 48.2%, accomplishing twelve consecutive years of increased share. Market conditions appear headed for recovery centered on the commercial-use market, as evidenced by taxable shipments of our draft beer kegs for commercial-use, which have shown a year-on-year increase since the latter half of the year. Happoshu performed


Asahi Super Dry


Asahi Honnama


Asahi Honnama Aqua Blue

strongly as *Asahi Honnama Aqua Blue*—our new product under the *Honnama* brand, launched in July 2003—significantly exceeded initial projections with sales of 11.45 million cases. As a result, our total taxable shipments of happoshu rose 15.7% year-on-year with its market share increasing 3.9% to 27.1%, despite the fact that the entire happoshu market recorded a decline of 1.0%, for the first time. Our market share of the combined domestic beer and happoshu market for fiscal 2003 was 39.9% on a taxable shipment basis, enabling us to maintain the top spot for the third consecutive year and further solidifying our position in the market.

Shochu


Kanoka


Daigoro

Sales jumped 152% year-on-year to ¥51.9 billion, on considerable growth in sales of our mainstay product *Daigoro*, which increased by 10%, and *Kanoka*, which increased by 40%. The current shochu boom in Japan is providing favorable winds for increased sales.

Whisky and Spirits

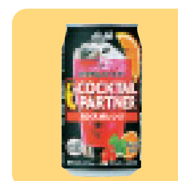

Taketsuru


Black Nikka Clear Blend

Sales for this category rose 4% year-on-year to ¥32.3 billion. Our mainstay home-use whisky *Black Nikka Clear Blend* and our commercial-use product *Taketsuru* series maintained their success, thanks to sales activities appealing to their high quality, despite severe market conditions in which sales fell by an estimated 10% for the industry as a whole.

Low-Alcohol Beverages


Asahi Shunka Shibori


Asahi Cocktail Partner

While sales in the overall market increased by an estimated 11% year-on-year, we enjoyed an 80% rise in sales year-on-year, to ¥23.5 billion. *Asahi Cocktail Partner* achieved a 230% growth in sales volume, leaping to the upper ranks of brands in the low-alcohol beverages market and leading the sales increase for the entire category. *Asahi Shunka Shibori* also recorded an 80% increase in sales volume.

Wines


Mouton Cadet


Caliterra

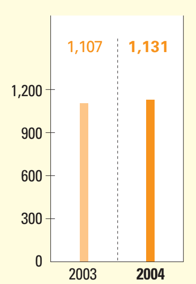
While the overall market faced severe challenges with sales declining by an estimated 6%, we reported a 20% increase in sales to ¥14.6 billion. Our mainstay brands of *Caliterra*, *Baron Philippe de Rothschild*, and *Saint Neige* all performed favorably.

Targets and Strategies for Fiscal 2004 (Asahi Breweries, Ltd.)

Market Outlook and Performance Targets

We expect taxable shipments for alcoholic beverages in the overall market to remain basically unchanged, projecting a 6% decrease in beer, a 6% increase in happoshu, a 4% increase in shochu, and an 8% increase in low-alcohol beverages. Based on this forecast, we will strive to further raise our profile in the beer and happoshu market, which constitutes the pillar of our profits, while expanding sales in other alcoholic beverages categories. In 2004, Asahi Breweries targets sales of ¥1,131 billion (2.2% higher than fiscal 2003) and operating income of ¥78 billion (7.8% above fiscal 2003).

Targets for sales (¥ billion)

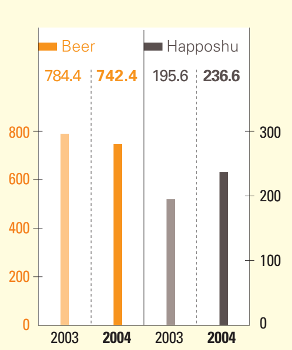


Strategy 1: Building a Solid Position in the Beer and Happoshu Market

We will establish a solid position in the beer and happoshu market to further strengthen our profit base. Targeting beer sales of ¥742.4 billion (down 5.4% from fiscal 2003), we will enhance the freshness of our beer to deliver products with better taste, and implement sales promotion activities finely-tuned for each retail channel, centered on *Asahi Super Dry*. We launched a new product, *Asahi Premium Draft Beer Jyukusen*, in March 2004 to emphasize the appealing flavor of our beer to consumers.

With regard to happoshu, we are targeting sales of ¥236.6 billion, an increase of 21.0% over fiscal 2003. In response to consumer demand, in March 2004 we introduced a new product, *Asahi Honnama Off Time*, which has 40% less bitterness content than our existing products, further boosting our *Asahi Honnama* brand. Through such efforts, we will endeavor to secure ¥979 billion in combined beer and happoshu sales, comparable to the previous year's levels.

Sales targets for beer and happoshu in fiscal 2004 (¥ billion)



Strategy 2: Strengthening Each Category of Alcoholic Beverages (Excluding Beer and Happoshu)

We will cultivate our core brands in each category, including shochu, low-alcohol beverages, whisky and spirits, and wines, to expand our profit base in the alcoholic beverages business. We will particularly focus on sales promotion activities and new product development for the shochu and low-alcohol beverages markets, where growth is expected to continue. We are targeting sales of ¥59 billion, up 14% year-on-year, in the shochu category; ¥37 billion, up 58%, in the low-alcohol beverages category; ¥35 billion, up 8%, in the whisky and spirits category; and ¥17 billion, up 17%, in the wine category. We are also promoting collaborative efforts within the Group. For example, a new shochu *SAZAN*, which uses the distilling techniques of Nikka Whisky Distilling Co., Ltd. was launched in March 2004.

Sales targets for fiscal 2004 by category

(¥ billion)	2003		2004
Shochu	52	▸	**59**
Low-alcohol beverages	24	▸	**37**
Whisky and spirits	32	▸	**35**
Wines	15	▸	**17**

Strategy 3: Enhancing Cost Competitiveness

We plan to improve profitability and reduce costs by ¥3 billion in fiscal 2004 by raising the efficiency of our manufacturing and logistics systems. We will also raise the efficiency of our marketing through flexible allocation of sales promotion expenses as variable costs. In fiscal 2004, we intend to keep total sales promotion expense for beer and happoshu below the previous year's levels and place greater emphasis on reinforcing the brand power of other alcoholic beverages. While the absolute amount of sales promotion expense for other alcoholic beverages will rise, the ratio of such expense against sales will nevertheless decrease year-on-year.

Soft drinks business

Review of Consolidated Operations

Market Trends

In 2003, total demand for products such as mineral water, sports drinks, Japanese tea, and coffee increased in the soft drinks market in Japan. However, demand for carbonated beverages and fruit drinks decreased due to the effects of the cool summer. As a result, overall sales volume in the domestic soft drinks market decreased by an estimated 1% compared with the same period last year.

Summary of Performance

Sales for fiscal 2003 rose 6.9% to ¥185,738 million and operating income increased by ¥6,731 million to ¥2,645 million, reversing a declining trend in sales and profit, which had continued since 1999, into a path of growth. Successful sales recovery—our top priority—by enhancing product power was a major factor behind this change. Specifically, we concentrated our management resources on aggressive sales promotion activities for our core brands of *WONDA Morning Shot*, a hit product based on the concept of specialty morning coffee, *Asahi Juroku-Cha*, a pioneer brand in blended tea, and *Mitsuya Cider*, a venerable brand marking its 120th anniversary in 2004. We also endeavored to develop new products centered on health drinks for which demand is expected to grow, and promoted structural reforms aimed at strengthening our cost competitiveness, as additional factors for the positive results.

Review of Operations for Fiscal 2003 (Asahi Soft Drinks Co., Ltd.)

Dramatic Growth in Core Brands and New Products

A review of operations by category follows:

Coffee

We achieved a 22.7% increase in sales to ¥56,163 million, thanks to the sales promotion activities for our core brand, *WONDA Morning Shot*.

Tea-Based Drinks

Despite the decline in the growth rate for the overall market, our products maintained a solid performance, with sales increasing 0.5% to ¥60,075 million. *Asahi Juroku-Cha*, which was improved and reintroduced to the market in January, is increasing its brand power through sales promotion activities that appeal to the health-conscious consumer.

Other Soft Drinks

Sales increased dramatically, by 38.8% year-on-year, to ¥17,441 million. In addition to the favorable performance demonstrated by the *Amino Diet* series, a sugar-free, zero-calorie amino acid drink launched in July as a new product corresponding to consumers' fitness requirements, sales of mineral water also rose, driven by growing demand.

In contrast, sales of carbonated beverages decreased 2.6% year-on-year to ¥38,844 million, and sales of fruit and vegetable drinks decreased 15.3% to ¥13,053 million due to such factors as the cool summer. Nevertheless, overall sales for the soft drinks business increased.

WONDA Morning Shot | *Asahi Juroku-Cha* | *Mitsuya Cider*

Sales and marketing activities aimed at strengthening both our sales system geared to convenience stores and mass-retail outlets and our system for developing new locations for vending machines, also proved successful as additional factors for the rise in sales.

Stronger Cost Competitiveness Through Business Structure Reform

To strengthen our cost competitiveness, we implemented structural reforms focusing on our three pillars: establishing an optimal production system; raising the efficiency of vending machines; and undertaking organizational and structural reforms.

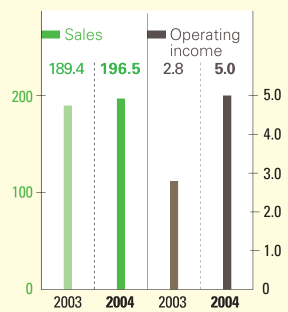
In our production system, we shut down unprofitable production lines to concentrate on products with growing demand and raised the efficiency of line operations. As a result, the in-house production rate improved from 48% the previous year to 59%. With regard to vending machines, we worked on increasing the number of new locations, focusing on locations offering improved operation rates and extended length of installation period. At the same time, we reduced procurement costs, which led to an increase of 2,000 vending machines in operation with a 6% decrease in related costs.

Targets and Strategies for Fiscal 2004 (Asahi Soft Drinks Co., Ltd.)

Market Outlook and Performance Targets

As the overall market progressively matures, in fiscal 2004, we expect to see intensified competition with the launch of new products into growth categories in the soft drinks market. Under these circumstances, we will continuously strive for stronger product power and reduced costs to maintain our current profit trend, targeting ¥196.5 billion in sales and ¥5 billion in operating income.

Targets for sales and operating income (¥ billion)



Strategy 1: Bolstering Core Brands and Reforming the New Product Development System

We will further strengthen *WONDA*, *Asahi Juroku-Cha*, and *Mitsuya Cider* as our core brands. *Mitsuya Cider* has earned support from a broad range of generations as a pioneer brand in domestically produced carbonated drinks. In fiscal 2004, we will commemorate the brand's 120th anniversary by launching an aggressive sales promotion campaign. We intend to concentrate our management resources on these three brands to strengthen the pillars of our profits.

To realize rapid product development in response to market change, we also established the Sales & Marketing Headquarters in March 2003, integrating the marketing department that analyzes customer needs and the R&D department that develops the "seeds" of new products. For our sales and marketing activities, we plan to raise efficiency by focusing on mass-retail outlets, such as convenience stores and supermarkets, and vending machines as priority channels.

Sales targets for the three core brands

(Million cases)	2003		2004
WANDA	25.2	▸	**25.6**
Mitsuya Cider	15.9	▸	**17.0**
Asahi Juroku-Cha	17.1	▸	**17.0**

Strategy 2: Lowering the Break-Even Point Through Structural Reform

Continuing our efforts from fiscal 2003, we will build an optimal production system, raise the efficiency of vending machines, and undertake organizational and structural reforms.

We will also strive to improve production efficiency across the entire supply chain, including manufacturing and logistics. By focusing on such efforts, we expect to reduce costs in fiscal 2004 by a total of ¥3.7 billion compared with the previous fiscal year.

Break-even point ratio

2003	96%
2005 (Target)	90%
2006 (Target)	**Under 90%**

Food and pharmaceuticals business

Review of Consolidated Operations

We have responded to the volatile market by boldly reforming our business structure. We also actively invested in sales and marketing efforts such as promotion and advertising, developed new products, and expanded sales channels. As a result of these measures, sales for fiscal 2003 increased 51.4% year-on-year to ¥21,547 million, and operating income increased ¥161 million year-on-year to ¥169 million.

Review of Operations for Fiscal 2003 (Asahi Food & Healthcare Co., Ltd.)

Strengthening the Business Foundation Through M&A

In January 2003, Asahi Food & Healthcare Co., Ltd., which is responsible for the Group's food and pharmaceuticals business, absorbed Pola Foods Inc., further strengthening our business foundation. In addition, by aggressively marketing products transferred from Pola Foods under the Asahi brand, we were able to generate a more powerful consumer appeal for Asahi brand products as a whole.

Concentrating Management Resources on Growth Areas

As part of our structural reform efforts, we completely withdrew from the frozen food business as of the end of August 2003. Consequently, we can more effectively allocate our management resources to health foods and other areas with the greatest growth potential.

Starting Direct Marketing

In July 2003, we began direct marketing to consumers through catalog shopping as a third distribution channel supplementing our retail sales and corporate (commercial-use) sales. We offer one-to-one services, for example, providing detailed information and product proposals centered on health foods, an area of highly individualized consumer needs. Looking ahead, we plan to cultivate new products that reflect the voice of consumers and strengthen brand power through direct marketing. By doing so, we will advance beyond direct marketing to expand sales through retail and corporate channels, toward establishing an overall business that yields stable profits.

EBIOS
(Brewer's yeast for medical use)

Super Brewer's Yeast

MINTIA

Future Targets and Strategies

In fiscal 2004 we are targeting sales of ¥25.5 billion, and expecting an operating loss of ¥400 million due to the prior investments in direct marketing that began in the previous year.

Our business strategy for our existing areas of healthcare, yeast-related products, processed foods, and freeze-dried products designates priority areas for developing and cultivating mainstay products. We will also make strategic investments from the perspectives of M&A and alliances, towards acquiring highly competitive brands and a stronger business foundation.

In addition, research conducted by the R&D Headquarters of Asahi Breweries on functional food materials is producing results for hop polyphenol, apple phenon and brewer's yeast. We plan to develop new functional products utilizing these materials.

Other businesses

Review of Consolidated Operations

Other businesses include logistics, manufacturing, sales support, information systems, restaurant operations, real estate, and overseas business.

