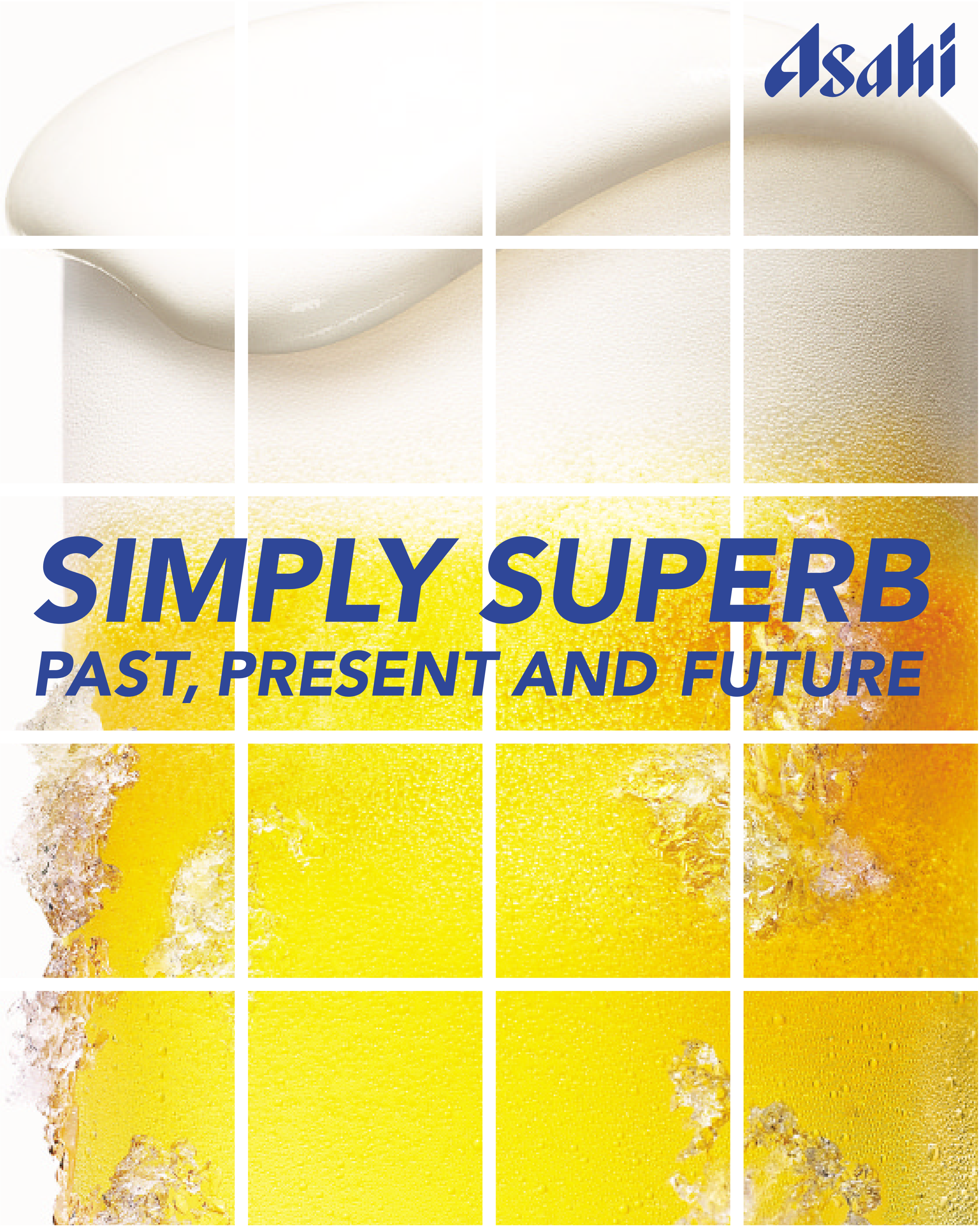
Asahi



SIMPLY SUPERB
PAST, PRESENT AND FUTURE

ANNUAL REPORT 2007

CORPORATE PHILOSOPHY

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

The Asahi Breweries Group is striving to become the "leading company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health." This Long-Term Vision is the driving force that underpins Group business activities. While anchored by alcoholic beverages, a domain that includes beer-type, shochu, RTD (ready-to-drink) and other beverages, Group activities also encompass the soft drinks, food and pharmaceuticals and other businesses.

In alcoholic beverages, the Group offers *Asahi Super Dry* and other brands in beer-type beverages, as well as shochu, RTD beverages, whisky and spirits, and wine. Group companies Asahi Breweries, Ltd. and The Nikka Whisky Distilling Co., Ltd. are primarily responsible for developing these operations. Steps are also under way to expand operations overseas, with Asia as a particularly important region. In soft drinks, home to *WONDA* canned coffee and other prominent brands, operations are promoted mainly by Asahi Soft Drinks Co., Ltd. and two LB, Ltd. companies in Japan, and overseas by South Korea-based Haitai Beverage Co., Ltd. and China-based Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.* In food and pharmaceuticals, Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. are the Group's key operating companies.

* Equity-method affiliate

ALCOHOLIC BEVERAGES BUSINESS

Asahi Breweries, Ltd.
The Nikka Whisky Distilling Co., Ltd.
Sainte Neige Wine Co., Ltd.
Satsumatsukasa Shuzo Co., Ltd.
Beijing Beer Asahi Co., Ltd.

FOOD AND PHARMACEUTICALS BUSINESS

Asahi Food & Healthcare Co., Ltd.
Wakodo Co., Ltd.

Asahi
The Asahi Breweries Group
2007 Consolidated Net Sales
¥1,464.1
Billion

SOFT DRINKS BUSINESS

Asahi Soft Drinks Co., Ltd.
LB, Ltd. (Hasuda, Saitama)
LB, Ltd. (Tokai, Aichi)
Haitai Beverage Co., Ltd.
Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.*

* Equity-method affiliate

OTHER BUSINESSES

Restaurant business
Wholesale business
Logistics business

A SUPERB PAST & PRESENT

OVER THE YEARS, THE ASAHI BREWERIES GROUP HAS SEEN ITS FINANCIAL CONDITION GROW STEADILY STRONGER, WHILE INCREASING ITS SIGNIFICANT PRESENCE IN JAPAN'S BEER MARKET.
ABOVE ALL ELSE, THIS ACHIEVEMENT HAS BEEN SUPPORTED BY TWO KEY ADVANTAGES—
SUPERB PRODUCTS AND SUPERB MANAGEMENT.

SUPERB PRODUCTS:
HIGH MARKET SHARE

SHARE OF JAPAN'S BEER MARKET 2007

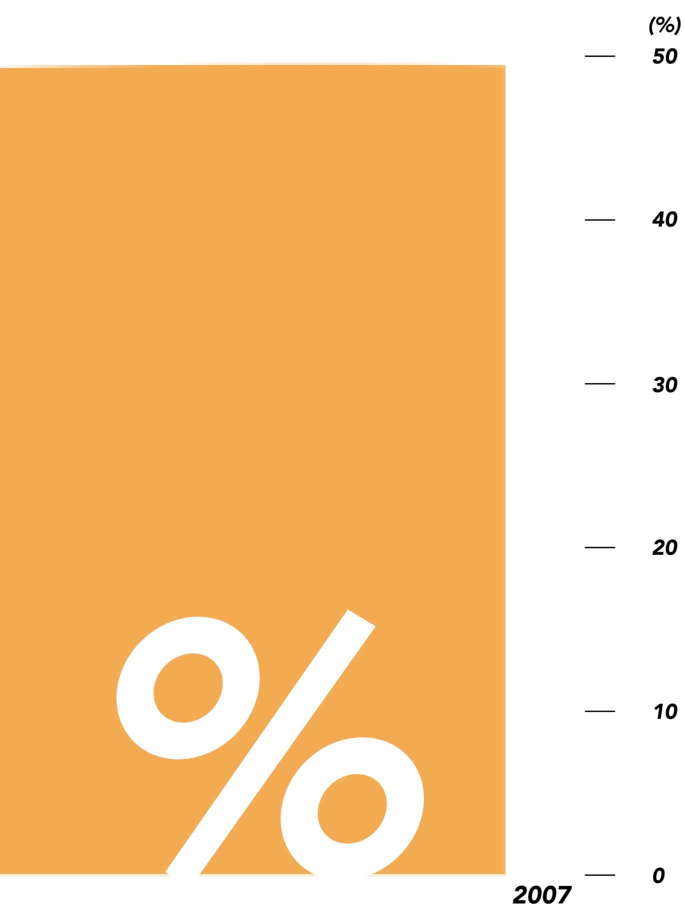
Source: Brewers Association of Japan

49.4

1997

Asahi Super Dry is one of Japan's best known and most popular beer brands, and the pride of the Asahi Breweries Group. *Asahi Super Dry* has won the loyalty of so many customers for so long because of the new market value it offers by fully grasping two needs—the desire for full-bodied and crisp taste, and the demand for freshness.

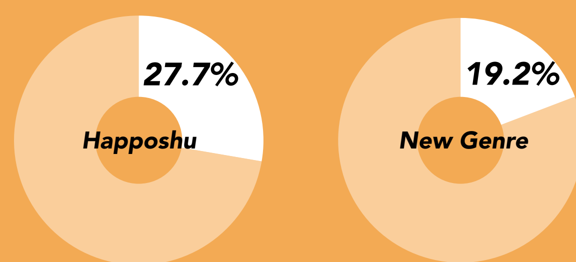
Today, however, we are confronting tough market changes, from market contraction as Japan's birthrate declines and its population rapidly ages, to increasingly diverse tastes among consumers. Faced with this environment, we are working in pursuit of new growth.



CHALLENGES AHEAD

"STRENGTHENING HAPPOSHU AND NEW GENRE BEVERAGES"

ASAHI'S SHARE OF HAPPOSHU/NEW GENRE BEVERAGES MARKETS IN JAPAN (2007)



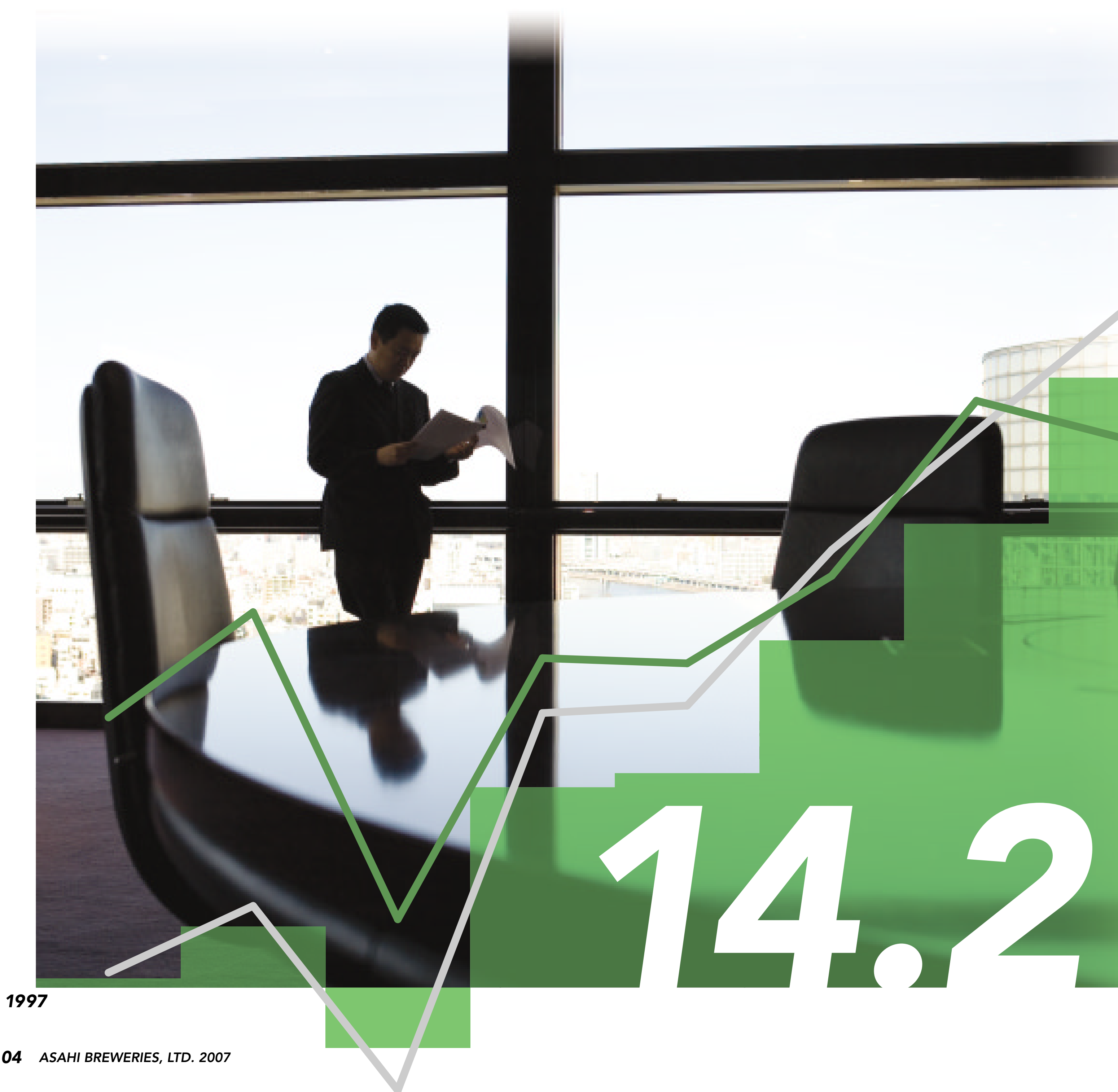
Source: Happoshu online website

Happoshu and new genre beverages present growth opportunities for the Asahi Breweries Group. To successfully grasp these chances, we must ensure we…

SOLUTIONS

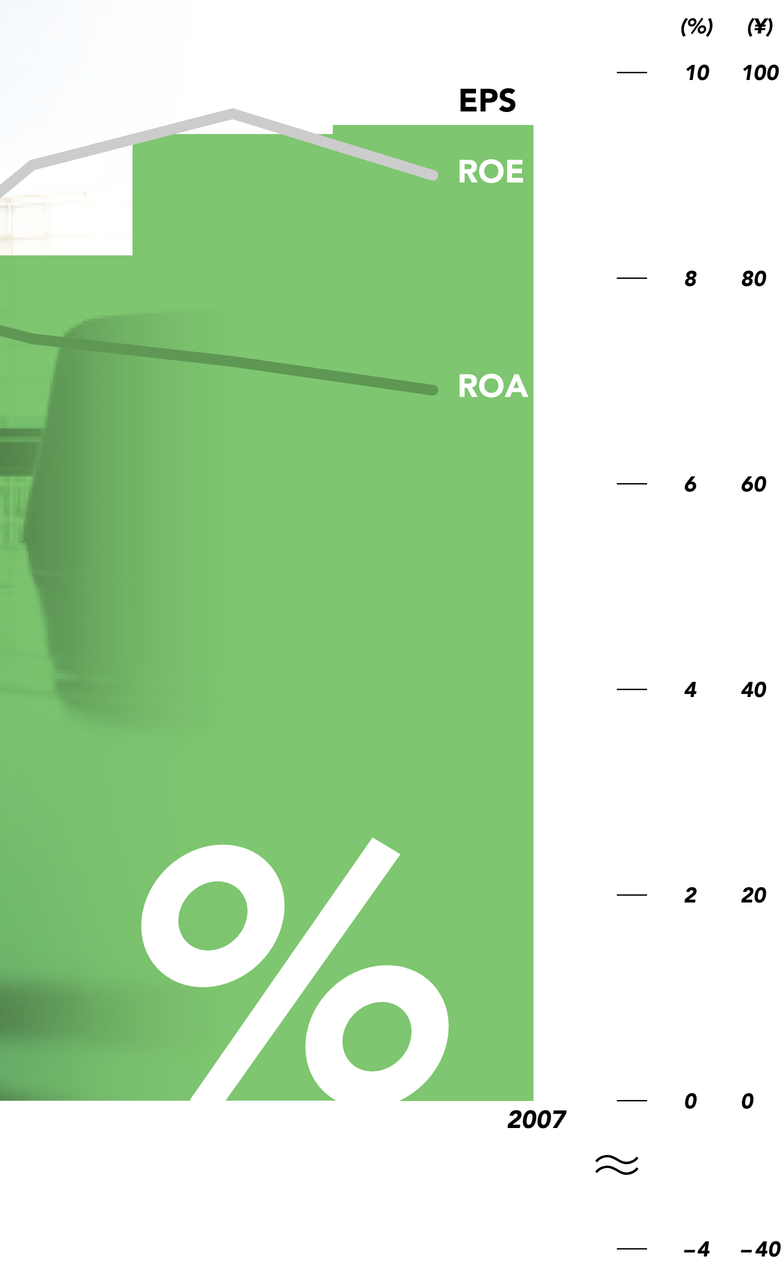
"DEVELOP PRODUCTS THAT FULFILL CUSTOMERS' NEEDS"

SUPERB MANAGEMENT:
CONSISTENT PROFIT GROWTH



Another strength of the Asahi Breweries Group is outstanding management. For proof, look no further than the Group's solid growth thanks to superb business strategies, enabling it to create and nurture appealing products; and sound financial strategies, leading to effective cost control and an improved financial condition.

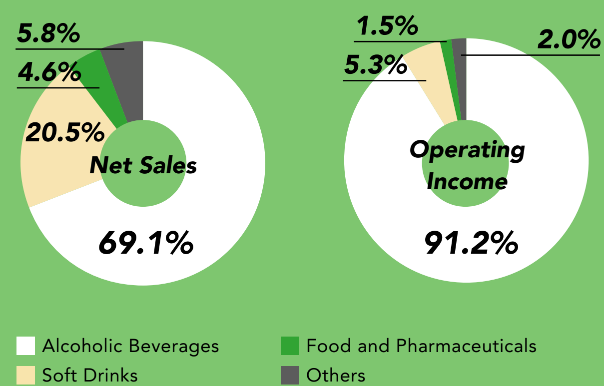
On the other hand, we are confronting a daunting environment characterized by escalating prices for raw materials and intensifying competition in the business field in Japan and overseas. Faced with this environment, we are working in pursuit of new growth.



CHALLENGES AHEAD

"STRENGTHENING GROUP BUSINESSES"

COMPOSITION OF NET SALES/ OPERATING INCOME BY BUSINESS SEGMENT (2007)



In the quest for sustainable growth, one task is to transform our profit structure, more than half of which is currently accounted for by the alcoholic beverages business.

SOLUTIONS

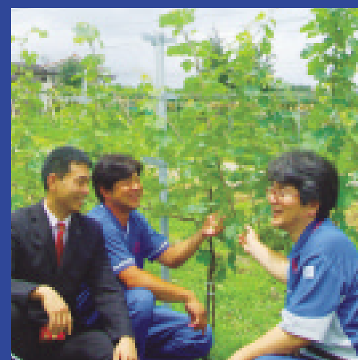
"STRENGTHENING GROUP MANAGEMENT"

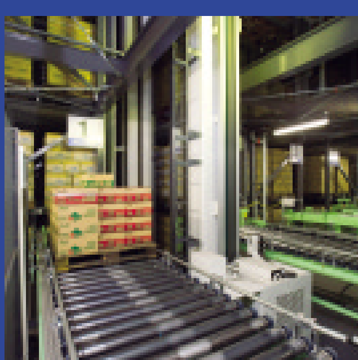
- *Raise the value of existing subsidiaries*
- *Strengthen the Group through M&As and alliances (both within and outside the Group)*

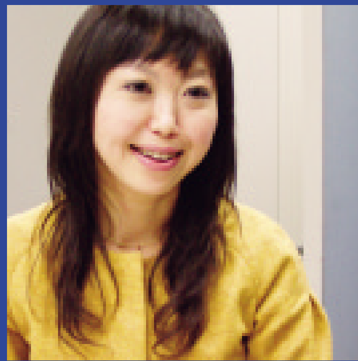
A SUPERB FUTURE

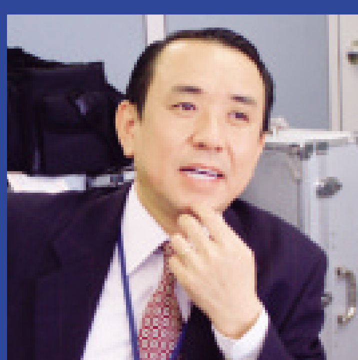
WHO WILL FIND SOLUTIONS TO KEY ISSUES? WHO WILL MAKE A HIGHLY APPEALING ASAHI BREWERIES GROUP A REALITY? WE WILL!

CONTENTS









FORWARD-LOOKING STATEMENTS

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

TO OUR SHAREHOLDERS AND FRIENDS

SHAPING A SUPERB FUTURE

GROUP LONG-TERM VISION

To become the "leading company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health."

2001–2003

1

ESTABLISHED NEW GROUP BUSINESS STRUCTURE AND DEVELOPED NEW BUSINESSES AND PRODUCTS

Strategies and Accomplishments

- Reform of corporate governance
- Improvement of financial standing
- Business restructuring aiming for the growth of the Group

2004–2006

2

TRANSFORMED TO A NEW BUSINESS STRUCTURE AIMED AT ACHIEVING PROFITABLE GROWTH

Strategies and Accomplishments

- Reform of business structure
- Reform of profit structure

Accomplishments

- Advanced M&A = Expanded growth foundation for the next generation
- Achieved cost reductions greater than targeted in the plan
- Firmly improved the level of net income

Remaining issue

- Growth strategy for alcoholic beverages business not yet complete
- Failed to achieve planned contribution to profits from M&As

2007–2009

3

ESTABLISHING NEW GROWTH PATH FOR THE GROUP

Strategies for the Medium-Term Management Plan

Alcoholic beverages business

- Restructuring the entire foundation of the Asahi brand centered on *Asahi Super Dry*
- Launching the alcoholic beverages business as a whole onto a path of renewed growth

→ **Generating stable, long-term cash flow**

Group companies

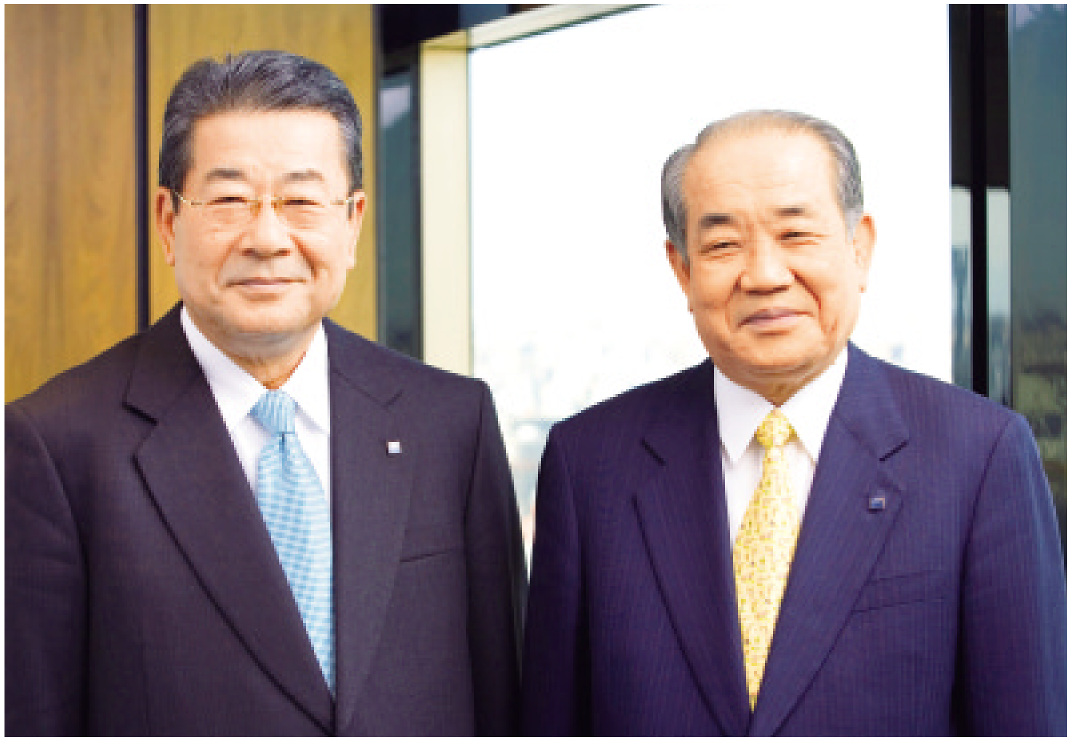
- Further growth of existing Group companies
- Pursuing synergies utilizing business foundations newly acquired through M&A
- Continuing aggressive investment

→ **Establishing new growth trajectory for the Group**

ROADMAP OF THE GROUP'S MEDIUM-TERM MANAGEMENT PLANS

(From left)
Kouichi Ikeda
Chairman of the Board

Hitoshi Ogita
President



Raising the Asahi Breweries Group Profile in Food and Health

Japan's alcoholic beverages and food markets today are changing rapidly. In this environment, we have raised the Asahi Breweries Group's profile in the business domain of food and health by working to rebuild the Group's business structure and expand its underpinnings for growth. This effort began in 2001 with the First Group Medium-Term Management Plan. In 2004, we continued this drive with the launch of the Second Group Medium-Term Management Plan.

One year ago, we unveiled the Group's Long-Term Vision of becoming the leading company with high growth potential, by continuing to provide customers, especially in Asia, with lifelong enjoyment and excitement in the business domain of food and health. As a step in this direction, in 2007, we enacted the Third Group Medium-Term Management Plan. As its first task, this plan is seeing the entire Group united in a drive to firmly place itself on a new trajectory for growth.

Definitive Progress on Establishing a New Trajectory for Growth—Overview of 2007

Increasingly Severe Business Environment

"With escalating prices for raw materials, a dwindling drinking-age population and other factors, our business environment is growing increasingly severe."

With prices of raw materials soaring, the alcoholic beverages and food industries, our core business domains, are growing more severe. In Japan's alcoholic beverages industry, all market players have been busily launching new products in the beer-type beverages market, which encompasses beer, happoshu, and new genre beverages. Yet despite this activity, the scale of the beer-type beverages market in Japan declined slightly from the previous year, reflecting the impact of several consumer trends over the last several years, including changing consumer tastes and a shrinking drinking-age population.

A similar trend of either flat or declining growth was seen in every category in alcoholic beverages other than beer-type beverages, including in shochu, RTD beverages, whisky and spirits, and wine. In the RTD beverages market, which had been expanding, growth seems to have temporarily slowed.

Japan's soft drinks industry, by contrast, saw overall sales volume for the market increase by roughly 4% year on year in 2007. In addition to the aggressive launch and promotion of new products by soft drink companies, growth was buoyed by a record-breaking warm winter and exceptionally hot summer, which is the peak sales period for the industry.

Progress on the Third Group Medium-Term Management Plan

"Faced with a tough environment, our aggressive launch of products offering new value met with success."

Guided by our Third Group Medium-Term Management Plan, in 2007, the first year of the plan, we took bold initiatives to forge a path forward that will put the Group on a growth trajectory. As a result, net sales rose 1.2% year on year to ¥1,464.1 billion. Despite these initiatives, operating income dropped 2.0% to ¥87.0 billion. Net income for 2007 was virtually unchanged from last year at ¥44.8 billion.

In the domestic alcoholic beverages business, we took steps to boost the brand value of *Asahi Super Dry*, which celebrated the 20th anniversary of its market launch. We also recorded strong sales of *Asahi Style Free*, a new happoshu product. Despite these positives, our position in the new genre beverages market slipped lower, leaving total sales largely unchanged year on year. Operating income, however, was higher for the year in this business. This result came as production- and logistics-side cost reductions, together with efforts to use advertising and sales promotion expenses and other fixed costs more efficiently, outweighed the effects of sharply higher costs for raw materials.

QUANTITATIVE TARGETS IN THE THIRD GROUP MEDIUM-TERM MANAGEMENT PLAN AND GOALS FOR 2008

(¥ billion)	2007 (Result)	2008 (Target)	Year-on-year	2009 (Target)	Percentage change compared with 2007
Net sales	**1,464.1**	1,511.0	+3.2%	**1,600.0**	+9.3%
Alcoholic beverages business	**1,030.7**	1,044.0	+1.3%	**1,110.0**	+7.7%
Soft drinks business	**268.3**	302.9	+12.9%	**290.0**	+8.1%
Food and pharmaceuticals business	**69.2**	77.7	+12.3%	**80.0**	+15.6%
Overseas business	**55.4**	61.0	+10.1%	**70.0**	+26.4%
Others	**40.5**	25.4	–37.2%	**50.0**	+23.5%
Operating income (EBITDA)	**87.0 (134.7)**	92.0	+5.8%	**110.0 (159.0)**	+26.4% (+18.0%)
Alcoholic beverages business	**79.9**	82.0	+2.6%	**90.0**	+12.6%
Soft drinks business	**8.1**	9.1	+12.9%	**14.5**	+79.0%
Food and pharmaceuticals business	**1.3**	1.9	+45.0%	**3.0**	+130.8%
Overseas business	**–5.5**	–2.6	—	**1.5**	—
Others	**3.2**	1.6	–50.7%	**1.0**	–68.8%
Net income	**44.8**	47.0	+4.9%	**55.0**	+22.8%
ROE	**9.0%**	—	—	**10% or above**	—
Operating income ratio (Operating income ratio excluding liquor tax)	**5.9% (9.0%)**	—	—	**7% or above (11% or above)**	—

Net sales and operating income for the alcoholic beverages business and soft drinks business are presented minus respective amounts related to overseas business.

In soft drinks, we expanded business in line with our fundamental strategy, spearheaded by Asahi Soft Drinks Co., Ltd., of pursuing "Growth Strategies," "Structural Reform," and "Taking on Challenges in New Areas," resulting in year-on-year sales growth. Nevertheless, sharply higher prices for raw materials worldwide, together with increased costs from aggressive investment in sales promotions aimed at establishing brands, caused a decline in operating income in soft drinks compared to the previous year.

Where food and pharmaceuticals is concerned, we steadily improved profitability by making real progress in strengthening the business bases of both Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd.

Our overseas business, however, was not so fortunate. While our soft drinks business in China continued to grow dramatically, profitability at the operating income level actually worsened during the year. This was mainly due to our beer business in China and soft drinks business in South Korea, both of which were hit hard by the global jump in raw material costs and higher fixed costs stemming from intensifying competition. We recognize the deteriorating profitability of our overseas business as one issue facing the Group. We will thus make reforming the profit structure of this business one of our highest priorities in 2008.

We would now like to explain in more depth about specific successes in 2007, the first year of our Third Group Medium-Term Management Plan.

MEETING CHALLENGES

"ESTABLISHING A NEW GROWTH PATH FOR THE GROUP"

STRATEGIES FOR THE MEDIUM-TERM MANAGEMENT PLAN

Group companies

Establishing a new growth path for the Group

- Further growth of existing Group companies
- Pursuing synergies utilizing business foundations newly acquired through M&A
- Continuing aggressive investment

Alcoholic beverages business

Generating stable, long-term cash flow

- Restructuring the foundation of the Asahi brand centered on *Asahi Super Dry*
- Launching the entire alcoholic beverages business onto a path of renewed growth

Operating Cash Flow
(2007–2009 Cumulative Total)

¥**300** billion

Uses

- Investments to reinforce growth base
- Shareholder returns

1) Strengthening Group Growth Foundations

"Through business and capital alliances with Kagome Co., Ltd., and an alliance in vending machines with Calpis Co., Ltd., the Group's growth foundations continue to grow stronger."

Against the backdrop of a mature market, the food industry is seeing the emergence of unexpected alliances, realignments and other major changes. Seeking alliances with prominent companies, whether within or outside of the Group, will be a critical element in coping with these changes and charting new growth.

In this context, beyond product development, our equity-based business tie-up with Kagome Co., Ltd. has seen the building of a cooperative framework across the Group's entire range of business activities, including R&D, production and sales. In terms of joint development between the two companies, the RTD beverage *Tomate* is just one product to already emerge from this alliance. *Tomate* sold an impressive 500,000 cases, or almost double our initial projected sales volume, in 2007. Encouraged by this success, in March 2008 we introduced *Vegete*, the second entry from this joint development, with the goal of further expanding the market for RTD beverages made from vegetables.

Asahi Soft Drinks Co., Ltd., meanwhile, through joint investment with Calpis Co., Ltd., set up a new company in December 2007 to oversee vending machine operations. This move represented a significant step forward in enhancing both our competitive strengths and earnings power in the vending machines business.

Also in soft drinks, we initiated moves to bring Asahi Soft Drinks Co., Ltd. into the Group as a wholly consolidated subsidiary. This decision was a bold first step in promoting dramatic growth in the soft drinks business, an operation that will be critical in establishing a growth trajectory for the Group.

2) Promoting Earnings Structure Reform

"By concentrating production and distribution functions at the Ibaraki Brewery and through greater efficiency in all areas of alcoholic beverages, we are making steady progress in reforming our earnings structure."

Today, Japan's alcoholic beverages market is contracting, and the price of raw materials continues to rise. In this climate, the most critical issue that we must face, bar none, is building an earnings structure that can weather these and other changes in our operating environment. To this end, we identified the development of an optimum production and logistics system for the Group, and the promotion of greater efficiency in the alcoholic beverages business, as two particularly important tasks during the year under review.

In respect of the first goal, the transfer of production and distribution functions for soft drinks and RTD beverages to Asahi Breweries Co., Ltd.'s Ibaraki Brewery progressed smoothly during the year. We also embarked on the in-house production of soft drink PET bottles in January 2008.

To promote greater efficiency in alcoholic beverages, we exercised greater selectivity and focus in the investment of business resources as part of a push to use advertising and sales promotion expenses more efficiently. Furthermore, we invested in facilities to save labor in logistics and manufacturing. As a result, expenses were ¥4.9 billion less than forecasts, and ¥0.7 billion less than the previous year. This was a successful outcome that surpassed even our expectations. We also made headway in boosting efficiency, in part by conducting capital investments to save labor in our logistics and production divisions.

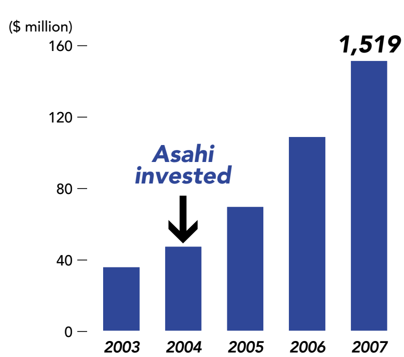
3) Growth in the Chinese Soft Drinks Business

"Our investment of capital, together with expanded support in production technology, financial management and other areas, is continuing to yield dramatic growth in the Chinese soft drinks business."

With our vision of becoming Asia's leading company in food and health, overseas business, and especially business expansion in Asia, forms an important issue for the Group.

Equity-method affiliate Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. has grown dramatically since we first took an equity stake in the company in 2004. The benefit of the assistance the Group has extended to the company in terms of production technology, financial management and strategy formulation was especially evident in 2007—Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. captured the top spot in bottled water in China, adding to its established leading share in tea beverages. Substantial capital investment in production sites and other areas also paid off, leading to profit growth.

TINGYI (CAYMAN ISLANDS) SOFT DRINK BUSINESS SALES



2007 ACHIEVEMENTS

"WE DELIVERED REAL RESULTS IN COMPLETING THE MEDIUM-TERM MANAGEMENT PLAN."

1. **Strengthening Group Growth Foundations**
   Restructuring Group companies and developing alliances with companies outside the Group
2. **Promoting Earnings Structure Reform**
   Reforming the profit structure across the entire value chain, including production, logistics and marketing
3. **Growth in the Chinese Soft Drinks Business**
   Complementing funding with comprehensive and expanded management support
4. **Progress on Financial and Cash Flow Strategy**
   Optimum growth investments and return to shareholders

4) Progress on Financial and Cash Flow Strategy

"We earmarked cash flows for investments aimed at strengthening our foundations for growth, and for returns to shareholders."

We made steady strides in implementing the "Financial and Cash Flow Strategy" component of the Group Medium-Term Management Plan. In terms of strategic investment in the domain of food and health, in Japan we channeled business resources primarily into our alliances with Kagome Co., Ltd. and Calpis Co., Ltd., the full consolidation of Asahi Soft Drinks Co., Ltd., and the development of systems at Asahi Breweries Co., Ltd.'s Ibaraki Brewery. In our overseas business, we invested aggressively mainly in our beer and soft drinks businesses in China, and our soft drinks business in South Korea.

Where returns to shareholders are concerned, we are aiming for a stable increase in dividends, with a consolidated dividend payout ratio of 20% or higher. That said, since net income was flat for the year, we have decided to pay a full-year dividend of ¥19.00 per share, the same as in the previous business term.

Key Issues for 2008

"As the second year of our Third Group Medium-Term Management Plan, we will execute measures that will steadily raise the profitability of the entire Group."

In 2008, the second year of our current medium-term plan, we hope to stimulate steady growth in business performance. First, in terms of net sales, we anticipate growth in all Group business fields. In total, we are looking for year-on-year growth of 3.2% in net sales to ¥1,511.0 billion. As for operating income, we will aim for growth of 5.7% to ¥92.0 billion. While the impact of rising costs for raw materials is likely to be stronger year on year, we expect higher sales throughout the Group, including price revisions for beer-type beverages, as well as ongoing profit structure reforms, to offset this trend. We also hope to post record-high net income for an eighth consecutive year.

Initiatives Centered on Three Key Catchphrases

"Group management centered on three key catchphrases will surely bring results."

Building on progress during 2007, our goal is to leave a successful mark during the second year of the Third Group Medium-Term Management Plan in 2008 by focusing on three key catchphrases—"Brand cultivation and reinforcement," "Profit structure reform," and "Investment for dramatic growth."

Brand Cultivation and Reinforcement

"We will use brands as a means of embodying and offering the kind of value that answers the needs of our customers."

In each Group business, we will recommend new value propositions that mesh with the lifestyle changes of our customers, embodying this value as the products and brands that we offer.

In alcoholic beverages, we will add concept development derived from new methods for discerning customer needs and our cross-function teams to an already successful product development process. This will enable the Group to further promote the development of products and brands that continue to win the loyalty of customers. For the Group as a whole, we intend to leverage results from the Group R&D system that we realigned in the fall of 2007, as well as our advantages within and outside the Group, to enhance our capacity to propose new value in each business domain.

Profit Structure Reform

"We will look to build a stronger profit structure, in terms of each business and the Group as a whole, that can weather any business environment."

In each Group business, we are eyeing measures for producing even stronger profit structures that can weather any business environment. In broadening the scope of structural reforms from a focus on individual operating companies to each business and the entire Group, our goal is to review the entire span of our business operations, from procurement and production, to logistics and sales.

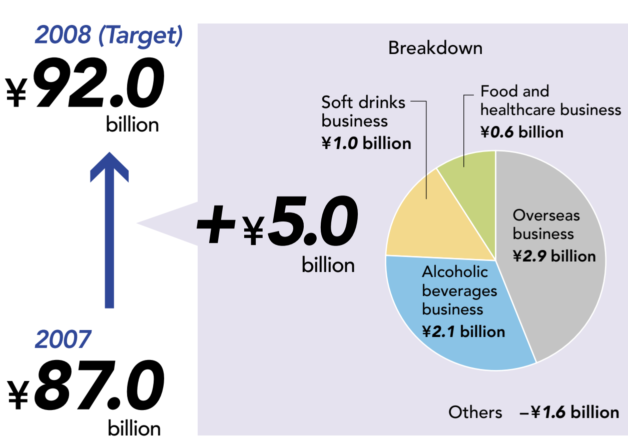
As we move ahead with the development of a multi-product production system at the Ibaraki Brewery, we will take steps to further optimize the Group's production and logistics system.

Investment for Dramatic Growth

"To usher in dramatic Group growth, we will make investment in soft drinks and overseas business a priority."

Along with separate growth in each business that will come from brand cultivation and reinforcement and profit structure reform, we will vigorously seek out and execute business investments and strategic alliances that will help to realize our future vision for the Group.

OPERATING INCOME



MEETING CHALLENGES 2008

"GUIDED BY THREE KEY CATCHPHRASES, WE WILL WORK TO MAKE THE ENTIRE GROUP MORE PROFITABLE."

1 Brand Cultivation and Reinforcement
Cultivating and reinforcing brands that meet customer needs

2 Profit Structure Reform
Accelerating profit structure reform from the perspective of each business and the Group as a whole

3 Investment for Dramatic Growth
Prioritizing the allocation of funds to soft drinks and our overseas operations

In soft drinks, core companies Asahi Soft Drinks Co., Ltd. and the two LB, Ltd. companies, which oversee our chilled-beverage business, will promote growth in individual existing operations. At the same time, we will prioritize the allocation of resources to stimulate dramatic expansion in the soft drinks business. Meanwhile, we will work through Asahi Calpis Beverage Co., Ltd., our joint venture with Calpis Co., Ltd., to promote expansion in our vending machines business.

As for our overseas business, we will enhance the competitive strength of beer companies in our beer business in China to enable each to emerge a winner as competition in the market intensifies. In our soft drinks business overseas, we will seek to put South Korean subsidiary Haitai Beverage Co., Ltd. on a track for stable growth through stronger management. Furthermore, we will continue to provide rapidly growing Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. in China with management support to create the fundamental business base needed to capture the leading position in China's soft drinks market.

Unique Advantages Supporting Asahi Breweries Group Growth Strategies

"Product and management strengths are advantages that will enable us to establish a new trajectory for growth."

Our operating environment continues to grow in severity. Raw material and fuel costs continue to rise higher than anticipated, and many corporate groups are moving outside their usual boundaries to acquire new businesses and forge unexpected alliances. Despite these challenges, we are confident that calmly searching for our own opportunities for growth will put the Group on a definitive and new trajectory for growth. This optimism reflects a combination of two strengths unique to the Group—superb products and superb management.

Superb Products

In 2007, our flagship brand *Asahi Super Dry* recorded annual sales volume of more than 100 million cases for the 19th consecutive year. Our firm commitment to creating unprecedented new value has made possible an unparalleled mega brand that now, even 21 years later, continues to account for nearly half of Japan's beer market. Right now, factors such as a decline in the number of drinkers are causing the domestic alcoholic beverages market to contract. Still, as the same challenge-ready group that created and cultivated *Asahi Super Dry*, we are confident that through new value propositions, we can generate new markets.

Superb Management

Looking over the long span, it is clear that our management through the years has grown unquestionably stronger. For example, by promoting efficient management, we have reduced total assets by 28% compared to 15 years ago, and have shrunk long-term interest-bearing debt by 78%. Net sales are 1.5 times the level back then, and we have successfully expanded net income to more than 13 times the level of 15 years earlier.

With this improvement in financial condition has also come greater cash flow stability. It is this backdrop that is enabling the Group to accelerate strategic business investment in the domain of food and health, and is making our fast-paced business development possible.

Management Base Reinforcement—Another Element Underpinning Growth Strategies

"Putting an even stronger management base in place will allow us to be a 'Superb Company' sustainable over the long run."

In the quest for sustainable growth, reinforcing our management base is an extremely vital issue. As part of initiatives in this area, the Group is first transforming its organizational structure in ways that will allow it to conduct business activities from a more customer-centric standpoint. At the same time, we are grooming the people who will direct and lead business expansion, and are working urgently to establish a system for most appropriately allocating these personnel.

To make our management system a highly transparent one, we are also implementing measures to further enhance corporate governance. These include enhancement of the internal control system and a stronger risk management structure.

Today, every member of the Asahi Breweries Group is working with a shared sense of urgency to create a business base that can withstand the harsh business environment we face. We have no doubt that our hard work today will soon be met with positive results. We invite you to expect great things from the Asahi Breweries Group as we continue to tackle new challenges, create new propositions, and evolve going forward.

Kouichi Ikeda

Kouichi Ikeda
Chairman of the Board

Hitoshi Ogita

Hitoshi Ogita
President

CORNERSTONES OF OUR GROWTH STRATEGY

"LEVERAGING OUR UNIQUE ADVANTAGES AND STRENGTHENING OUR MANAGEMENT BASE, OUR AIM IS TO BE A CONSISTENTLY "SUPERB COMPANY" FOR YEARS TO COME."

FEATURE

SHAPING A SUPERB FUTURE

STRENGTHENING THE GROUP'S CAPABILITIES TO CREATE NEW VALUE

2001–2003

1

ESTABLISHED NEW GROUP BUSINESS STRUCTURE AND DEVELOPED NEW BUSINESSES AND PRODUCTS

Growth in individual businesses

2003
Consolidated Net Sales
¥1,400.3 billion
Consolidated Net Income
¥23.2 billion

2004–2006

2

TRANSFORMED TO A NEW BUSINESS STRUCTURE AIMED AT ACHIEVING PROFITABLE GROWTH

2006
Consolidated Net Sales
¥1,446.4 billion
Consolidated Net Income
¥44.8 billion

2007–2009

3

PLACE THE GROUP ON A NEW GROWTH TRAJECTORY

The leading company in Asia in the domain of food and health

Strategies of the Third Group Medium-Term Management Plan

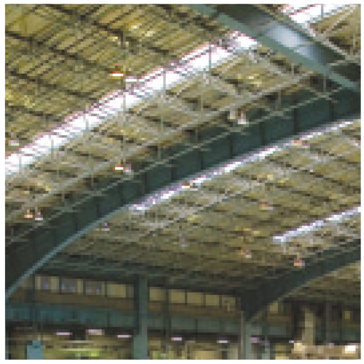
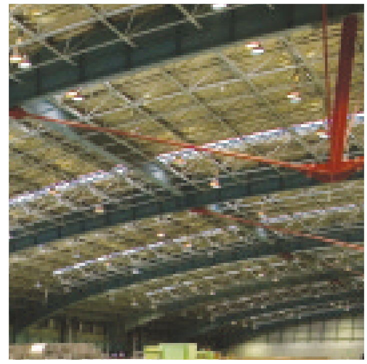
- M&As
- Brand building
- Capture existing Group synergies

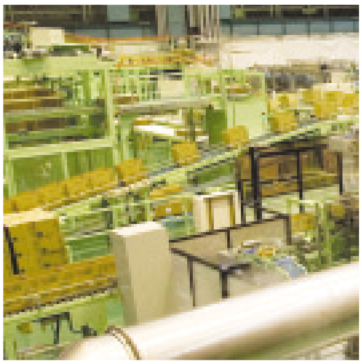
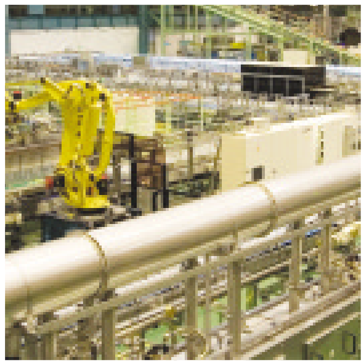
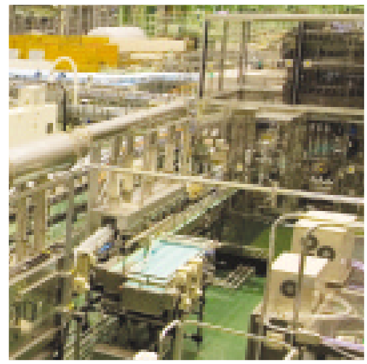
2009 (Target)
Consolidated Net Sales
¥1,600.0 billion
Consolidated Net Income
¥55.0 billion

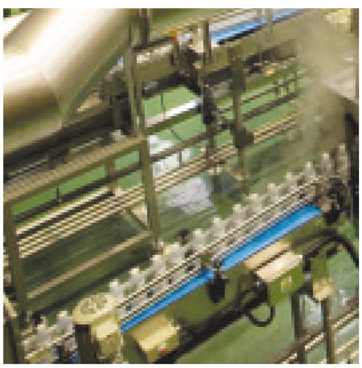
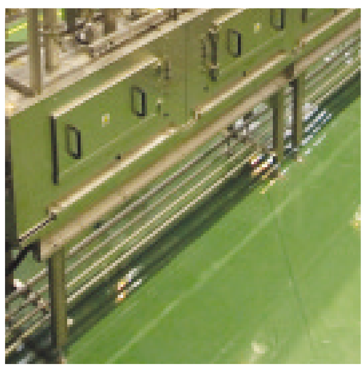
Growth driven by Group synergies

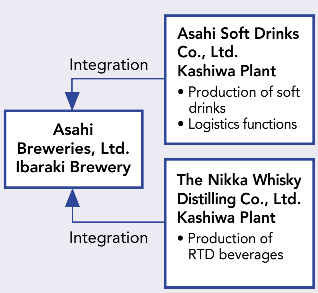
The Asahi Breweries Group is supported by two key growth concepts—"Growth in individual businesses," and "Growth driven by Group synergies."

The latter of the two concepts is the focal point of Asahi Breweries Group Third Group Medium-Term Management Plan. Today, business activities at Asahi Breweries Group have a singular goal—to realize the Group's long-term vision of becoming the leading company with high growth potential by providing customers, especially in Asia, with lifelong enjoyment and excitement in the domain of food and health.



IBARAKI BREWERY INTEGRATION

Developing an Optimum Production and Logistics System

The Asahi Breweries Group is working to establish an earnings structure able to weather any business environment, and to maintain the highest product quality. To this end, the Group is seeking to develop an optimum production and logistics system by 2009. Specifically, the Group will transfer manufacturing operations from The Nikka Whisky Distilling Co., Ltd. for the production of RTD beverages, and similar operations from Asahi Soft Drinks Co., Ltd. for soft drinks, to the Ibaraki Brewery of Asahi Breweries, Ltd. Additionally, logistics functions for Asahi Soft Drinks Co., Ltd. will be consolidated at the brewery.

As a result, the Ibaraki Brewery will make an additional 50 RTD beverages and 28 soft drink varieties on top of the current 15 beer products. With this step, the brewery will boast the industry's most diverse beverage lineup. The Ibaraki Brewery will also possess one of Japan's best warehousing functions, thanks to the introduction of Asahi Soft Drinks Co., Ltd.'s automated warehousing system. 2007 also saw the launch of RTD beverage production, the manufacture of soft drinks in bottle cans, and the operation of an automated warehousing system for soft drinks. Moreover, the Group has moved since January 2008 to internally produce the plastic PET bottles used for bottled soft drink products.

COOPERATION WITH GROUP COMPANIES

Expanding Opportunities to Create Value

The Asahi Breweries Group's efforts to achieve growth driven by Group synergies also encompasses product development.

A prime example is *Asa No Isshoku Vegetable Yogurt*, which was first sold in June 2007. This product uses a plant origin lactic acid bacteria discovered through joint research by Asahi Breweries, Ltd. and Asahi Soft Drinks Co., Ltd. LB, Ltd., a core company in the Group's chilled-beverage business, also helped make this yogurt a commercial reality. Ultimately, combining the technical skill and expertise of each company was critical to creating "yogurt with vegetables" as a new form of value.

In March 2008, *Asa No Isshoku Vegetable Yogurt* was relaunched as *Asa No Oishii Vegetable Yogurt*. The same month, Wakodo Co., Ltd. began selling *Kodomo burenndo Juuroku-cha* (Non-caffeine blended tea for kids) and *Akachann no Juuroku-cha* (Non-caffeine blended tea for babies). These product launches highlight how we are focusing more than ever on leveraging Group synergies in product development and delivering more value.

Launched on
March 4, 2008

COLLABORATION OUTSIDE THE GROUP

The Pursuit of Unprecedented Value

The Asahi Breweries Group is further entrenching initiatives for offering new value to customers by forging alliances with companies outside the Group.

For example, Kagome Co., Ltd.'s knowledge of tomato juice and Asahi Breweries, Ltd.'s alcohol blending techniques have combined to produce *Tomate*, an RTD beverage made from vegetables that is itself a new form of value.

Across the entire value chain, the Group is searching for every opportunity to create value, whether in R&D, procurement, production, logistics, or retail sales. In an alliance with Calpis Co., Ltd. in the vending machines business, the Group is taking advantage of the brand power of both companies, and the merits offered by economies of scale, to simultaneously pursue both growth in sales volume and greater efficiency.

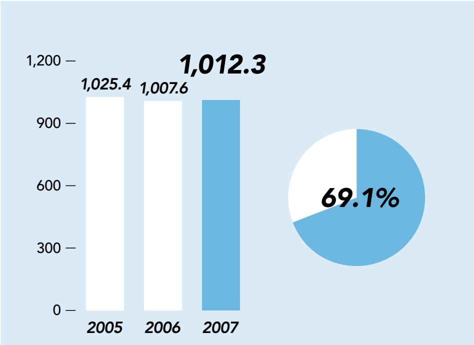
ASAHI AT A GLANCE

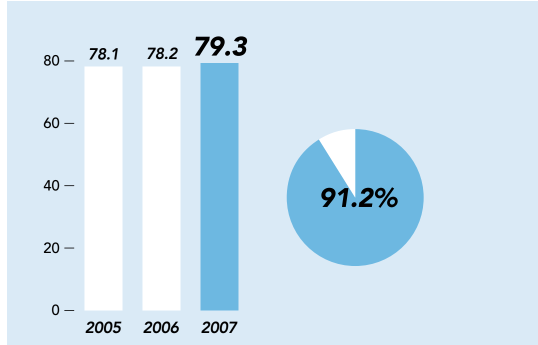
The Asahi Breweries Group's business segments, as represented in consolidated accounting, are alcoholic beverages, soft drinks, food and pharmaceuticals, and other businesses.

Entities that generate major profit for each 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. and Wakodo Co., Ltd., for the food and pharmaceuticals business.

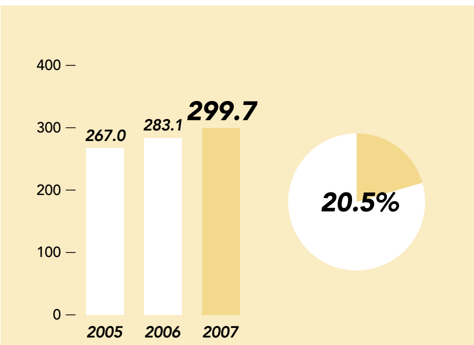
SALES (¥ BILLION) | OPERATING INCOME (¥ BILLION)

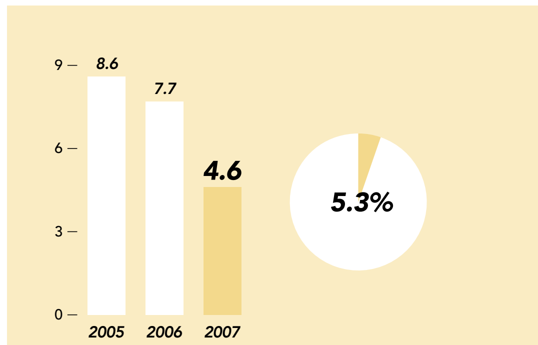
ALCOHOLIC BEVERAGES



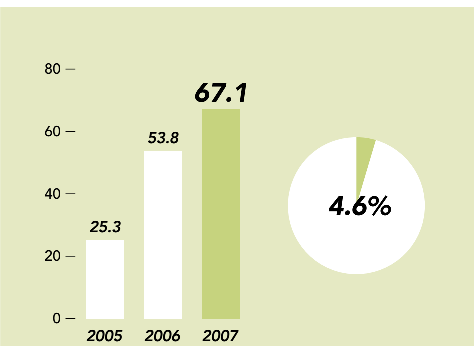


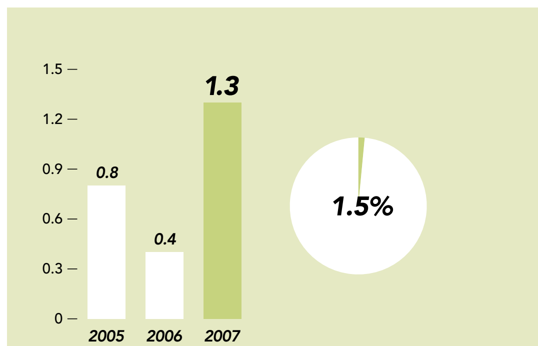
SOFT DRINKS



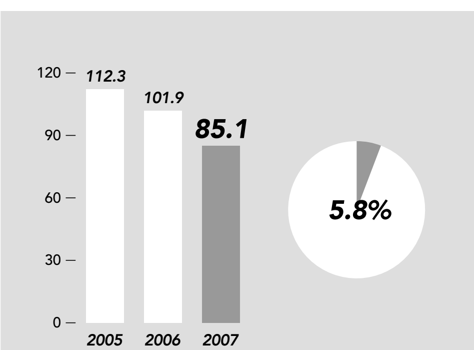


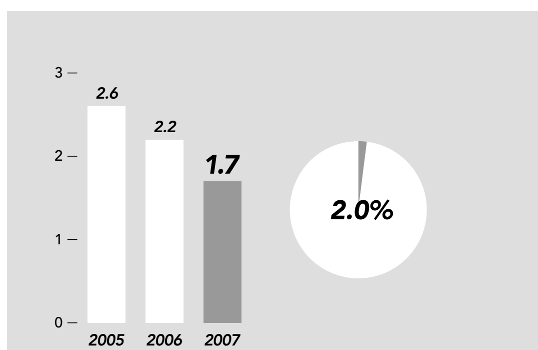
FOOD AND PHARMACEUTICALS





OTHERS





BUSINESS OUTLINE	2007 HIGHLIGHTS	PLANS FOR 2008
Manufacturing and sales of beers, including core product *Asahi Super Dry*; *Asahi Honnama Draft*, *Asahi Style Free* and other happoshu; and *Clear Asahi* and other new genre beverages. In addition to such beer-type beverages, we also undertake manufacturing and sales of other alcoholic beverages including shochu, RTD (ready-to-drink) beverages, whisky and spirits, and wine. Overseas, along with promoting expanded sales of *Asahi Super Dry*, we undertake the manufacturing and sales of *Asahi Super Dry* and the local brand beers of joint ventures in China, viewing Asia as a priority region.	• Captured the leading share of the domestic market for beer-type beverages for the seventh consecutive year • Pioneered new markets with the debuts of *Asahi Style Free* and *Tomate* • Failed to meet planned profit targets in the Chinese beer business due to soaring prices for raw materials and greater competition	• Target sales of ¥1,014.0 billion (up 0.2%) and operating income of ¥80.9 billion (up 2.0%) • Continue the pursuit of greater freshness for *Asahi Super Dry* and other fundamental activities • Launch *Asahi Jukusen* canned beer in the growing premium beer category • Take the decisive step of completely reviewing sales strategies and systems in the Chinese beer business from the ground up
Asahi Soft Drinks Co., Ltd. carries out manufacturing and sales of canned coffee such as *WONDA*, tea-based beverages such as *Asahi Juroku-cha* and soft drinks including carbonated beverages like *Mitsuya Cider* and fruit drinks such as *Bireley's*. We are also developing our chilled drinks business through two LB, Ltd. companies. In overseas markets, we undertake the manufacturing and sales of soft drinks centering on the Chinese and Korean markets.	• Asahi Soft Drinks Co., Ltd. increased sales for the fifth consecutive year • Decided to make Asahi Soft Drinks Co., Ltd. a fully consolidated subsidiary to spur further Group growth • Established Asahi Calpis Beverage Co., Ltd. as a joint venture with Calpis Co., Ltd. • Recorded steady profit growth at Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.	• Aim for sales of ¥336.0 billion (up 12.1%) and operating income of ¥8.2 billion (up 78.5%) • Boost production efficiency with the completion of transfer of certain manufacturing functions from Asahi Soft Drinks Co., Ltd. to the Ibaraki Brewery of Asahi Breweries, Ltd. • Focus on channeling Group business resources into the soft drinks business, the Group's second mainstay business
Asahi Food & Healthcare Co., Ltd. undertakes the development and sales of healthcare foods, processed foods, supplements, materials for processed seasonings utilizing processing technology for brewer's yeast, brewer's yeast-related products for the commercial-use and consumer markets, freeze-dried products and others. We also develop and sell healthcare foods through Sunwell Co., Ltd. as well as baby food and others through Wakodo Co., Ltd.	• Profit growth reported by Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. • Established the new Food Products R&D Division to bolster product development capabilities	• Strive for sales of ¥76.2 billion (up 13.6%) and operating income of ¥2.0 billion (up 48.8%) • Remain focused on strengthening mainstay brands and enhancing efficiency

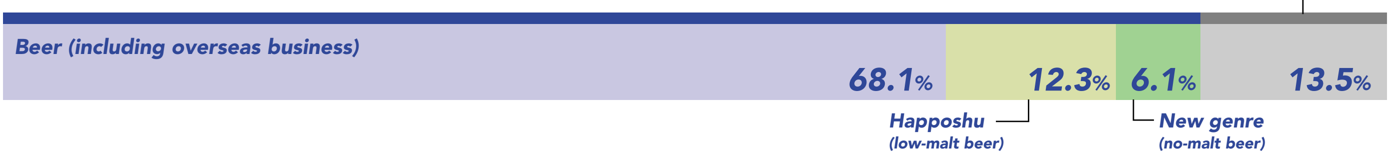
In our other businesses, we undertake Group company sales support operations such as logistics and sales support businesses and operation of restaurants. In 2007, total sales and operating income for other businesses were lower due to the reorganization of our wholesale business.