Sales in other businesses were stable, led by our logistics business, although overall performance declined due to the exclusion of Asahi Beer Pax Co., Ltd. from consolidated results following the transfer of all its issued shares to Ishizuka Glass Co., Ltd.

As a result, sales for this segment decreased 3.3% year-on-year to ¥125,881 million, and operating income decreased 11.9% to ¥3,399 million.

Future Targets

We plan to efficiently improve profitability for the entire Group by clearly distinguishing between companies that generate profit and companies that serve as cost centers to help our core businesses raise profits.

Toward optimizing the Group supply chain

We will strengthen supply chain management to boost efficiency and optimize our operations. We aim to enhance Group profits by further improving quality at manufacturing companies such as Asahi-Kyowa Liquor Manufacturing Co., Ltd. and The Nikka Whisky Distilling Co., Ltd., as well as packaging companies, while reducing costs at logistics companies centered on Asahi Logistics Co., Ltd.

Strengthening overall Group proposal capabilities geared to mass-retail outlets and restaurants

We plan to expand our comprehensive sales promotion activities for products across categories toward individual sales outlets, moving beyond sales promotion activities organized by product category, such as alcoholic beverages and soft drinks, by pursuing cross-sectional utilization of the Group's sales support companies.

For example, in December 2003, to enhance sales promotion activities geared to mass-retail outlets, including supermarkets and general merchandise stores, we significantly increased the number of retail sales staff and expanded the planning functions of our storefront sales support specialist company, while changing its name from Smile Support Co., Ltd. to Asahi Field Marketing Co., Ltd. The company's more than 1,800 staff offer proposals on effective shelf displays and attractive storefront presentation plans to help revitalize retail sales floors. With regard to restaurants, Full House Co., Ltd. supports Group businesses by providing consulting services, from store revitalization tailored to the specific location and characteristics of each restaurant, to new business model development and renovations. In addition, to offer kegs of flavorful draft beer at all times, Asahi Draft Beer Service, Ltd.—Asahi Breweries' draft beer keg equipment maintenance company—is providing support to restaurants nationwide. By making full use of these sales support companies, we will enhance the proposal capabilities of the entire Group.

Overseas business

Expanding Sales of Beer and Soft Drinks in Asia With China As a Priority Market

The Asahi Breweries Group is currently developing business in China and other Asian countries, North America, and Europe. Pursuing higher profitability and extending the scope of our businesses, we have identified China and Southeast Asia as our top priority regions; cultivating our overseas business into a pillar of earnings for the Group. In these regions, we will expand our Food and Health businesses while reinforcing existing beer and soft drinks businesses.

*Sales and operating income generated overseas are included in the alcoholic beverages business and soft drinks business segments.

Beer Business in China

With the dramatic changes in the Chinese market, we have positioned China as a priority region with significant growth potential. Production and sales volume of beer at our five joint ventures in China have exceeded 5,000,000 hectoliters, establishing our presence among China's leading beer companies.

In 2003, we began construction of a new brewery in China for our joint venture company, Beijing Beer. Upon completion of the brewery in 2004, we plan to reinvigorate the management and operational systems at Beijing Beer to offer the refreshed taste of beer to the Beijing market, utilizing Asahi Breweries' technological capability and management expertise. In efforts to expand the scope of our business and improve profitability in the Chinese market, we will also seek greater efficiency and higher quality for stable growth at joint venture companies other than Beijing Beer.

Soft Drinks Business in China

In the soft drinks business, we sell tea-based beverages and fruit drinks in addition to mineral water, mainly in the local Shandong Province, through Qindao Tsingtao Beer and Asahi Beverage Co., Ltd., a joint venture with the Tsingtao Brewery Group.

Toward expanding the soft drinks business, where future growth is projected, we reached an agreement* in December 2003 to establish a joint venture for the soft drinks business with China's Tingyi Holdings Corporation. This company's soft drinks business division boasts sales volume of about 700,000 kiloliters in the Chinese soft drinks market and ranks first in tea-based beverages, the fastest growing category in recent years. It also commands China's second-largest business scale in fruit drinks.

Based on the joint venture contract with Tingyi Holdings Corporation, Asahi Breweries will invest in a new company, Tingyi-Asahi-Itochu Beverages Holding Co., Ltd., created by spinning off Tingyi's soft drinks business. Asahi Breweries and ITOCHU will jointly establish a holding company that will purchase 50% of the shares of the new company. Through this joint venture, in addition to its beer business, the Asahi Breweries Group aims to dramatically expand business throughout China in the soft drinks business.

*Agreement between Asahi Breweries Ltd., ITOCHU Corporation, and Tingyi Holdings Corporation.

Beer Business in Asia Pacific

In the ASEAN region including Thailand, import taxes are gradually declining or being abolished following the formation of the ASEAN Free Trade Area (AFTA), providing excellent prospects for expanding the beer and soft drinks markets. We plan to forge closer collaboration between our production base in China and Thailand's Boon Rawd Group to strengthen the presence of *Asahi Super Dry* as a premium beer in the East Asia, Southeast Asia, and Oceania regions.

Beer Business in North America

In 1988, we launched *Asahi Super Dry* in North America, the world's largest beer market at the time. In 1994, we began local production of *Asahi Super Dry* at Molson Canada Ltd., located in Vancouver, B.C. Since then, we have been pursuing more efficient sales activities focused on profitability. In North America, we are currently concentrating our marketing efforts on the West Coast, Hawaii, and the eastern metropolitan areas including New York, where Japanese beer brands enjoy high demand.

Beer Business in Europe

Sales volume quadrupled in Europe since we began local production in 2000 at Staropramen Brewery in Prague, the Czech Republic. In the European market, consumption of beer in the United Kingdom is high, especially in the proportion of premium beer imports, resulting in steady consumption growth. We have placed the United Kingdom as our top priority market, and intend to continuously develop marketing activities targeting a younger, more trend-conscious group. We will also strengthen our sales and marketing efforts in Russia and Eastern Europe, where beer consumption has been rising. In France, Germany, and Italy, we plan to expand our presence within the Japanese and Asian beer market segments.

Board of Directors

Shigeo Fukuchi
Chairman of the Board and
Chief Executive Officer

Kouichi Ikeda
President and
Chief Operating Officer

Yoshihiro Goto
Senior Managing Director and
Senior Managing Executive Officer

Masaaki Okada
Senior Managing Director and
Senior Managing Executive Officer

Akira Ohara
Senior Managing Director

Yoshifumi Nishino
Managing Director

Naoki Izumiya
Managing Director

Hikaru Kawamura
Managing Director

Nobuo Yamaguchi
Director

Yukio Okamoto
Director

Tomoyo Nonaka
Director

Auditors

Standing Corporate Auditors
Sugao Nishikawa
Akashi Sato
Hiroshi Fujita

Outside Auditors
Takahide Sakurai
Naoto Nakamura

Executive Officers

Senior Managing Executive Officers
Yutaka Nakamura
Masaru Kuraguchi

Managing Executive Officers
Masahiko Ozeki
Nagayuki Akimoto
Masatoshi Takahashi
Masahiko Osawa
Hideyuki Ishibashi
Tsugiya Iwasaki
Osamu Sasaki
Masanori Kameno

Executive Officers
Kazuo Motoyama
Yuji Ninomiya
Tadashi Tamada
Hisao Tominaga
Noboru Ninomiya
Masakazu Eto
Nobukazu Yoshioka
Akira Matsunobu
Seikou Takahashi
Sakae Mitani
Nobuo Nagura
Toshifumi Ishii
Masato Miyake
Fumio Yamasaki
Yoshito Tomita
Shigeru Hada
Hiroshi Yamashita
Shin Iwakami
Susumu Nihei

(As of March 30, 2004)

FINANCIAL SECTION

ELEVEN-YEAR SUMMARY Years ended December, 31

	Millions of yen				
	2003	2002	2001	2000	1999
For the year:					
Net sales	**¥1,400,302**	¥1,375,267	¥1,433,364	¥1,399,108	¥1,396,898
Operating income	**78,984**	69,341	77,777	76,550	80,122
Net income (loss) before income taxes	**48,681**	32,483	18,611	(18,116)	15,038
Net income (loss)	**23,210**	14,754	13,617	(15,707)	4,082
Capital investments	**38,184**	41,257	64,829	66,518	63,149
Depreciation	**53,101**	51,546	52,901	51,790	43,840
<Segment information>					
Sales:					
Alcoholic beverages	**—**	—	1,179,412	1,127,737	1,114,441
Soft drinks and food	**—**	—	201,772	216,191	229,704
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	3,058	4,194	3,897
Others	**—**	—	49,122	50,986	48,856
Sales: (New Segments)					
Alcoholic beverages	**1,067,136**	1,057,029	1,101,620		
Soft drinks	**185,738**	173,773	192,526		
Food and pharmaceuticals	**21,547**	14,232	14,561		
Others	**125,881**	130,233	124,657		
Operating income:					
Alcoholic beverages	**—**	—	92,635	86,774	86,037
Soft drinks and food	**—**	—	(1,485)	2,009	6,972
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	1,833	2,717	1,623
Others	**—**	—	(816)	(758)	94
Operating income: (New Segments)					
Alcoholic beverages	**72,452**	69,145	76,809		
Soft drinks	**2,645**	(4,086)	(2,079)		
Food and pharmaceuticals	**169**	8	406		
Others	**3,399**	3,855	2,476		
Financial position					
Total assets	**1,244,410**	1,294,738	1,341,103	1,389,827	1,405,507
Total shareholders' equity	**398,153**	387,539	385,965	356,009	383,474
Interest-bearing debt	**336,285**	402,206	417,167	503,371	502,327
	Yen				
Per share data					
Net income (loss): Primary	**46.80**	28.90	27.00	(31.54)	8.20
: Fully diluted	**44.58**	27.46	25.25	—*3	8.11
Shareholders' equity	**810.19**	770.86	752.25	715.04	777.04
Cash dividends applicable to the year	**13.00**	13.00	13.00	12.00	12.00
	%				
Ratios					
Net income to shareholders' equity (ROE)	**5.9**	3.8	3.7	(4.2)	1.1
Operating income per net sales	**5.6**	5.0	5.4	5.5	5.7
Operating income per net sales (exclusive of alcohol tax)	**9.2**	8.3	9.0	9.2	9.7
Shareholders' equity to total assets	**32.0**	29.9	28.8	25.6	27.3

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥107.13 to U.S.$1, the exchange rate prevailing at December 31, 2003.

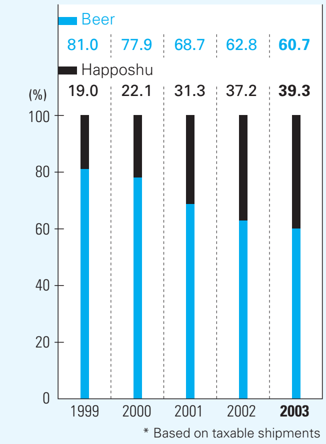
*1 Disclosure of fully diluted per share data of net income was not required for the years 1993 through 1994.
*2 Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.
*3 In case of net loss, disclosure of fully diluted per share data is not required.

	Millions of yen						Thousands of U.S. dollars (Note)
	1998	1997	1996	1995	1994	1993	2003
	¥1,357,217	¥1,313,257	¥1,212,046	¥1,087,900	¥1,075,540	¥ 951,199	$13,071,054
	91,893	96,299	99,643	77,829	80,858	62,556	737,273
	23,273	32,798	36,291	24,480	25,168	17,880	454,411
	579	11,555	8,231	6,607	6,492	3,434	216,653
	103,449	100,936	48,366	33,906	19,015	69,592	356,427
	39,656	35,740	34,245	32,629	31,407	29,196	495,669
	1,068,908	1,017,915	933,072	832,106	832,963	715,615	—
	234,729	204,199	192,127	170,241	167,007	144,262	—
	—	41,891	40,158	39,746	34,645	36,123	—
	4,921	4,488	3,819	4,415	16,752	32,380	—
	48,659	44,764	42,870	41,392	24,173	22,819	—
							9,961,131
							1,733,763
							201,129
							1,175,031
	92,583	92,140	86,489	64,935	67,820	34,539	—
	7,641	5,290	11,686	13,668	13,668	8,227	—
	—	5,723	5,343	4,625	3,406	5,595	—
	3,060	3,453	3,326	4,071	4,000	25,254	—
	950	1,007	430	175	360	468	—
							676,299
							24,690
							1,577
							31,729
	1,519,014	1,616,210	1,697,268	1,727,834	1,782,546	1,829,223	11,615,887
	387,089	374,591	319,645	298,804	294,945	288,071	3,716,541
	613,194	695,569	861,955	893,300	957,227	1,040,544	3,139,037
	Yen						U.S. dollars (Note)
	1.19	25.15	19.18	15.60	15.49	8.23	0.44
	—*2	23.36	17.56	—*2	—*1	—*1	0.42
	777.60	776.68	723.99	703.45	697.84	689.97	7.56
	12.00	11.00	10.00	9.50	9.50	8.00	0.12

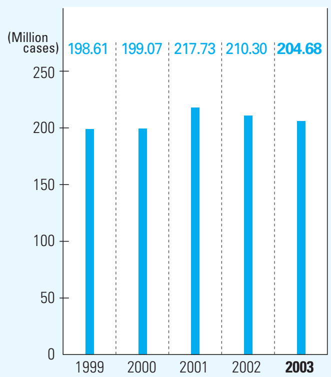
	%					
	0.2	3.3	2.7	2.2	2.2	1.2
	6.8	7.3	8.2	7.2	7.5	6.6
	11.5	12.3	13.7	11.9	12.5	10.6
	25.5	23.2	18.8	17.3	16.5	15.7

Overview

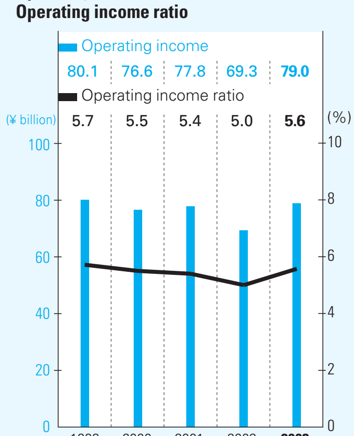
Individual beer and happoshu percentage in the combined beer and happoshu market



Asahi's combined taxable shipments of beer and happoshu



Operating income and Operating income ratio



Market trends

During the fiscal year ended December 31, 2003, the Japanese alcoholic beverages industry faced harsh conditions due to the higher taxes charged on happoshu from May 2003 and the impact of record-breaking cool temperatures in summer. Combined taxable shipments of beer and happoshu, which constitute the largest sales among alcoholic beverages, decreased 6.3% year-on-year, resulting in a second consecutive year of decline.