ALCOHOLIC BEVERAGES BUSINESS

MAJOR GROUP COMPANIES

- Asahi Breweries, Ltd.
- The Nikka Whisky Distilling Co., Ltd.
- Sainte Neige Wine Co., Ltd.
- Satsumatsukasa Shuzo Co., Ltd.

SHARE OF SALES BY PRODUCT



Beer

Asahi Super Dry

Asahi Jukusen
Launched March 11, 2008

Happoshu (low-malt beer)

Asahi Honnama Draft
Relaunched February 26, 2008

Asahi Style Free

New genre (no-malt beer)

Clear Asahi
Launched March 25, 2008

Asahi Ajiwai

Shochu

Kanoka

Satsuma Tsukasa

RTD beverages

Asahi Cocktail Partner

Tomate

Whisky and Spirits

Yoichi

Black Nikka Clear Blend

Wine

Sankaboshizai-Mutenka Wine

Mouton-Cadet

* Excludes sales from real estate and other businesses.

Refer to pages 32–33 for details of activities in the overseas business.

2007 BUSINESS OVERVIEW

MARKET ENVIRONMENT

In addition to consumer trends, namely a decline in the drinking-age population and changing consumer preferences, Japan's alcoholic beverages industry was forced to contend with a sharp increase in raw materials costs in 2007. Driving costs upward were escalating prices for malt, a key brewing ingredient, and aluminum cans.

In the market for beer-type beverages—consisting of beer, happoshu (low-malt beer) and new genre beverages (no-malt beer), total taxable shipments for the market as a whole edged 0.3% lower year on year. This result came despite the launch of 23 new products and a 4.4% year-on-year increase in taxable shipments of new genre beverages. Ultimately, however, this growth failed to cover declines in taxable shipments of beer, which remained lackluster, and happoshu of 0.9% and 2.5%, respectively. For the year, beer accounted for 55.2%, happoshu 24.5%, and new genre beverages 20.2% of the total beer-type beverages market.

Taxable shipments for all alcoholic beverages fell year on year. As a result, taxable shipments of alcoholic beverages as a whole were roughly 1% lower than the previous year.

INITIATIVES IN 2007

The Asahi Breweries Group enacted measures in each target market aimed at responding to customer needs, returning to the Group's starting point of pursuing customer satisfaction through its products. We also took an aggressive approach to product development, with the goal of offering new value.

Total sales, including for the overseas business, for the alcoholic beverages business rose 0.5% from 2006 to ¥1,012,256 million, with operating income up 1.4% to ¥79,285 million. This outcome reflected a decrease in advertising and sales promotion expenses, due in part to a review of business terms and conditions for all alcoholic beverages, and a decline in other fixed costs. These declines offset an increase in costs from sharply higher prices for raw materials.

(Beer-type Beverages)

Despite firm growth in canned products for the home-consumption sector, sales volume in the overall beer market declined around 0.9%, as sluggish demand for beer for commercial use weighed heavily on the entire market. This outcome notwithstanding, sales in the premium beer category surged more than 30% over the previous year. In this climate, we steadily raised the profile of *Asahi Super Dry*, a mainstay brand first sold over two decades ago, on all brand-power indicators through full-spectrum marketing activities and other initiatives for enhancing the brand's value. As a result, more than 100 million cases were sold for the 19th consecutive year, and we achieved a market share in the beer category of 49.4%.

The overall happoshu market declined 2.5%, as the effects of a slump in long-selling favorites and an expanding market for new genre beverages overshadowed year-on-year growth of 20% in products for more health-conscious customers. In this environment, we recorded firm growth in sales of *Asahi Style Free*, the industry's first-ever sugar-free* happoshu, and the *Asahi Honnama Draft* brand. As a result, taxable shipments rose 14.5% year on year, raising the Group's share of the happoshu market by 4.1 percentage points to 27.7%. Among happoshu, annual sales volume for *Asahi Style Free* far exceeded initial projections, establishing "sugar-free happoshu" as a new market in its own right.

In the overall new genre beverages market, taxable shipments rose 4.4% as market players continue to aggressively unveil new products.

For its part, the Asahi Breweries Group took steps to spur the new genre beverages market by improving the quality of *Asahi Gokuuma* and through the launch of a new product, *Asahi Ajiwai*, in October 2007. Despite these efforts, the aggressive launch of new products by rivals in this market, among other factors, caused taxable shipments to fall 8.8% year on year.

* Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero sugar content"

(Shochu, RTD Beverages, Whisky and Spirits, Wine)

Sales of Otsu-type shochu (Pot still distilled shochu (spirits)) rose year on year. However, the shochu market as a whole saw total taxable shipments fall from the previous fiscal year. For the Group, *Kanoka* led this business with double-digit growth in sales for the 14th consecutive year. This feat enabled the Group to perform in line with the market.

In the overall market for RTD (ready-to-drink) beverages, taxable shipments fell as market growth stalled and store prices rose. The Group, however, recorded healthy growth in products such as *Asahi Cocktail Partner*, *Asahi Shunka Shibori*, and *Tomate*, a product developed in collaboration with Kagome Co., Ltd. *Tomate*, in particular, eclipsed initial targets for the year, establishing the concept of a "vegetable-based, RTD beverage" as a new market.

In the whisky market, single malt whisky demand grew even as both the home- and commercial-use markets languished. The Group posted a four-fold increase in sales of single malt whisky overall, thanks in part to the launch of *Single Malt Yoichi* in a 500ml bottle, a product sold in large volumes. The relaunch of *Black Nikka Clear Blend*, which debuted more than 10 years ago, also helped lift overall sales year on year, on the back of double-digit growth in sales after this product was relaunched.

In wine, the overall market rose year on year, led by imported wines as well as growth in all natural domestic wines for customers looking for added peace of mind in where their wine is produced. For its part, the Group saw an increase in wine sales, reflecting steady progress in nurturing and enhancing its domestically produced *Sainte Neige* brand, as well as initiatives for expanding sales of imported wines.

TARGETS AND STRATEGIES FOR 2008

SALES PLAN FOR THE ALCOHOLIC BEVERAGES BUSINESS IN 2008

Amid a gradual contraction seen across the entire alcoholic beverages market, we will reinforce the Group's product development capabilities to move forward with building brands. Steps will also be taken to strengthen the marketing structure that will support this effort. Consequently, the Group is targeting sales of ¥1,014.0 billion (up 0.2% year on year) and operating income of ¥80.9 billion (up 2.0% year on year) for 2008. These targets include projected results from the overseas business.

BEER-TYPE BEVERAGES

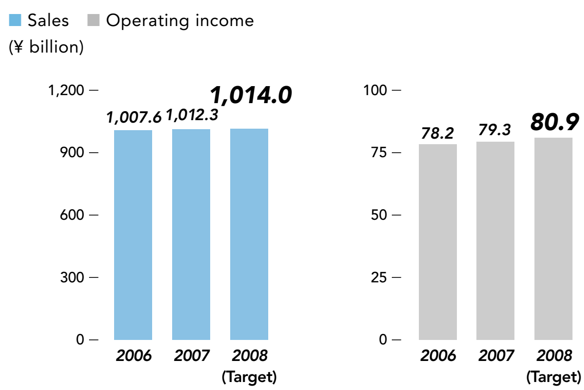
Along with an expected contraction of roughly 1% for the industry in 2008, the impact of price hikes imposed by all market players is likely to cause the overall market for beer-type beverages to shrink by a maximum of 3% to 4%. To emerge on top in this severe environment, we will concentrate on bringing "selectivity and focus" to bear on the Asahi Breweries Group brands.

All told, despite expectations that raw material prices will rise even more than they did in 2007, we will push for profit growth through price revisions and reductions in advertising and sales promotion expenses.

Beer

The beer market, which accounts for roughly 55% of beer-type beverages, is expected to decline by a maximum of 4% to 5% overall, as the effect of price increases and other factors weigh on the market. Premium beers should continue to grow by about 10% year on year to 30 million cases. The Group's fundamental actions in respect of this beer will continue to focus on ensuring that business customers know how to handle draft beer and maintain equipment so that our beer is always fresh and great-tasting. Moreover, 2007's total marketing activities have revealed that "relaxation," "satisfaction," "fun," and "contentment" have joined the list of what customers expect when they choose to enjoy *Asahi Super Dry*. We intend to appeal to this new value in unified advertising, consumer campaigns, and store promotions. In premium beers, meanwhile, we will work to establish *Asahi Jukusen* as a flagship brand by introducing this well-received brand for the commercial-use market to the home-use market.

ALCOHOLIC BEVERAGES SALES AND OPERATING INCOME (INCL. OVERSEAS BUSINESS)



Happoshu

Long-selling favorites will remain a key focus of this market in 2008 and products for more health-conscious customers, an area in which all market players have launched new offerings, are expected to post continued growth. However, the market in 2008 is projected to fall by up to 5% to 6% year on year. Among its own long-selling favorites, the Group plans to revamp *Asahi Honnama Draft*, as it works to re-clarify the position of this product as one of its core happoshu brands. Meanwhile, in products for health-conscious customers, which have grown to account for some 37% of the market, one task will be to invigorate two brands—zero sugar* *Asahi Style Free* and *Asahi Honnama Aqua Blue*, a product with 50% less sugar content than most brands. Ultimately, this step will enable the Group to make further strides in the happoshu market.

* Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero sugar content."

New Genre Beverages

Subdued growth is expected for the new beverages market as a whole, with forecasts for flat or slightly higher growth than the previous year. In this market, the standard by which customers judge good taste is continuing to shift from beverages that are "easy to drink" to ones with a more full-bodied flavor similar to that of beer. *Clear Asahi*, our answer to what customers want—a beverage with a refreshing, yet hearty flavor—was launched at the end of March 2008. Positioning *Clear Asahi* as a mainstay brand, we will focus this year on advertising and sales promotions of this brand and *Asahi Ajiwai*, launched in October 2007.

Shochu

Slight growth in Otsu-type shochu and an increase in Ko- and Otsu-type shochu blends are anticipated in 2008. However, the shochu market as a whole is expected to contract in 2008 from 2007 levels due to an anticipated decline in sales of Ko-type shochu (continuous distilled shochu (spirits)). In this market, we have established *Kanoka* as a mainstay brand. As this product prepares to celebrate its 15th anniversary, we will look to further expand sales to the home-use market. At the same time, we will propose *Honkaku Kanoka* to the commercial-use sector. Furthermore, we will redouble past efforts to sell *Honkaku Imo-jochu Satsuma Tsukasa* to commercial-use customers as well as aggressively push this brand for the home-use sector. For Ko-type shochu, we have situated *Daigoro* as the main brand, and will aim to beat the market in terms of sales growth.

RTD Beverages

As market growth becomes more sluggish, the competition among brands is heating up. As a result, the overall market is expected to be flat in 2008. The Group, for its part, will prioritize the investment of resources in core brands *Asahi Cocktail Partner* and *Asahi Shunka Shibori* as well as products developed jointly with Kagome Co., Ltd. in the drive to nurture these brands. In regards to joint development with Kagome Co., Ltd., we will unveil a fruit-and-vegetable beverage, *Vegete*, in the "vegetable-infused RTD beverage" market pioneered with the sale of *Tomate* in 2007, as we build a solid position for Asahi Breweries as a leading company in this market.

Whisky and Spirits

While the whisky market continues to contract, in the whisky and spirits market as a whole a moderate recovery can be expected due to rising interest in single malt whisky and increasing demand in the premium market. In response, the Group aims to increase the value of the corporate brand by strengthening efforts to communicate the Group's brand message to the growing single malt whisky market. At the same time, we will endeavor to broaden the scope of our operations and energize markets with a greater number of products for the mass retail market and the development of products that help promote regions.

Wine

Sales of imported and domestic wines are expected to remain firm, with growth likely to be on a par with 2007. In this area, we will focus on nurturing several key brands in domestic wines. These will include the *Antioxidant-Free Organic Wine* series of all natural domestic wines for customers looking for added peace of mind in where their wines are produced, as well as wines with a functional or healthy image like *Ume Wine (plum taste)* and *Yuzu Wine (citron taste)*, and 100% domestically produced *Sainte Neige Excellante* wine. In imported wines, we will work to expand sales of French wine *Baron Philippe*, Chilean wine *Caliterra*, and other prominent brands.

Refer to pages 32–33 for details of activities in the overseas business.

SALES PLAN AND ACTUAL RESULTS BY ALCOHOLIC BEVERAGE CATEGORY (ASAHI BREWERIES, LTD.)

	2007				2008		
	Initial target (¥ billion)	**Actual sales results** (¥ billion)	Year-on-year	Year-on-year growth of overall market*	**Target** (¥ billion)	Year-on-year	Year-on-year growth of overall market**
Beer-type beverages (total)	935.0	891.9	–0.2%	Approx. ±0%	889.0	–0.3%	–3–4%
Beer	728.2	705.5	–1.8%	Approx. –1%	694.3	–1.6%	–4–5%
Happoshu (low-malt beer)	122.6	124.7	+14.9%	Approx. –3%	123.6	–0.9%	–5–6%
New genre (no-malt beer)	84.2	61.7	–8.1%	Approx. +5%	71.1	+15.2%	Flat or slight rise
Beverages other than beer-type beverages (total)	140.0	136.4	+0.8%	—	137.0	+0.4%	—
Shochu	60.5	54.9	–4.0%	Approx. –1%	55.0	+0.2%	Approx. –1%
RTD	34.0	35.7	+9.1%	Approx. –5%	35.7	±0.0%	Approx. –1%
Whisky and spirits	27.5	27.3	–0.4%	Approx. –1%	27.5	+0.6%	Approx. –1%
Wine	15.5	15.3	+1.3%	Approx. ±0%	15.8	+3.5%	Approx. –1%
Other	2.5	3.2	+11.7%	—	3.0	–7.3%	—
Total	1,075.0	1,028.3	–0.1%	—	1,026.0	–0.2%	—

Announced Feb. 2008
Excludes sales from real estate and other businesses
* Company estimates (Volume basis)
** Company projection

SOFT DRINKS BUSINESS

MAJOR GROUP COMPANIES

- Asahi Soft Drinks Co., Ltd.
- LB, Ltd. (Hasuda, Saitama)
- LB, Ltd. (Tokai, Aichi)

SHARE OF SALES BY GROUP COMPANY

Asahi Soft Drinks Co., Ltd.
Tea-based drinks

Asahi Juroku-cha
Relaunched February 12, 2008

Wakamusha Umami-Issen
Relaunched January 15, 2008

Asahi Soft Drinks Co., Ltd.
Coffee

Wonda Morning Shot

Wonda Kin-no-Bito
Launched January 8, 2008

Asahi Soft Drinks Co., Ltd.
Carbonated beverages

Mitsuya Cider

Lemon-wo-Shibotta Mitsuya Cider
Relaunched March 11, 2008

Asahi Soft Drinks Co., Ltd.
Water

Asahi Fujisan no Vanadium Tennensui
Relaunched March 4, 2008

LB, Ltd. (Hasuda, Saitama)
LB, Ltd. (Tokai, Aichi)
Chilled beverages

Ocha

Asa No Oishii Vegetable Yogurt

Satou-Fushiyou Kurozu

Oishiku Nomeru Ukon-V

Refer to pages 32–33 for details of activities in the overseas business.

2007 BUSINESS OVERVIEW

MARKET ENVIRONMENT

An unusually hot summer contributed heavily to healthy performance in Japan's soft drinks industry in 2007. Sales volumes increased roughly 4% from the previous year to 1,988 million cases. By category, carbonated beverages and mineral water recorded sales growth. On the other hand, escalating prices for raw materials pushed production costs sharply higher for the industry.

INITIATIVES IN 2007

Sales, including for the overseas business, rose 5.8% to ¥299,663 million. Operating income, however, declined 40.7% to ¥4,593 million, due to sharply higher prices for raw materials and investments in vigorous sales promotion activities. Efforts to strengthen core brands *WONDA*, *Mitsuya Cider*, and *Asahi Juroku-cha* were the pillar of our growth strategy. At the same time, we focused on establishing *Ryokucha*, *Kenko*, and *Vanadium Tennensui* as new brands in the soft drinks business. As a result, Asahi Soft Drinks saw sales volume rise 8% year on year to 130.97 million cases.

With respect to core brands, *Mitsuya Cider* brand beverages grew by nearly 20% year on year, helping Asahi Soft Drinks to surpass annual sales volume of 30 million cases for the first time in its history. The 30-million case milestone is also in sight for the *WONDA* brand, thanks to growth largely triggered by a successful revamp of the *WONDA Morning Shot* variety of coffee. *Asahi Juroku-cha* also grew steadily, with sales volume up nearly 30% over the last year.

Turning to structural reforms, the start of carbonated beverage production at Asahi Breweries' Ibaraki Brewery, part of a push to build an optimized production and logistics system, was just one of the steps taken to reform the profit structure for this business.

Elsewhere, 2007 saw the establishment of Asahi Calpis Beverage Co., Ltd., a joint venture with Calpis Co., Ltd. in the vending machines business with the aim of establishing a base for growth in this sales channel. The Asahi Soft Drinks Group owns a total of 220,000 vending machines, ranking it fourth in the industry in terms of machines installed, with a market share of 10%.

In the chilled-beverage business, Asahi Soft Drinks' own chilled beverage business was merged with that of core company LB, Ltd. (Saitama). In tandem, we made ¥1.3 billion in capital investments in a bid to enhance the quality, production and efficiency of these operations. We also took an aggressive approach to product development through alliances within the Asahi Breweries Group and with non-Group companies.

To propel the Asahi Breweries Group's next leap in growth in 2008, the decision was also made to convert Asahi Soft Drinks into a wholly owned subsidiary. Asahi Soft Drinks became a wholly owned subsidiary in April 2008.

TARGETS AND STRATEGIES FOR 2008

The soft drinks industry as a whole is likely to see growth on a par with or slightly higher than the previous year in 2008. That said, in a continuation of trends in 2007, the race to unveil original, added-value products, and to offer new value propositions that take advantage of existing brand assets, is expected to gain momentum. In this climate, we are targeting sales of ¥336.0 billion (up 12.1% year on year) and operating income of ¥8.2 billion (up 78.5% year on year) in the soft drinks business, largely reflecting the benefit of increased sales from the establishment of Asahi Calpis Beverage. These targets include projected results from the overseas business.

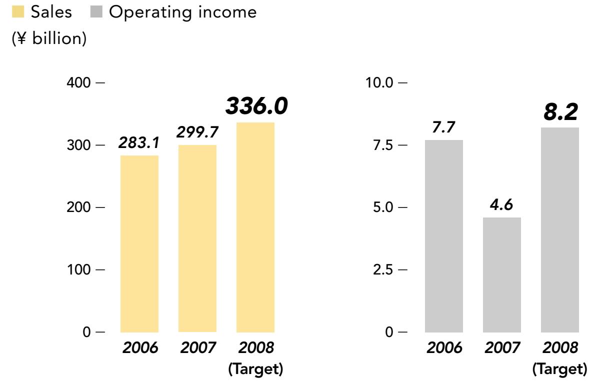
Concerning product strategies, we will continue to channel investments into marketing our three core brands—*WONDA*, *Mitsuya Cider*, and *Asahi Juroku-cha*—as well as water and green tea beverages, to cultivate brands with an undeniable market presence. In the vending machines business, under Asahi Calpis Beverage, we will leverage brand power and the merits of economies of scale to build a platform for conducting efficient operations.

In terms of structural reforms, in 2007 we began the transfer of manufacturing operations from Asahi Soft Drinks' plant to Asahi Breweries' Ibaraki Brewery, with full-scale production beginning of the operations that have been transferred so far, production efficiency is expected to increase. Furthermore, the shift to two production lines at the Mt. Fuji Plant should yield cost savings.

Asahi Soft Drinks became a fully consolidated subsidiary of Asahi Breweries in April 2008. As a core company of the Asahi Breweries Group, our aim is to guide the company forward to its next stage of growth through the priority investment of business resources and the execution of a more flexible capital structure policy.

Refer to pages 32–33 for details of activities in the overseas business.

SOFT DRINKS SALES AND OPERATING INCOME (INCL. OVERSEAS BUSINESS)

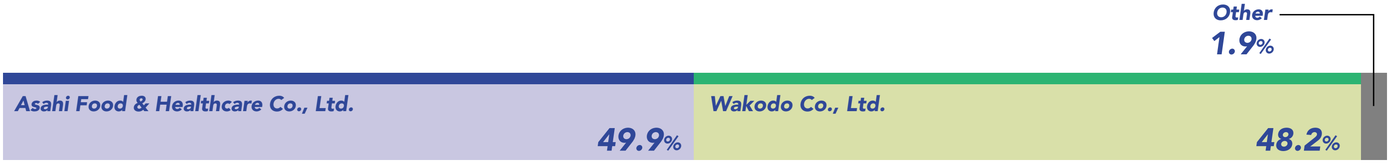


FOOD AND PHARMACEUTICALS BUSINESS

MAJOR GROUP COMPANIES

- Asahi Food & Healthcare Co., Ltd.
- Wakodo Co., Ltd.

SHARE OF SALES BY GROUP COMPANY



Asahi Food & Healthcare Co., Ltd.

MINTIA


BALANCEUP

Slim Up Slim


Dear-Natura

Wakodo Co., Ltd.

Infant formula Lebens Milk Hai Hai

Eiyou MARCHE (nutrition balanced report baby food)

Gyuunyuuya San no Coffee (instant milk coffee mix)

Oshibori Wetty (sanitary wet (handy) wipe)

2007 BUSINESS OVERVIEW

In the food and pharmaceuticals business, Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. both took steps to expand business scope and reinforce the business base of this segment. These efforts resulted in sales of ¥67,089 million for the food and pharmaceuticals business in 2007, up 24.7% year on year. Operating income skyrocketed 202.0% to ¥1,344 million, for a second consecutive year of substantial sales and earnings growth.

At Asahi Food & Healthcare Co., Ltd., *MINTIA* breath mint tablets continued to perform strongly, climbing 40% compared to the previous year. With sales having tripled in three years, *MINTIA* has solidified its position as a top brand in its market. *BALANCEUP* nutritionally balanced snack bars and diet support food product *Slim Up Slim* also gained a strong market following, reflecting efforts to reinforce both products. Elsewhere, we took on the challenge of creating a new core brand with the debut of *Dear-Natura* as a new supplement brand in April 2007.

The year also saw Wakodo Co., Ltd. revamp its mainstay *Eiyo MARCHE* brand of baby food, along with other brands including *Tedukuri-Ouenn* (Homemade support powdered baby food mix), *Yasashii Sozai* (Freeze-dried baby food) and powdered soft drink *Gyuunyuuya San no Coffee*. In parallel, the company sought to utilize promotional expenses and other fixed costs more effectively, as well as to reduce production-side costs, as part of a structural reform program for building a more robust profit base.

On a different note, the food and pharmaceuticals business oversaw the establishment of the Food Products R&D Division, giving this business a dedicated R&D division that will make a clear-cut contribution to business growth.

TARGETS AND STRATEGIES FOR 2008

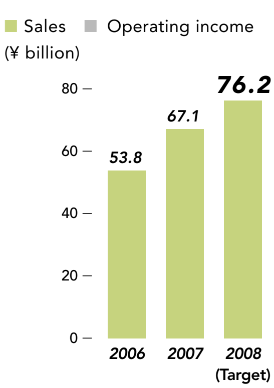
Having labeled 2008 as a year for dramatic expansion, our task will be to offer exceptionally appealing new products and promotions. Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. will take the lead in this effort. Each company will look to stimulate growth in products in their respective core fields, namely snack food, processed food, baby food, health food, and seasonings. At the same time, we plan to seek out new business investment opportunities while pushing forward with plans to strengthen the entire business. By steadily enacting these initiatives, our goal is to achieve sales of ¥76.2 billion (up 13.6% year on year) and operating income of ¥2.0 billion (up 48.8% year on year) for this business in 2008.

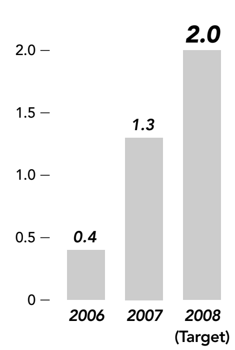
Going forward, we will concentrate on offering new products and promotions, positioning *MINTIA*, *BALANCEUP*, *Slim Up Slim* and *Dear-Natura* as particularly key products.

For *MINTIA*, *BALANCEUP*, and *Dear-Natura*, the goal is to further raise the name recognition of these brands through increased advertising and effective promotional activities. For *Slim Up Slim*, our plans are to unveil new and improved versions of this product.

Wakodo Co., Ltd., meanwhile, will focus even more than ever on strong-selling mainstay products, while also developing new confectionery and food categories and strengthening operations in the natural seasoning field. These and other efforts target higher sales. The company also aims to grow earnings by shifting focus to high-margin products, improving production by leveraging economies of scale yielded by increasing production volume, and using raw materials more efficiently.

FOOD AND PHARMACEUTICALS SALES AND OPERATING INCOME





SALES RESULTS AND PROJECTIONS AT MAJOR GROUP COMPANIES

(¥ billion)	**2007 (Actual results)**	2008 (Target)	Change (2008/2007)
Asahi Food & Healthcare Co., Ltd.	**35.4**	38.0	7.3%
Wakodo Co., Ltd.	**32.4**	38.1	17.7%

OVERSEAS ***BUSINESS***

Figures for the overseas business are included in figures for the alcoholic beverages and soft drinks businesses.

Our vision for the future of the Asahi Breweries Group is to see it become the leading company in Asia known for its dynamic growth. To this end, the Group manufactures and sells beer and beverages in China and other key Asian markets, as well as in North America and Europe. In 2007, sales fell by 2.9% year on year to ¥55.4 billion and this business recorded an operating loss of ¥5.5 billion. The main culprits behind this performance were sharply higher prices for raw materials and more intense competition. The goal for 2008 is improvement over last year, with target sales of ¥61.0 billion and a ¥2.9 billion improvement in the operating loss.

BEER BUSINESS IN NORTH AMERICA

In the North American market, we first began producing *Asahi Super Dry* at the Vancouver brewery of Molson Canada Ltd. in 1994. We then began bolstering our sales framework in this market, establishing Asahi Beer U.S.A., Inc., now a consolidated subsidiary, in 1998. We emphasize profitability in our sales activities in North America by focusing on the West Coast and eastern metropolitan areas, including New York, where large Japanese markets are located. This strategy proved profitable on a single-year basis for a second consecutive year, and has created a stable profit structure for this business.

In 2008, the next growth strategy for the now profitable beer business in North America is to search for both a production system and product strategies that will avoid forex risks, with the goals of further improving the profit structure and business expansion.

BEER BUSINESS IN CHINA

In China, the largest beer consuming country in the world, we have been steadily expanding our operations since we began participating in the management of a Chinese beer company in 1994. We currently invest in and operate four joint venture companies, including Beijing Beer Asahi Co., Ltd. We produce and sell the *Asahi Super Dry* brand, which belongs to a premium beer category, as well as local brands in a standard beer category that accounts for the majority of demand.

In China today, where the standard beer category in particular continues to enjoy double-digit growth, further growth in consumer demand, and in demand for medium-priced and premium beers, is anticipated going forward.

While the Group's sales volume in China grew slightly in 2007, sales competition has intensified ahead of the country's hosting of the Beijing Olympics in 2008. Consequently, this trend has severely impacted profits at Beijing Beer Asahi Co., Ltd., where higher promotional expenses have put pressure on earnings.

For 2008, Beijing Beer Asahi's strategy will be to stimulate sales growth. To do this, the company will position medium- to high-priced beers as core products and promote greater selectivity and focus in its product and area strategies, all while addressing key issues that emerged in 2007. These steps will help to quickly put operations on a trajectory for growth. For other joint venture beer companies, plans call for boosting earnings power by reconfiguring management and business strategies. The goal here is to heighten the capacity of these firms to cope with rapid changes in the competitive environment.

Through steady enactment of these measures, we will build an operating base in the beer business in China that is eventually able to generate operating profit.

SOFT DRINKS BUSINESS IN CHINA AND SOUTH KOREA

We produce and sell various soft drinks through joint ventures with Chinese companies. We are seeking to further expand our profit base by providing support to the joint ventures in areas such as marketing and technology. In South Korea, consolidated subsidiary Haitai Beverage Co., Ltd. is involved in the production and sale of fruit juices, teas, mineral water and other drinks.

In the soft drinks business in China, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. leveraged its nationwide production and sales network, a key strength, to aggressively promote its growth strategy. The Group first invested in this company back in 2004.

BEER BUSINESS IN EUROPE

We sell *Asahi Super Dry* in Europe with a focus on the U.K. market, where demand for foreign beer is high, as well as in the Japanese and Asian beer market segments in France and Russia. *Asahi Super Dry* has been produced under license at the Staropramen Brewery in the Czech Republic since January 2000 for the European market. In the U.K., we began contracting the production and sale of beer by Shepherd Neame Ltd. in January 2007. We have also exported products from Japan to the Russian market since 1998.

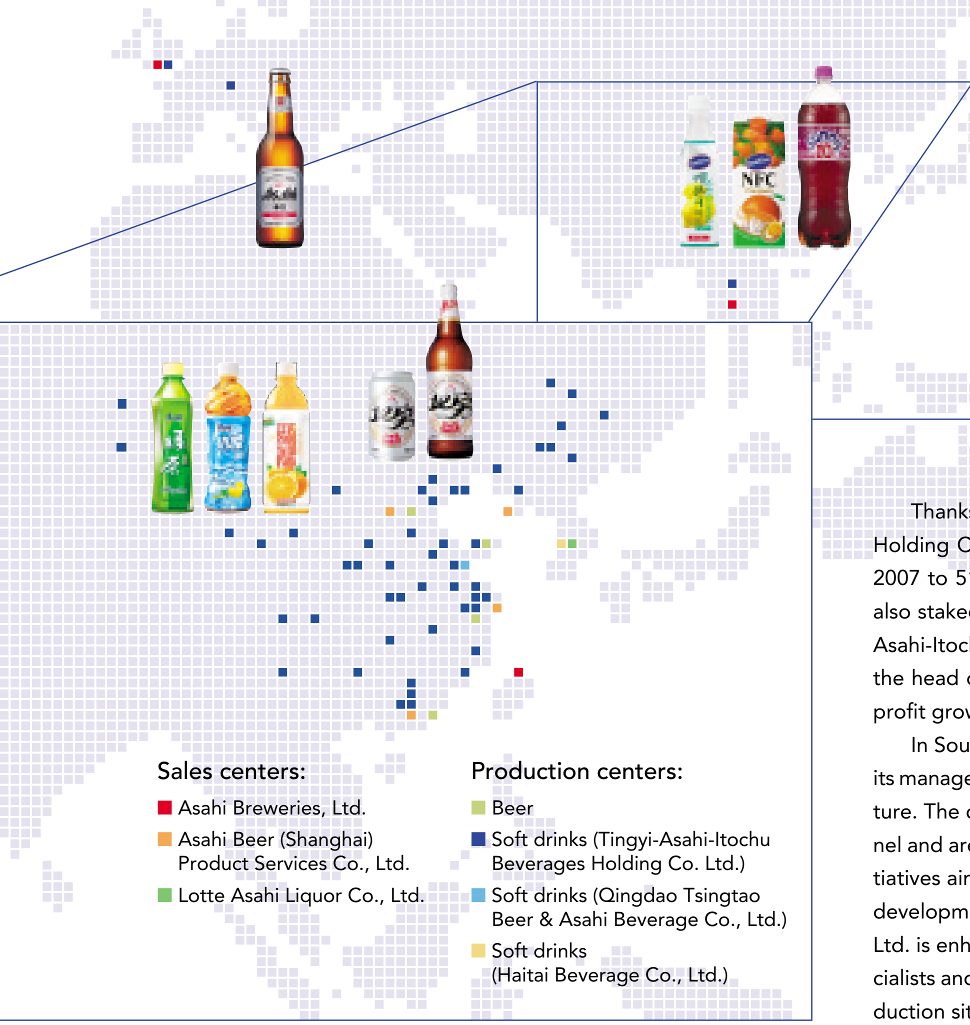
In 2007, we launched marketing activities in the U.K., spearheaded by Shepherd Neame. These activities, in tandem with benefits from efforts to control sales promotion expenses in the mass-retail market, resulted in improved profitability. Along with an advertising push designed to raise the brand profile of *Asahi Super Dry*, we doubled the number of establishments in the commercial-use market serving our draft beer.

In 2008, we hope to expand sales of Asahi brands. In this drive, we also plan to further accelerate Shepherd Neame's marketing strategies. In related news, we have signed a licensing agreement with major Russian beer maker Baltika Breweries to produce, sell and market Asahi beer. Baltika Breweries started shipping products to European Russia and 11 neighboring countries in April 2008.

BEER BUSINESS IN ASIA EXCLUDING CHINA

In 2007, we made progress in expanding sales of all alcoholic beverages to the Asian mass-retail market, most notably beer and RTD beverages. Sales volume to the commercial-use market also increased atop growth in the number of establishments serving keg draft beer.

In 2008, we are looking to further strengthen alliances with local partners in every country where the Group operates in the drive to build an optimal production system. In the commercial-use market, our goal is to aggressively promote strategic products, specifically premium brand and keg draft beers. For the home-use market, where mass-retail outlets and convenience stores are the key sales channels, we will work to expand the volume of both beer and all other alcoholic beverages sold to this market.



Thanks to proactive investment, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd's number of production sites grew by 16 during 2007 to 51 locations. Alongside tea beverages, the company has also staked a position as China's top mineral water brand. Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. is now poised to leap to the head of China's entire soft drinks industry and undergo rapid profit growth.

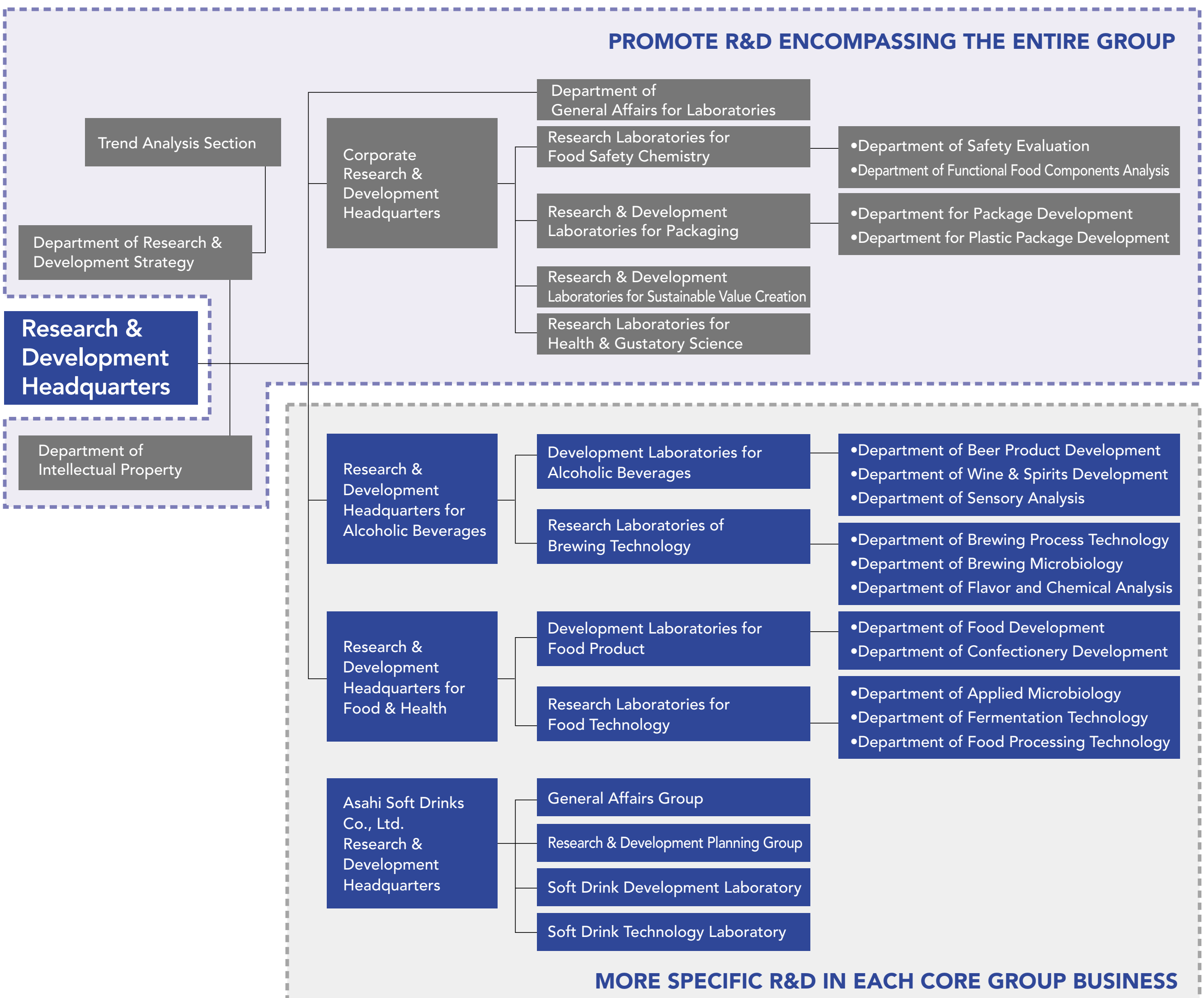
In South Korea, Haitai Beverage Co., Ltd. will look to reinforce its management base by promoting efforts to reform its profit structure. The company is pursuing sales reforms, including sales channel and area strategies that encompass mass-retail outlets, and initiatives aimed at restructuring the product portfolio, including the development of new products. In addition, Haitai Beverage Co., Ltd. is enhancing management support by posting marketing specialists and dispatching production management engineers to production sites within the Asahi Breweries Group.

RESEARCH & DEVELOPMENT

The Asahi Breweries Group is striving to become the "leading company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health." Guided by this Long-Term Vision, in October 2007, we initiated a major realignment of our R&D organization. The goal of this bold action is to create a system in which R&D divisions contribute in a more strategic and definitive way to Group performance. This realignment has established R&D structures specific to each of the Group's core businesses, as well as put an R&D system in place that encompasses the entire Group.

Looking ahead, in aiming for organizational operations that better encompass the entire Group, our R&D system will be responsible for generating technology synergies and developing innovative products and businesses that will offer new value.

RESEARCH AND DEVELOPMENT STRUCTURE



ENHANCING AN R&D SYSTEM ENCOMPASSING THE ENTIRE GROUP

The Corporate Research & Development Headquarters Coordinating R&D Group-wide

Separate from the three main R&D organizations for the Group's core businesses—Research & Development Headquarters for Alcoholic Beverages, the Research & Development Headquarters for Food & Health, and Asahi Soft Drinks Co., Ltd.'s Research & Development Headquarters—we have newly established the Corporate Research & Development Headquarters. This headquarters is responsible not only for fundamental and technology development applicable to all Group businesses, but also for R&D pertaining to the creation of new businesses derived from the Group's alcoholic beverages, soft drinks, and food and pharmaceuticals operations. Also newly established within this headquarters is the Research Laboratories for Food Safety Chemistry, enabling the Corporate Research & Development Headquarters to coordinate technology development related to the safety and reliability of all Group products. A number of other organizations have also been established that will support the Group's growth through leading-edge technology development and R&D functions. The list of additions includes the Research Laboratories for Health & Gustatory Science; the Research & Development Laboratories for Sustainable Value Creation, involved in the development of new businesses; and the Research & Development Laboratories for Packaging, which develops and evaluates safe and convenient containers and packaging.

Newly Established Department of Research & Development Strategy, Trend Analysis Section, and Department of Intellectual Property

The Department of Research & Development Strategy, which formulates strategies for R&D divisions, was established to achieve consistency and coherence between the process management and business strategies of the R&D divisions. We also set up the Trend Analysis Section to seek out trends that may stimulate R&D programs, and to conduct market research. The Patent Department, which was responsible for applying for and managing the Group's patents, has become the more autonomous Department of Intellectual Property, with the new mission of covering intellectual property strategies for the entire Group.

ENHANCING R&D STRUCTURES SPECIFIC TO EACH GROUP CORE BUSINESS

New Food Products R&D Division; Joins Existing R&D Headquarters for Alcoholic Beverages

Along with business growth by Asahi Food & Healthcare Co., Ltd., the acquisition of Wakodo Co., Ltd. and other entities has deepened the importance of food and pharmaceuticals as the Group's third largest business behind alcoholic beverages and soft drinks. It is this growing status that prompted the establishment of the Research & Development Headquarters for Food & Health. This addition strengthens the R&D structures specific to each of the Group's core businesses—alcoholic beverages, soft drinks, and food and pharmaceuticals.

2007 ACHIEVEMENTS

Asahi Breweries Awarded The Brewing Society of Japan's "Recommendation Prize" for Research on Beer Spoiling Lactic Acid Bacillus

The lactic acid bacillus is well known for its health-enhancing qualities, including its role in helping to maintain intestinal regularity. A lesser-known fact, however, is that it is also blamed for many microbe-related quality control incidents in the beer industry. The question of how best to accurately evaluate and detect the spoilage caused by this bacillus, and the extremely small number of other microbes with a resistance to hops, had long proved a daunting challenge. We decided to tackle this challenge head-on, meeting with success after 12 years of research. This accomplishment is a major breakthrough, one that will enable Asahi Breweries to withstand the particularly discriminating eye and palette of customers in Japan, who are known for their love of draft beer.

High Marks for Asahi Breweries' Apple Polyphenol (AP) Research

We have continued our world-class research on apple polyphenol (AP), a natural ingredient produced from apple juice that has already been shown to reduce visceral fat, lower cholesterol, lighten blemishes, and act as an antioxidant. In collaboration with the Tokyo Metropolitan Institute of Gerontology, we also presented research on AP's life-extending effects at a meeting of the Japan Society for Anti-Aging Medicine. Moreover, "The Effects of AP on Adipose Tissue Mass and Fatty Acid Metabolism," a paper based on joint research with Hirosaki University, was awarded the 10th Journal of Oleo Science Editor's Award at a recent meeting of the Japan Oil Chemists' Society. Currently AP is commercially available in both liquid and powdered form.

GROUP MANAGEMENT

Corporate Governance

BASIC POLICY

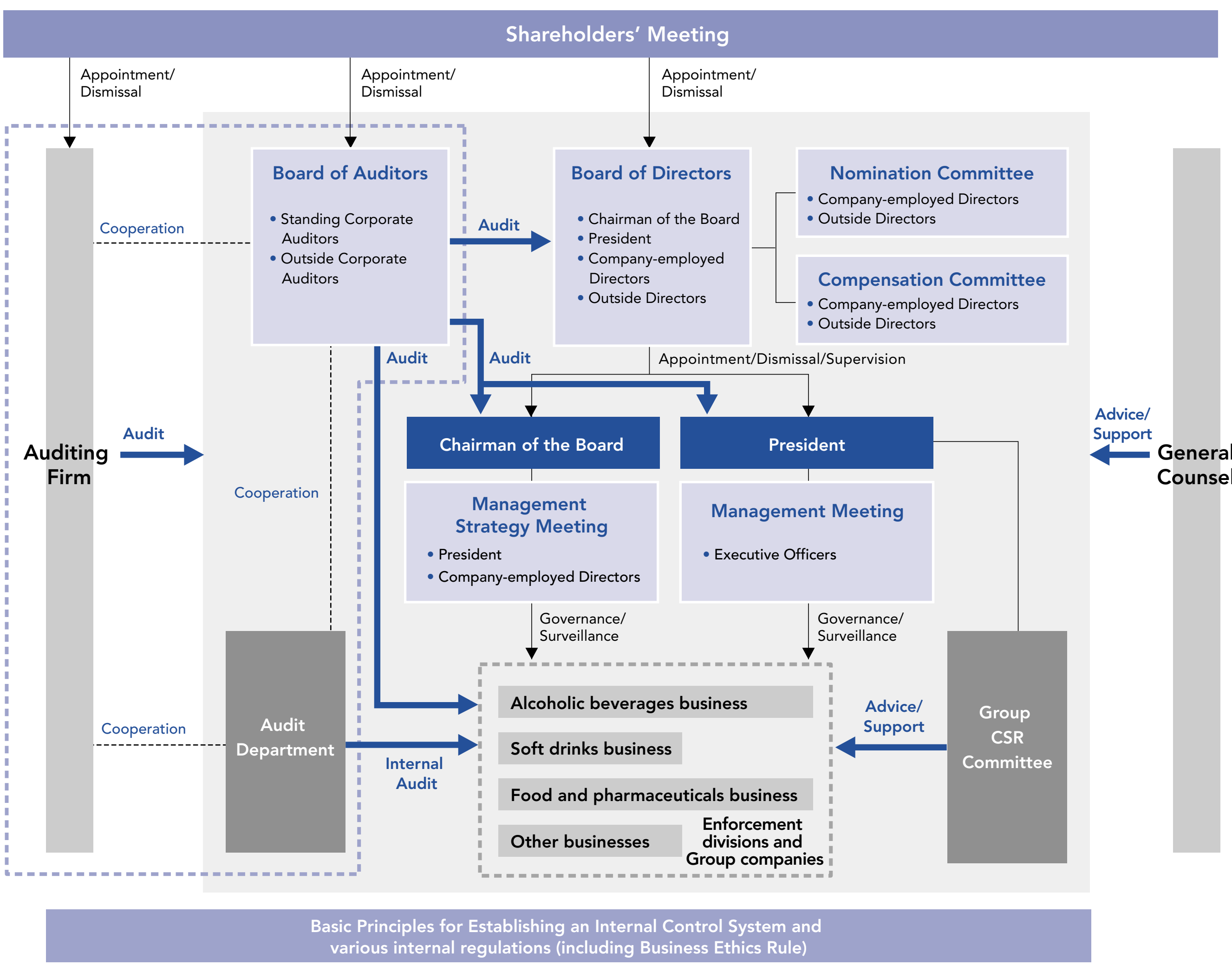
The Asahi Breweries Group recognizes all our stakeholders as "customers" who provide us with support, starting with the consumers of our products, and also including shareholders, investors, suppliers, employees and local communities. To ensure our corporate activities satisfy all these "customers" and to quickly adapt to an ever-evolving business environment, we have identified corporate governance as a top priority for management. We are therefore striving to strengthen Group management, reinforce our relationship of trust with society and enhance our social responsibility and management transparency.

CHARACTERISTIC FEATURES OF OUR CORPORATE GOVERNANCE STRUCTURE

Asahi Breweries, Ltd. developed its corporate governance structure based on the Board of Directors, which answers to the Shareholders' Meeting, as the highest decision-making organ, and the Board of Auditors. The Board of Directors decides management issues under its authority while at the same time supervising the execution of operations through executive directors. The Board of Auditors monitors and audits the implementation of responsibilities by the directors.

In compliance with Japan's Corporate Law, which came into force in May 2006, the Asahi Breweries Group formulated its Basic Principles

CORPORATE GOVERNANCE STRUCTURE



for Establishing an Internal Control System and established a Risk Management Committee, thereby constituting a structure that meets the requirements of the Corporate Law.

In a bid to further clarify management's responsibility to shareholders, the term of office for directors was reduced from two years to one year at the March 2007 Shareholders' Meeting.

BOARD OF DIRECTORS

The Board of Directors consists of 11 directors, including 2 outside directors (as of March 31, 2008). In 2000, Asahi Breweries, Ltd. reduced the number of directors from 40 to 10 for more timely decision-making and action, and to promote shareholder-oriented management.

The wealth of experience and keen insight of our current outside directors, with backgrounds as a top executive and as an educator, are reflected in the Group's style of management. These outside directors carry out their duties from an independent standpoint.

In 2007, the Board of Directors held 11 regular meetings and 1 special meeting; the average attendance by outside directors was 63%.

NOMINATION AND COMPENSATION COMMITTEES

Fairness and transparency in the appointment and compensation of senior officers are ensured by the Nomination Committee and the Compensation Committee, which report to the Board of Directors. Each committee comprises a total of four officers, of which two are Company-employed directors and two are outside directors.

The Nomination Committee recommends candidates for directors, executive officers and auditors to the Board of Directors. In 2007, the Committee met twice with an average attendance of 88%. The Compensation Committee makes proposals to the Board of Directors regarding the compensation structure for directors and executive officers. In 2007, the Committee met four times with an average attendance of 94%.

EXECUTIVE OFFICER SYSTEM

Asahi Breweries, Ltd. introduced an Executive Officer System to ensure timely execution of operations, clarify responsibilities and authority, and strengthen the supervisory and decision-making functions of the Board of Directors. Executive officers are granted the authority by the Board of Directors to execute operations and are responsible for the timely execution of operations. Meanwhile, directors are entrusted with the mission of formulating Group management strategies and making key decisions on Group management for strengthening and developing the Group, in addition to supervising the execution of operations.

MANAGEMENT STRATEGY MEETING AND MANAGEMENT MEETING

Two high-level meetings share the responsibility of quickly executing decisions made by the Board of Directors. The Management Strategy Meeting, chaired by the chairman and representative director, deliberates extremely important matters, while the Management Meeting, chaired by the president and representative director, deliberates the operations of the entire Group. These meetings maintain the accountability of directors for the entire Group and the responsibility of the president and representative director and executive officers for the alcoholic beverages business, thereby clarifying responsibilities and accelerating decision-making.

Each meeting is attended by at least one standing corporate auditor. To maximize operational efficiency, they control and assess progress being made by each officer at these meetings based on an objective and rational management index.

AUDITORS, INTERNAL AUDIT DEPARTMENT AND ACCOUNTING AUDITOR

The Board of Auditors is responsible for supervising and auditing the management of the company and the performance of duties by directors. The Board of Auditors consists of five auditors with three outside auditors comprising the majority to ensure transparency. The experience and insight gained by the varying backgrounds of the outside auditors, a former top executive, a lawyer and a university professor, is evident as they audit the management of Asahi Breweries, Ltd. from multiple perspectives.

In 2007, the Board of Auditors held seven meetings, with an 86% average attendance by outside auditors.

To enable auditors to efficiently conduct their duties and attend important meetings, Asahi Breweries, Ltd. has established a system that facilitates the review of authorized documents at all times. In addition, two full-time staff are assigned to attend to the needs of the Board of Auditors.

With respect to internal control, the 11-member Audit Department, which reports directly to the President, has been established as the internal organ responsible for conducting audits based on our annual plan to ensure the proper and effective operation of the entire Group. Audit results are submitted to the Management Strategy Meeting twice a year and have been utilized as the basis for new policies.

The auditors, Internal Audit Department and accounting auditor work in concert by exchanging information through briefings and by transmitting copies of auditing reports periodically, and as needed. In 2007, the Board of Auditors held four briefings with the accounting auditor and three briefings with the Internal Audit Department, respectively.

COMPENSATION FOR SENIOR OFFICERS AND AUDITORS

With respect to compensation for senior officers, the Compensation Committee makes proposals to the Board of Directors regarding the compensation system and compensation for directors and executive officers. Information on compensation paid to directors and auditors in 2007 is provided as follows:

Asahi Breweries, Ltd. decided at a meeting of the Board of Directors held on February 6, 2007, to abolish the system of retirement benefits for directors and auditors and to include the relevant amount in their annual salaries. Retirement benefits were traditionally paid as compensation to directors and auditors at a future date, and the decision to include compensation equivalent to retirement benefits in the annual salary was made in response to the adoption of a one-year term of office. At the same February 6 meeting, the Board of Directors also decided to make no new allotments to the stock option system that had been implemented as part of the compensation system for directors, auditors and executive officers.

COMPENSATION FOR DIRECTORS AND AUDITORS (FY2007)

(Millions of yen)	Salary	Bonus	Total
Company-employed Directors (Total: 9)	325.6	92.9	418.5
Outside Directors (Total: 2)	20.7	5.4	26.1
Corporate Auditors (Total: 2)	53.8	2.3	56.1
Outside Auditors (Total: 3)	28.5	1.5	30.0

These are the amounts paid to Directors and Auditors as of the last day of fiscal 2007.

ACCOUNTING AUDITOR COMPENSATION

In fiscal 2007, audit fees payable to the accounting auditor amounted to ¥78 million for an attestation agreement and ¥25 million in other compensation.

INTERNAL CONTROL SYSTEM

Internal Control System Development

Below is a list of initiatives implemented by the Company to ensure compliance with Japan's Financial Products Transaction Law (Japanese SOX Act), applicable to financial reporting from the March 2009 fiscal year, and the Corporate Law enacted in May 2006.

Response to the Financial Products Transaction Law (Japanese SOX Act)

Asahi Breweries, Ltd. has established a project team as part of preparations for putting in place a system for ensuring compliance with Japan's Financial Products Transaction Law (Japanese SOX Act). In 2007, we completed drafting most documentation pertaining to the Company's internal control system and moved ahead with the formulation of evaluation criteria for readiness evaluation tests and points for implementation. In parallel, we also developed an internal system to manage these operations. We intend to use 2008, as the year prior to the law coming into force, as a practice run for actual operation.

Development of Internal Control System Based on the Corporate Law

Pursuant to Japan's Corporate Law, in 2006, Asahi Breweries, Ltd. established the Basic Principles for Establishing an Internal Control System. In drafting these Basic Principles, we analyzed and evaluated the current system at Asahi Breweries, Ltd. and the Asahi Breweries Group to determine the proper course of action.

Based on these Basic Principles, we are presently developing an internal control system that will encompass the entire Asahi Breweries Group. With respect to both risk management and compliance, we are establishing systems and guidelines that reflect the Basic Principles as we conduct control activities (see p. 40 for more details). All major Group companies, specifically Asahi Soft Drinks Co., Ltd., Wakodo Co., Ltd., The Nikka Whisky Distilling Co., Ltd., and Asahi Food & Healthcare Co., Ltd., have also drafted their own basic principles in this area.

Based on the regulations and organizations now in place, we plan to gradually embed PDCA (Plan-Do-Check-Act) cycles going forward, forging an extensive internal control system applicable to the entire Group, including companies newly acquired through M&A activities. Furthermore, as risks beyond product quality grow, including those related to drinking problems, fraudulent contracts, and other emergent social issues, we will maintain an ongoing awareness of regulatory reforms and social trends to support a proactive stance on risk management.

Risk Management and Compliance

RISK MANAGEMENT

In 2006, the Asahi Breweries Group established the Asahi Breweries Group Risk Management Principal Rules and the Risk Management Procedures. The Principal Rules define the basic issues related to risk management. The Risk Management Procedures define specific management processes based on the Principal Rules. The goal in drafting these rules and procedures is to prevent all types of risks surrounding the business and to strengthen our risk management system for responding to emergency situations in order to realize a stable and sustainable business foundation.

The Asahi Breweries Risk Management Committee, established in line with the Group Principal Rules, is comprised of four directors and one executive officer. The committee meets at least twice a year to discuss and decide guidelines for related activities as a whole, as well as priority measures to be taken, based on the results of a risk survey, and reviews the content of measures and the progress of plans concerning major risks. The committee also maintains close contact with supervisors and staff responsible for promoting risk management in each department at Head Office and in each major business unit within the Group. The goal here is to conduct preventive activities at the organizational level to avoid the occurrence of risks on a daily basis.

COMPLIANCE

Asahi Breweries, Ltd. promotes compliance throughout the Group under the leadership of the Asahi Breweries Group Corporate Ethics Committee—comprising directors, executive officers and legal advisors—by appointing Legal Promoters who are responsible for promoting compliance in each business unit and Group company, providing thorough training on the Business Ethics Rule and enhancing awareness of the Rule.

To promote understanding of compliance among employees, the Group has appointed Legal Promoters (LPs), Senior Legal Promoters (SLPs), and Legal Promoters for Governmental Regulations (GLPs) to further strengthen our compliance structure. Appointees to each of these positions are selected from among the Group's regular employees. As of the end of 2007, approximately 130 LPs, 27 SLPs and 30 GLPs have been assigned. Together with efforts to upgrade and enhance training and seminars, questionnaires and other activities, we are taking steps to further embed the Group's in-depth approach to compliance.

RISK MANAGEMENT PROMOTION SYSTEM

COMPLIANCE PROMOTION SYSTEM

BOARD OF DIRECTORS, AUDITORS, AND EXECUTIVE OFFICERS (As of March 26, 2008)











1 2
3 4 5
6 7 8
9 10 11

BOARD OF DIRECTORS

1. **Kouichi Ikeda**
   Chairman of the Board
2. **Hitoshi Ogita**
   President
3. **Masatoshi Takahashi**
   Senior Managing Director and Senior Managing Executive Officer
4. **Masahiko Osawa**
   Managing Director and Managing Executive Officer
5. **Naoki Izumiya**
   Managing Director and Managing Executive Officer
6. **Kazuo Motoyama**
   Managing Director and Managing Executive Officer
7. **Akiyoshi Koji**
   Managing Director and Managing Executive Officer
8. **Shin Iwakami**
   Managing Director and Managing Executive Officer
9. **Noriyuki Karasawa**
   Director and Executive Officer
10. **Nobuo Yamaguchi**
    Director
11. **Mariko Bando**
    Director

AUDITORS

Standing Corporate Auditors
Yoshihiro Goto
Yoshifumi Nishino

Outside Auditors
Takahide Sakurai
Naoto Nakamura
Tadashi Ishizaki

EXECUTIVE OFFICERS

Senior Managing Executive Officer
Masaru Kuraguchi

Managing Executive Officers
Tsugiya Iwasaki
Nobukazu Yoshioka
Yuji Ninomiya
Akira Matsunobu
Seikou Takahashi

Executive Officers
Fumio Yamasaki
Kenji Taniguchi
Katsuyuki Kawatsura
Makoto Sugiura
Masafumi Tanino
Yoshihisa Kitagawa
Muneshige Kinoshita
Shuji Fukushima
Toshihiko Nagao
Naoki Morie
Norio Naito
Takayoshi Kanaya
Toshio Mori
Hideaki Takemoto
Shoji Tsumura
Takami Maruyama
Toshio Kodato
Katsutoshi Takahashi
Shinichi Hirano

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The corporate activities of the Asahi Breweries Group are guided by our vision of bringing greater enjoyment and prosperity to people's lives through our food and health businesses, upholding our corporate philosophy of pursuing customer satisfaction.

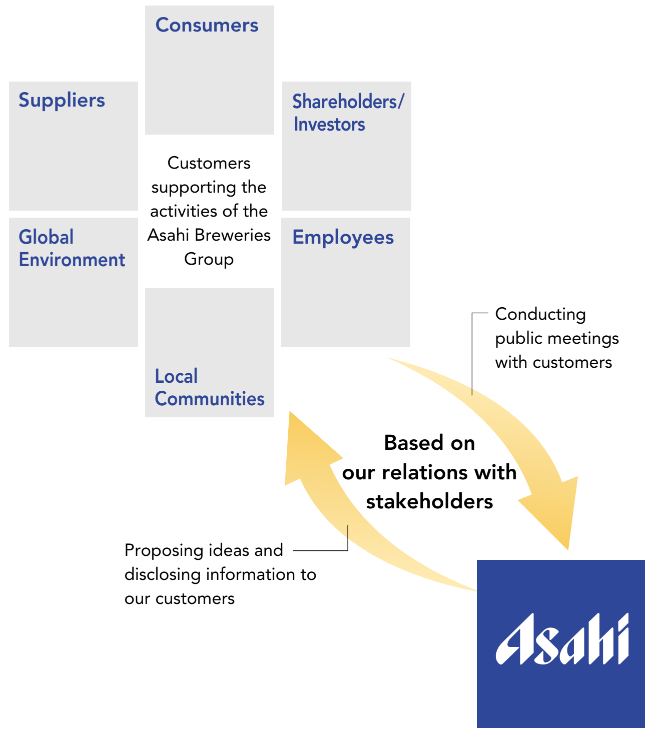
We regard all our stakeholders, including shareholders, suppliers, communities and employees, as important "customers." We actively solicit feedback and comments on our activities and will take action to ensure we satisfy all our customers by communicating with them. We believe this continuing cycle of customer satisfaction (CS) and relations (R) enables the Asahi Breweries Group to fulfill its corporate social responsibility (CSR).

Today, these diverse customers expect more from us than just providing quality products. As a group, we strive to fulfill every aspect of our responsibilities to society and the environment and thereby earn public trust.

In 2007, we announced a new CSR policy and expanded the scope of our CSR activities to the entire supply chain and overseas businesses. Together with domestic and overseas business partners, we implemented measures to create social value and find solutions to outstanding issues. We intend to build on these activities in 2008.

More specific information regarding two of the Group's Six Priority Initiatives* for CSR activities, "Environmental Conservation" and "Encouraging Moderate and Responsible Drinking," can be found under "Topics" on the following page.

* Please see the CSR section on the corporate website of the Asahi Breweries Group for more information regarding the Group's CSR Initiatives.
URL: http://www.asahibeer.co.jp/english/responsibility/index.html



Asahi Breweries Group CSR Policy (revised in 2007)

The Asahi Breweries Group responds to customer expectations as a corporate group that contributes to people and society through the food and health businesses by fulfilling corporate responsibility to the environment and society in order to promote a sustainable society.

We will pursue efforts in cooperation with our business partners considering both the entire supply chain and a global perspective.