Likewise in the soft drinks industry, although sales of mineral water, sports drinks, Japanese tea and coffee drinks increased, sales of carbonated beverages and fruit drinks remained below the previous year's levels partly due to the cool summer. As a result, sales volume as a whole is estimated to have decreased by about 1%, compared to the previous fiscal year.

Net sales

Consolidated net sales increased ¥25.0 billion, or 1.8% year-on-year, to ¥1,400.3 billion, as profits increased across all business segments except for other businesses. Expanded sales in comprehensive alcoholic beverages resulting from aquisition and sales alliance efforts undertaken in the alcoholic beverages business and a reversal in the declining sales of the soft drinks business were the main reasons.

In sales composition by segment, the alcoholic beverages business decreased its share slightly to 76.2% compared to the previous fiscal year (76.9%), while the soft drinks business increased its share to 13.3% year-on-year from 12.6%.

Sales of the alcoholic beverages business and soft drinks business include net sales from the Company's overseas business. Sales of the overseas business declined ¥1.0 billion year-on-year to ¥13.2 billion, primarily due to decreased sales in China.

Operating income

Cost of sales increased 2.3 billion, or 0.24%, to ¥959.2 billion, and the cost of sales ratio decreased from 69.6% in the previous fiscal year to 68.5%. This was mainly due to cost reductions pursued on a Group-wide basis to raise efficiency centered on variable costs in the alcoholic beverages business and soft drinks business.

Selling, general and administrative costs increased ¥13.1 billion, or 3.7%, from ¥349.1 billion in the previous year to ¥362.2 billion, primarily due to increased sales promotion expenses. The total costs of sales promotion and advertising increased ¥8.8 billion, or 5.5%, from ¥161.0 billion in the previous fiscal year to ¥169.8 billion, and the ratio of costs of sales promotion and advertising to net sales increased slightly from 11.7% to 12.1%. As a result, the selling, general and administrative costs to net sales ratio increased from 25.4% to 25.9%. The increase in net sales and decrease in cost of sales nevertheless led to an increase of ¥9.6 billion, or 13.9% in operating income to ¥79.0 billion. As a result, operating income ratio increased 0.6 percentage points from 5.0% to 5.6%.

Other income and expenses

Due to the reductions in interest-bearing debt, the Company's financial balance improved ¥945 million.

The ¥3.6 billion in loss on securities contributed to employees' retirement benefit trust reported in the previous fiscal year no longer appears in the Company's accounts, while loss on devaluation of investment securities also decreased ¥5.7 billion. However, the Company reported ¥4.3 billion in losses on liquidation of business that accompanied the transfer of a bottling subsidiary company and ¥2.9 billion in impairment loss of long-lived assets of a foreign subsidiary.

As a result, non-operating income and losses improved ¥6.6 billion year-on-year to ¥30.3 billion.

Income taxes

The tax rate on income taxes, including corporation tax for fiscal 2003, declined to 51.9% from 65.3% in the previous year. The difference between the actual effective tax rate (51.9%) and the statutory tax rate (41.8%) is primarily made up by the fact that the negative impact of 7.5% in deferred taxes from the losses of subsidiaries was offset by the positive effect of 15.1% in valuation allowances. The tax rate on income taxes, including corporation tax, declined compared with the previous year, primarily due to a decrease in the effects of valuation allowances from 22.5% to 15.1%.

Net income

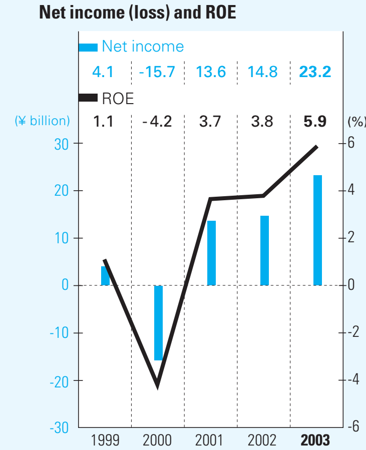
Net income increased ¥8.5 billion, or 57.3%, from ¥14.8 billion in the previous year to ¥23.2 billion, marking a record-high for the third consecutive year. Net income ratio increased from 1.1% in the previous year to 1.7%, and ROE improved significantly from 3.8% to 5.9%. Net income per share also marked a record high of ¥46.80.

Dividend

Asahi Breweries, Ltd. plans to issue an ordinary half-term dividend of ¥6.5 per share. An ordinary dividend per share for the full term is expected to be ¥13 per share, including the ¥6.5 dividend issued for the half term.

Including the half-term dividend of ¥6.5 per share, the ordinary dividend per share for the next term is expected to remain at ¥13 per share.

Net income (loss) and ROE



Review of operations by segment

	Millions of yen		
	2003	2002	Percent change
Sales			
Alcoholic beverages	¥1,067,136	¥1,057,029	1.0
Soft drinks	185,738	173,773	6.9
Food and pharmaceuticals	21,547	14,232	51.4
Other businesses	125,881	130,233	-3.3
Operating income (loss)			
Alcoholic beverages	72,452	69,145	4.8
Soft drinks	2,645	(4,086)	—
Food and pharmaceuticals	169	8	2012.5
Other businesses	3,399	3,855	-11.9

Alcoholic beverages business

In fiscal 2003, the Company achieved increases in both sales and profit, with sales increasing 1.0% year-on-year to ¥1,067.1 billion and operating income rising 4.8% to ¥72.5 billion. Although beer sales declined due to severe market conditions plagued by a cool summer, the new happoshu product, *Asahi Honnama Aqua Blue*, became a hit product and the categories other than beer and happoshu demonstrated steady growth, thanks to the effects of aggressive aquisition and sales alliances, covering the decline in beer sales. The Company achieved increased profit, in the wake of successful cost reductions in manufacturing and logistics, in addition to the growth in sales.

Beer and happoshu

Beer sales suffered a 7.7% decline to ¥784.4 billion, as sales volume for the Company's flagship, *Asahi Super Dry*, fell compared with the same period in the previous fiscal year. However, thanks to the appreciation shown by customers towards the Company's efforts to deliver fresh, higher quality draft beer kegs, sales volume in September 2003 rose above previous year's levels for the first time in 33 months, followed by further increase in December, demonstrating positive signs of recovery.

With regard to happoshu, the Company proceeded to develop and strengthen its *Honnama* brand, and the launching of *Asahi Honnama Aqua Blue* in July 2003 led the way to double-digit growth in sales volume. The Company achieved a significant increase in market share in the face of negative growth in happoshu for the entire industry. Happoshu sales increased ¥33.2 billion, or 20.4%, from ¥162.4 billion to ¥195.6 billion.

As a result, while the decline in beer sales caused combined net sales of beer and happoshu to dip slightly below the previous year's levels to ¥980.0 billion, the Company captured top market share for the third consecutive year, further solidifying its overall status in the market.

In other categories, the Company reinforced its efforts in comprehensive alcoholic beverages and at the same time selected and strengthened brands that will serve as a core product for each category, utilizing one of the industry's most extensive marketing networks to increase their presence.

Shochu

Under the favorable influence of a boom in shochu, the Company's mainstay products *Daigoro*, *Kanoka* and *Ichibanfuda* accomplished double-digit growth in sales volume. As a result, sales increased dramatically from ¥20.6 billion to ¥51.9 billion.

Whisky and spirits

Despite the prevailing harsh conditions for the market as a whole, the Company's main product for home-use whisky, *Black Nikka Clear Blend*, and *Taketsuru* whisky for commercial use fared favorably as a result of aggressive sales activities appealing to the quality of the Nikka brand. Sales for this category increased from ¥31.2 billion to ¥32.3 billion.

Low-alcohol beverages

As customer preferences became increasingly diversified, *Asahi Cocktail Partner* achieved more than a threefold year-on-year increase in sales volume, leaping into position as a high-raking brand among low-alcohol beverages. *Asahi Shunka Shibori* also demonstrated 80% increase compared with the same term in the previous fiscal year. As a result, sales for this category increased considerably from ¥13.1 billion to ¥23.5 billion.

Wines

Laboring under severe conditions, the overall market suffered negative growth. However, the broad lineup of domestic and imported products and the proposal capabilities of world-famous brands handled by the Company earned positive results for its main brands, *Caliterra*, *Baron Philippe de Rothschild*, and *Saint Neige*. Consequently, sales volume exceeded the industry average, raising the status of the Company. Sales for this category increased from ¥12.2 billion to ¥14.6 billion.

Soft drinks business

In fiscal 2003, sales increased 6.9% year-on-year to ¥185.8 billion and operating income increased ¥6.7 billion to ¥2.6 billion, reversing a declining trend in sales and profit that had continued since 1999.

The major factor behind the turnaround in sales and profit was the Company's success in recovering sales by strengthening product power. The Company placed top priority on aggressive sales promotion activities with concentrated management resources for *WONDA Morning Shot*, a hit product based on the concept of specialty morning coffee, and *Asahi Juroku-Cha*, a pioneer brand in blended tea, as the core brands. The Company also endeavored to develop new products centered on health drinks for which demand is expected to grow. In particular, the sugar-free, no-calorie amino acid drink, *Amino Diet* series, was received favorably as a new proposal-based product for health-conscious consumers.

With regard to sales and marketing activities, the Company strengthened both its sales system geared to convenience stores and mass-retail outlets, and its system for developing new locations for vending machines. In particular, in pursuing sales activities geared to mass-retail outlets, the Company gained positive results by utilizing the Asahi Breweries Group's Asahi Field Marketing Co., Ltd. to bolster proposal-based sales activities.

In conjunction with these growth strategies, the Company moved to establish an optimal production system to enhance cost competitiveness. In concrete terms, the Company shut down unprofitable production lines and reviewed personnel allocation to raise operation rates of in-house production lines in high demand. The Company also increased the capacity of its factory drainage systems to raise operation rates and boosted production without building new production lines. In addition, to improve vending machine sales efficiency, the Company increased the number of installations and controlled profitability by adopting indicators on operation rates, which together contributed to increased profits.

Food and pharmaceuticals

Sales for the food and pharmaceuticals business in fiscal 2003 increased 51.4% year-on-year to ¥21.5 billion. Operating income increased ¥161 million to ¥169 million, increasing both sales and earnings.

During the year under review, the Company undertook reforms in its business structure to respond to volatile changes in the business environment. Firstly, the Company further reinforced its business foundation, as Asahi Food & Healthcare Co., Ltd. absorbed the operations of Pola Foods Inc. in January 2003. The Company also succeeded in significantly raising recognition of the Asahi brand among consumers by aggressively marketing products transferred from Pola Foods under the Asahi brand.

Secondly, at the end of August 2003, the Company completed its retreat from the frozen food business, where profits were declining. Consequently, the Company has created an environment for concentrated allocation of its management resources to health foods and other areas with the greatest growth potential.

Thirdly, in response to dynamic changes in consumer needs and in the distribution industry, the Company began direct marketing business in July 2003. Through direct marketing, the Company is now able to provide finely tailored services that could not be delivered through existing sales channels and to develop products that precisely meet customer needs, thereby cultivating the business that generates steady profit.

In addition to these structural reforms, the Company also actively invested in marketing activities, such as sales promotion and advertisements, and worked to develop new products and expand sales channels.

Other businesses

In other businesses, while sales for businesses such as logistics business fared well, overall sales for this segment declined, since Asahi Beer Pax Co., Ltd. was excluded from consolidation due to the transfer of all its issued shares to Ishizuka Glass Co., Ltd.

As a result, sales for other businesses decreased 3.3% year-on-year to ¥125.9 billion and operating income decreased 11.9% to ¥3.4 billion.

Liquidity and capital resources

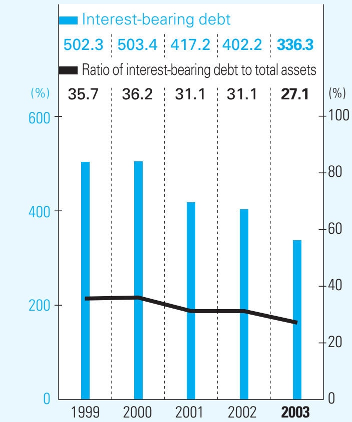
Asahi Breweries, Ltd. gains its capital resources principally from cash flows from its operating activities, loans, and the issuance of bonds or stock. Daily financing needs are in principle met through short-term loans and the issuance of commercial paper.

Free cash flows increased considerably year-on-year by ¥49.9 billion, or 198%, to ¥75.1 billion. Free cash flows were mainly used to repay interest-bearing debt, and consequently, the outstanding balance of interest-bearing debt decreased ¥65.9 billion, or 16.4% year-on-year, to ¥336.3 billion.

The reduction of interest-bearing debt is a key corporate goal, and the Company has consistently acted to reduce the outstanding balance each year. As a result, the outstanding amount for the fiscal 2003 was reduced to roughly a fourth of its peak of ¥1,411.1 billion in fiscal 1992. The debt-to-equity ratio fell from 4.9 in fiscal 1992 to 0.8 during the year under review.

Asahi Breweries, Ltd. has earned an AA- rating from the Japan Credit Rating Agency Ltd. and an A+ rating from the Rating and Investment Information Inc.

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



Assets, liabilities and shareholders' equity

Total assets at fiscal year-end amounted to ¥1,244.4 billion, a 3.9% decrease of ¥50.3 billion in the previous fiscal year. The decrease was largely due to reduced fixed assets resulting from the completion of capital investments in new plants and other facilities, and activities to raise asset efficiency, including reductions in inventories. Return on assets rose from 4.4% to 5.6%. *ROA = Ordinary income/Total assets (average) x100

Current assets decreased ¥11.0 billion, or 2.7% year-on-year, to ¥393.3 billion, mainly due to reductions in inventories. Trade receivables increased 2.4% to ¥262.4 billion, along with increased sales. The turnover period of trade receivables for the fiscal year under review was 2.2 months, unchanged from the previous year.

Inventories decreased ¥7.1 billion year-on-year to ¥89.1 billion despite the growth in sales, leading to an improvement in the turnover period of inventories from 0.84 months to 0.76 months in fiscal 2003.