TOPICS

Encouraging Environmental Consideration Among Young People

Asahi Breweries, Ltd. sponsors the Wakamusha (Young Samurai) Educational Seminar for Protecting Japan's Environment, targeting high school students. The aim of this initiative is to provide an educational space, with experience-based training and events, that will foster people capable of finding solutions to future environmental issues. The Company held this second seminar in Japan's Tohoku region in 2007.

Seven groups of students, selected from seven schools in the Tohoku region based on essays they submitted, participated in the seminar during summer vacation. Asahi Breweries, Ltd.'s Fukushima Brewery and Inawashiro served as seminar campsites. Once onsite, the students learned firsthand about our conservation efforts for the forest that supplies water to the brewery, waste recycling and other initiatives. Students were also asked to consider ways that a society with sustainable industry might one day emerge.

Each group also proposed model plans for improving local environmental issues around their respective high schools, which they then implemented in their communities from September through November.

The model activities conducted covered a wide range of perspectives, from the development of biodiesel from used cooking oil, the use of wood charcoal to purify rivers, and reducing litter, to studying the environmental knowledge of people in antiquity. At final presentations held after the plans were enacted, many students expressed interest in rethinking what they can do environmentally in their local communities. For the Company, reports like this made the entire seminar program worthwhile.

Asahi Breweries, Ltd. looks forward to what former seminar participants will achieve wherever their lives and work in Japan take them.

Encouraging Moderate and Responsible Drinking

As an alcoholic beverage company, encouraging moderate and responsible drinking habits is an important issue for the Asahi Breweries Group. The metabolic breakdown of alcohol is lower in underage youths than in adults. And because they are still growing both mentally and physically, alcohol consumption can greatly increase the risk of stunted growth or damage to the liver, pancreas and other vital organs among underage drinkers. Underage drinking may also raise the likelihood of developing an alcohol dependency at an early age.

The Asahi Breweries Group established the Fund for the Prevention of Underage Drinking as one step towards addressing these issues. The fund primarily supports organizations and individuals that preside over or conduct social activities or research on the prevention of underage drinking. A total of ¥10 million is distributed every year. A review board consisting of prominent experts and directors from the Group strictly reviews each project application.

Projects chosen are those with the most originality, or those proposing research and activities that, if successful, would have the most meaningful social impact. In 2007, funding was granted to 10 organizations, including the Kurihama Alcoholism Center, which conducts a study investigating the long-term effects of underage drinking problems.

Going forward, the Asahi Breweries Group will continue its efforts to support the development of sound and healthy drinking habits.

FINANCIAL SECTION

Eleven-Year Summary

Years ended December 31

	Millions of yen				
	2007	2006	2005	2004	2003
For the year:					
Net sales	**¥1,464,072**	¥1,446,385	¥1,430,027	¥1,444,226	¥1,400,302
Operating income	**86,956**	88,713	90,249	101,273	78,984
Income before income taxes and minority interests	**81,741**	81,165	75,725	58,369	48,681
Net income (loss)	**44,798**	44,775	39,870	30,596	23,210
Capital investments	**44,481**	36,894	43,941	40,134	38,184
Depreciation	**45,250**	48,793	50,028	51,339	53,101
<Segment information>					
Sales:					
Alcoholic beverages	**—**	—	—	—	—
Soft drinks and food	**—**	—	—	—	—
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	—	—
Others	**—**	—	—	—	—
Sales: (New Segments)					
Alcoholic beverages	**1,012,256**	1,007,558	1,025,447	1,078,931	1,067,136
Soft drinks	**299,663**	283,121	267,003	217,380	185,738
Food and pharmaceuticals	**67,089**	53,792	25,286	22,163	21,547
Others	**85,064**	101,914	112,291	125,752	125,881
Operating income:					
Alcoholic beverages	**—**	—	—	—	—
Soft drinks and food	**—**	—	—	—	—
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	—	—
Others	**—**	—	—	—	—
Operating income: (New Segments)					
Alcoholic beverages	**79,285**	78,186	78,089	90,872	72,452
Soft drinks	**4,593**	7,746	8,632	8,114	2,645
Food and pharmaceuticals	**1,344**	445	805	(599)	169
Others	**1,724**	2,173	2,559	2,935	3,399
Financial position:					
Total assets	**1,324,392**	1,288,501	1,218,227	1,250,818	1,244,410
Interest-bearing debt	**332,457**	290,101	289,202	303,089	336,285
Total net assets*2	**529,782**	509,775	454,892	417,828	398,153
	Yen				
Per share data:					
Net income	**¥ 94.94**	¥ 94.02	¥ 82.22	¥ 62.52	¥ 46.80
Diluted net income	**94.74**	93.85	80.98	60.64	44.58
Cash dividends applicable to the year	**19.00**	19.00	17.00	15.00	13.00
Total net assets	**1,089.33**	1,012.77	951.12	860.66	810.19
	%				
Ratios:					
ROE	**9.0**	9.6	9.1	7.5	5.9
Operating income per net sales	**5.9**	6.1	6.3	7.0	5.6
Operating income per net sales (exclusive of alcohol tax)	**9.0**	9.4	9.8	11.4	9.2
Equity ratio	**38.9**	37.0	37.3	33.4	32.0

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥114.15 to U.S.$1, the exchange rate prevailing at December 31, 2007.
*2 Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.
*3 Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.
*4 In case of net loss, disclosure of fully diluted per share data is not required.

2002	2001	2000	1999	1998	1997	**2007**
Millions of yen						Thousands of U.S. dollars[*1]
¥1,375,267	¥1,433,364	¥1,399,108	¥1,396,898	¥1,357,217	¥1,313,257	**$12,825,861**
69,341	77,777	76,550	80,122	91,893	96,299	**761,770**
32,483	18,611	(18,116)	15,038	23,273	32,798	**716,084**
14,754	13,617	(15,707)	4,082	579	11,555	**392,449**
41,257	64,829	66,518	63,149	103,449	100,936	**389,671**
51,546	52,901	51,790	43,840	39,656	35,740	**396,408**
—	1,179,412	1,127,737	1,114,441	1,068,908	1,017,915	—
—	201,772	216,191	229,704	234,729	204,199	—
—	—	—	—	—	41,891	—
—	3,058	4,194	3,897	4,921	4,488	—
—	49,122	50,986	48,856	48,659	44,764	—
1,057,029	1,101,620					**8,867,770**
173,773	192,526					**2,625,169**
14,232	14,561					**587,727**
130,233	124,657					**745,195**
—	92,635	86,774	86,037	92,583	92,140	—
—	(1,485)	2,009	6,972	7,641	5,290	—
—	—	—	—	—	5,723	—
—	1,833	2,717	1,623	3,060	3,453	—
—	(816)	(758)	94	950	1,007	—
69,145	76,809					**694,569**
(4,086)	(2,079)					**40,237**
8	406					**11,774**
3,855	2,476					**15,103**
1,294,738	1,341,103	1,389,827	1,405,507	1,519,014	1,616,210	**11,602,208**
402,206	417,167	503,371	502,327	613,194	695,569	**2,912,467**
387,539	385,965	356,009	383,474	383,089	374,591	**4,641,104**
Yen						U.S. dollars (Note)
¥ 28.90	¥ 27.00	¥ (31.54)	¥ 8.20	¥ 1.19	¥ 25.15	**$ 0.83**
27.46	25.25	—[*4]	8.11	—[*3]	23.36	**0.83**
13.00	13.00	12.00	12.00	12.00	11.00	**0.17**
770.86	752.25	715.04	777.04	777.60	776.68	**9.54**
%						
3.8	3.7	(4.2)	1.1	0.2	3.3	
5.0	5.4	5.5	5.7	6.8	7.3	
8.3	9.0	9.2	9.7	11.5	12.3	
29.9	28.8	25.6	27.3	25.5	23.2	

Management's Discussion and Analysis

OVERVIEW

Market Trends

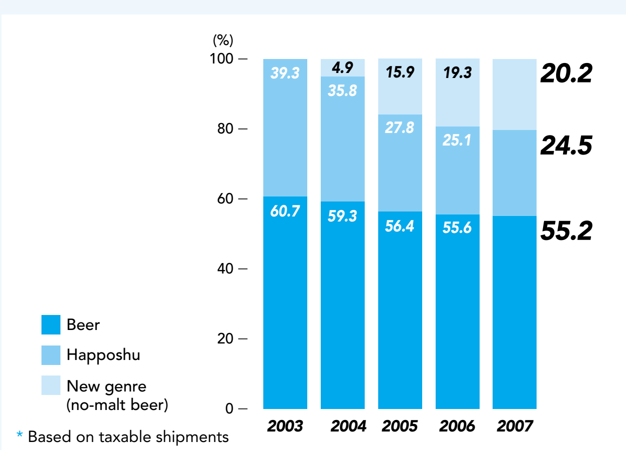
In the fiscal year ended December 31, 2007, Japan's economy continued to follow a modest path to recovery, spurred on by increased capital investments—a sign of improved earnings in the corporate sector—and robust personal consumption. These positives outweighed weakness in parts of the economy stemming from factors such as fears of a slowdown in the U.S. economy, triggered by the "subprime" loan problem, and higher costs for crude oil and other natural resources.

In the alcoholic beverages industry, the market for beer-type beverages was energized by new product offerings, helping the new genre beverages market maintain its upward momentum. However, the impact of changing consumer preferences, a declining population of drinkers and other consumer trends on the business environment caused the overall market for beer-type beverages to fall slightly compared to the previous year. A similar trend of flat to declining growth overall was evident in each category in alcoholic beverages other than beer-type beverages. For instance, the RTD (ready-to-drink) beverages market, which had been growing steadily, saw a temporary lull in this pattern.

In the soft drinks industry, in addition to the revitalizing effect on the market of the introduction of new products and sales promotions by soft drink companies, a record-breaking warm winter, as well as hot summer temperatures during the industry's peak selling period are estimated to have lifted sales volume for the entire industry by as much as roughly 4% year on year.

In this climate, the Asahi Breweries Group, aiming to put the Group on a new trajectory for growth, advanced initiatives for raising the value of its corporate brand. The blueprint for these actions was the Third Group Medium-Term Management Plan, set to run for the three-year period from 2007 through 2009.

PRODUCT SHARE IN THE BEER-TYPE BEVERAGES MARKET BY GENRE



Net Sales

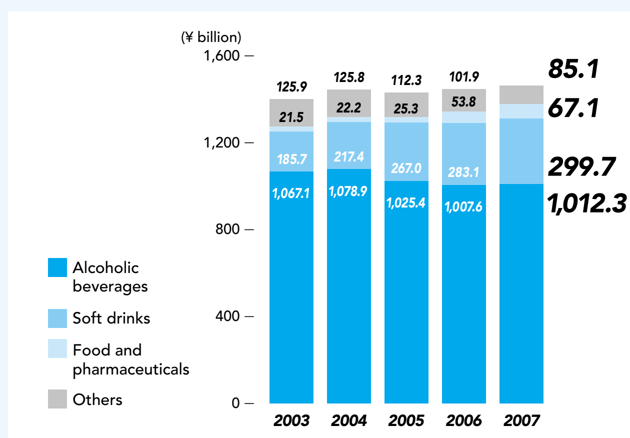
In fiscal 2007, net sales for the Asahi Breweries Group increased ¥17.7 billion, or 1.2%, year on year, to ¥1,464.1 billion ($12,825.9 million).

Sales in the alcoholic beverages business climbed ¥4.7 billion, or 0.5%, year on year, to ¥1,012.3 billion. This result reflected a decline in sales within the Group accompanying reorganization of the Group's wholesale business, which overcame the negative impact of stagnation across the entire market for beer-type beverages. In the soft drinks business, sales rose ¥16.5 billion, or 5.8%, to ¥299.7 billion, while sales in the food and pharmaceuticals business increased ¥13.3 billion, or 24.7%, to ¥67.1 billion.

In sales composition by segment, the alcoholic beverages business saw its share decrease from 69.7% in the previous fiscal year to 69.1%, while the soft drinks business' share increased from 19.6% to 20.5%, and the food and pharmaceuticals business' share increased from 3.7% to 4.6%.

Sales for the alcoholic beverages business and the soft drinks business include net sales from the Group's overseas business. Sales overseas decreased 2.9% year on year to ¥55.4 billion.

NET SALES (BY SEGMENT)



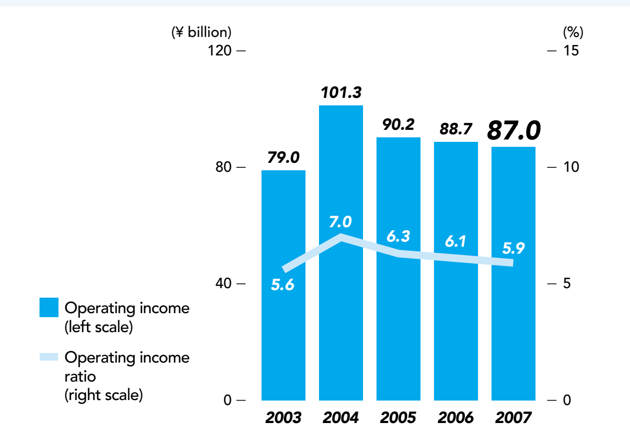
Operating Income

The cost of sales increased ¥11.0 billion, or 1.2%, year on year, to ¥961.2 billion, compared to ¥950.1 billion in the previous year. This increase mainly reflected the impact of higher prices for aluminum cans, malt and other raw materials. Japan's Alcohol Tax decreased by ¥3.0 billion, or 0.6%, to ¥494.6 billion, compared to ¥497.6 billion in the previous year. Although sales for beer and happoshu are declining, we plan to continue efforts to reduce the costs of production and fixed costs going forward.

Selling, general and administrative expenses increased ¥8.4 billion, or 2.1%, to ¥415.9 billion, from ¥407.5 billion in the previous fiscal year. This was primarily due to an increase of ¥6.0 billion in sales promotion incentives and commissions accompanying higher sales, an increase of ¥2.5 billion in advertising expenses to enhance competitiveness, and ¥2.5 billion in the amortization of consolidation goodwill associated with the tender offer for shares of Asahi Soft Drinks Co., Ltd. Transportation costs, however, declined by ¥3.9 billion for the year due to efforts to promote greater logistics efficiency. R&D expenses were ¥8.6 billion.

As a result, operating income decreased ¥1.7 billion, or 2.0%, year on year, to ¥87.0 billion, compared with ¥88.7 billion in the previous fiscal year. The operating income ratio declined from 6.1% last year to 5.9%.

OPERATING INCOME/
OPERATING INCOME RATIO (BY SEGMENT)



Other Income and Expenses

Other expenses decreased ¥2.3 billion, or 30.9%, to ¥5.2 billion. Other expenses rose largely atop a charge of ¥1.5 billion for loss for adjustment to estimated usage ratio of gift coupons, a loss on sale and disposal of property, plant and equipment—net, which increased ¥1.3 billion year on year to ¥5.4 billion, and interest expenses, up ¥0.6 billion to ¥5.0 billion. These factors were offset in part by an increase of ¥2.6 billion in equity in net income of unconsolidated subsidiaries and affiliated companies to ¥9.0 billion accompanying improved performance at a joint venture company operated in conjunction with Tingyi Holding Corporation, China's largest general food manufacturer. Other factors included the absence of ¥1.8 billion in restructuring charges posted in the previous fiscal year, as well as a year-on-year decrease of ¥2.5 billion in loss on impairment of fixed assets to ¥1.4 billion.

As a result of the foregoing, income before income taxes and minority interests increased ¥0.5 billion, or 0.7%, year on year, to ¥81.7 billion, compared with ¥81.2 billion in the previous fiscal year.

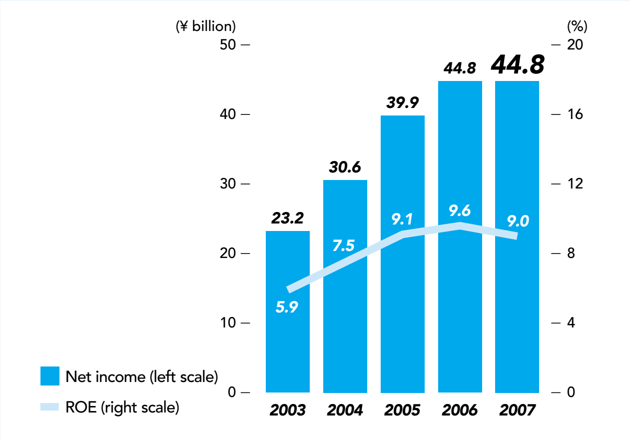
Income Taxes

The actual effective tax rate, including corporate tax for fiscal 2007, increased to 45.0% from 43.5% in the previous fiscal year. The difference between the actual effective tax rate of 45.0% and the statutory tax rate of 40.4% was primarily caused by the positive effects of 5.4% in valuation allowances and 1.9% in non-deductible expenses, and the negative effect of 4.5% in equity in net income of unconsolidated subsidiaries and affiliated companies.

Net Income

Net income was virtually unchanged year on year, at ¥44.8 billion ($392.4 million). The net income ratio was 3.1%, the same as in the previous fiscal year. ROE declined from 9.6% in fiscal 2006 to 9.0%. Net income per share (diluted) increased from ¥93.85 to ¥94.74.

NET INCOME/ROE

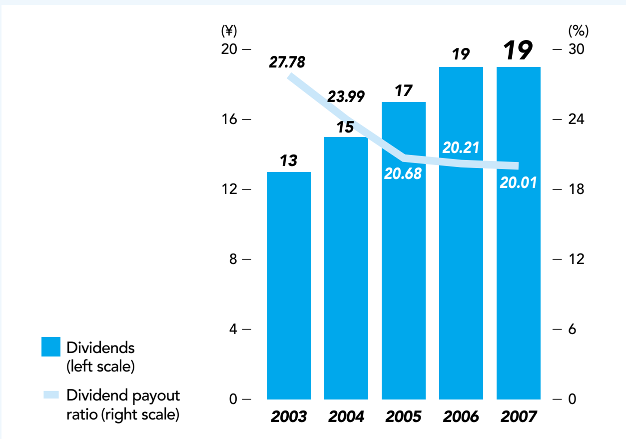


Dividends

Asahi Breweries, Ltd. places priority on returning profit to shareholders and adheres to the basic policy of implementing shareholder return that takes business performance into account while seeking enhanced profitability and ensuring stronger financial conditions. We strive for consistent and stable dividend payments and aim to increase dividends by generally referring to a benchmark of at least 20% in the consolidated payout ratio. In tandem, we repurchase our own shares whenever the timing for such is appropriate, with the goal of ensuring a well-rounded and comprehensive shareholder return program.

Based on this policy, we paid an ordinary full-year dividend of ¥19.0 per share, which included a year-end dividend of ¥9.5 per share and an interim dividend of ¥9.5 per share. We currently plan to pay the same interim, year-end and full-year dividend in fiscal 2008, ending December 31, 2008.

DIVIDENDS/DIVIDEND PAYOUT RATIO



REVIEW OF OPERATIONS BY SEGMENT

SALES AND OPERATING INCOME BY SEGMENT (2007/2006)

	Millions of yen		
	2007	2006	Percent change
Sales			
Alcoholic beverages	**¥1,012,256**	¥1,007,558	0.5
Soft drinks	**299,663**	283,121	5.8
Food and pharmaceuticals	**67,089**	53,792	24.7
Others	**85,064**	101,914	(16.5)
Operating income			
Alcoholic beverages	**79,285**	78,186	1.4
Soft drinks	**4,593**	7,746	(40.7)
Food and pharmaceuticals	**1,344**	445	201.9
Others	**1,724**	2,173	(20.7)

Alcoholic Beverages Business

The domestic alcoholic beverages business is seeing more consumers, particularly younger consumers, show preference for beverages other than beer. In this climate, we returned to our most basic starting point, the pursuit of customer satisfaction through the products that we offer. Backed by this commitment, we implemented measures designed to meet customer needs in each market and vigorously developed products with the aim of proposing new value.

From this effort, overall sales for this segment edged up 0.5% year on year to ¥1,012.3 billion, as sharp growth in sales of happoshu, especially new products, was largely offset by slightly lower beer sales and stagnation in new genre beverages. Operating income, however, rose ¥1.1 billion, or 1.4%, to ¥79.3 billion, due to an ongoing push to achieve greater operational efficiency.

Asahi Breweries, Ltd.

Beer-type beverages

In the domestic beer market, we used the 20th anniversary of the sale of our mainstay *Asahi Super Dry* brand in March as an opportunity to further enhance brand value and assertively expand sales. This resulted in annual sales volume of beer of 134.7 million cases, surpassing the 100-million case mark for the 19th consecutive year, mainly due to brisk sales of canned products from the peak summer selling season onward. This achievement notwithstanding, beer sales volume decreased 1.8% year on year. With that said, Asahi Breweries, Ltd. retained its leading share of the domestic beer market, at 49.4%. Ultimately, beer sales declined ¥12.6 billion, or 1.8%, to ¥705.5 billion.

With respect to happoshu, while taking steps to reinforce our *Honnama* brand, we launched the sale of *Asahi Style Free*, in the process establishing a new market for happoshu with "zero sugar content."* With the sale of this product, we made progress on developing a lineup that can respond to the diversifying happoshu market, earning the Company high marks from customers and boosting year-on-year shipments by 15.0%. Consequently, Asahi Breweries, Ltd. significantly extended its share of the domestic happoshu market to 27.7%. Sales of happoshu increased ¥16.1 billion, or 14.9%, to ¥124.7 billion.

In the new genre market, we improved the quality of *Asahi Gokuuma*, and debuted a new product, *Asahi Ajiwai*, in October. Made from select barley ingredients, *Asahi Ajiwai* was designed to invigorate the market for liqueurs that use malt as a key ingredient. Intensifying competition and other factors, however, caused sales volume to fall by 9.0% year on year.

Consequently, Asahi Breweries, Ltd.'s share of the domestic market for new genre beverages was 19.2%. Sales in this category declined ¥5.5 billion, or 8.1%, to ¥61.7 billion.

Taxable shipments for the domestic alcoholic beverages business overall were essentially flat year on year at 187.4 million cases. Asahi Breweries, Ltd.'s share of the domestic alcoholic beverage business overall was 37.9%, enabling the Company to maintain its leading share for the seventh consecutive year.

As a result, sales of beer-type beverages decreased ¥2.0 billion, or 0.2%, to ¥891.9 billion.

* Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero sugar content."

Alcoholic beverages other than beer-type beverages

Overall sales of other alcoholic beverages—shochu, RTD beverages, whisky and spirits, and wine—increased ¥1.1 billion, or 0.8%, to ¥136.4 billion. As customer needs in this area diversify, we worked to cultivate uniquely advantaged leading brands while promoting an optimum production and logistics system, enhancing the cost competitiveness of production subsidiaries, and striving to use advertising and sales promotion expenses more efficiently.

Shochu

In shochu, we concentrated business resources on promoting the *Kanoka*, *Satsuma Tsukasa*, and *Daigoro* brands. Particularly with respect to *Kanoka*, we initiated the nationwide launch of *Genuine Wheat Shochu Kanoka* and *Genuine Potato Shochu Kanoka* to present new flavors to customers and thereby strengthen this brand. Despite these efforts, sales fell 4.0% year on year to ¥54.9 billion.

Ready-to-Drink (RTD) beverages

In RTD beverages, we reinforced our efforts to expand sales of appealing products centered on the core brands of *Asahi Cocktail Partner* and *Asahi Shunka Shibori*. Furthermore, we took up the challenge of creating new value and demand by launching new products such as *Tomate*, our first product jointly developed with Kagome Co., Ltd. As a result, sales rose 9.1% year on year to ¥35.7 billion.

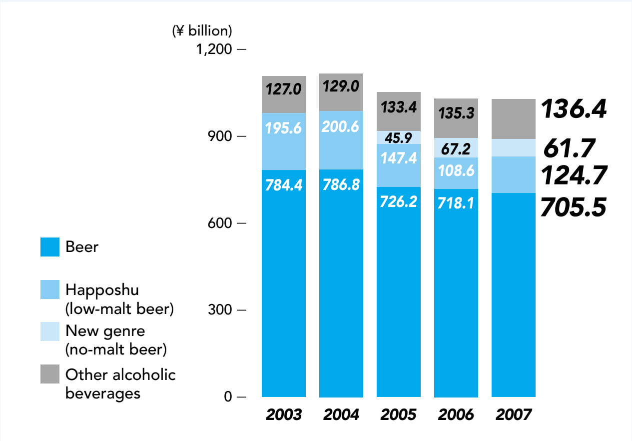
Whisky and spirits

We raised Asahi Breweries, Ltd.'s profile in this category with the launch of *Single Malt Yoichi* in a 500ml size in a bid to develop a home-use market for single malt whisky. The newly revamped *Black Nikka Clear Blend*, a core brand in this category, was also well received by consumers. Nevertheless, sales fell 0.4% to ¥27.3 billion.

Wine

In wine, we revamped our *Antioxidant-Free Organic Wine* and together with *Antioxidant-Free Organic Wine Monogatari*, pursued sales promotion measures for developing the *Sainte Neige* brand. We also sought to expand sales of imported wine by offering a varied lineup of products such as *Baron Philippe*, *Gancia* and other key brands. As a result, sales rose 1.3% year on year to ¥15.3 billion.

SALES BY CATEGORY (BEER, HAPPOSHU, NEW GENRE, AND OTHER ALCOHOLIC BEVERAGES)



Overseas Alcoholic Beverages Business

In the overseas alcoholic beverages business, we looked to expand business in our priority market of Asia centered on China, which continued to record economic growth during the year. To prepare for the future, we reinforced the production systems of beer companies in China where we have invested, and took steps to improve their profitability. Currently, we are working to expand sales of *Asahi Super Dry* as a premium brand throughout Asia. We also noted continual growth in Europe, the United States, Oceania, and Russia.

Soft Drinks Business

In the soft drinks business, we enacted initiatives designed to stimulate dramatic growth through the fundamental strategy pursued by Asahi Soft Drinks Co., Ltd.—"Growth Strategies," "Structural Reform," and "Taking on Challenges in New Areas." As a result, sales in the soft drinks business rose 5.8% year on year to ¥299.7 billion. Operating income, however, fell 40.7% to ¥4.6 billion, reflecting sharply higher prices for raw materials worldwide and proactive investment in sales promotion activities.

Asahi Soft Drinks Co., Ltd.

In the domestic soft drinks market, Asahi Soft Drinks Co., Ltd. strove to transform its three core brands into "pillar brands," and develop brands in the strongest beverage categories. With respect to products that constitute the core of Asahi Soft Drinks Co., Ltd.'s growth strategy, we promoted the development of pillar brands, channeling management resources into the company's core brands

WONDA, *Mitsuya* and *Asahi Juroku-Cha*. At the same time, we took steps to continuously reinforce and nurture existing brands such as *Asahi Fujisan no Vanadium Tennensui* mineral water. We also aggressively presented new products that meet the diversifying needs of our customers.

In the area of structural reform, we began producing carbonated beverages at Asahi Breweries, Ltd.'s Ibaraki Brewery as part of redoubled efforts to reform the profit structure, which includes leveraging ties within the Group to develop an optimum production and logistics system.

Where "Taking on Challenges in New Areas" is concerned, we sought to establish foundations for growth in two new domains, products and retail sales channels*, viewing the diversifying needs of our customers and lifecycle changes as opportunities for growth. Moreover, in vending machines, an important sales channel in the soft drinks industry, we signed a joint venture agreement in October with Calpis Co., Ltd. in a bid to strengthen and enhance the efficiency of this business. This integration of the vending machines businesses of both companies culminated in the establishment of Asahi Calpis Beverage Co., Ltd. in December 2007.

* "Retail sales channels" refers to mass-volume retail outlets, convenience stores, vending machines and mail-order sales, as well as marketing activities conducted by exclusive sales agents and other direct and indirect sales routes and arrangements.

Carbonated beverages

For our mainstay *Mitsuya* brand, alongside an aggressive advertisement campaign and sales promotion activities centered on *Mitsuya Cider*, Japan's top-selling clear carbonated beverage brand, we worked to strengthen the *Mitsuya* brand in various ways. These included the vigorous development of fruit juice-infused carbonated beverages like *Lemon wo Shibotta Mitsuya Cider*, a healthier, lemon-flavored carbonated beverage, and the revamping of milk-based carbonated beverage *Mitsuya Shiroi Cider*. These actions led to the sale of 32.0 million cases of *Mitsuya* brand beverages, representing the first time that annual sales volume for this brand has ever surpassed the 30-million case mark. As a result, total sales of carbonated beverages increased 17.1% year on year to ¥62.6 billion.

Fruit and vegetable drinks

With an emphasis on products, we boldly enacted measures designed to reinvigorate the *Bireley's* brand through the development of our "*New Taste Sensation Juice*" series of products—which offer a new way to enjoy fruit juice—among other initiatives. As a result, total sales of fruit and vegetable drinks rose 15.3% year on year to ¥25.0 billion.

Coffee

With respect to the core brand *WONDA*, we conducted a vigorous advertisement campaign and sales promotion activities focused on this brand's main product, *WONDA Morning Shot*. This was accompanied by the launch of *WONDA After Shot*, a low-sugar coffee drink for consumption after meals. We also promoted the *WONDA Pressure Ground* coffee series as part of our proactive approach to offering new products to customers. As a result, despite an anticipated decline in sales volume for coffee drinks industry-wide, total sales of coffee drinks from Asahi Soft Drinks Co., Ltd. rose 2.4% year on year to ¥61.6 billion.

Tea-based drinks

For core brand *Asahi Juroku-Cha*, we sought to enhance the entire *Asahi Juroku-Cha* brand through an aggressive advertisement campaign and sales promotion activities. As a sales promotion, we offered samples to 6 million people from across all of Japan's prefectures, representing one of the country's most massive nationwide sampling campaigns. This helped lift *Asahi Juroku-Cha* sales by 26.6%. Nevertheless, total sales of tea-based drinks decreased 2.6% year on year to ¥56.4 billion.

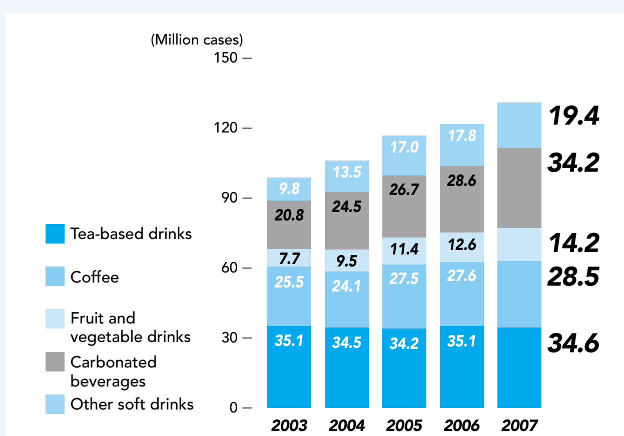
Health and functional drinks

Total sales of health and functional drinks rose 4.2% year on year to ¥21.4 billion, atop brisk sales of *Asahi Gyu-gyu-tto Shimikomu Collagen Water*.