Property, plant and equipment decreased ¥25.2 billion, or 3.5% year-on-year, to ¥693.6 billion, largely due to capital investments falling significantly below depreciation costs during the year under review.

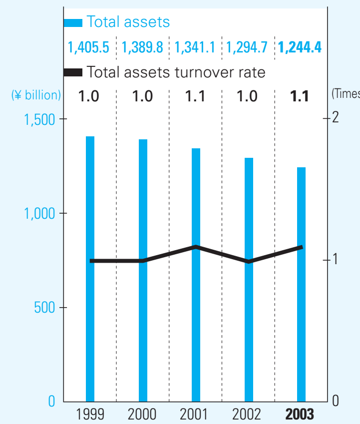
Investments and other assets decreased ¥14.0 billion, or 9.1% year-on-year, to ¥140.0 billion, mainly due to decreases in investment securities and deferred tax assets.

Current liabilities declined ¥54.4 billion, or 9.1% year-on-year, to ¥542.3 billion, primarily due to reductions of ¥41.4 billion in short-term loans and ¥24.8 billion in long-term debt due within one year.

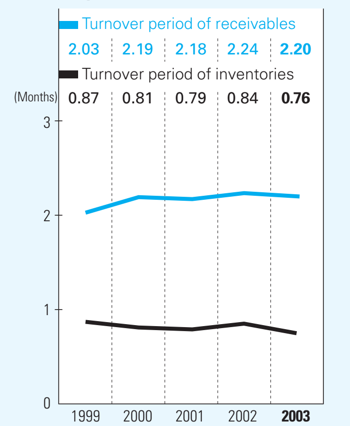
Long-term liabilities decreased ¥9.5 billion, or 3.2% year-on-year, to ¥286.5 billion, mainly due to a decrease of ¥37.7 billion in bonds and an increase of ¥30.3 billion in long-term loans.

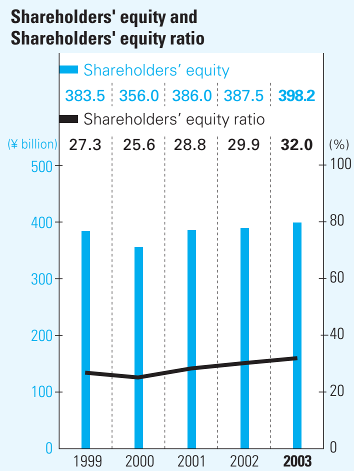
Total shareholders' equity increased ¥10.6 billion, or 2.7% year-on-year, to ¥398.2 billion. This resulted from the increase in retained earnings generated by record-high levels of net income that offset decreases caused by repurchases of treasury stock and

Total assets and Total assets turnover rate



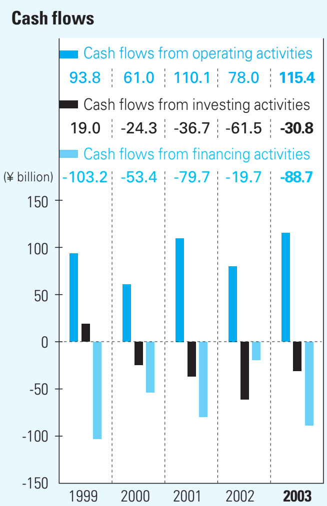
Turnover period of trade receivables and Turnover period of inventories





dividend payment. As a result, the equity ratio improved to 32.0% from 29.9% in the previous fiscal year. Return on equity rose from 3.81% to 5.91% and shareholder's equity per share increased from ¥770.86 to ¥810.19.

Cash flows



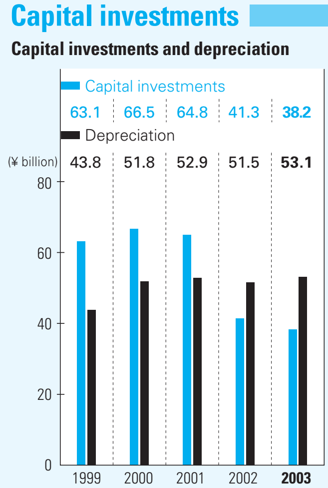
Net cash provided by operating activities increased ¥37.4 billion, or 48.0% year-on-year, to ¥115.4 billion, reflecting the considerable increase in pretax income.

Net cash used in investing activities decreased ¥30.8 billion, or 50.0% year-on-year, to ¥30.8 billion. The decrease in net cash used in investing activities is the result of reduced outflow for capital investments having completed investments for new plants and facilities and the absence of expenses related to the acquisition of the alcoholic beverages business of KYOWA HAKKO KOGYO Co., Ltd. and Asahi Kasei Corporation, despite lower profits due to the sale of investment securities.

Net cash used in financing activities increased ¥68.9 billion, or 249.2% year-on-year, to ¥88.7 billion, mainly due to repayments on financial debt.

As a result, cash and cash equivalents at fiscal year-end declined ¥4.4 billion, or 27.7% year-on-year, to ¥11.6 billion.

Capital investments



Capital investments totaled ¥38.2 billion. Of the total, capital investments undertaken by Asahi Breweries, Ltd. amounted to ¥27.1 billion. Depreciation costs totaled ¥53.1 billion.

R&D activities

The Company develops technologies that lead to create new alcoholic beverage products and improve quality, while engaging in research on the functionality of unique materials, such as brewer's yeast, hop polyphenol, and apple polyphenol. During fiscal 2003, the Company developed a method for lowering substances that deteriorate the flavor of finished beer products and prolonging the fresh taste of beer during the process of turning barley into malt. The Company also discovered new applications for brewer's yeast, such as the obesity-preventing properties of dried brewer's yeast, and the effect of mannan contained in brewer's yeast to promote mineral absorption. For such research and development activities, R&D expenditures for the year under review increased ¥490 million or 7.1% year-on-year, to ¥ 7,413 million.

Risk management

In the operation of its businesses, Asahi Breweries, Ltd. is exposed to risks that may affect its financial condition, for example, changing interest rates on loans and foreign exchange, and price fluctuations of securities holdings.

Asahi Breweries, Ltd. has established guidelines and measures for minimizing any losses related to such risks. The Company assumes therefore that the possibility of incurring major losses from these risks is minimal.

To deal with changing interest-rates on loans, the Company procures funding at fixed rates for long-term loans and bond issuances to avoid the risk of rising interest rates. The Company also makes full use of commercial paper for procuring short-term funding to take advantage of Japan's zero-interest rate policy. As a result, financial balance for fiscal 2003 improved ¥945 million compared with the previous fiscal year.

With regard to foreign exchange, the Company denominates contracts entered into with trading companies handling imported raw material in yen, while buying forward foreign exchange contracts for the settlement of some parts of imported products such as wines.

Asahi Breweries, Ltd. reduces the outstanding balance of its assets by actively dissolving mutual shareholdings with financial institutions to minimize the risk of price fluctuations in securities holdings. As a result, the value of securities based on mark-to-market accounting as reported in the Company's balance sheet as of fiscal year-end exceeded the purchasing price by a net ¥3.1 billion.

Outlook

The Company's primary goal for fiscal 2004—the first year of its Second Group Medium-Term Management Plan—is to establish a new earnings structure. In the alcoholic beverages business, the Company will continue to pursue further growth and efficiency as a leading comprehensive alcoholic beverages producer. In the soft drinks, food and pharmaceuticals, and overseas business, the Company will improve the earning capacity for existing businesses, while making new investments.

Through these measures, the Company forecasts net sales of ¥1,440.0 billion (up 2.8% from fiscal 2003 results), operating income of ¥84.0 billion (up 6.4%), and net income of ¥26.0 billion (up 12.0%).

CONSOLIDATED BALANCE SHEETS

Asahi Breweries, Ltd. and Consolidated Subsidiaries December 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2003**	2002	**2003**
Current assets:			
Cash and time deposits (Note 3)	**¥ 11,699**	¥ 18,517	**$ 109,204**
Notes and accounts receivable:			
Trade	**262,406**	256,310	**2,449,417**
Other	**19,221**	18,962	**179,417**
Allowance for doubtful accounts	**(12,298)**	(7,960)	**(114,795)**
Inventories (Note 4)	**89,068**	96,210	**831,401**
Deferred income tax assets (Note 9)	**6,449**	3,490	**60,198**
Other current assets	**16,716**	18,712	**156,034**
Total current assets	**393,261**	404,241	**3,670,876**
Property, plant and equipment (Note 7):			
Land	**204,684**	204,163	**1,910,613**
Buildings and structures	**389,381**	390,079	**3,634,659**
Machinery and equipment	**582,755**	562,323	**5,439,699**
Construction in progress	**4,102**	3,756	**38,290**
	1,180,922	1,160,321	**11,023,261**
Less accumulated depreciation	**(487,352)**	(441,592)	**(4,549,164)**
Net property, plant and equipment	**693,570**	718,729	**6,474,097**
Investments and other assets:			
Investment securities (Note 5)	**63,767**	59,859	**595,230**
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**5,606**	18,490	**52,329**
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliated companies	**—**	800	**—**
Other	**3,886**	5,422	**36,274**
Deferred income tax assets (Note 9)	**38,325**	47,956	**357,743**
Other non-current assets	**45,995**	39,241	**429,338**
Total investments and other assets	**157,579**	171,768	**1,470,914**
	¥1,244,410	¥1,294,738	**$11,615,887**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Shareholders' Equity	**2003**	2002	**2003**
Current liabilities:			
Bank loans (Note 7)	**¥ 51,238**	¥ 92,670	**$ 478,279**
Commercial paper (Note 7)	**5,500**	20,000	**51,339**
Long-term debt due within one year (Note 7)	**63,587**	66,210	**593,550**
Notes and accounts payable:			
Trade	**81,057**	82,346	**756,623**
Other (mainly construction)	**39,090**	39,846	**364,884**
Alcohol tax and consumption taxes payable	**157,440**	145,054	**1,469,616**
Deposits received	**70,525**	85,011	**658,312**
Income taxes payable (Note 9)	**21,000**	11,669	**196,023**
Accrued liabilities	**47,336**	50,419	**441,856**
Other current liabilities	**5,536**	3,455	**51,676**
Total current liabilities	**542,309**	596,680	**5,062,158**
Long-term debt (Note 7)	**215,960**	223,326	**2,015,869**
Employees' severance and retirement benefits (Note 8)	**29,772**	29,523	**277,905**
Allowance for retirement benefits for directors and corporate auditors	**649**	473	**6,058**
Deferred income tax liabilities (Note 9)	**305**	26	**2,847**
Long-term deposits received	**37,864**	39,332	**353,440**
Other long-term liabilities	**1,903**	3,295	**17,763**
Minority interests	**17,495**	14,544	**163,306**
Commitments and contingent liabilities (Note 11)			
Shareholders' equity (Note 10):			
Common stock:			
Authorized-992,305,309 shares			
Issued-513,585,862 shares	**182,531**	182,531	**1,703,827**
Capital surplus	**181,281**	180,894	**1,692,159**
Retained earnings	**50,410**	32,423	**470,550**
Net unrealized holding gains on securities, net of taxes	**1,794**	64	**16,746**
Foreign currency translation adjustments (Note 2)	**164**	975	**1,531**
Treasury stock, at cost	**(18,027)**	(9,348)	**(168,272)**
Total shareholders' equity	**398,153**	387,539	**3,716,541**
	¥1,244,410	¥1,294,738	**$11,615,887**

CONSOLIDATED STATEMENTS OF INCOME

Asahi Breweries, Ltd. and Consolidated Subsidiaries Years ended December 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	**2003**
Net sales (Note 13)	**¥1,400,302**	¥1,375,267	¥1,433,364	**$13,071,054**
Costs and expenses (Note 13)**:**				
Cost of sales	**413,326**	421,726	437,594	**3,858,172**
Alcohol tax	**545,837**	535,101	566,376	**5,095,090**
Selling, general and administrative expenses	**362,155**	349,099	351,617	**3,380,519**
	1,321,318	1,305,926	1,355,587	**12,333,781**
Operating income (Note 13)	**78,984**	69,341	77,777	**737,273**
Other income (expenses):				
Interest and dividend income	**1,554**	1,690	2,530	**14,506**
Interest expenses	**(4,800)**	(5,861)	(8,136)	**(44,805)**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**327**	666	197	**3,052**
Compensation for transfer of plant	**1,543**	—	—	**14,403**
Gain (loss) on sale of securities-net	**209**	(107)	(2,290)	**1,951**
Loss on sale and disposal of property, plant and equipment-net	**(13,520)**	(12,873)	(7,946)	**(126,202)**
Impairment Loss of long-lived assets of a foreign subsidiary	**(2,855)**	—	—	**(26,650)**
Loss on liquidation of businesses	**(4,288)**	—	—	**(40,026)**
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	**(644)**	(506)	(1,003)	**(6,011)**
Loss on devaluation of investment securities	**(1,199)**	(6,915)	(7,676)	**(11,192)**
Gain (loss) on securities contributed to employees' retirement benefit trust (Note 5)	**—**	(3,641)	6	**—**
One-time amortization of net transition obligation (Note 2)	**—**	—	(20,445)	**—**
Other-net	**(6,630)**	(9,311)	(14,403)	**(61,888)**
	(30,303)	(36,858)	(59,166)	**(282,862)**
Income before income taxes and minority interests	**48,681**	32,483	18,611	**454,411**
Income taxes (Note 9)**:**				
Current	**22,830**	23,463	24,925	**213,106**
Deferred	**2,452**	(2,266)	(18,860)	**22,888**
	25,282	21,197	6,065	**235,994**
Income before minority interests	**23,399**	11,286	12,546	**218,417**
Minority interests in net loss (gain) of consolidated subsidiaries	**(189)**	3,468	1,071	**(1,764)**
Net income	**¥ 23,210**	¥ 14,754	¥ 13,617	**$ 216,653**

	Yen			U.S. dollars (Note 1)
	2003	2002	2001	**2003**
Amounts per share of common stock:				
Net income	**¥46.80**	¥28.90	¥27.00	**$0.44**
Diluted net income	**44.58**	27.46	25.25	**0.42**
Cash dividends applicable to the year	**13**	13	13	**0.12**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Asahi Breweries, Ltd. and Consolidated Subsidiaries Years ended December 31, 2003, 2002 and 2001

		Millions of yen					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2000	497,992	¥177,666	¥169,457	¥ 9,010	¥ —	¥(1,131)	¥ (124)
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 subsidiaries	7,872	394	6,973				
Increase resulting from increase in consolidated subsidiaries				84			
Increase resulting from liquidation of consolidated subsidiaries				4,223			
Adjustments from translation of foreign currency financial statements						3,406	
Purchases of treasury stock-net							(475)
Balance at December 31, 2001	513,585	182,531	180,894	20,864	—	2,275	(599)
Net income				14,754			
Cash dividends paid (¥7.00 per share)				(3,592)			
Bonuses to directors and corporate auditors				(100)			
Shares issued upon conversion of convertible debentures	1	0	0				
Increase resulting from increase in consolidated subsidiaries				497			
Adoption of market valuation rule for available-for-sale securities					64		
Adjustments from translation of foreign currency financial statements						(1,300)	
Purchases of treasury stock							(8,749)
Balance at December 31, 2002	513,586	182,531	180,894	32,423	64	975	(9,348)
Net income				**23,210**			
Cash dividends paid (¥19.50 per share)				**(9,729)**			
Bonuses to directors and corporate auditors				**(112)**			
Increase resulting from merger			**389**				
Increase resulting from increase in consolidated subsidiaries				**454**			
Increase resulting from decrease in consolidated subsidiaries				**3,973**			
Increase resulting from increase in unconsolidated subsidiaries accounted for by the equity method				**403**			
Decrease resulting from merger of consolidated subsidiaries				**(212)**			
Increase due to changes in fair market values of available-for-sale securities					**1,730**		
Adjustments from translation of foreign currency financial statements						**(811)**	
Purchase of treasury stock							**(8,706)**
Disposal of treasury stock			**(2)**				**27**
Balance at December 31, 2003	**513,586**	**¥182,531**	**¥181,281**	**¥50,410**	**¥1,794**	**¥ 164**	**¥(18,027)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2002	$1,703,827	$1,688,546	$302,651	$ 597	$9,101	$ (87,258)
Net income			**216,653**			
Cash dividends paid ($0.18 per share)			**(90,815)**			
Bonuses to directors and corporate auditors			**(1,045)**			
Increase resulting from merger		**3,631**				
Increase resulting from increase in consolidated subsidiaries			**4,238**			
Increase resulting from decrease in consolidated subsidiaries			**37,086**			
Increase resulting from increase in unconsolidated subsidiaries accounted for by the equity method			**3,761**			
Decrease resulting from merger of consolidated subsidiaries			**(1,979)**			
Increase due to changes in fair market values of available-for-sale securities				**16,149**		
Adjustments from translation of foreign currency financial statements					**(7,570)**	
Purchases of treasury stock						**(81,266)**
Disposal of treasury stock		**(18)**				**252**
Balance at December 31, 2003	**$1,703,827**	**$1,692,159**	**$470,550**	**$16,746**	**$1,531**	**$(168,272)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Breweries, Ltd. and Consolidated Subsidiaries Years ended December 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Cash flows from operating activities:				
Income before income taxes and minority interests	¥48,681	¥32,483	¥18,611	$454,411
Depreciation (Note 13)	53,101	51,546	52,901	495,669
Decrease in provision for employees' retirement benefits	—	—	(31,344)	—
Increase (decrease) in provision for employees' severance and retirement benefits	(2,149)	(2,306)	47,945	(20,060)
Increase in allowance for doubtful accounts	5,175	6,391	10,934	48,306
Interest and dividend income	(1,554)	(1,690)	(2,530)	(14,506)
Interest expenses	4,800	5,861	8,136	44,805
Equity in net income of unconsolidated subsidiaries and affiliated companies	(327)	(666)	(197)	(3,052)
Loss (gain) on sale of securities-net	(209)	107	2,216	(1,951)
Loss on devaluation of investment securities	1,199	6,915	7,676	11,192
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	644	506	1,003	6,011
Loss on liquidation of businesses	4,288	—	—	40,026
Loss on sale and disposal of property, plant and equipment-net	13,520	12,873	7,946	126,202
Impairment loss of long-lived assets of a foreign subsidiary	2,855	—	—	26,650
Decrease (increase) in notes and accounts receivable	(1,067)	8,957	9	(9,960)
Decrease (increase) in inventories	4,881	(1,118)	1,695	45,561
Decrease in notes and accounts payable (excluding construction)	(2,793)	(3,128)	(2,860)	(26,071)
Increase (decrease) in accrued alcohol tax payable	4,345	(6,268)	3,556	40,558
Increase (decrease) in accrued consumption taxes payable	1,662	(407)	(1,733)	15,514
Bonuses paid to directors and corporate auditors	(113)	(102)	(50)	(1,055)
Other	(4,324)	4,084	2,940	(40,361)
Subtotal	132,615	114,038	126,854	1,237,889
Interest and dividends received	1,533	1,849	2,961	14,310
Interest paid	(4,400)	(6,266)	(8,545)	(41,072)
Income taxes paid	(14,390)	(31,670)	(11,163)	(134,323)
Net cash provided by operating activities	115,358	77,951	110,107	1,076,804
Cash flows from investing activities:				
Payments for time deposits	(259)	(2,961)	—	(2,417)
Proceeds from time deposits	2,406	1,615	3,495	22,459
Payments for purchases of property, plant and equipment	(35,467)	(49,795)	(69,186)	(331,065)
Proceeds from sale of property, plant and equipment	2,564	1,041	9,182	23,934
Payments for purchases of intangible assets	(4,822)	(2,989)	(4,255)	(45,011)
Payments for purchases of investment securities	(4,442)	(5,855)	(11,470)	(41,464)
Proceeds from sale of investment securities	2,173	15,538	21,310	20,284
Payments for loans receivable	(1,646)	(4,417)	—	(15,365)
Proceeds from collections of loans receivable	8,784	2,749	4,937	81,994
Payments for purchases of business (Note 3)	—	(19,221)	—	—
Other	(44)	2,787	9,286	(411)
Net cash used in investing activities	(30,753)	(61,508)	(36,701)	(287,062)
Cash flows from financing activities:				
Increase (decrease) in bank loans	(55,459)	7,450	(60,365)	(517,679)
Proceeds from long-term debt	46,500	2,479	7,656	434,052
Repayments of long-term debt	(46,143)	(13,325)	(25,169)	(430,720)
Proceeds from bonds and convertible debentures issued	10,000	50,000	50,000	93,345
Redemption of bonds	(25,451)	(62,270)	(47,950)	(237,571)
Payments for purchases of treasury stock	(8,706)	(8,749)	(475)	(81,266)
Cash dividends paid	(9,729)	(3,592)	(6,020)	(90,815)
Cash dividends paid to minority in consolidated subsidiaries	(2)	(115)	(116)	(19)
Other	295	8,375	2,730	2,754
Net cash used in financing activities	(88,695)	(19,747)	(79,709)	(827,919)
Effect of exchange rate change on cash and cash equivalents	(366)	(675)	397	(3,416)
Net decrease in cash and cash equivalents	(4,456)	(3,979)	(5,906)	(41,593)
Cash and cash equivalents at beginning of year	15,986	19,352	24,743	149,220
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	19	613	515	177
Increase in cash and cash equivalents due to merger	13	—	—	121
Cash and cash equivalents at end of year (Note 3)	¥11,562	¥15,986	¥19,352	$107,925
Supplemental disclosures of cash flow information:				
Conversion of convertible debentures to common stock and additional paid-in capital	¥ —	¥ 0	¥ 8,935	$ —

See accompanying notes.

1. Basis of Presenting Consolidated Financial Statements

ASAHI BREWERIES, LTD. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at December 31, 2003, which was ¥107.13 to U.S. $1.00. 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 2002 and 2001 financial statements to conform to the presentation for 2003.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (40 domestic and 13 overseas subsidiaries for 2003, 30 domestic and 14 overseas subsidiaries for 2002, and 25 domestic and 13 overseas subsidiaries for 2001). All significant intercompany transactions and account balances are eliminated in consolidation.

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.

Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, 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.

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) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). The Companies do not have trading securities.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated nor accounted for using the equity method 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. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. 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 statements of income 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.

In the year ended December 31, 2001, as a result of adopting the new accounting standard for financial instruments, income before income taxes and minority interests increased by ¥278 million. 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 assets.

Effective January 1, 2002, available-for-sale securities with available fair market values are stated at fair market value. Unrealized gain and unrealized loss on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gain and loss on sale of such securities are computed using moving-average cost.

In the year ended December 31, 2002, as a result of applying the new accounting requirement for available-for-sale securities with available fair values under the new accounting standard for financial instruments adopted in the previous year, net unrealized holding gains on securities, net of taxes amounted to ¥64 million, and deferred income tax liabilities and minority interests increased by ¥49 million and ¥21 million, respectively.

Prior to January 1, 2002, when devaluation of available-for-sale securities with fair market values was considered necessary, available-for-sale securities with fair market values were devalued based on the market price as of the balance sheet date. Effective January 1, 2002, when available-for-sale securities with fair market values are to be devalued, an average market price for one month immediately before the balance sheet date is used to exclude effects of temporary fluctuations of stock prices. As a result of this change, income before income taxes and minority interests decreased by ¥3,702 million.

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 using the straight-line method due to the amendments to the Corporation Tax Law. 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, in the year ended December 31, 2001, for production equipment to be scrapped in connection 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

The Companies recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. 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.

Employees' severance and retirement benefits

The Companies 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 Companies 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 in the year ended December 31, 2000.

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

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 Companies provided allowance for employees' severance and retirement benefits at the balance sheet date 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. The entire net transition obligation amounting to ¥20,445 million 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 and income before income taxes and minority interests decreased by ¥18,772 million compared with what would have been recorded under the previous accounting standard.

Allowance for retirement benefits for directors and corporate auditors

Directors and corporate auditors are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of services and certain other factors. The Companies accrue 100% of obligations based on their rules required under the assumption that all directors and corporate auditors retired at the balance sheet date.

(Changes in accounting policies)

Prior to January 1, 2003, retirement benefits for directors and corporate auditors were charged to expenses on a cash basis.

Effective January 1, 2003, allowance for retirement benefits for directors and corporate auditors is provided based on the Company's pertinent rules at the estimated amount required had all directors and corporate auditors retired at the balance sheet date.

The change was made to achieve better allocation of cost of such retirement benefits over the corresponding period of service by the directors and corporate auditors.

Due to this change, allowance for retirement benefits for directors and corporate auditors in the current term under review, ¥91 million ($849 thousand) is recorded under selling, general and administrative expenses, and ¥581 million ($5,423 thousand), which represents the retirement benefits for services prior to January 1, 2003, is recorded as other expenses. As a result, operating income for the year ended March 31, 2003 decreased by ¥91 million ($849 thousand) and income before income taxes and minority interests by ¥410 million ($3,827 thousand) compared with what would have been reported using the previous method.

Translation of foreign currency accounts and financial statements

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 Companies 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). 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 statement of income for the year ended December 31, 2001 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 statement of income items resulting from transactions with the Company at the rates used by the Company.

Foreign currency translation adjustments resulting from translation of foreign currency financial statements were presented separately in the shareholders' equity and minority interests in the consolidated balance sheets.

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 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.

Amounts per share of common stock

Net income per share is computed based upon the average number of shares of common stock outstanding during the period.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

Effective January 1, 2003, the Company adopted "Accounting Standard for Earnings Per Share" (Accounting Standards Board Statement No.2) and "Implementation Guidance for Accounting Standard for Earnings Per Share" (Financial Standards Implementation Guidance No.4).

Earnings per share for the years ended December 31, 2002 and 2001 would have been reported as follows, if this new accounting standard were applied retroactively.

	Yen	
	2002	2001
Net income	¥28.68	¥26.80
Diluted net income	¥27.26	¥25.07

3. Cash and Cash Equivalents

A. Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash and time deposits	**¥11,699**	¥18,517	**$109,204**
Less: Time deposits with maturities exceeding three months	**(137)**	(2,531)	**(1,279)**
Cash and cash equivalents	**¥11,562**	¥15,986	**$107,925**

B. Assets acquired and liabilities assumed in purchase of business in the year ended December 31, 2002 were as follows:

	Millions of yen
Fair value of assets acquired	¥19,315
Liabilities assumed	(94)
Cash paid	¥19,221

4. Inventories

Inventories at December 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished goods	¥12,273	¥13,345	$114,562
Work in process	41,755	40,567	389,760
Raw materials	19,387	24,246	180,967
Supplies	6,823	7,702	63,689
Merchandise	8,830	10,295	82,423
Property for sale	—	55	—
Total	¥89,068	¥96,210	$831,401

5. Securities

A. The following tables summarize acquisition costs and book values of securities with available fair value as of December 31, 2003:

Available-for-sale securities:

	Millions of yen		
	2003		
Type	Acquisition	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥10,037	¥15,878	¥5,841
Corporate bonds	5	5	0
	10,042	15,883	5,841
Securities with book values not exceeding acquisition costs:			
Equity securities	15,650	12,861	(2,789)
Corporate bonds	1	1	0
	15,651	12,862	(2,789)
Total	¥25,693	¥28,745	¥3,052

	Thousands of U.S. dollars		
	2003		
Type	Acquisition	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$ 93,690	$148,212	$54,522
Corporate bonds	47	47	0
	93,737	148,259	54,522
Securities with book values not exceeding acquisition costs:			
Equity securities	146,084	120,050	(26,034)
Corporate bonds	9	9	0
	146,093	120,059	(26,034)
Total	$239,830	$268,318	$28,488

B. Total sales of available-for-sale securities sold in the years ended December 31, 2003 and 2002 amounted to ¥2,173 million ($20,284 thousand) and ¥15,538 million, and the related gains amounted to ¥288 million ($2,688 thousand) and ¥422 million, and the related losses amounted to ¥79 million ($737 thousand) and ¥529 million, respectively.