Other soft drinks

In other soft drinks, sales of *Asahi Fujisan no Vanadium Tennensui* mineral water increased 22.8%, helping to lift total sales of other soft drinks 9.3% year on year to ¥16.3 billion.

SALES BY CATEGORY (TEA-BASED DRINKS, CARBONATED BEVERAGES, COFFEE, FRUIT AND VEGETABLE DRINKS AND OTHER SOFT DRINKS)



Overseas Soft Drinks Business

In the overseas soft drinks business, we pushed for business expansion centered on China and South Korea. China-based Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., in particular, continued to record robust sales growth while posting notable improvements in both productivity and profitability.

* Sales of the overseas business, the total of sales from the overseas alcoholic beverages business and overseas soft drinks business, declined ¥1.7 billion, or 2.9%, year on year, to ¥55.4 billion. The operating loss relating to the overseas business, meanwhile, grew by ¥1.6 billion to ¥5.5 billion.

Food and Pharmaceuticals Business

In the food and pharmaceuticals business, Asahi Food & Healthcare Co., Ltd. strove to expand its business and strengthen its business foundation by upholding the basic strategies of growth, structural reform and assurance of safety and quality. In this business, we sought to strengthen our core products—*MINTIA* breath mint tablets, now a top brand thanks to a record of brisk sales, *BALANCEUP* nutritionally balanced snack bars, and diet support food *Slim Up Slim*. We also took on the challenge of establishing a new core brand with the launch of new supplement brand *Dear-Natura* in April. Furthermore, we took steps to sell new products and expand sales channels in both the food product materials business, which includes brewer's yeast extracts and freeze-dried ingredients, and the direct marketing business. These actions resulted in steady sales growth in these businesses during the year.

Wakodo Co., Ltd., meanwhile, pursued initiatives designed to expand business and reinforce its business base, guided by a basic policy of bolstering the foundations for improved profitability and growth. Wakodo Co., Ltd. worked to strengthen its brands, revamping its mainstay baby food product *Eiyo MARCHE* and its *Gyuunyuuya San no Coffee* powdered beverage mix. Together with these actions, Wakodo Co., Ltd. worked to use sales promotion expenses and other fixed costs more effectively and to reduce production-side costs, promoting structural reforms to solidify the company's profit base.

As a result of the above actions, sales in the food and pharmaceuticals business climbed 24.7% year on year to ¥67.1 billion. Operating income jumped 201.9% year on year to ¥1.3 billion. This outcome primarily reflected increased sales of mainstay products and greater efficiency with respect to operating expenses.

Other Businesses

In other businesses, sales declined mainly due to the reorganization of our wholesale business. As a result, total sales for other businesses decreased 16.5% year on year to ¥85.1 billion and operating income fell 20.7% year on year to ¥1.7 billion.

LIQUIDITY AND CAPITAL RESOURCES

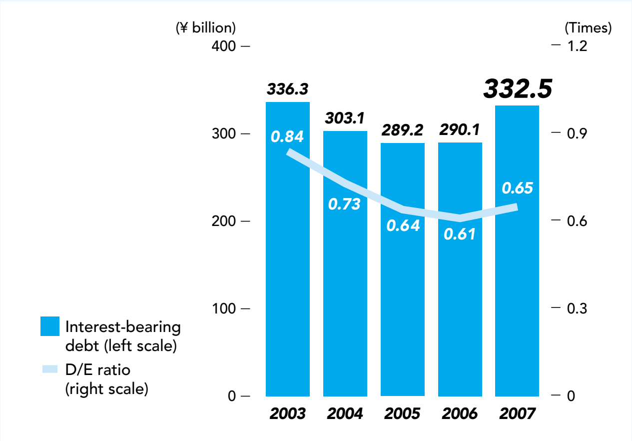
Asahi Breweries, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds. As a management policy, we regard the reduction of interest-bearing debt as a priority issue, and consistently strive to reduce the outstanding balance each year. We respond to new financing needs as they arise by giving due consideration to procurement methods that will not lead to an increase in the outstanding balance of long-term debt.

Based on this policy, daily financing needs are, in principle, met through short-term loans and the issuance of commercial paper. The Asahi Breweries Group has also introduced a cash management service (or CMS) that channels excess funds of each Group company to Asahi Breweries, Ltd., where these funds are centrally managed. This service enables the Company to take steps aimed at both improving capital efficiency and minimizing financing costs.

As a result, the outstanding balance of interest-bearing debt amounted to ¥332.5 billion as of the end of 2007. This balance, which increased by ¥42.4 billion compared to the previous fiscal year-end, represented an increase in corporate bonds and commercial paper, as well as short-term debt and loans due for repayment within one year. Long-term debt, by contrast, declined ¥30.0 billion year on year. The outstanding balance was approximately one-fourth of its peak of ¥1,411.1 billion in fiscal 1992. In addition, the debt-equity ratio fell from 4.9 in fiscal 1992 to 0.7 during the year under review.

Asahi Breweries, Ltd. has earned an A+ rating from Rating and Investment Information, Inc., an AA– rating from the Japan Credit Rating Agency, Ltd., an A– from Standard and Poor's (S&P), and an A– from Fitch Ratings Ltd.

INTEREST-BEARING DEBT/D/E RATIO



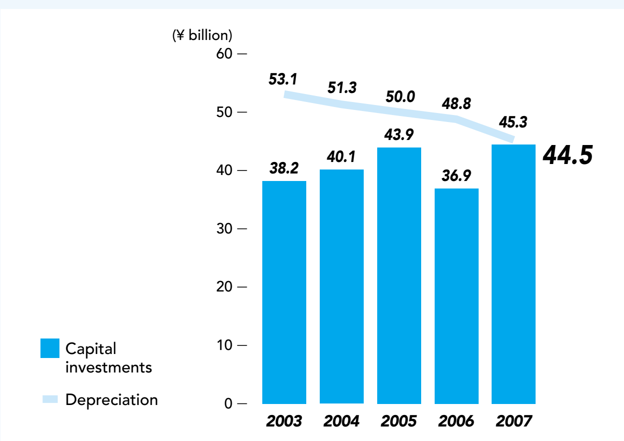
CAPITAL INVESTMENTS

Capital investments increased ¥7.6 billion from ¥36.9 billion in the previous fiscal year to ¥44.5 billion. Of this amount, Asahi Breweries, Ltd. invested ¥29.8 billion, primarily to start the operation of a soft drink bottle can production line at the Ibaraki Brewery, and a series of investments to improve logistics efficiency and reduce labor in production.

For Group companies, investments were also allocated for the transfer of Nikka Whisky's RTD beverage production, and the augmentation of a PET bottle production line at a soft drinks plant.

Consolidated depreciation costs totaled ¥45.3 billion, including ¥32.6 billion for Asahi Breweries, Ltd., and capital investments were undertaken within the limits of depreciation.

CAPITAL INVESTMENTS/DEPRECIATION



ASSETS, LIABILITIES AND NET ASSETS

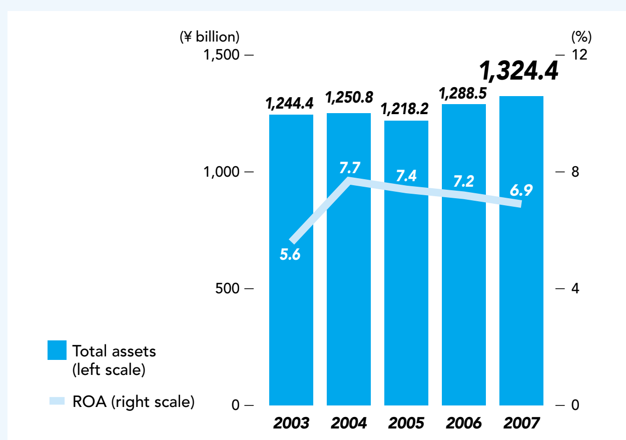
Consolidated total assets as of the end of fiscal 2007 increased by ¥35.9 billion, or 2.8%, compared with the previous fiscal year-end to ¥1,324.4 billion ($11,602.2 million). Return on assets (ROA*) edged 0.3 points lower to 6.9%.

Current assets decreased ¥17.7 billion, or 4.1%, year on year, to ¥411.2 billion, primarily due to a decline in cash and time deposits. Trade receivable turnover was 5.3 times, compared to 5.4 times in the previous fiscal year. Inventories decreased from ¥92.3 billion to ¥90.4 billion. Inventories turnover was 16.0 times, a decline of 0.2 percentage points from 16.2 times recorded for the previous year. Property, plant and equipment decreased ¥12.3 billion, or 1.9%, year on year, to ¥622.7 billion. Investments and other assets increased ¥65.9 billion, to ¥290.5 billion. In addition to an increase of ¥32.7 billion in goodwill to ¥65.3 billion accompanying the tender offer for shares of Asahi Soft Drinks Co., Ltd., this was largely due to an increase of ¥25.4 billion in investment securities to ¥104.1 billion, including the purchase of shares in Kagome Co., Ltd. as part of capital ties with the company. Current liabilities increased ¥35.9 billion, or 6.4%, to ¥596.8 billion, mainly due to an increase in financial liabilities accompanying the tender offer for shares of Asahi Soft Drinks Co., Ltd. In a breakdown of financial liabilities, short-term debt increased 17.6% year on year, while the current portion of long-term debt was approximately 2.6 times that of the previous year; commercial paper was 17.3 times the previous year's level. Long-term debt declined ¥15.0 billion, or 10.4%, to ¥129.5 billion.

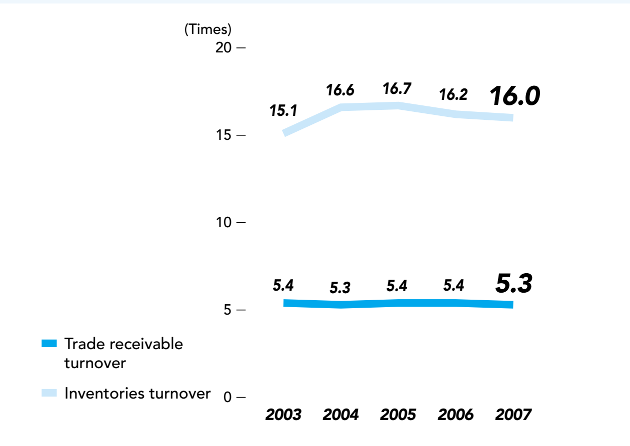
Total net assets increased ¥20.0 billion, or 3.9%, year on year, to ¥529.8 billion. While retained earnings rose, reflecting the net result of the deduction of dividend payments from the increase in consolidated net income over the past year, there was a decrease in minority interests accompanying the Company's increased equity stake in Asahi Soft Drinks Co., Ltd. The equity ratio increased from 37.0% at the previous fiscal year-end to 38.9%.

* ROA: Recurring profit to total assets

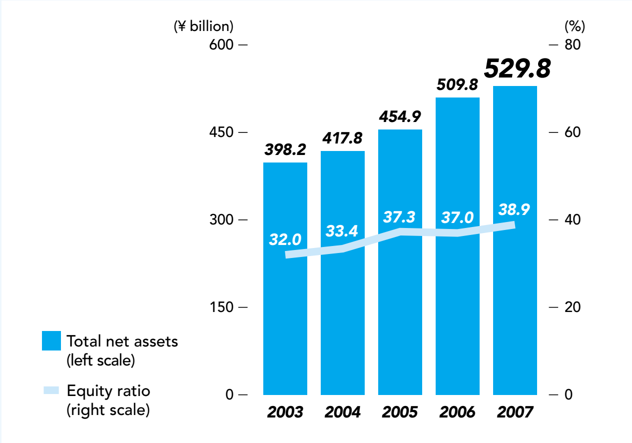
TOTAL ASSETS/ROA



TRADE RECEIVABLE TURNOVER/ INVENTORIES TURNOVER



TOTAL NET ASSETS/EQUITY RATIO



Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.

CASH FLOWS

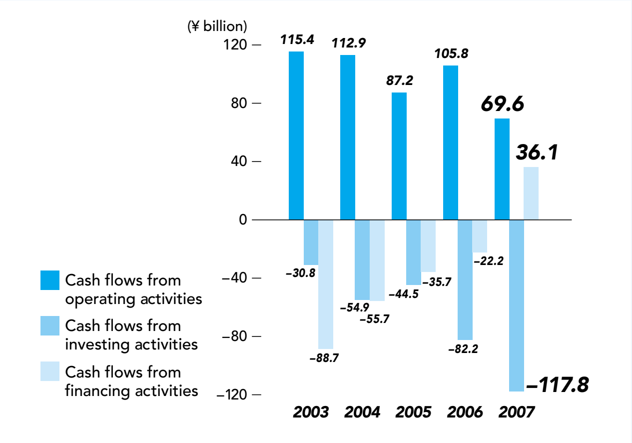
Net cash provided by operating activities decreased ¥36.3 billion year on year to ¥69.6 billion, due in large part to a significant increase in corporate tax payments.

Net cash used in investing activities increased ¥35.6 billion year on year to ¥117.8 billion. Cash was mainly used for the purchase of subsidiary stock, namely the tender offer for shares of Asahi Soft Drinks Co., Ltd., and for the purchase of investment securities, primarily related to a capital tie-up with Kagome Co., Ltd. In contrast, the main use of cash in the previous fiscal year related to a tender offer for Wakodo Co., Ltd.

Net cash provided by financing activities increased ¥58.4 billion year on year to ¥36.1 billion, due in large part to an increase in financial liabilities compared to the previous fiscal year.

As a result, cash and cash equivalents at the fiscal year-end decreased ¥12.0 billion to ¥11.7 billion.

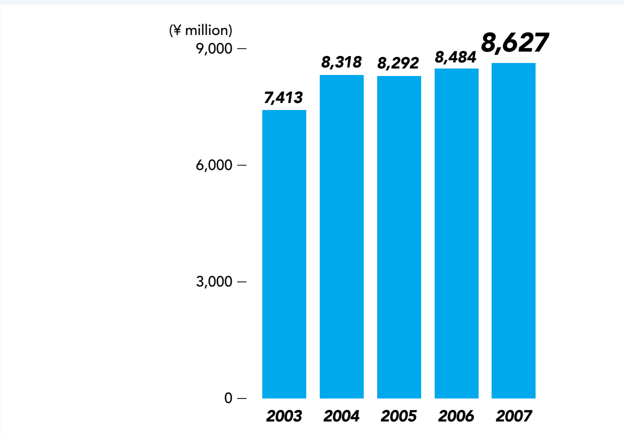
CASH FLOWS



RESEARCH AND DEVELOPMENT

R&D expenses for the year under review were ¥8.6 billion, representing an increase of 1.7% year on year.

R&D EXPENSES



BUSINESS RISK

1. Effects of market and economic trends and demographic change in Japan

The alcoholic beverages business accounts for approximately 70% of sales for the Asahi Breweries Group, a considerable portion of which is generated by the Japanese market. Future trends in the Japanese economy may have a significant effect on domestic consumption of alcoholic beverages. Furthermore, a continually declining population, fewer childbirths and the ongoing aging of the Japanese population may affect consumption of soft drinks and food as well as alcoholic beverages, and in turn may affect the business performance and financial condition of the Asahi Breweries Group.

2. Higher liquor tax rates

In the event liquor tax rates are raised, consumption of alcoholic beverages may decline due to higher sales prices, potentially affecting the business performance and financial condition of the Asahi Breweries Group.

3. Dependence on a specific product

Beer sales constitute an important part of sales for the Asahi Breweries Group. The Asahi Breweries Group endeavors to increase sales by improving its lineup of products for alcoholic beverages apart from beer, while also expanding businesses other than the alcoholic beverages business, including soft drinks, and food and pharmaceuticals. Nevertheless, unforeseen circumstances, such as a significant drop in beer consumption due to trends in market demand, may affect the business performance and financial condition of the Asahi Breweries Group.

4. Food safety

The Asahi Breweries Group upholds its management principle of delivering the highest quality to customers, and ensures food safety by implementing an uncompromising system of inspection and control throughout the Group. Nevertheless, the food industry currently faces various problems, including bird flu, BSE, residual agricultural chemicals, genetic engineering and the proper indication of allergy-causing substances. The Asahi Breweries Group endeavors to proactively identify such risks, and to implement countermeasures before they materialize. Nevertheless, the occurrence of incidents beyond the scope of such measures implemented by the Group may affect the business performance and financial condition of the Asahi Breweries Group.

5. Fluctuations in material prices

The price of main raw materials used for Asahi Breweries Group products fluctuate according to such factors as weather conditions and natural disasters. Rising costs may lead to higher production costs that cannot be passed on to sales prices depending on prevailing market conditions, and may affect the business performance and financial condition of the Asahi Breweries Group.

6. Effects of weather conditions, natural disasters and others

With respect to the alcoholic beverage and soft drink sales of the Asahi Breweries Group, stagnant markets caused by abnormal weather or variable weather conditions may affect the volume of sales. Furthermore, sudden occurrences of various catastrophes, natural disasters and unforeseeable accidents that could damage production and logistics facilities may result in loss of assets, the reporting of losses on unshipped products, expenditures on facility repairs and opportunity loss due to disruptions in production and logistics, and in turn, affect the business performance and financial condition of the Asahi Breweries Group.

7. Risks related to information systems

Asahi Breweries Group possesses personal information on a great number of customers obtained through sales promotion campaigns, direct marketing and other activities. To prevent such information from being lost, misused or falsified, the Group implements appropriate security measures related to the system and other aspects of information management. Nevertheless, the occurrence of unpredictable incidents including power outages, disasters, defective software or equipment, computer virus infections and illegal access may present risks including the breakdown, shutdown or temporary disruption of the information system, and therefore, could cause the erasure, leakage or falsification of internal information, including customer information. Such incidents may impede operations and in turn affect the business performance and financial condition of the Asahi Breweries Group.

8. Risks related to overseas businesses

The Asahi Breweries Group pursues business operations in Asia, mainly in China, as well as in Europe and North America. The Group endeavors to proactively identify risks and to implement concrete and appropriate countermeasures before they materialize. Nevertheless, occurrences of incidents such as those listed below, which are unforeseeable or beyond the scope of prediction, may affect the business performance and financial condition of the Asahi Breweries Group.

- Unpredictable revisions in the tax system, laws and regulations
- Changes in political and economic factors
- Social and economic disruption caused by the outbreak of epidemics such as SARS or bird flu
- Changes in the market or foreign exchange rates that are beyond prediction
- Social and economic disruption caused by acts of terrorism or war
- Occurrence of natural disasters such as earthquakes

9. Risks related to the environment

Asahi Breweries Group endeavors to thoroughly implement waste recycling, energy conservation, reduction of CO_2 emissions and the recycling of containers, and complies with the relevant environmental laws and regulations while conducting its businesses. Nevertheless, regulatory revisions that drive significant increases in costs due to investments in new facilities and changes in methods of waste disposal may affect the business performance and financial condition of the Asahi Breweries Group.

10. Risks related to changes in laws and regulations

In pursuing its businesses in Japan, Asahi Breweries Group is placed under the regulatory control of various laws, including the Liquor Tax Law, the Food Sanitation Law and the Product Liability Law. The Group also operates under the control of laws and regulations in other countries in which it operates. Changes in such laws and regulations, or the unexpected introduction of new laws and regulations may affect the business performance and financial condition of the Asahi Breweries Group.

11. Trends in the control of alcoholic beverages

To fulfill its corporate social responsibility (CSR) as a company that produces and sells alcoholic beverages, Asahi Breweries Group exercises the utmost care in expressions used in advertisements and information on container labels, and is actively involved in educating the public on responsible drinking to prevent underage drinking and consumption by pregnant and breast-feeding women. Nevertheless, considering that problems related to alcohol have become an international issue, regulations that significantly exceed expectations and result in a decline in consumption may affect the business performance and financial condition of the Asahi Breweries Group.

12. Risks related to litigation

In pursuing its businesses, Asahi Breweries Group complies with relevant regulations and makes the utmost effort to ensure employees understand and practice regulatory compliance. Nevertheless, the Group faces risks of litigation in undertaking its businesses both in Japan and abroad. Lawsuits against the Asahi Breweries Group and/or the impact of such lawsuits may affect the business performance and financial condition of the Asahi Breweries Group.

13. Fluctuations in value of owned assets

Sudden drops in the value of land, marketable securities and other assets owned by the Asahi Breweries Group, or changes in the business environment, could affect the business performance and financial condition of the Asahi Breweries Group.

14. Retirement benefits

Retirement benefit liabilities and retirement benefit costs for employees and former employees of the Asahi Breweries Group are calculated based on the discount rate used in actuarial calculations and the rate of expected returns on pension assets. Major fluctuations in preconditions, including changes in the market price of pension assets, interest rates and/or pension system, may affect the business performance and financial condition of the Asahi Breweries Group.

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2007, 2006 and 2005

Assets	Millions of yen 2007	2006	2005	Thousands of U.S. dollars (Note 1) 2007
Current assets:				
Cash and time deposits (Notes 3 and 8)	**¥ 11,628**	¥ 15,873	¥ 15,434	**$ 101,866**
Notes and accounts receivable:				
Trade	**278,239**	278,140	253,475	**2,437,486**
Other	**13,209**	10,983	9,859	**115,716**
Allowance for doubtful accounts	**(6,576)**	(9,099)	(9,105)	**(57,609)**
Securities (Note 5)	**52**	5,321	5	**456**
Inventories (Note 4)	**90,436**	92,344	86,423	**792,256**
Deferred income tax assets (Note 10)	**6,931**	9,688	7,306	**60,718**
Other current assets (Note 3)	**17,293**	25,702	22,055	**151,494**
Total current assets	**411,212**	428,952	385,452	**3,602,383**
Property, plant and equipment (Notes 8 and 13)**:**				
Land	**180,760**	185,101	173,745	**1,583,530**
Buildings and structures	**413,711**	407,627	392,279	**3,624,275**
Machinery and equipment	**632,142**	616,016	602,114	**5,537,819**
Construction in progress	**3,447**	8,427	4,638	**30,197**
	1,230,060	1,217,171	1,172,776	**10,775,821**
Less accumulated depreciation	**(607,341)**	(582,154)	(538,426)	**(5,320,552)**
Net property, plant and equipment	**622,719**	635,017	634,350	**5,455,269**
Investments and other assets:				
Goodwill (Note 13)	**65,326**	32,635	10,234	**572,282**
Investment securities (Notes 5 and 8)	**104,067**	78,671	80,315	**911,669**
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**56,575**	51,526	48,038	**495,620**
Long-term loans receivable	**5,759**	3,402	5,367	**50,451**
Deferred income tax assets (Note 10)	**18,983**	19,857	18,973	**166,299**
Other non-current assets	**39,751**	38,441	35,498	**348,235**
Total investments and other assets	**290,461**	224,532	198,425	**2,544,556**
	¥1,324,392	¥1,288,501	¥1,218,227	**$11,602,208**

See accompanying notes.

Liabilities and net assets	Millions of yen 2007	2006	2005	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:				
Bank loans (Note 8)	**¥ 103,909**	¥ 88,329	¥ 65,637	**$ 910,285**
Commercial paper (Note 8)	**52,000**	3,000	3,500	**455,541**
Long-term debt due within one year (Note 8)	**47,072**	54,330	52,168	**412,370**
Notes and accounts payable:				
Trade	**100,420**	106,331	92,748	**879,719**
Other (mainly construction)	**57,496**	49,732	49,948	**503,688**
Alcohol tax and consumption taxes payable	**142,711**	140,892	140,145	**1,250,206**
Deposits received	**25,662**	37,627	43,762	**224,809**
Income taxes payable (Note 10)	**14,004**	28,797	5,590	**122,681**
Accrued liabilities	**48,025**	47,791	42,845	**420,718**
Other current liabilities	**5,497**	4,090	3,598	**48,156**
Total current liabilities	**596,796**	560,919	499,941	**5,228,173**
Long-term debt (Note 8)	**129,477**	144,443	167,897	**1,134,271**
Employees' severance and retirement benefits (Note 9)	**23,820**	26,973	27,721	**208,673**
Allowance for retirement benefits for directors and corporate auditors	**450**	844	687	**3,942**
Deferred income tax liabilities (Note 10)	**5,019**	5,167	709	**43,969**
Long-term deposits received	**35,130**	36,939	38,212	**307,753**
Other long-term liabilities	**3,918**	3,441	1,192	**34,323**
Commitments and contingent liabilities (Note 12)				
Net assets (Note 11)				
Shareholders' equity (Note 15)				
Common stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	**182,531**	182,531	182,531	**1,599,045**
Capital surplus	**151,260**	150,505	163,709	**1,325,098**
Retained earnings	**178,079**	142,330	106,426	**1,560,044**
Treasury stock, at cost	**(14,674)**	(16,947)	(17,317)	**(128,550)**
Total shareholders' equity	**497,196**	458,419	435,349	**4,355,637**
Accumulated gains (losses) from revaluation and translation adjustments				
Unrealized gains on available-for-sale securities, net of taxes	**13,037**	14,563	16,585	**114,209**
Unrealized losses on hedging derivatives, net of taxes	**(44)**	(28)	—	**(385)**
Foreign currency translation adjustments	**4,478**	3,754	2,958	**39,229**
Total accumulated gains (losses) from revaluation and translation	**17,471**	18,289	19,543	**153,053**
Minority interests	**15,115**	33,067	26,976	**132,414**
Total net assets	**529,782**	509,775	481,868	**4,641,104**
	¥1,324,392	¥1,288,501	¥1,218,227	**$11,602,208**

See accompanying notes.

Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Net sales (Note 17)	**¥1,464,072**	¥1,446,385	¥1,430,027	**$12,825,861**
Costs and expenses (Note 17):				
Cost of sales	**466,592**	452,561	440,220	**4,087,534**
Alcohol tax	**494,589**	497,583	513,776	**4,332,799**
Selling, general and administrative expenses	**415,935**	407,528	385,782	**3,643,758**
	1,377,116	1,357,672	1,339,778	**12,064,091**
Operating income (Note 17)	**86,956**	88,713	90,249	**761,770**
Other income (expenses):				
Interest and dividend income	**2,048**	1,533	1,352	**17,941**
Interest expenses	**(5,021)**	(4,407)	(4,069)	**(43,986)**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**9,011**	6,367	4,426	**78,940**
Compensation for transfer of plant	**—**	290	695	**—**
Loss on sale of securities—net	**(701)**	(111)	(736)	**(6,141)**
Loss on sale and disposal of property, plant and equipment—net	**(5,441)**	(4,093)	(9,717)	**(47,665)**
Loss on devaluation of investment securities	**(344)**	(506)	(337)	**(3,014)**
Restructuring charges	**—**	(1,777)	(3,598)	**—**
Loss on adjustment to estimated usage ratio of gift coupons (Note 2)	**(1,545)**	—	—	**(13,535)**
Loss on write-down of land	**—**	—	(3,181)	**—**
Loss on impairment of fixed assets (Notes 13 and 17)	**(1,388)**	(3,905)	—	**(12,159)**
Other—net	**(1,834)**	(939)	641	**(16,067)**
	(5,215)	(7,548)	(14,524)	**(45,686)**
Income before income taxes and minority interests	**81,741**	81,165	75,725	**716,084**
Income taxes (Note 10):				
Current	**31,227**	36,862	18,542	**273,561**
Deferred	**5,543**	(1,538)	15,479	**48,559**
	36,770	35,324	34,021	**322,120**
Income before minority interests	**44,971**	45,841	41,704	**393,964**
Minority interests in net gain of consolidated subsidiaries	**(173)**	(1,066)	(1,834)	**(1,515)**
Net income	**¥ 44,798**	¥ 44,775	¥ 39,870	**$ 392,449**

	Yen			U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Amounts per share of common stock:				
Net income	**¥94.94**	¥94.02	¥82.22	**$0.83**
Diluted net income	**94.74**	93.85	80.98	**0.83**
Cash dividends applicable to the year	**19.00**	19.00	17.00	**0.17**

See accompanying notes.