C. The following tables summarize book values of securities with no available fair values as of December 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(a) Held-to-maturity debt securities			
Type	Book value		Book value
Non-listed foreign securities	¥12,248	¥10,479	$114,328
(b) Available-for-sale securities			
Type	Book value		Book value
Non-listed equity securities	¥ 8,882	¥ 7,771	$ 82,909
Preference shares	13,129	13,500	122,553
Others	763	615	7,122
(c) Investments in unconsolidated subsidiaries and affiliated companies	¥ 4,370	¥16,786	$ 40,794

D. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2003 and 2002 are as follows:

	Millions of yen				
	2003				
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	¥2	¥ 248	¥1	—	¥ 251
Held-to-maturity debt securities:					
Foreign securities	—	12,248	—	—	12,248
Total	¥2	¥12,496	¥1	—	¥12,499

	Millions of yen				
	2002				
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	¥84	¥ 20	¥1	—	¥ 105
Held-to-maturity debt securities:					
Foreign securities	—	10,479	—	—	10,479
Total	¥84	¥10,499	¥1	—	¥10,584

	Thousands of U.S. dollars				
	2003				
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	$19	$ 2,315	$9	—	$ 2,343
Held-to-maturity debt securities:					
Foreign securities	—	114,328	—	—	114,328
Total	$19	$116,643	$9	—	$116,671

E. In November 2002, the Company contributed, receiving no cash, certain investment securities to its employees' retirement benefit trust. Upon contribution of these securities, a "loss on securities contributed to employees' retirement benefit trust" amounting to ¥3,641 million was recognized.

In November 2001, the Company contributed, receiving no cash, certain investment securities to its employees' retirement benefit trust. Upon contribution of these securities, a "gain on securities contributed to employees' retirement benefit trust" amounting to ¥6 million was recognized.

6. Derivative Financial Instruments

The Companies use interest rate swap, currency 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 currency swap, 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
Currency swap contracts	Foreign currency trade receivables and trade payables
Interest rate swap contracts	Interest on foreign currency bonds and loans payable

Information on the derivative financial instrument contracts utilized by the Companies outstanding at December 31, 2003 and 2002 are not disclosed as all such contracts are effectively hedging the transactions.

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

Bank loans at December 31, 2003 and 2002 were represented by short-term notes or overdrafts, bearing interest at average rates of 0.87% per annum for 2003 and 0.50% per annum for 2002.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,866,891 thousand). There was an outstanding balance of ¥5,500 million ($51,339 thousand) at December 31, 2003 and outstanding balance of ¥20,000 million at December 31, 2002.

Long-term debt at December 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Domestic debentures:			
2.50% debentures due in 2003	¥ —	¥10,000	$ —
1.11% debentures due in 2004	30,000	30,000	280,034
1.54% debentures due in 2004	10,000	10,000	93,345
0.48% debentures due in 2005	5,000	5,000	46,672
0.50% debentures due in 2005	15,000	15,000	140,017
0.63% debentures due in 2006	5,000	5,000	46,672
0.66% debentures due in 2006	25,000	25,000	233,361
1.48% debentures due in 2006	20,000	20,000	186,689
0.45% debentures due in 2007	10,000	—	93,345
0.55% debentures due in 2007	30,000	30,000	280,034
0.84% debentures due in 2009	20,000	20,000	186,689
1.00% convertible debentures due in 2003	—	15,451	—
0.70% convertible debentures due in 2005	29,997	29,997	280,006
Various bonds and notes issued by consolidated subsidiaries	7,604	7,680	70,979
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:			
Secured loans due through 2013 at interest rates of mainly 1.25% to 5.94%	8,539	10,431	79,707
Unsecured loans due through 2008 at interest rates of mainly 0.45% to 3.30%	63,407	55,977	591,869
	279,547	289,536	2,609,419
Amount due within one year	(63,587)	(66,210)	(593,550)
	¥215,960	¥223,326	$2,015,869

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, 2003 were as follows:

	Yen	U.S. dollars
0.70% convertible debentures due in 2005	¥1,763.00	$16.46

At December 31, 2003, 17,015 thousand shares of common stock were issuable upon full conversion of outstanding convertible debentures at the current conversion prices.

Assets, at book value, pledged as collateral for short-term bank loans and long-term loans totaling ¥9,164 million ($85,541 thousand) and ¥11,420 million, respectively, at December 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Land	¥22,745	¥22,745	$212,312
Buildings and structures	6,161	6,574	57,510
Machinery and equipment	3,977	7,732	37,123
	¥32,883	¥37,051	$306,945

The aggregate annual maturities of long-term debt at December 31, 2003 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 63,587	$ 593,550
2005	53,087	495,538
2006	51,086	476,860
2007	40,775	380,613
2008	26,677	249,015
2009 and thereafter	44,335	413,843
	¥279,547	$2,609,419

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 sheets as of December 31, 2003 and 2002 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Projected benefit obligation	**¥84,170**	¥81,105	**$785,681**
Less fair value of pension assets	**(27,108)**	(22,852)	**(253,039)**
Less fair value of employees' retirement benefit trust	**(16,260)**	(14,530)	**(151,778)**
Less unrecognized actuarial differences	**(11,030)**	(14,200)	**(102,959)**
Employees' severance and retirement benefits	**¥29,772**	¥29,523	**$277,905**

Included in the consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Service costs - benefits earned during the year	**¥4,423**	¥3,570	¥ 3,584	**$41,286**
Interest cost on projected benefit obligation	**1,668**	1,921	1,913	**15,570**
Expected return on plan assets	**(709)**	(659)	(480)	**(6,618)**
Amortization of actuarial differences	**1,523**	217	—	**14,216**
One-time amortization of net transition obligation	**—**	—	20,445	**—**
Others	**—**	345	—	**—**
Severance and retirement benefit expenses	**¥6,905**	¥5,394	¥25,462	**$64,454**

The discount rates used by the Companies are mainly 2.0% as of the years ended December 31, 2003 and 2002, respectively. The rates of expected return on plan assets used by the Companies are mainly 2.0% for the years ended December 31, 2003 and 2002, 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. Actuarial gains/losses are recognized in statement of income using the straight-line method over 10 years, beginning the following fiscal year of recognition.

9. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 41.8% for the years ended December 31, 2003, 2002 and 2001.

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

The following table summarizes the significant differences between the statutory tax rate and the actual effective tax rate.

	2003	2002	2001
Statutory tax rate	**41.8%**	41.8%	41.8%
Non-taxable entertainment expenses	**3.8%**	6.3%	10.2%
Non-taxable dividend income	**(0.2%)**	(1.1%)	(1.6%)
Per capita inhabitants' taxes	**0.7%**	0.9%	1.4%
Valuation allowance	**15.1%**	22.5%	16.0%
Reversal of valuation allowance on liquidation of consolidated subsidiaries	**—**	—	(31.3%)
Reversal of valuation allowance	**(2.3%)**	—	—
Tax effects of loss incurred by consolidated subsidiaries	**(7.5%)**	—	—
Adjustment on deferred tax assets due to change in income tax rate	**1.9%**	—	—
Amortization of the excess of investment cost over net assets	**(1.4%)**	(2.1%)	(3.4%)
Others	**0.0%**	(3.0%)	(0.5%)
Effective tax rate	**51.9%**	65.3%	32.6%

Effective for years commencing on January 1, 2005 or later, according to the revised local tax law, income tax rate for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 41.8% and 40.4% for current items and non-current items, respectively, at December 31, 2003. As a result of this change, the amount of deferred tax assets decreased by ¥906 million ($8,457 thousand), the amount of deferred tax liabilities decreased by ¥0 million ($0 thousand), the amount of income taxes-deferred increase by ¥946 million ($8,830 thousand) and the amount of net unrealized holding gains on securities, net of taxes increased by ¥39 million ($364 thousand).

Significant components of deferred income tax assets and liabilities as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred income tax assets			
Deferred income tax assets:			
Allowance for doubtful accounts	¥ 9,057	¥12,193	$ 84,542
Severance and retirement benefits	16,378	14,302	152,880
Accrued expenses for enterprise tax	1,911	1,031	17,838
Depreciation	107	982	999
Accrued expenses for write-offs of fixed assets	347	1,121	3,239
Loss on devaluation of investment securities	4,692	4,753	43,797
Loss on securities contributed to employees' retirement benefit trust	1,470	1,522	13,722
Net operating loss carry forwards	10,511	9,336	98,114
Unrealized gain on sale of non-current assets eliminated on consolidation	12,209	14,583	113,964
Others	7,513	5,838	70,130
	64,195	65,661	599,225
Valuation allowance	(16,347)	(12,012)	(152,590)
Total deferred income tax assets	47,848	53,649	446,635
Deferred income tax liabilities:			
Reserve deductible for Japanese tax purposes	(1,930)	(2,159)	(18,015)
Net unrealized holding gains on available-for-sale securities	(1,144)	(44)	(10,679)
Total deferred income tax liabilities	(3,074)	(2,203)	(28,694)
Net deferred income tax assets	¥44,774	¥51,446	$417,941
Deferred income tax liabilities			
Net unrealized holding gains on available-for-sale securities	¥ (86)	¥(26)	$ (803)
Others	(219)	—	(2,044)
Total deferred income tax liabilities	(305)	(26)	(2,847)
Net deferred income tax liabilities	¥(305)	¥(26)	$(2,847)

10. Shareholders' Equity

Under the Code, 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 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.

Effective for the year ended December 31, 2002, the components of shareholders' equity are presented in accordance with the change in Japanese disclosure requirements. As the result of this change, additional-paid in capital is presented as capital surplus.

Also, the Company adopted "Accounting Standards on Treasury Stock and the Reversal of the Legal Reserve" (Accounting Standards Board Statements No.1). The effect of this change on fiscal year 2002 income is negligible.

11. Commitments and Contingent Liabilities

At December 31, 2003, the Companies 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 ¥2,969 million ($27,714 thousand).

12. 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, 2003 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	¥ 32,168	¥20,843	¥11,325	$ 300,271	$194,558	$105,713
Furniture and fixtures	79,925	44,767	35,158	746,056	417,875	328,181
Others	637	330	307	5,946	3,080	2,866
	¥112,730	¥65,940	¥46,790	$1,052,273	$615,513	$436,760

Future lease payments as of December 31, 2003, net of interest, under such leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥19,022	$177,560
Due after one year	30,006	280,090
	¥49,028	$457,650

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, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease payments	¥23,524	¥30,384	$219,584
Depreciation equivalents	19,979	25,498	186,493
Amounts representing interest	2,095	3,298	19,556

Differences between total lease expenses and acquisition costs of the leased properties comprise interest expense equivalent. Interest expense equivalent is allocated using the interest method over the lease terms.

13. Segment Information

The Companies primarily engage in the manufacturing and sale of products in three major segments grouped on the basis of similarities in the types, nature of products.

Business segment information for the years ended December 31, 2003, 2002 and 2001 was as follows:

Millions of yen

Year ended December 31, 2003	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**¥1,067,136**	**¥185,738**	**¥21,547**	**¥125,881**	**¥ —**	**¥1,400,302**
Intersegment	**49,529**	**4,149**	**216**	**61,480**	**(115,374)**	**—**
Total sales	**1,116,665**	**189,887**	**21,763**	**187,361**	**(115,374)**	**1,400,302**
Operating expenses	**1,044,213**	**187,242**	**21,594**	**183,962**	**(115,693)**	**1,321,318**
Operating income	**¥ 72,452**	**¥ 2,645**	**¥ 169**	**¥ 3,399**	**¥ 319**	**¥ 78,984**
Identifiable assets	**¥ 910,917**	**¥ 93,630**	**¥15,682**	**¥166,789**	**¥ 57,392**	**¥1,244,410**
Depreciation	**44,520**	**4,496**	**803**	**3,277**	**5**	**53,101**
Capital investments	**23,748**	**4,148**	**965**	**9,310**	**13**	**38,184**

Year ended December 31, 2002	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,057,029	¥173,773	¥14,232	¥130,233	¥ —	¥1,375,267
Intersegment	47,395	4,438	201	53,936	(105,970)	—
Total sales	1,104,424	178,211	14,433	184,169	(105,970)	1,375,267
Operating expenses	1,035,279	182,297	14,425	180,314	(106,389)	1,305,926
Operating income (loss)	¥ 69,145	¥ (4,086)	¥ 8	¥ 3,855	¥ 419	¥ 69,341
Identifiable assets	¥ 920,688	¥ 97,303	¥13,183	¥171,080	¥ 92,484	¥1,294,738
Depreciation	41,963	5,119	649	3,811	4	51,546
Capital investments	33,719	3,080	1,075	3,368	15	41,257

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

Thousands of U.S. dollars

Year ended December 31, 2003	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**$ 9,961,131**	**$1,733,763**	**$201,129**	**$1,175,031**	**$ —**	**$13,071,054**
Intersegment	**462,326**	**38,729**	**2,016**	**573,882**	**(1,076,953)**	**—**
Total sales	**10,423,457**	**1,772,492**	**203,145**	**1,748,913**	**(1,076,953)**	**13,071,054**
Operating expenses	**9,747,158**	**1,747,802**	**201,568**	**1,717,184**	**(1,079,931)**	**12,333,781**
Operating income	**$ 676,299**	**$ 24,690**	**$ 1,577**	**$ 31,729**	**$ 2,978**	**$ 737,273**
Identifiable assets	**$ 8,502,912**	**$ 873,985**	**$146,383**	**$1,556,884**	**$ 535,723**	**$11,615,887**
Depreciation	**415,570**	**41,968**	**7,495**	**30,589**	**47**	**495,669**
Capital investments	**221,675**	**38,719**	**9,008**	**86,904**	**121**	**356,427**

Corporate assets in the Elimination and/or corporate column in 2003, 2002 and 2001, amounted to ¥77,737 million ($725,632 thousand), ¥113,367 million and ¥314,181 million, respectively, which are mainly the financial assets of the Company and subsidiaries related to the group finance.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2003, 2002 and 2001.

Change in the classification of businesses

The Company defines the three-year period from 2002 as the period for the improvement of the Company's group competitive ability and growth of the Company's group, and reexamines its businesses in order to intensify the soft drink business, the food business, and the pharmaceuticals business as core businesses, as well as the alcoholic business.

Along with this reexamination, effective for the year ended December 31, 2002, the Company has revised its classification of businesses. The food business, which was included in the soft drinks and food division, is integrated with the pharmaceuticals business, which was included in the others division, and the food and pharmaceuticals division is disclosed as a separate segment.

Also, the wholesale business, which was included in the alcoholic beverages division, and the distribution business, which was included in each segment, are transferred to the others division.

As the result of this change, the Company classifies its businesses into four segments, the alcoholic beverages division, the soft drinks division, the food and pharmaceuticals division, and the others division.