Consolidated Statements of Changes in Net Assets (Note 15)

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2007, 2006 and 2005

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
Balance at December 31, 2004	¥ 182,531	¥ 181,282	¥ 74,053	¥ (24,885)	¥ 4,769	—	¥ 78	¥ 26,828
Net income			39,870					
Cash dividends paid (¥15.00 per share)			(7,279)					
Bonuses to directors and corporate auditors			(185)					
Decrease resulting from decrease in consolidated subsidiaries			(33)					
Purchases of treasury stock				(10,042)				
Retirement of treasury stock		(17,571)		17,571				
Disposal of treasury stock		(2)		39				
Increase due to changes in fair market values of available-for-sale securities					11,816			
Adjustments from translation of foreign currency financial statements							2,880	
Increase in minority interests								148
Balance at December 31, 2005	182,531	163,709	106,426	(17,317)	16,585	—	2,958	26,976
Net income			44,775					
Cash dividends paid (¥18.00 per share)			(8,607)					
Bonuses to directors and corporate auditors			(146)					
Decrease resulting from increase in consolidated subsidiaries			(118)					
Purchases of treasury stock				(13,068)				
Retirement of treasury stock		(13,147)		13,147				
Disposal of treasury stock		(57)		291				
Decrease due to changes in fair market values of available-for-sale securities					(2,022)			
Decrease due to changes in fair market values of hedging derivatives						(28)		
Adjustments from translation of foreign currency financial statements							796	
Increase in minority interests								6,091
Balance at December 31, 2006	**182,531**	**150,505**	**142,330**	**(16,947)**	**14,563**	**(28)**	**3,754**	**33,067**
Net income			**44,798**					
Cash dividends paid (¥20.00 per share)			**(9,428)**					
Purchases of treasury stock				**(230)**				
Disposal of treasury stock		**755**		**2,503**				
Increase resulting from increase in consolidated subsidiaries			**231**					
Increase resulting from decrease in consolidated subsidiaries			**148**					
Net changes of items in accumulated gains (losses) from revaluation and translation					**(1,526)**	**(16)**	**724**	
Decrease in minority interests								**(17,952)**
Balance at December 31, 2007	**¥182,531**	**¥151,260**	**¥178,079**	**¥(14,674)**	**¥13,037**	**¥(44)**	**¥4,478**	**¥ 15,115**

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
Balance at December 31, 2006	**$1,599,045**	**$1,318,484**	**$1,246,868**	**$(148,463)**	**$127,578**	**$(245)**	**$32,887**	**$289,680**
Net income			**392,449**					
Cash dividends paid ($0.18 per share)			**(82,593)**					
Purchases of treasury stock				**(2,015)**				
Disposal of treasury stock		**6,614**		**21,928**				
Increase resulting from increase in consolidated subsidiaries			**2,024**					
Increase resulting from decrease in consolidated subsidiaries			**1,296**					
Net changes of items in accumulated gains (losses) from revaluation and translation					**(13,369)**	**(140)**	**6,342**	
Decrease in minority interests								**(157,266)**
Balance at December 31, 2007	**$1,599,045**	**$1,325,098**	**$1,560,044**	**$(128,550)**	**$114,209**	**$(385)**	**$39,229**	**$132,414**

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 81,741**	¥ 81,165	¥ 75,725	**$ 716,084**
Depreciation	**45,250**	48,793	50,028	**396,408**
Loss on impairment of fixed assets	**1,388**	3,905	—	**12,159**
Decrease in provision for employees' severance and retirement benefits	**(3,908)**	(3,322)	(1,614)	**(34,236)**
Decrease in allowance for doubtful accounts	**(3,481)**	(2,801)	(2,497)	**(30,495)**
Interest and dividend income	**(2,048)**	(1,533)	(1,352)	**(17,941)**
Interest expenses	**5,021**	4,407	4,069	**43,986**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(9,011)**	(6,367)	(4,426)	**(78,940)**
Loss on sale of securities—net	**701**	111	736	**6,141**
Loss on devaluation of investment securities	**344**	506	337	**3,014**
Loss on adjustment to estimated usage ratio of gift coupons	**1,545**	—	—	**13,535**
Loss on write-down of land	**—**	—	3,181	**—**
Loss on sale and disposal of property, plant and equipment—net	**5,441**	4,093	10,037	**47,665**
Decrease (increase) in notes and accounts receivable	**(2,049)**	(16,335)	28,024	**(17,950)**
Decrease (increase) in inventories	**1,344**	(1,911)	(999)	**11,774**
Increase (decrease) in notes and accounts payable (excluding construction)	**(2,716)**	7,702	6,765	**(23,793)**
Increase (decrease) in accrued alcohol tax payable	**1,833**	(622)	(15,494)	**16,058**
Increase (decrease) in accrued consumption taxes payable	**(132)**	1,196	(3,849)	**(1,156)**
Bonuses paid to directors and corporate auditors	**(150)**	(189)	(197)	**(1,314)**
Other	**(6,299)**	1,324	(18,110)	**(55,182)**
Subtotal	**114,814**	120,122	130,364	**1,005,817**
Interest and dividends received	**6,479**	4,285	1,432	**56,759**
Interest paid	**(5,200)**	(4,439)	(4,029)	**(45,554)**
Income taxes paid	**(46,520)**	(14,125)	(40,522)	**(407,534)**
Net cash provided by operating activities	**69,573**	105,843	87,245	**609,488**
Cash flows from investing activities:				
Payments for time deposits	**(715)**	(883)	(113)	**(6,264)**
Proceeds from time deposits	**35**	590	549	**307**
Proceeds from sales of securities	**5,120**	5	2,464	**44,853**
Payments for purchases of property, plant and equipment	**(35,435)**	(33,299)	(35,080)	**(310,425)**
Proceeds from sale of property, plant and equipment	**2,909**	2,396	11,548	**25,484**
Payments for purchases of intangible assets	**(5,969)**	(4,520)	(3,391)	**(52,291)**
Proceeds from sales of intangible assets	**126**	64	1,500	**1,104**
Payments for purchases of investment securities	**(28,649)**	(7,259)	(11,782)	**(250,977)**
Proceeds from sale of investment securities	**333**	1,403	845	**2,917**
Purchase of investments in subsidiaries	**(52,091)**	—	—	**(456,338)**
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	(39,271)	(11,003)	**—**
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	**(850)**	(97)	—	**(7,446)**
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	**—**	—	632	**—**
Payments for loans receivable	**(3,209)**	(772)	(1,313)	**(28,112)**
Proceeds from collections of loans receivable	**2,924**	1,813	1,473	**25,615**
Other	**(2,357)**	(2,419)	(877)	**(20,648)**
Net cash used in investing activities	**(117,828)**	(82,249)	(44,548)	**(1,032,221)**
Cash flows from financing activities:				
Increase in bank loans	**66,104**	21,143	25,921	**579,098**
Proceeds from long-term debt	**18,210**	3,664	17,605	**159,527**
Repayments of long-term debt	**(24,773)**	(2,532)	(13,104)	**(217,021)**
Proceeds from bonds and convertible debentures issued	**25,000**	25,000	—	**219,010**
Redemption of bonds	**(40,000)**	(50,000)	(49,996)	**(350,416)**
Payments for purchases of treasury stock	**(231)**	(13,068)	(10,042)	**(2,024)**
Cash dividends paid	**(9,428)**	(8,607)	(7,279)	**(82,593)**
Cash dividends paid to minority interest in consolidated subsidiaries	**(435)**	(675)	(489)	**(3,811)**
Contribution from minority interest in consolidated subsidiaries	**321**	3,062	1,293	**2,812**
Other	**1,358**	(233)	386	**11,896**
Net cash provided by (used in) financing activities	**36,126**	(22,246)	(35,705)	**316,478**
Effect of exchange rate change on cash and cash equivalents	**(182)**	223	660	**(1,594)**
Net increase (decrease) in cash and cash equivalents	**(12,311)**	1,571	7,652	**(107,849)**
Cash and cash equivalents at beginning of year	**23,778**	21,309	13,657	**208,305**
Increase in cash and cash equivalents due to change in scope of consolidation	**274**	898	—	**2,400**
Cash and cash equivalents at end of year (Note 3)	**¥ 11,741**	¥ 23,778	¥ 21,309	**$ 102,856**

See accompanying notes.

Notes to Consolidated Financial Statements

Asahi Breweries, Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Asahi Breweries, Ltd. (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 Financial Instruments 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. As discussed in Note 2 "Accounting Standard for Statement of Changes in Net Assets", the consolidated statement of changes in net assets for 2005 has been prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau prior to 2006.

Previously, the Company has presented its consolidated Balance Sheets for the two fiscal years and its Consolidated Statements of Income for the three fiscal years in its Annual Reports. However, effective from the year ended December 31 2007, the Company has started to present its Consolidated Balance Sheets and Consolidated Statements of Income for the three fiscal years.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2007, which was ¥114.15 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.

2. SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (40 domestic and 11 overseas subsidiaries for 2007, 41 domestic and 12 overseas subsidiaries for 2006, and 40 domestic and 13 overseas subsidiaries for 2005). 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.

GOODWILL

The difference between acquisition cost and net assets acquired is shown as consolidation goodwill and amortized over 5 to 20 years on a straight-line basis.

EQUITY METHOD

Investments in certain unconsolidated subsidiaries and affiliated companies 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 collection losses.

SECURITIES

Securities are classified 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 Company and its consolidated subsidiaries (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 a 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 the 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.

INVENTORIES

Inventories are stated at cost. Cost is determined mainly by the 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

The Company and its domestic consolidated subsidiaries have changed their depreciation methods for assets acquired on and after April 1, 2007 in accordance with fiscal 2007 amendments of the Japanese Corporation Tax Law, the Law to Amend Part of the Income Tax Law (March 30, 2007, Law No. 6) and the Cabinet Order to Amend Part of the Corporation Tax Law (Cabinet Order No. 83, March 30, 2007). The impact of this change on profits or losses was insignificant.

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.

INCOME TAXES

The Companies recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. 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 Company had provided two types of employees' severance and retirement benefit plans, an unfunded lump-sum payment plan and a funded non-contributory pension plan 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.

In the year ended December 31, 2005, the Company changed from those two types of employees' severance and retirement benefit plans to a defined benefit pension plan and an unfunded lump-sum payment plan. In addition, the Company established a defined contribution pension plan and an advance payment system for the employees' retirement plan in the year ended December 31, 2005. As a result of this change, the projected benefit obligation decreased by ¥3,958 million and prior service costs of the same amount were incurred.

The consolidated subsidiaries have provided two types of employees' severance and retirement 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.

In the year ended December 31, 2006, the Company acquired companies which provide three types of employees' severance and retirement benefit plans, an unfunded lump-sum payment plan, a funded non-contributory pension plan and a funded contributory pension plan.

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.

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.

Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years.

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. Some of the consolidated subsidiaries accrue 100% of obligations based on their rules required under the assumption that all directors and corporate auditors retired at the balance sheet date. Payments of retirement benefits to directors and corporate auditors are subject to approval of the shareholders' meeting.

At the annual shareholders' meetings of the Company and several of its consolidated subsidiaries held in March 2007, the proposal of the termination of their retirement benefit programs for directors and corporate auditors (under which payments would be made at the time of each person's retirement) was approved. Accordingly, the Company and those consolidated subsidiaries reversed the entire amount of their allowances for retirement benefits for directors and corporate auditors, and recorded unpaid balances of these retirement benefits as of December 31, 2007, in the "Other long-term liabilities" section of the balance sheets.

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS AND FINANCIAL STATEMENTS

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates of the balance sheet dates, and differences arising from the translation are included in the financial statements of income as a gain or loss.

The financial statements of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates for assets and liabilities, and on the historical exchange rates for shareholders' equity. All revenue and expense accounts are translated at the average rates of exchange during the fiscal period.

While the Company had previously translated revenue and expense accounts of foreign subsidiaries and affiliated companies into Japanese yen at the exchange rates prevailing on the balance sheet dates of the Company, it has translated them using the average exchange rates during the fiscal period.

The Company has adopted this new accounting policy because the effects of its foreign subsidiaries and affiliated companies have recently been becoming more important and the Company needs to present foreign company's financial results more appropriately by using average exchange rates rather than the exchange rates at the Balance Sheet date which affects the presentation of the state of foreign companies.

This change has increased consolidated net sales by ¥1,714 million ($15,015 thousand), has decreased operating income by ¥84 million ($736 thousand), has increased income before income taxes and minority interests by ¥236 million ($2,067 thousand), as compared with the figures calculated using the exchange rates as of the year-end. The effects of this accounting change on segment information are disclosed in Note 17.

DERIVATIVE FINANCIAL INSTRUMENTS

The accounting standard for financial instruments 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.

IMPAIRMENT OF FIXED ASSETS

Effective January 1, 2006, the Company and its domestic consolidated subsidiaries adopted the new accounting standards for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" ("the Financial Accounting Standard Implementation Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of adopting the new accounting standard, income before income taxes and minority interests for the year ended December 31, 2006, decreased by ¥3,905 million.

Additionally, losses on impairment comprising the cumulative total have been deducted directly from the book value of respective assets in accordance with revised regulations.

ACCOUNTING STANDARD FOR PRESENTATION OF NET ASSETS IN THE BALANCE SHEET

Effective for the year ended December 31, 2006, the Company and its domestic consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("Statement No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005), and "the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("the Financial Accounting Standard Implementation Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the stockholder' equity sections.

The net assets section comprises four subsections, which are shareholders' equity, accumulated gains (losses) from revaluation and translation adjustments, subscription rights to shares and minority interests, as applicable.

The net assets section includes items which were not included in the previously presented stockholders' equity section. The accumulated gains (losses) from revaluation and translation adjustments section included unrealized gains (losses) on hedging derivatives, net of taxes. Minority interests were presented between non-current liabilities and the previously presented stockholders' equity.

The previously presented stockholders' equity and certain other balance sheet items for 2005 have been restated to conform to the 2006 presentation. As a result, minority interests amounting to ¥26,976 million are included in the net assets section as of December 31, 2005.

If the New Accounting Standards had not been adopted and the previous presentation method for the stockholders' equity had been applied, the stockholders' equity at December 31, 2005 and 2006, which comprised common stock, capital surplus, retained earnings, unrealized gains on available-for-sale securities, net of taxes, foreign currency translation adjustments and treasury stock, would have been ¥454,891 million and ¥476,736 million, respectively.

ACCOUNTING STANDARD FOR STATEMENT OF CHANGES IN NET ASSETS

Effective for the year ended December 31, 2006, the Company and its domestic consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Statement of Changes in Net Assets" ("Statement No. 6" issued by the Accounting Standards Board of Japan on December 27, 2005), and "the Implementation Guidance for the Accounting Standard for Statement of Changes in Net Assets" ("the Financial Accounting Standard Implementation Guidance No. 9" issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "New Accounting Standards"). Previously, consolidated statements of stockholders' equity were prepared for purposes of inclusion in the consolidated financial statements although such statements were not required in Japan.

Based on the reclassification of the previously presented stockholders' equity and certain other balance sheet items for 2005 as discussed in Note 2 "Accounting Standard for Presentation of Net Assets in the Balance Sheet", the consolidated statements of changes in net assets for 2005 have been prepared in accordance with the New Accounting Standards. As a result, minority interests of ¥26,976 million and ¥26,828 million, which were not included in the 2005 and 2004 consolidated statements of stockholders' equity, are now presented in the consolidated statements of changes in net assets.

RECLASSIFICATION AND RESTATEMENT

Certain reclassifications have been made in the 2006 and 2005 financial statements to conform to the presentation for 2007. Also, as described in Note 2 "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and "Accounting Standard for Statement of Changes in Net Assets" previously presented stockholders' equity and certain other balance sheet items for 2005 and the consolidated statements of stockholders' equity for 2005 which was voluntarily prepared for the purpose of inclusion in the 2005 consolidated financial statements, have been restated to conform to the new accounting standards adopted in 2006.

These reclassifications and restatements had no impact on previously reported results of operations.

LOSS ON ADJUSTMENT TO ESTIMATED USAGE RATIO OF GIFT COUPONS

Previously, the Company has reversed to income certain portion of deposits for beer gift coupons in accordance with Corporation Tax Law. The Company has set up Deposits received for future usage of beer gift coupons in accordance with the "Auditing Treatment concerning Reserve under the Special Taxation Measures Laws, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

As a result of this change, ¥1,545 million ($13,535 thousand) was recorded in other expenses, and income before income taxes and minority interests decreased by the same amount.

BUSINESS COMBINATIONS

Effective from the year ended December 31, 2007, the Company adopted "Accounting Standard for Business Combinations" issued by the Business Accounting Deliberation Council on October 31, 2003, "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005), and "Guidance for Accounting Standard for Business Divestitures" (the Financial Accounting Standard Implementation Guidance No. 10 issued by the Accounting Standards Boards of Japan on December 22, 2006).

The effect of this adoption on the consolidated financial statements was not material.

3. CASH FLOW INFORMATION

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, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Cash and time deposits	**¥11,628**	¥15,873	¥15,434	**$101,866**
Less: Time deposits with maturities exceeding three months	**(1,130)**	(440)	(124)	**(9,899)**
Securities	**45**	146	—	**394**
Other current assets (short-term loans receivable)	**1,198**	8,199	5,999	**10,495**
Cash and cash equivalents	**¥11,741**	¥23,778	¥21,309	**$102,856**

B. Assets and liabilities of newly consolidated subsidiaries through acquisition of shares:
Assets and liabilities of Wakodo Co., Ltd. and its subsidiaries and relationship with the acquisition cost and net cash outflow of such acquisition, which are included in "Payment for purchases of investment in subsidiaries resulting in change in scope of consolidation" for the year ended December 31, 2006, are as follows:

	Millions of yen
	2006
Current assets	¥15,736
Non current assets	24,618
Consolidation goodwill	22,659
Current liabilities	(9,012)
Non current liabilities	(9,060)
Minority interests	(1,872)
Acquisition cost of Wakodo Co., Ltd.	43,069
Cash and cash equivalents of Wakodo Co., Ltd.	(3,798)
Net cash used for acquisition of Wakodo Co., Ltd.	¥39,271

4. INVENTORIES

Inventories at December 31, 2007, 2006 and 2005 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Finished goods	**¥20,621**	¥19,799	¥16,482	**$180,649**
Work in process	**38,350**	39,399	39,098	**335,961**
Raw materials	**19,159**	20,037	19,830	**167,841**
Supplies	**5,959**	5,974	5,489	**52,203**
Merchandise	**6,347**	7,135	5,524	**55,602**
Total	**¥90,436**	¥92,344	¥86,423	**$792,256**

5. SECURITIES

A. The following tables summarize book values and fair values of held-to-maturity debt securities with available fair value as of December 31, 2007, 2006 and 2005:

	Millions of yen		
	2007		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	**¥71**	**¥76**	**¥ 5**
	71	**76**	**5**
Securities with fair values not exceeding book values:			
Foreign securities	**0**	**0**	**—**
	0	**0**	**—**
Total	**¥71**	**¥76**	**¥ 5**

	Millions of yen		
	2006		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	¥29	¥34	¥ 5
	29	34	5
Securities with fair values not exceeding book values:			
Foreign securities	28	27	(1)
	28	27	(1)
Total	¥57	¥61	¥ 4

Type	Millions of yen		
	2005		
	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	¥27	¥32	¥ 5
	27	32	5
Securities with fair values not exceeding book values:			
Foreign securities	26	24	(2)
	26	24	(2)
Total	¥53	¥56	¥ 3

Type	Thousands of U.S. dollars		
	2007		
	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	**$622**	**$666**	**$44**
	622	**666**	**44**
Securities with fair values not exceeding book values:			
Foreign securities	**0**	**0**	**—**
	0	**0**	**—**
Total	**$622**	**$666**	**$44**

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2007, 2006 and 2005:

Type	Millions of yen		
	2007		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	**¥44,118**	**¥68,882**	**¥24,764**
Corporation bonds	**1**	**1**	**0**
Others	**100**	**101**	**1**
	44,219	**68,984**	**24,765**
Securities with book values not exceeding acquisition costs:			
Equity securities	**15,824**	**14,172**	**(1,652)**
Others	**105**	**87**	**(18)**
	15,929	**14,259**	**(1,670)**
Total	**¥60,148**	**¥83,243**	**¥23,095**

Type	Millions of yen		
	2006		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥27,383	¥53,826	¥26,443
Others	200	206	6
	27,583	54,032	26,449
Securities with book values not exceeding acquisition costs:			
Equity securities	5,637	4,842	(795)
Corporate bonds	1	1	(0)
	5,638	4,843	(795)
Total	¥33,221	¥58,875	¥25,654

Type	Millions of yen		
	2005		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥25,024	¥53,376	¥28,352
	25,024	53,376	28,352
Securities with book values not exceeding acquisition costs:			
Equity securities	1,993	1,557	(436)
Corporate bonds	1	1	(0)
	1,994	1,558	(436)
Total	¥27,018	¥54,934	¥27,916

Type	Thousands of U.S. dollars 2007 Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	**$386,491**	**$603,434**	**$216,943**
Corporate bonds	**9**	**9**	**0**
Others	**876**	**885**	**9**
	387,376	**604,328**	**216,952**
Securities with book values not exceeding acquisition costs:			
Equity securities	**138,625**	**124,152**	**(14,473)**
Others	**920**	**762**	**(158)**
	139,545	**124,914**	**(14,631)**
Total	**$526,921**	**$729,242**	**$202,321**

C. Total sales of available-for-sale securities sold in the years ended December 31, 2007, 2006 and 2005 amounted to ¥333 million ($2,917 thousand), ¥1,394 million and ¥804 million, and the related gains amounted to ¥103 million ($902 thousand), ¥79 million and ¥422 million and the related losses amounted to ¥39 million ($342 thousand), ¥107 million and ¥78 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2007, 2006 and 2005:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
(a) Held-to-maturity debt securities				
Type	Book value	Book value	Book value	Book value
Non-listed foreign securities	**¥ —**	¥ 5,163	¥ 5,118	**$ —**
(b) Available-for-sale securities				
Type	Book value	Book value	Book value	Book value
Non-listed equity securities	**¥ 8,808**	¥ 8,920	¥ 8,984	**$ 77,162**
Preference shares	**10,000**	10,000	10,000	**87,604**
Others	**1,997**	977	1,232	**17,495**
(c) Investments in unconsolidated subsidiaries and affiliated companies	**¥53,971**	¥48,125	¥46,666	**$472,808**

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2007, 2006 and 2005 were as follows:

Type	Millions of yen 2007 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	**¥—**	**¥1,197**	**¥ 10**	**¥—**	**¥1,207**
Others	**—**	**—**	**87**	**—**	**87**
Held-to-maturity debt securities:					
Foreign securities	**7**	**62**	**3**	**—**	**72**
Total	**¥ 7**	**¥1,259**	**¥100**	**¥—**	**¥1,366**

Type	Millions of yen 2006 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	¥ —	¥197	¥ —	¥—	¥ 197
Others	—	1	206	—	207
Held-to-maturity debt securities:					
Foreign securities	5,175	38	7	—	5,220
Total	¥5,175	¥236	¥213	¥—	¥5,624

Type	Millions of yen 2005 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	¥1	¥ 182	¥—	¥—	¥ 183
Others	—	3	—	—	3
Held-to-maturity debt securities:					
Foreign securities	5	5,159	7	—	5,171
Total	¥6	¥5,344	¥ 7	¥—	¥5,357

Type	Thousands of U.S. dollars 2007 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	**$—**	**$10,486**	**$ 88**	**$ —**	**$10,574**
Others	**—**	**—**	**762**	**—**	**762**
Held-to-maturity debt securities:					
Foreign securities	**61**	**543**	**26**	**—**	**630**
Total	**$61**	**$11,029**	**$876**	**$ —**	**$11,966**

6. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed when incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥8,627 million ($75,576 thousand), ¥8,484 million and ¥8,292 million for the years ended December 31, 2007, 2006 and 2005, respectively.

7. 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 currency exchange 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:
- Forward currency exchange contracts
- Currency swap contracts
- Interest rate swap contracts

Hedged items:
- Foreign currency trade receivables and trade payables
- Foreign currency bonds
- Interest on foreign currency bonds and loans payable

Information on the derivative financial instrument contracts utilized by the Companies outstanding at December 31, 2007, 2006 and 2005 are not disclosed as all such contracts are effectively hedging the hedged transactions.

8. BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

Bank loans at December 31, 2007, 2006 and 2005 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.41% per annum for 2007, 1.24% per annum for 2006 and 0.74% per annum for 2005.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,752,081 thousand). There were outstanding balances of ¥52,000 million ($455,541 thousand), ¥3,000 million and ¥3,500 million at December 31, 2007, 2006 and 2005.

Long-term debt at December 31, 2007, 2006 and 2005 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Domestic debentures:				
0.63% debentures due in 2006	¥ —	¥ —	¥ 5,000	$ —
0.66% debentures due in 2006	—	—	25,000	—
1.48% debentures due in 2006	—	—	20,000	—
0.45% debentures due in 2007	—	10,000	10,000	—
0.55% debentures due in 2007	—	30,000	30,000	—
0.61% debentures due in 2008	**10,000**	10,000	10,000	**87,604**
0.84% debentures due in 2009	**20,000**	20,000	20,000	**175,208**
1.34% debentures due in 2010	**15,000**	15,000	—	**131,406**
1.55% debentures due in 2011	**15,000**	—	—	**131,406**
1.72% debentures due in 2012	**10,000**	10,000	—	**87,604**
1.88% debentures due in 2014	**10,000**	—	—	**87,604**
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2014 at interest rates of mainly 0.97% to 7.07%	**10,659**	14,122	14,193	**93,378**
Unsecured loans due through 2013 at interest rates of mainly 0.47% to 6.68%	**85,890**	89,651	85,872	**752,431**
	176,549	198,773	220,065	**1,546,641**
Amount due within one year	**(47,072)**	(54,330)	(52,168)	**(412,370)**
	¥129,477	¥144,443	¥167,897	**$1,134,271**

Assets, at book value, pledged as collateral for long-term loans totaling ¥10,659 million ($93,377 thousand), ¥14,122 million and ¥14,193 million, respectively, at December 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Deposit	**¥ 101**	¥ —	¥ —	**$ 885**
Land	**27,162**	27,179	28,550	**237,950**
Buildings and structures	**9,045**	9,907	9,687	**79,238**
Machinery and equipment	**2,900**	3,777	3,707	**25,405**
Investment securities	—	633	—	—
	¥39,208	¥41,496	¥41,944	**$343,478**

The aggregate annual maturities of long-term debt at December 31, 2007 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2008	**¥ 47,072**	**$ 412,370**
2009	**38,368**	**336,119**
2010	**48,739**	**426,973**
2011	**15,261**	**133,693**
2012	**12,961**	**113,544**
2013 and thereafter	**14,148**	**123,942**
	¥176,549	**$1,546,641**

9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2007, 2006 and 2005 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Projected benefit obligation	**¥ 86,265**	¥ 84,666	¥ 80,280	**$ 755,716**
Less fair value of pension assets	**(42,652)**	(42,078)	(37,289)	**(373,649)**
Less fair value of employees' retirement benefit trust	**(21,338)**	(24,668)	(26,962)	**(186,929)**
Unrecognized pension assets	**—**	—	4,552	**—**
Unrecognized actuarial differences	**(2,407)**	5,509	3,345	**(21,086)**
Unrecognized prior service cost	**3,091**	3,543	3,795	**27,078**
Prepaid pension cost	**861**	1	—	**7,543**
Employees' severance and retirement benefits	**¥ 23,820**	¥ 26,973	¥ 27,721	**$ 208,673**

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2007, 2006 and 2005, respectively.

Unrecognized pension assets of ¥4,552 million as of December 31, 2005 were converted to unrecognized actual differences on January 1, 2006 due to application of "The partial revision of Accounting Standard for Employees' Severance and Pension Benefits" ("Statement No. 3" issued by the Accounting Standards Board of Japan on March 16, 2005), and the implementation guidance for the accounting standard for the partial revision of accounting standard for employees' severance and pension benefits (the Financial Accounting Standard Implementation Guidance No. 7 issued by the Accounting Standards Board of Japan on March 16, 2005), (collectively, the "New Accounting Standards").

The pension assets of the funded contributory pension plan is not included above fair value of pension assets because the amount of pension assets can not be calculated reasonably. The contribution to the funded contributory pension plan is reported as severance and retirement benefit expenses.

Included in the consolidated statements of income for the years ended December 31, 2007, 2006 and 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Service costs—benefits earned during the year	**¥ 4,415**	¥ 4,672	¥4,623	**$ 38,677**
Interest cost on projected benefit obligation	**1,648**	1,593	1,579	**14,437**
Expected return on plan assets	**(2,483)**	(2,129)	(955)	**(21,752)**
Amortization of actuarial differences	**(219)**	(378)	960	**(1,919)**
Amortization of prior service cost	**(452)**	(438)	(202)	**(3,960)**
Others	**721**	740	264	**6,317**
Severance and retirement benefit expenses	**¥ 3,630**	¥ 4,060	¥6,269	**$ 31,800**

The rates of expected return on plan assets used by the Companies are mainly 4.0% for the year ended December 31, 2007, 3.5% for the year ended December 31, 2006 and 2.0% for the year ended December 31, 2005. 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 the statements of income using the straight-line method over 10 years, beginning the following fiscal year of recognition. Prior service costs are recognized in the statements of income using the straight-line method over 10 years.

10. INCOME TAXES

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 40.4% for the years ended December 31, 2007, 2006 and 2005.

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

	2007	2006	2005
Statutory tax rate	**40.4%**	40.4%	40.4%
Non-deductible expenses	**1.9%**	2.2%	3.5%
Non-taxable dividend income	**(0.4%)**	(0.3%)	(0.1%)
Per capita inhabitants' taxes	**0.4%**	0.4%	0.4%
Valuation allowance	**5.4%**	4.7%	5.4%
Reversal of valuation allowance	**(1.7%)**	(2.4%)	(2.3%)
Amortization of the difference of investment cost and net assets (Amortization of goodwill)	**1.2%**	1.1%	(0.7%)
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(4.5%)**	(3.2%)	(2.4%)
Undistributed earnings of affiliated companies	**1.3%**	—	—
Others	**1.0%**	0.6%	0.7%
Effective tax rate	**45.0%**	43.5%	44.9%

Significant components of deferred income tax assets and liabilities as of December 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Deferred income tax assets				
Deferred income tax assets:				
Allowance for doubtful accounts	**¥ 4,211**	¥ 4,935	¥ 6,159	**$ 36,890**
Severance and retirement benefits	**15,491**	16,585	16,556	**135,707**
Accrued expenses for enterprise tax	**1,158**	2,255	242	**10,145**
Depreciation	**441**	476	530	**3,863**
Temporary difference for investment in subsidiaries	**1,083**	1,083	—	**9,488**
Loss on write-down of land	**—**	—	1,271	**—**
Loss on impairment of fixed assets	**1,565**	1,572	—	**13,710**
Loss on devaluation of investment securities	**4,390**	4,361	4,212	**38,458**
Loss on securities contributed to employees' retirement benefit trust	**1,470**	1,470	1,470	**12,878**
Net operating loss carryforwards	**12,432**	11,780	12,444	**108,909**
Unrealized gain on sale of non-current assets eliminated on consolidation	**7,169**	7,163	7,105	**62,803**
Accrued expenses	**1,687**	1,918	1,004	**14,779**
Others	**5,937**	7,078	7,158	**52,011**
	57,034	60,676	58,151	**499,641**
Valuation allowance	**(19,577)**	(18,963)	(18,955)	**(171,502)**
Total deferred income tax assets	**37,457**	41,713	39,196	**328,139**
Deferred income tax liabilities:				
Reserve deductible for Japanese tax purposes	**(1,206)**	(1,315)	(1,634)	**(10,565)**
Unrealized gains on available-for-sale securities	**(9,332)**	(10,379)	(11,284)	**(81,752)**
Land revaluation gain	**(5,614)**	(5,614)	—	**(49,181)**
Undistributed earnings of affiliated companies	**(1,034)**	—	—	**(9,058)**
Prepaid pension cost	**(340)**	—	—	**(2,979)**
Others	**(21)**	(26)	(715)	**(184)**
Total deferred income tax liabilities	**(17,547)**	(17,334)	(13,633)	**(153,719)**
Net deferred income tax assets	**¥ 19,910**	¥ 24,379	¥ 25,563	**$ 174,420**

The net deferred tax assets as of December 31, 2007 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥6,931 million ($60,718 thousand) and ¥18,983 million ($166,299 thousand), respectively, and deferred income tax liabilities included in other current liabilities and long-term debt amounting to ¥986 million ($8,638 thousand) and ¥5,019 million ($43,969 thousand), respectively.

The net deferred tax assets as of December 31, 2006 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥9,688 million and ¥19,857 million, respectively, and deferred income tax liabilities included in other current liabilities and long-term debt amounting to ¥0 million and ¥5,167 million, respectively.

The net deferred tax assets as of December 31, 2005 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥7,306 million and ¥18,973 million, respectively, and deferred income tax liabilities included in other current liabilities and long-term debt amounting to ¥6 million and ¥709 million, respectively.