According to the revised classification of businesses, business segment information for the year ended December 31, 2001 was as follows:

	Millions of yen					
Year ended December 31, 2001	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,101,620	¥192,526	¥14,561	¥124,657	¥ —	¥1,433,364
Intersegment	42,270	4,631	297	56,718	(103,916)	—
Total sales	1,143,890	197,157	14,858	181,375	(103,916)	1,433,364
Operating expenses	1,067,081	199,236	14,452	178,899	(104,081)	1,355,587
Operating income (loss)	¥ 76,809	¥ (2,079)	¥ 406	¥ 2,476	¥ 165	¥ 77,777
Identifiable assets	¥ 941,838	¥ 98,480	¥12,341	¥182,075	¥106,369	¥1,341,103
Depreciation	43,735	4,823	584	3,754	5	52,901
Capital investments	49,989	7,487	1,179	6,159	15	64,829

Corporate assets in the Elimination and/or corporate column amounted to ¥124,929 million in accordance with the revised classification of businesses.

Change in the method of allocating operating expenses

Effective for the year ended December 31, 2002, along with the development of the alcoholic business, for the Company's internal control purpose, operating expenses incurred in the management of Company's headquarter and research and development expenses are charged to the alcoholic beverage division in order to monitor the operating result by each alcoholic beverage category.

As the result of this change, operating expenses of the alcoholic beverage division increased by ¥12,948 million and operating income decreased by the same amount, compared with what would have been recorded under the previous method of allocating operating expenses.

Change in the method of accounting for allowance for retirement benefits for directors and corporate auditors

As discussed in Note 2, effective January 1, 2003, the Company changed the method of accounting for allowance for retirement benefits for directors and corporate auditors. Compared with the method used in previous year, operating income decreased by ¥91 million ($849 thousand). This change affected mainly on the alcohol beverage division.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of ASAHI BREWERIES, LTD.

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASAHI BREWERIES, LTD. and subsidiaries as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 2, ASAHI BREWERIES, LTD. and its consolidated subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards 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 and, effective from the year ended December 31, 2002, the new accounting requirement for available-for-sale securities with available fair values under the accounting standard for financial instruments adopted in the previous year.
(2) Effective January 1, 2003, ASAHI BREWERIES, LTD. changed the method of accounting for allowance for retirement benefits for directors and corporate auditors as discussed in Note 2 and, effective January 1, 2002, ASAHI BREWERIES, LTD. and its consolidated subsidiaries changed the classification of business segments and the method of allocating operating expenses in the segment information as discussed in Note 13.

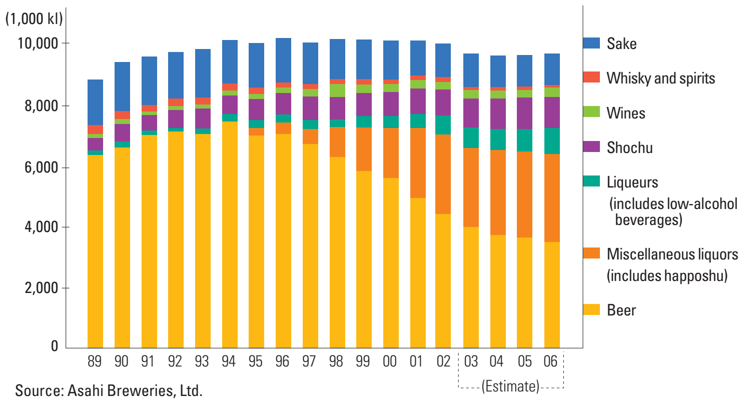
The consolidated financial statements as of and for the year ended December 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Azsa & Co.

Tokyo, Japan
March 30, 2004

FACT SHEETS

Taxable shipment volume by category



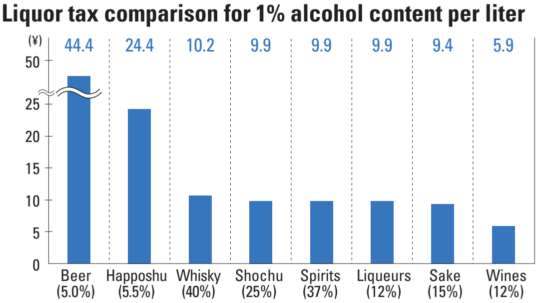
Source: Asahi Breweries, Ltd.

Market forecast in comparison with fiscal 2003

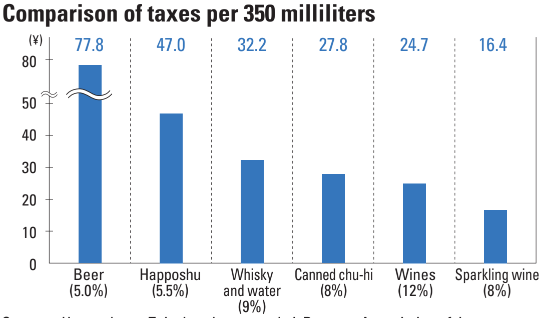
	2004 (Estimate)	2006 (Estimate)
Beer	-6%	-11%
Happoshu	+6%	+10%
Total	-1%	-3%
Shochu	+4%	+10%
Low-alcohol beverages	+8%	+23%
Whisky and spirits	-6%	-12%
Wines	No change	+7%

- **The market as a whole is expected to remain largely flat compared with fiscal 2003.**
- **Happoshu, shochu, and low-alcohol beverages are expected to continue as growth markets.**

Liquor tax comparison for 1% alcohol content per liter

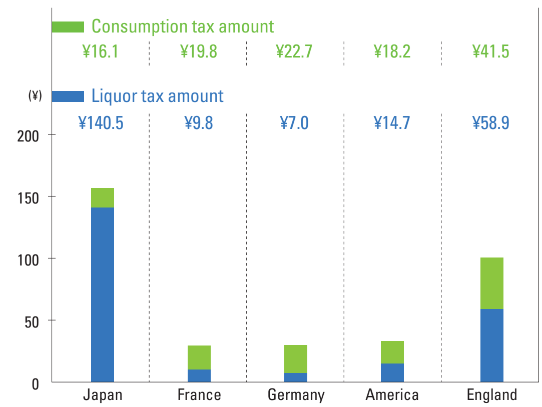


Comparison of taxes per 350 milliliters



Sources: Happoshu no Zeisei wo kangaeru-kai, Brewers Association of Japan

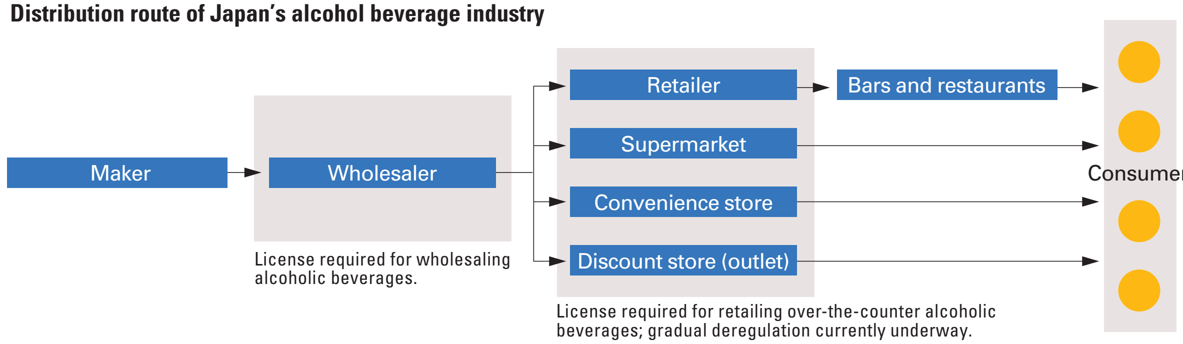
Liquor tax and consumption tax in major industrialized nations



Source: Brewers Association of Japan (June 2003)

Notes:
1. Cash values (liquor tax, consumption taxes, retail price) shown in yen per 633 milliliters.
2. Foreign exchange rates were: €1 = ¥138.26; U.S.$1 = ¥117.97; £1 = ¥195.69 (based on customs clearance rate between June 22–28, 2003).
3. Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
4. Figures for the U.S. based on survey conducted in New York City.

Distribution route of Japan's alcohol beverage industry



Beer and happoshu: Taxable shipment volume in Japan (January—December 2003)

Asahi Breweries (Million cases)

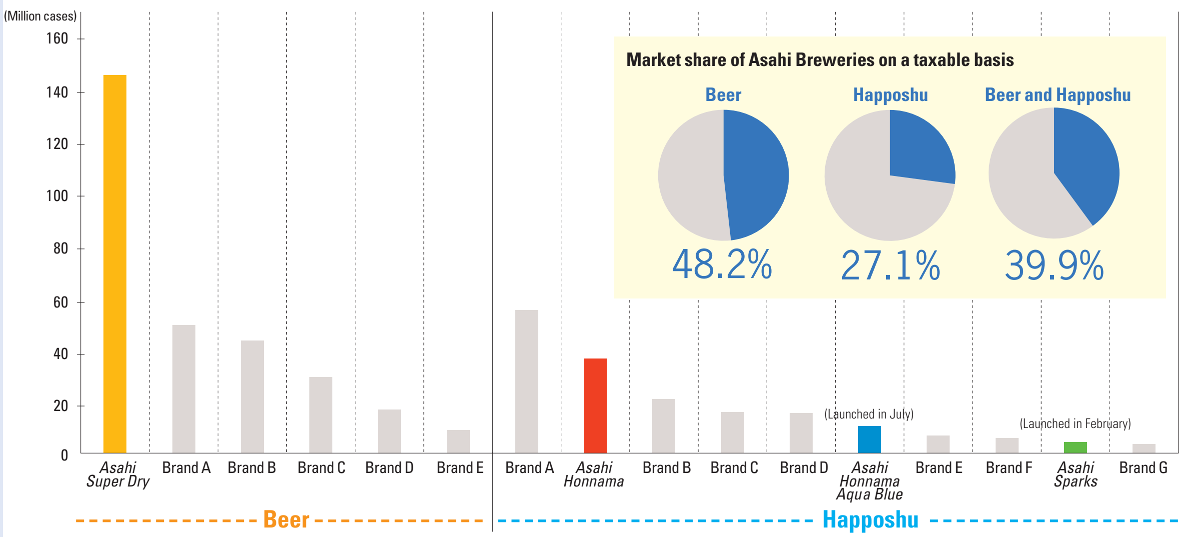
	Actual volume	Year-on-year change (%)	Share (Increase/Decrease)
Beer	150.15	-13.01 (-8.0%)	48.2% (+0.8%)
Happoshu	54.53	7.38 (+15.7%)	27.1% (+3.9%)
Total	204.68	-5.62 (-2.7%)	39.9% (+1.5%)

Industry overall (Million cases)

	Actual volume	Year-on-year change (%)	Share (Increase/Decrease)
Beer	311.69	-32.24 (-9.4%)	60.7% (—)
Happoshu	201.51	-1.97 (-1.0%)	39.3% (-2.1%)
Total	513.21	-34.21 (-6.3%)	100.0% (+2.1%)

Source: Asahi Breweries, Ltd.

Beer and happoshu: Sales volume in Japan by major brand (January—December 2003)



Source: Nikkei Sangyo Shimbun

Sales composition by marketing channel

	2003 results			2004 estimate		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Convenience stores	9%	16%	11%	10%	17%	12%
Supermarkets	12%	31%	17%	13%	33%	19%
Discount stores (outlets)	20%	27%	22%	19%	26%	21%
Mass-retail outlets total	41%	74%	50%	42%	75%	52%
Commercial-use liquor retailers	34%	5%	27%	35%	5%	25%
General liquor shops, etc.	25%	20%	24%	24%	19%	23%
Total	100%	100%	100%	100%	100%	100%

Composition of commercial-use liquor retailers does not equal the consumption rate for commercial-use liquor.
Source: Asahi Breweries, Ltd.

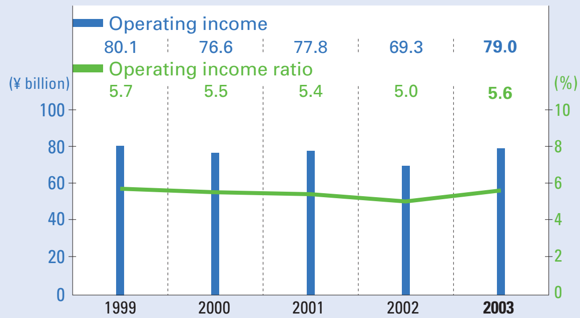
Sales composition by container type

	2002 results			2003 results		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Bottle	31.2%	0.9%	24.4%	30.3%	0.4%	22.4%
Can	49.2%	99.1%	60.4%	49.1%	99.6%	62.5%
Keg	19.6%	—	15.2%	20.6%	—	15.1%

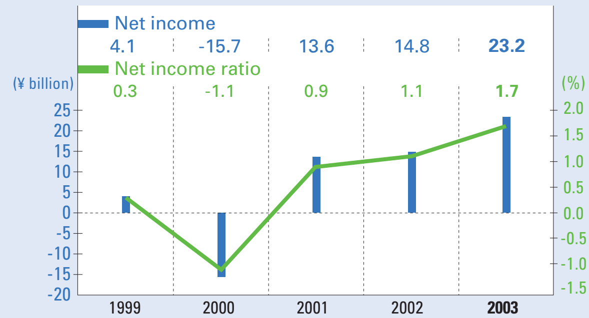
Source: Asahi Breweries, Ltd.

Profitability

Operating income / Operating income ratio



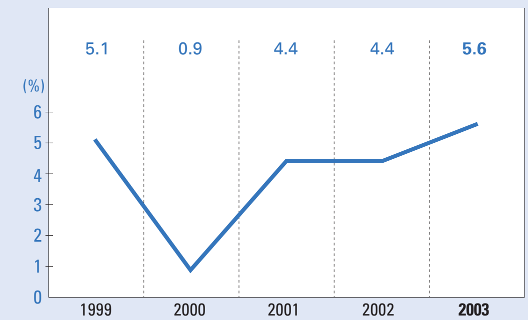
Net income / Net income ratio



ROE

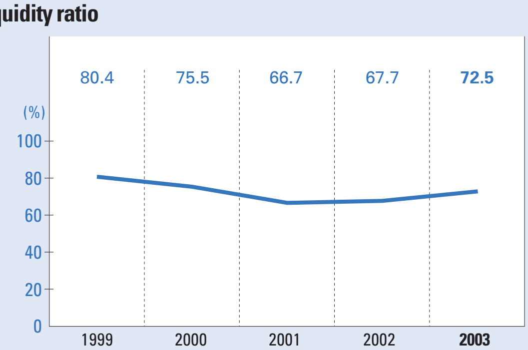
ROA

ROA = Ordinary income/Total assets (average) x100

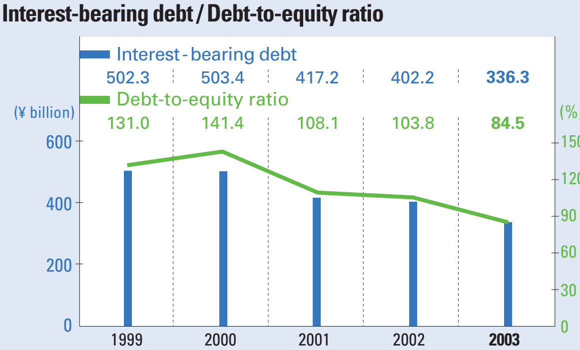


Stability

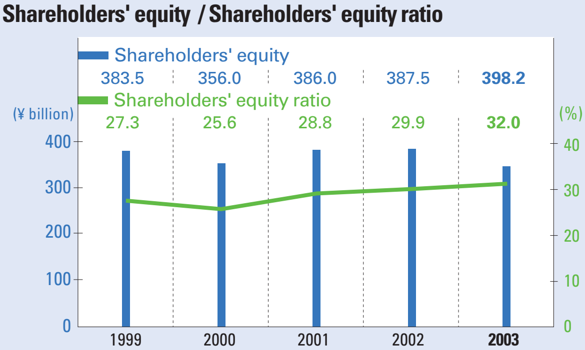
Liquidity ratio



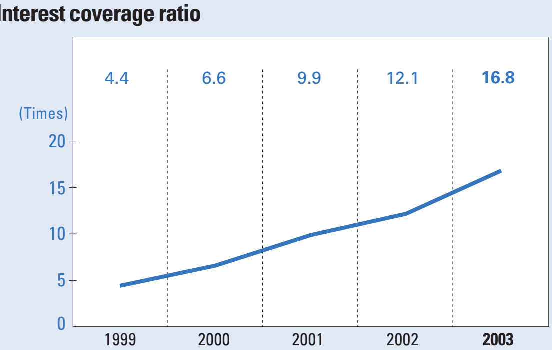
Interest-bearing debt / Debt-to-equity ratio



Shareholders' equity / Shareholders' equity ratio



Interest coverage ratio

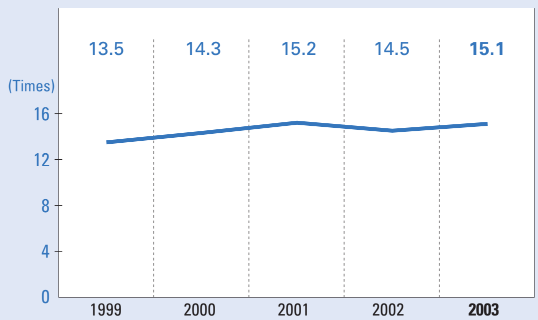


Efficiency

Total assets turnover

Equity turnover

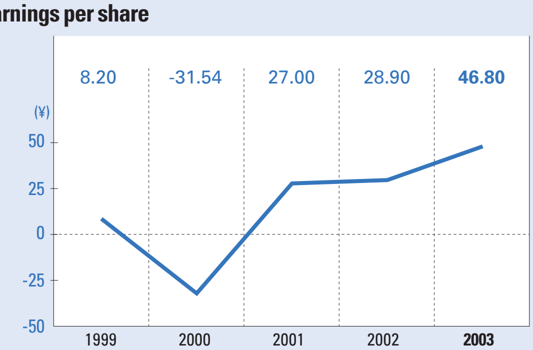
Inventory turnover



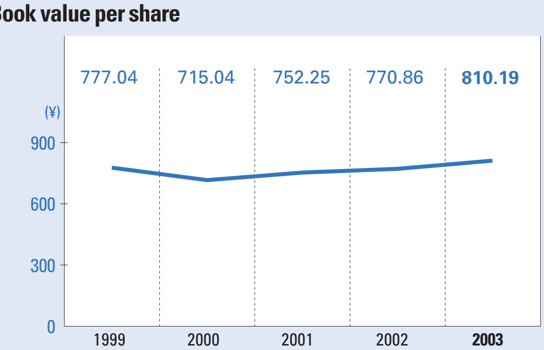
Receivables turnover

Per Share Data

Earnings per share

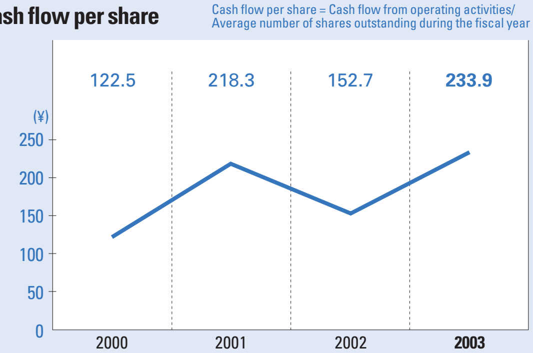


Book value per share



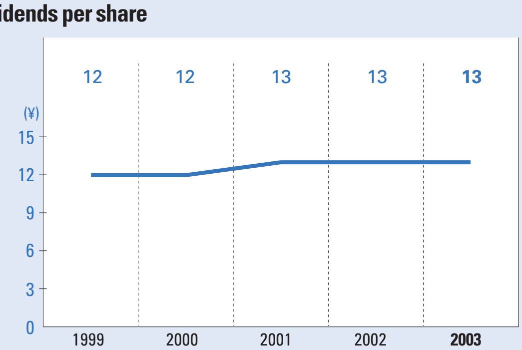
Cash flow per share

Cash flow per share = Cash flow from operating activities/ Average number of shares outstanding during the fiscal year



Graphs (data) on Asahi Breweries' Consolidated Statements of Cash Flows are available for only four consecutive fiscal years up to the year under review, since the Company began formulating the statements from the fiscal year ended December 2000.

Dividends per share



ISSUANCE OF BONDS

Bond Ratings

We have received ratings from rating agencies as follows:

Raing agency	Rating
Rating and Investment Information, Inc.	**A+**
Japan Credit Rating Agency, Ltd.	**AA-**

(December 10, 2003)

List of Bonds

	Issued	Amount (¥ million)	Coupon rate	Date of maturity
15th corporate debentures	Apr. 20, 1999	10,000	1.54% per annum	Apr. 20, 2004
16th corporate debentures	Dec.12, 2000	30,000	1.11% per annum	Dec.10, 2004
17th corporate debentures	Dec.12, 2000	20,000	1.48% per annum	Dec.12, 2006
18th corporate debentures	Aug. 8, 2001	25,000	0.66% per annum	Aug. 8, 2006
19th corporate debentures	Aug. 8, 2001	15,000	0.50% per annum	Aug. 8, 2005
20th corporate debentures	Oct.31, 2001	5,000	0.63% per annum	Oct.31, 2006
21st corporate debentures	Oct.31, 2001	5,000	0.48% per annum	Oct.31, 2005
22nd corporate debentures	Nov.27, 2002	30,000	0.55% per annum	Nov.27, 2007
23rd corporate debentures	Nov.27, 2002	20,000	0.84% per annum	Nov.27, 2009
24th corporate debentures	Mar.27, 2003	10,000	0.45% per annum	Mar.27, 2007

List of Convertible Bond

	Issued	Amount (¥ million)	Bonds outstanding year ended Dec. 31, 2003	Coupon rate	Date of maturity	Conversion price
11th corporate debentures	Apr. 13, 1998	30,000	29,997	0.70% per annum	Jun. 30, 2005	¥1,763 (original cost: ¥1,763)

MAJOR SRI FUNDS THAT INCLUDE ASAHI BREWERIES

(As of March 31, 2004)

Domestic

Fund name	Net asset (¥ million)	Asset management company	Establishment	Screening
Asahi Life SRI Social Contribution Fund "Asu no Hane (Wings of Tomorrow)"	4,511	Asahi Life Asset Management Co., Ltd.	Sep. 2000	Stock at Stake, Center for Public Resources Development (NPOs)
"Buna no Mori (Beech Forest)"	9,249	Sompo Japan Asset Management Co., Ltd.	Sep. 1999	Sompo Japan Risk Management, Inc.
UBS Japan Equity Fund, Eco Japan "Eco Hakase (Doctor Eco)"	4,719	UBS Global Asset Management (Japan) Ltd.	Oct. 1999	The Japan Research Institute, Ltd.
Eco Balance "Umi to Sora (Sea and Sky)"	1,299	Mitsui Marine Asset Management Co., Ltd.	Oct. 2000	InterRisk Research Institute & Consulting, Inc.

Overseas

Dow Jones
http://www.sustainability-index.com

ETHIBEL
http://www.ethibel.org

FTSE*
http://www.ftse.com/ftse4good

* "FTSE Group is delighted to confirm that ASAHI BREWERIES, LTD. has been independently assessed according to the FTSE4Good criteria, and as of March 2004 has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the independent financial index company FTSE Group, FTSE4Good is a financial index series that is designed to identify companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series are doing more to manage their social, ethical and environmental impacts, and are better positioned to capitalize on the benefits of responsible business practice"

MAJOR SUBSIDIARIES

DOMESTIC

Manufacturing

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

Asahi Kyowa Liquor Manufacturing Co., Ltd.
Issued Share Capital: ¥350 million
Capital Investment Percentage: 60.0%
Principal Business: Production of alcoholic beverages

Asahi Beer Winery, Ltd.
Issued Share Capital: ¥490 million
Capital Investment Percentage: 100.0%
Principal Business: Production of wines

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 Food & Healthcare Co., Ltd.
Issued Share Capital: ¥3,200 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of food and pharmaceuticals

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

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: U.S.$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
560 White Plains Rd., Suite 320, Tarrytown, NY 10591, U.S.A.
Tel: (1) 914-332-9436
Fax: (1) 914-332-9439

Europe

Asahi Beer Europe Limited
Issued Share Capital: £12.6 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: £24.5 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

Quanzhou Qingyuan Beer Asahi Co., Ltd. Fujian
Issued Share Capital: RMB134 million
Capital Investment Percentage: 60.0%
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

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

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: RMB186 million
Capital Investment Percentage: 100.0%
Principal Business: Sales of beer and soft drinks
No.1207, Westgate Mall, 1038 Nanjing Rd. (W), Shanghai, China 200041
Tel: (86) 21-6267-2052
Fax: (86) 21-6267-2082

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

B&A Distribution Co., Ltd.
Issued Share Capital: THB100 million
Capital Investment Percentage: 49.0%
Principal Business: Sales and marketing of beer
17th floor, UBC II Building, 591 Sukhumvlt 33, Wattana, Bangkok 10110, Thailand
Tel: (66-2) 662-3274
Fax: (66-2) 662-3275

(As of December 31, 2003)

INVESTOR INFORMATION

Head Office
23-1, Azumabashi 1-chome,
Sumida-ku, Tokyo 130-8602, Japan
Tel: +81-3-5608-5126
Fax: +81-3-5608-7121
URL: http://www.asahibeer.co.jp

Fiscal Year-end Date
December 31, on an annual basis

Dividends
Year-end: To shareholders of record on December 31
Interim: To shareholders of record on June 30

Date of Establishment
September 1, 1949

Paid-in Capital
¥182,531 million

Number of Shares of Common Stock Issued
513,585,862

Number of Shareholders
100,896

Major Shareholders
Japan Trustee Services Bank, Ltd. (Trust Account)
The Master Trust Bank of Japan, Ltd. (Trust Account)
Asahi Kasei Corporation
The Dai-ichi Mutual Life Insurance Company
Fukoku Mutual Life Insurance Company
Sumitomo Mitsui Banking Corporation
Mizuho Corporate Bank, Ltd.
Nomura Securities Co., Ltd.
Sumitomo Corporation
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)

Number of Domestic Offices and Facilities
Regional Headquarters: 9
Branch Offices: 15
Subordinated sales offices: 67
Breweries: 9
Laboratories: 6

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

Number of Employees
3,779

Stock Exchange Listings
Tokyo, Osaka stock exchanges

Newspaper for Official Notice
Nihon Keizai Shimbun

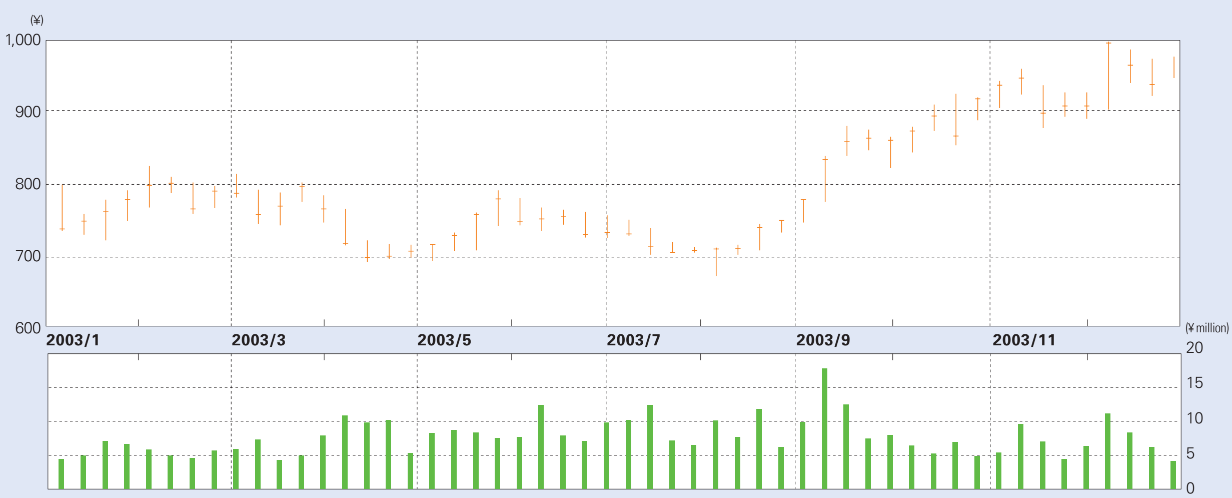
Transfer Agent and Registrar
UFJ Trust Bank Limited
Corporate Agency Department,
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: +81-3-5683-5111

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
AZSA & Co.

(As of December 31, 2003)

Share price range and trading volume on the Tokyo Stock Exchange (common stock)



ASAHI BREWERIES, LTD.

http://www.asahibeer.co.jp

For more IR information, please contact our Investor Relations Office (Public Relations Department):

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