11. NET ASSETS

As described in Note 2 "Accounting Standard for Presentation of Net Assets in the Balance Sheet", net assets comprises four subsections, which are shareholders' equity, accumulated gains (losses) from revaluation and translation adjustments, subscription rights to shares and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 26, 2008, the shareholders resolved cash dividends amounting to ¥4,488 million ($39,317 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2007, and are recognized in the period in which they were resolved.

12. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, 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 ¥3,932 million ($34,446 thousand).

13. IMPAIRMENT OF FIXED ASSETS

As discussed in Note 2 "Impairment of fixed assets", the Company and its domestic consolidated subsidiaries adopted the accounting standard for impairment of fixed assets.

The Company and its domestic consolidated subsidiaries have grouped their fixed assets principally based on their offices or factories, while considering mutual supplementation of the cash flows.

For fixed assets in the real estate business and idle properties, each property is considered to constitute a group. Headquarters and welfare facilities were classified as corporate assets because they do not generate cash flows independent of other assets or group of assets. The recoverable amount of each group of assets is the higher amount of the net selling price (fair value less costs to sell) or value in use.

Loss on impairment of fixed assets for the year ended December 31, 2007 consisted of the following:

Use	Location	Type of assets
Assets used for business (Foods)	Sakura (Tochigi)	Buildings and structures
Others		Goodwill

Carrying amounts of certain assets used for Foods Business were devalued to their recoverable amounts by the decision of their sale in this fiscal year. The goodwill of Foods and Pharmaceutical Business was devaluated to their recoverable amount, since the expected future revenue at the time of initial acquisition was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥1,388 million ($12,159 thousand), which consisted of buildings and structures of ¥99 million and goodwill of ¥1,289 million.

The Company used the net selling price based on the sales agreement for the assets related, and the value in use was calculated by discounting future cash flows at an interest rate of 4.3%.

Loss on impairment of fixed assets for the year ended December 31, 2006 consisted of the following:

Use	Location	Type of assets
Assets used for business (Logistics)	Komaki (Aichi) and 2 others	Land, buildings and structures
Asset for rent	Sumida-ku (Tokyo)	Land, buildings and structures
Idle properties	Akitakada (Hiroshima) and other	Land

Carrying amounts of certain assets used for logistics business and rental assets were devalued to their recoverable amounts, since they were considered not to be recoverable, owing to substantial decline in their fair market value. Carrying amounts of certain idle properties were devalued to their recoverable amounts since they were considered to be useless, owing to substantial decline in the fair market value.

As a result, the Company recognized loss on impairment in the amount of ¥3,905 million , which consisted of land of ¥2,352 million and buildings and structures of ¥1,553 million.

The Company mainly used the appraisal value prepared by real estate appraisers for calculating the net selling price, and the value in use was calculated by discounting future cash flows at an interest rate of 4.3%.

14. 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, 2007, 2006 and 2005 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
	Machinery, furniture and fixtures and others			
Acquisition cost	**¥74,118**	¥72,188	¥71,858	**$649,304**
Accumulated depreciation	**38,753**	37,035	36,608	**339,492**
Net book value	**35,365**	35,153	35,250	**309,812**

Future lease payments as of December 31, 2007, 2006 and 2005, net of interest, under such leases were summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Due within one year	**¥12,399**	¥13,888	¥12,600	**$108,620**
Due after one year	**24,125**	24,992	24,209	**211,345**
	¥36,524	¥38,880	¥36,809	**$319,965**

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, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Lease payments	**¥15,362**	¥16,474	¥15,824	**$134,577**
Depreciation equivalents	**13,788**	14,960	14,163	**120,788**
Amounts representing interest	**1,466**	1,466	1,497	**12,843**

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.

15. SHAREHOLDERS' EQUITY

Changes in number of shares issued and outstanding during the years ended December 31, 2007, 2006 and 2005 are as follows:

Common stock outstanding

	2007	2006	2005
Balance at beginning of the year	**483,585,862**	493,585,862	513,585,862
Decrease due to retirement of treasury stocks	**—**	(10,000,000)	(20,000,000)
Balance at end of the year	**483,585,862**	483,585,862	493,585,862

Treasury stock outstanding

	2007	2006	2005
Balance at beginning of the year	**12,888,400**	15,494,757	28,334,905
Increase due to purchase of odd stock	**57,027**	41,604	34,684
Increase due to purchase of treasury stock based on article 797 paragraph 1 of the corporate law	**51,500**	—	—
Increase due to purchase of treasury stock (Purchased by subsidiaries)	**20,300**	—	—
Increase due to purchase of treasury stock based on resolution of the board of directors	**—**	7,604,500	7,165,800
Decrease due to exercise of stock options	**(316,000)**	(249,900)	(37,000)
Decrease due to stock exchanges	**(1,361,915)**	—	—
Decrease due to retirement of treasury stocks	**—**	(10,000,000)	(20,000,000)
Decrease due to sales of treasury stock (Sold by subsidiaries)	**(212,654)**	—	—
Decrease for other reasons	**(2,585)**	(2,561)	(3,632)
Balance at end of the year	**11,124,073**	1,288,400	15,494,757

16. STOCK OPTION PLANS

The following tables summarize contents of stock options as of December 31, 2007 and 2006.

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 30, 2000
Position and number of grantee	Directors and Executive Officers: 38
Class and number of stock	Common Stock 99,000
Date of issue	March 30, 2000
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From January 1, 2005 to March 29, 2010

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 29, 2001
Position and number of grantee	Directors and Executive Officers: 30
Class and number of stock	Common Stock 344,000
Date of issue	March 29, 2001
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From January 1, 2005 to March 28, 2011

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 28, 2002
Position and number of grantee	Directors and Executive Officers: 43
Class and number of stock	Common Stock 610,000
Date of issue	March 28, 2002
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From January 1, 2005 to March 27, 2012

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 28, 2003
Position and number of grantee	Directors, Corporate Auditors and Executive Officers: 49
Class and number of stock	Common Stock 645,000
Date of issue	March 28, 2003
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 28, 2005 to March 27, 2013

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 30, 2004
Position and number of grantee	Directors, Corporate Auditors and Executive Officers: 44
Class and number of stock	Common Stock 585,000
Date of issue	March 30, 2004
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 30, 2006 to March 29, 2014

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 30, 2005
Position and number of grantee	Directors, Corporate Auditors and Executive Officers: 45
Class and number of stock	Common Stock 600,000
Date of issue	March 30, 2005
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 30, 2007 to March 29, 2015

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 30, 2006
Position and number of grantee	Directors, Corporate Auditors and Executive Officers: 48
Class and number of stock	Common Stock 620,000
Date of issue	March 30, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 30, 2008 to March 29, 2016

The following tables summarize scale and movement of stock options as of December 31, 2007.

No-exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2007	—	—	—	—	—	600,000	620,000
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	600,000	—
Stock options outstanding at December 31, 2007	—	—	—	—	—	—	620,000

Exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2007	72,000	326,000	576,100	437,000	585,000	—	—
Conversion from no-exercisable stock options	—	—	—	—	—	600,000	—
Stock options exercised	14,000	49,500	57,500	177,000	18,000	—	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2007	58,000	276,500	518,600	260,000	567,000	600,000	—

The following tables summarize price information of stock options as of December 31, 2007.

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Paid-in value	1,115	1,185	1,090	830	1,205	1,374	1,688
Average market price of the stock at the time of exercise	1,900	1,890	1,883	1,884	1,851	—	—

The following tables summarize scale and movement of stock options as of December 31, 2006.

No-exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2006	—	—	—	—	585,000	600,000	—
Stock options granted	—	—	—	—	—	—	620,000
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	585,000	—	—
Stock options outstanding at December 31, 2006	—	—	—	—	—	600,000	620,000

Exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2006	96,000	344,000	610,000	611,000	—	—	—
Conversion from no-exercisable stock options	—	—	—	—	585,000	—	—
Stock options exercised	24,000	18,000	33,900	174,000	—	—	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2006	72,000	326,000	576,100	437,000	585,000	—	—

The following table summarizes price information of stock options as of December 31, 2006.

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Paid-in value	1,115	1,185	1,090	830	1,205	1,374	1,688
Average market price of the stock at the time of exercise	1,628	1,668	1,665	1,665	—	—	—

17. 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 type and nature of products.

Business segment information for the years ended December 31, 2007, 2006 and 2005 was as follows:

	Millions of yen					
Year ended December 31, 2007	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**¥1,012,256**	**¥299,663**	**¥67,089**	**¥ 85,064**	**¥ —**	**¥1,464,072**
Intersegment	**30,825**	**3,320**	**1,877**	**55,379**	**(91,401)**	**—**
Total sales	**1,043,081**	**302,983**	**68,966**	**140,443**	**(91,401)**	**1,464,072**
Operating expenses	**963,796**	**298,390**	**67,622**	**138,719**	**(91,411)**	**1,377,116**
Operating income	**¥ 79,285**	**¥ 4,593**	**¥ 1,344**	**¥ 1,724**	**¥ 10**	**¥ 86,956**
Identifiable assets	**¥ 809,484**	**¥218,930**	**¥80,470**	**¥ 84,989**	**¥130,519**	**¥1,324,392**
Depreciation	**34,264**	**7,322**	**1,976**	**1,686**	**2**	**45,250**
Loss on impairment of fixed assets	**—**	**—**	**1,388**	**—**	**—**	**1,388**
Capital investments	**25,559**	**16,942**	**1,319**	**661**	**—**	**44,481**

	Millions of yen					
Year ended December 31, 2006	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,007,558	¥283,121	¥53,792	¥101,914	¥ —	¥1,446,385
Intersegment	37,950	4,083	1,810	58,235	(102,078)	—
Total sales	1,045,508	287,204	55,602	160,149	(102,078)	1,446,385
Operating expenses	967,322	279,458	55,157	157,976	(102,241)	1,357,672
Operating income	¥ 78,186	¥ 7,746	¥ 445	¥ 2,173	¥ 163	¥ 88,713
Identifiable assets	¥ 816,801	¥176,404	¥83,886	¥ 93,446	¥117,964	¥1,288,501
Depreciation	38,094	6,904	1,721	2,071	3	48,793
Loss on impairment of fixed assets	—	—	—	3,905	—	3,905
Capital investments	29,501	5,235	1,376	779	3	36,894

	Millions of yen					
Year ended December 31, 2005	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,025,447	¥267,003	¥25,286	¥112,291	¥ —	¥1,430,027
Intersegment	42,527	4,291	1,526	60,223	(108,567)	—
Total sales	1,067,974	271,294	26,812	172,514	(108,567)	1,430,027
Operating expenses	989,885	262,662	26,007	169,955	(108,731)	1,339,778
Operating income	¥ 78,089	¥ 8,632	¥ 805	¥ 2,559	¥ 164	¥ 90,249
Identifiable assets	¥ 826,747	¥168,874	¥17,708	¥105,764	¥ 99,134	¥1,218,227
Depreciation	40,170	6,789	886	2,180	3	50,028
Capital investments	34,813	6,776	1,034	1,318	—	43,941

	Thousands of U.S. dollars					
Year ended December 31, 2007	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**$8,867,770**	**$2,625,169**	**$587,727**	**$ 745,195**	**$ —**	**$12,825,861**
Intersegment	**270,040**	**29,084**	**16,443**	**485,142**	**(800,709)**	**—**
Total sales	**9,137,810**	**2,654,253**	**604,170**	**1,230,337**	**(800,709)**	**12,825,861**
Operating expenses	**8,443,241**	**2,614,016**	**592,396**	**1,215,234**	**(800,796)**	**12,064,091**
Operating income	**$ 694,569**	**$ 40,237**	**$ 11,774**	**$ 15,103**	**$ 87**	**$ 761,770**
Identifiable assets	**$7,091,406**	**$1,917,915**	**$704,950**	**$ 744,538**	**$1,143,399**	**$11,602,208**
Depreciation	**300,166**	**64,144**	**17,311**	**14,770**	**17**	**396,408**
Loss on impairment of fixed assets	**—**	**—**	**12,159**	**—**	**—**	**12,159**
Capital investments	**223,907**	**148,419**	**11,555**	**5,790**	**—**	**389,671**

Corporate assets in the Elimination and/or corporate column in 2007, 2006 and 2005, amounted to ¥145,176 million ($1,271,800 thousand), ¥133,819 million and ¥117,078 million, which are mainly the financial assets of the Company and subsidiaries related to group finance.

As discussed in Note 2 "Translation of foreign currency accounts and financial statements", the Company has translated, from the beginning of this fiscal year, statements of income of foreign subsidiaries using the average exchange rates during the fiscal year. As a result, sales to outside customers of alcoholic beverages has decreased by ¥54 million ($473 thousand), sales to outside customers of soft drinks and others have increased by ¥1,745 million ($15,287 thousand) and ¥23 million ($201 thousand), respectively. Operating income of alcoholic beverages has increased by ¥26 million ($228 thousand), operating income of soft drinks and others has decreased by ¥110 million ($964 thousand) and ¥0 million ($0 thousand), respectively.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2007, 2006 and 2005.

18. BUSINESS COMBINATIONS

Transactions under common control during the year ended December 31, 2007

(1) Outline of the transactions

(a) Name and business of combined entity

Wakodo Co., Ltd. ("Wakodo") , Food and pharmaceutical business:

Manufacture and sale of powdered milk, baby food, food for automatic merchandising, household foods, powdered milk for business use, medicinal supplies, quasi drugs, cosmetics, sanitary goods and miscellaneous goods

(b) Form of business combination

Transaction under common control (making Wakodo a wholly-owned subsidiary by exchange of shares)

(c) Name of the entity after the reorganization

Wakodo Co., Ltd.

(d) Outline and purpose of the transaction

The Company acquired 5,403,631 shares of Wakodo through a tender offer from April 25, 2006 until May 15, 2006. As a result, the Company held 90.97% of Wakodo's outstanding shares (92.49% of its voting rights). This conflicted with the delisting standard of Tokyo Stock Exchange on December 31, 2006 and the shares were delisted at the end of April 2007.

Under this circumstance, the Company and Wakodo agreed to make Wakodo a wholly-owned subsidiary of the Company through an acquisition of all the remaining outstanding shares of Wakodo owned by its minority shareholders in exchange for the Company's shares. The reasons for this exchange of shares are as follows:

- Redeeming capital invested by Wakodo's shareholders
- Gaining profits from the effects of synergies in the future by keeping ownership of the Company's stocks
- Achieving speedy and efficient Asahi group management by making Wakodo a wholly-owned subsidiary of the Company

(2) Accounting method

As such share exchange was a transaction with minority shareholders of the transactions under common control, the whole amount of minority interests have been reversed by making the wholly-owned subsidiary. The difference between the amount of additional investment and the decrease in minority interests was accounted for as goodwill.

(3) Additional acquisition of shares of the subsidiary

(a) Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Common shares	¥2,917	$25,554
Expenditures for acquiring the common shares	83	727
Acquisition cost	¥3,000	$26,281

(b) Share exchange ratio, its basis for determination, number of shares delivered and its values

(i) Type of shares and share exchange ratio

Common shares

Asahi Breweries, Ltd. 1 : Wakodo Co., Ltd. 2.9

(ii) Basis for determination of share exchange ratio

The Company and Wakodo requested Morgan Stanley Securities, Ltd. ("Morgan Stanley") and Daiwa Securities SMBC Co., Ltd. ("Daiwa SMBC") to calculate the share exchange ratio as an independent third party. The Company and Wakodo comprehensively decided the share exchange ratio, based on the analysis and opinion presented by Morgan Stanley and Daiwa SMBC after careful consideration and discussion.

(iii) Number of shares delivered and values

1,554,269 shares

¥2,917 million ($25,554 thousand)

(to consolidated subsidiaries: 192,354 shares ¥361 million ($3,163 thousand))

(c) Goodwill, reason for recognizing goodwill, amortization method and amortization term

(i) Amount of goodwill

¥863 million ($7,560 thousand)

(ii) Reason for recognizing goodwill

The Company and Wakodo determined the share exchange ratio considering the market price. As a result, the amount of additional investment exceeded the amount of decrease in minority interests by this additional investment.

(iii) Method and term to amortize goodwill

Straight-line method over 20 years

19. SUBSEQUENT EVENT

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2007, were approved at a general meeting of the shareholders of the Company held on March 26, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.5 per share)	¥4,488	$39,317

Independent Auditors' Report

To the Board of Directors of
ASAHI BREWERIES, LTD.

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) and consolidated subsidiaries as of December 31, 2007, 2006 and 2005, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended December 31, 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 consolidated subsidiaries as of December 31, 2007, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
Effective January 1, 2006, ASAHI BREWERIES, LTD. and its domestic consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets as discussed in Note 2.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
March 26, 2008

Market Information

Global beer market

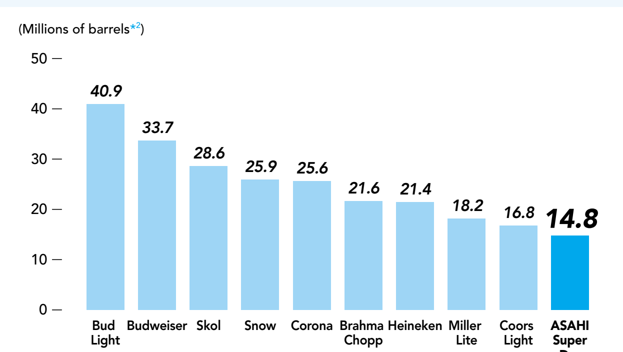
1 Beer consumption—top 10 countries*1

(Millions of barrels)

	1995	2000	2001	2002	2003	2004	2005	2006
China	132.4	190.2	193.8	203.2	211.2	240.6	260.9	288.9
United States	185.9	196.1	196.3	198.1	198.1	199.7	199.9	202.7
Germany	94.6	87.9	86.0	85.5	82.8	81.5	81.0	82.2
Brazil	68.2	70.4	71.5	73.9	72.4	74.4	77.9	81.3
Russia	16.8	47.1	52.0	57.2	63.1	70.1	74.3	81.8
Japan*2	60.8	60.5	60.7	59.1	56.1	56.4	53.9	53.7
United Kingdom	50.4	48.6	49.6	50.6	51.4	50.4	49.9	49.9
Mexico	34.8	42.9	43.6	43.6	45.1	46.4	48.3	49.0
Spain	23.0	24.8	26.5	26.2	28.5	29.4	30.0	29.8
Poland	12.9	19.0	20.7	22.8	24.2	24.9	26.2	27.7

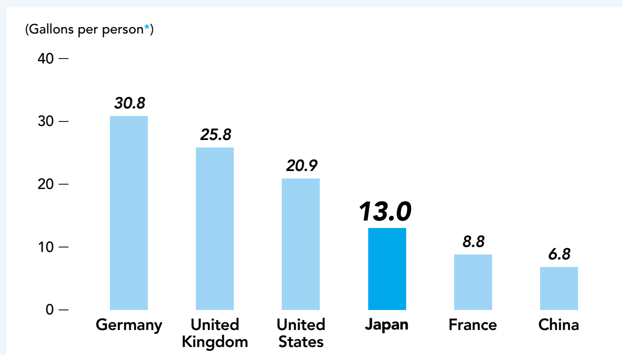
*1 Excludes non-alcoholic brews.
*2 Includes happoshu and new genre.
Source: Impact Databank 2007 Edition

2 World's top 10 beer brands*1 in 2006



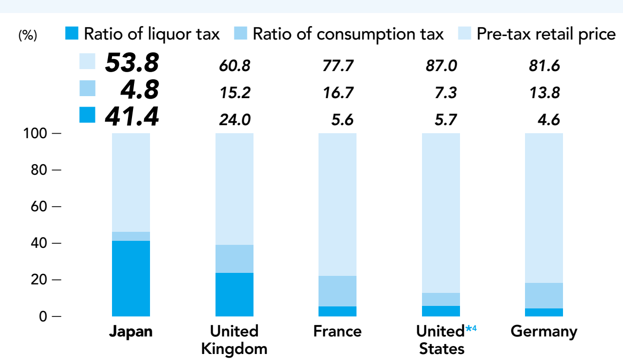
*1 Includes exports and license volume.
*2 One U.S. barrel = 1.173477653 hectoliters.
Source: Impact Databank 2007 Edition

3 Per capita beer consumption in major nations

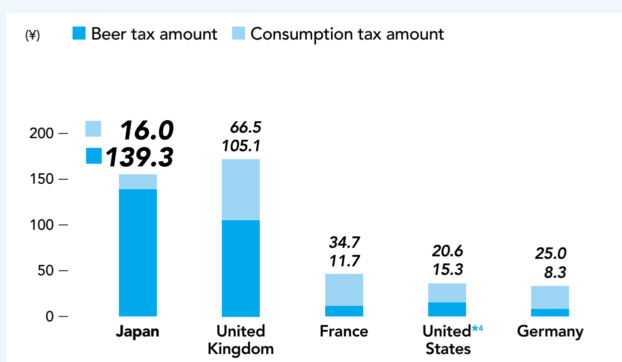


* Based on total population. One U.S. gallon = 3.785 liters.
Source: Impact Databank 2007 Edition

4 Ratio of liquor tax and consumption tax*1 in retail prices for beer in major nations



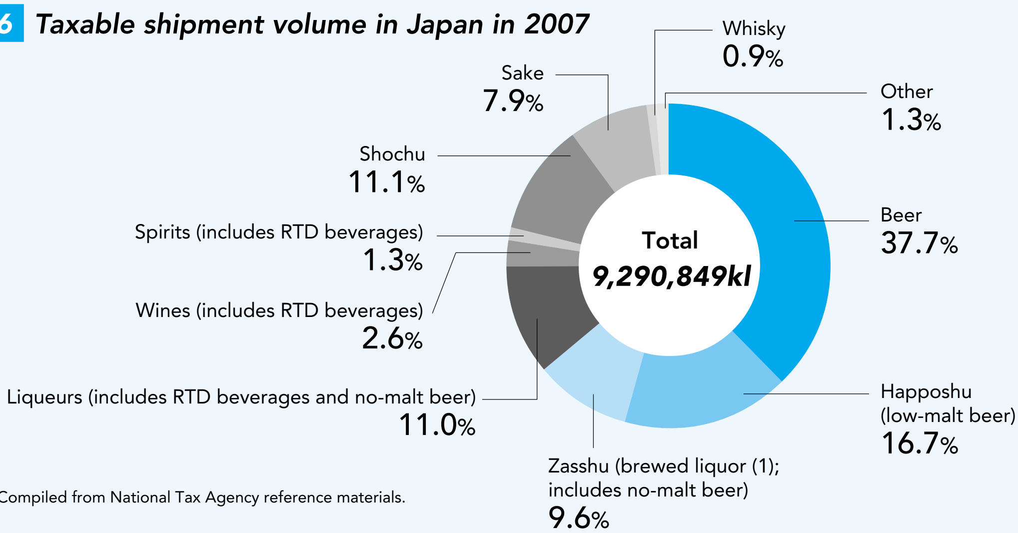
5 Beer tax and consumption tax*1,2,3 in major nations



*1 Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
*2 Cash values (liquor tax, consumption taxes) shown in yen per 633 milliliters.
*3 Foreign exchange rates were: €1 = ¥164.53; U.S.$1 = ¥122.65; £1 = ¥243.58 (based on TTM rate as of June 2007).
*4 Figures for the U.S. based on survey conducted in New York City.
Source: Brewers Association of Japan (June 2007)

Japan's alcoholic beverages market

6 Taxable shipment volume in Japan in 2007



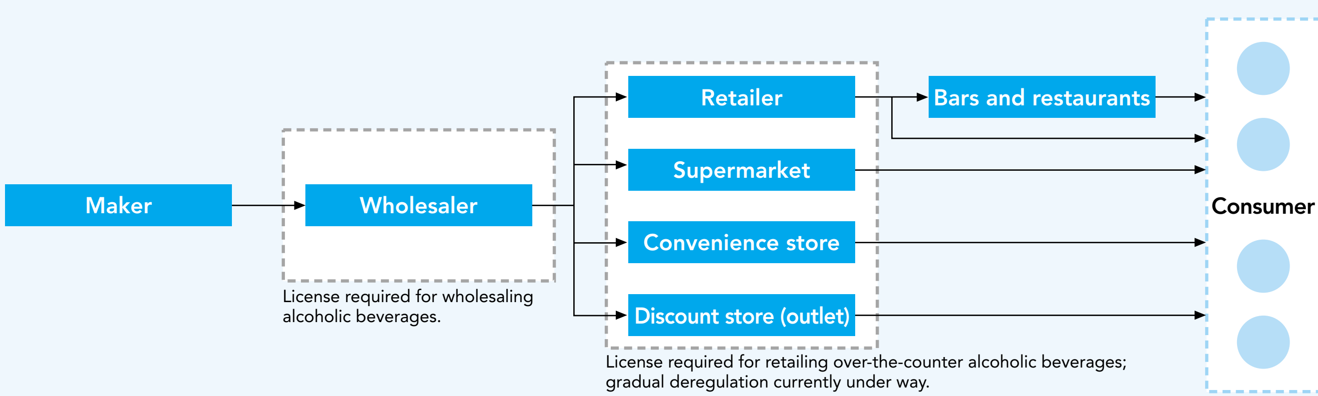
* Compiled from National Tax Agency reference materials.

7 Comparison of liquor taxes per 350 milliliters

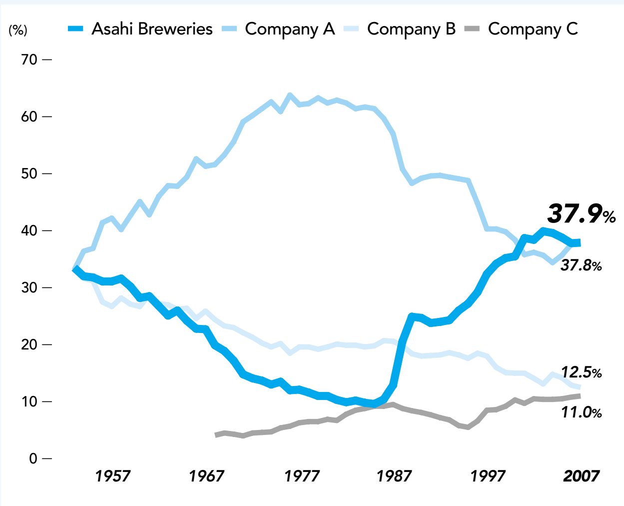
Alcoholic beverages	Malt component ratio	Alcohol content	Tax amount (Yen)
Beer*	67% and above	5.0%	77.0
Happoshu (low-malt beer)*	Below 25%	5.5%	47.0
Liqueurs (no-malt beer)*	0%	5.0%	28.0
Zasshu (no-malt beer)*	0%	5.0%	28.0
Liqueurs (canned chu-hi)	—	7.0%	28.0
Sparkling Wine (low-alcohol)	—	8.0%	28.0
Wines	—	12.0%	28.0

* Beer-type beverages: their tax amounts are derived from representative products in the market.

8 Distribution route of Japan's alcoholic beverages industry



9 Beer, happoshu and new genre: market share in Japan by major company *(1953–2007)*



Source: Asahi Breweries, Ltd.

10 Beer, happoshu and new genre: shipment volume in Japan *(January–December 2007)*

ASAHI BREWERIES

(Million cases)

	Volume	Year-on-year change (%)		Market share (Increase/Decrease)	
Beer	135.28	–2.3	(–1.7%)	49.4%	(–0.4)
Happoshu (low-malt beer)	33.72	+4.3	(+14.5%)	27.7%	(+4.1)
New genre (no-malt beer)	19.23	–1.9	(–8.8%)	19.2%	(–3.0)
Total	188.24	+0.1	(+0.1%)	37.9%	(+0.1)

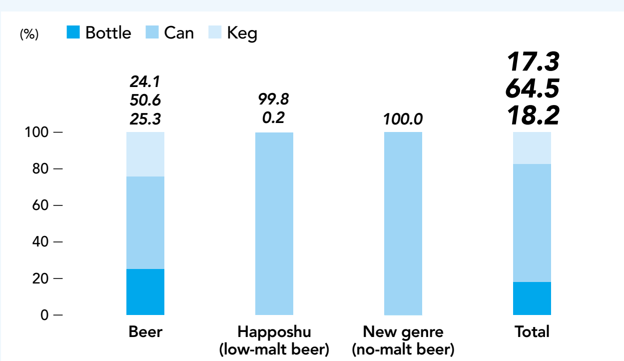
INDUSTRY OVERALL

(Million cases)

	Volume	Year–on–year change (%)		Breakdown (Increase/Decrease)	
Beer	274.04	–2.6	(–0.9%)	55.2%	(–0.4)
Happoshu (low–malt beer)	121.67	–3.1	(–2.5%)	24.5%	(–0.6)
New genre (no–malt beer)	100.37	+4.3	(+4.4%)	20.2%	(+0.9)
Total	496.08	–1.4	(–0.3%)	100.0%	(—)

Asahi Breweries beer and happoshu sales

11 Sales composition by container type in 2006



YEAR-ON-YEAR SALES RATIO, BY CONTAINER TYPE (2007/2006)

	Bottle	Can	Keg	Total
Beer	–7.4%	+0.4%	–0.1%	–1.8%
Happoshu (low–malt beer)	–19.9%	+15.1%	—	+14.5%
New genre (no–malt beer)	—	–8.8%	—	–8.8%
Total	–7.4%	+2.3%	–0.2%	+0.1%

12 Sales composition by marketing channel

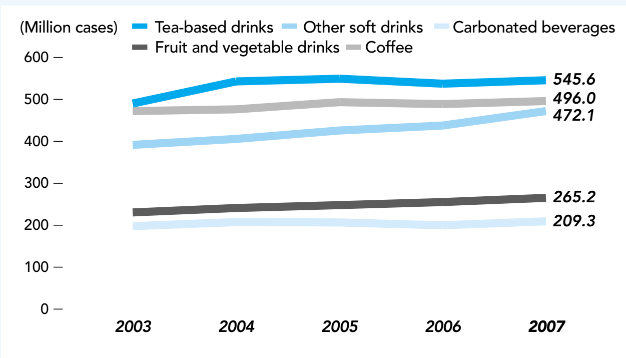
	2006 results			2007 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	9.6%	14.8%	11.0%	8.6%	14.4%	10.2%
Supermarkets	14.9%	37.7%	21.0%	16.4%	39.9%	23.0%
Discount stores (outlets)	18.7%	24.6%	20.3%	18.0%	23.4%	19.5%
Mass-retail outlets total	43.2%	77.1%	52.3%	43.0%	77.7%	52.7%
Commercial-use liquor retailers	34.5%	3.7%	26.2%	34.6%	3.4%	25.9%
General liquor shops, etc.	22.3%	19.2%	21.5%	22.3%	18.9%	21.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

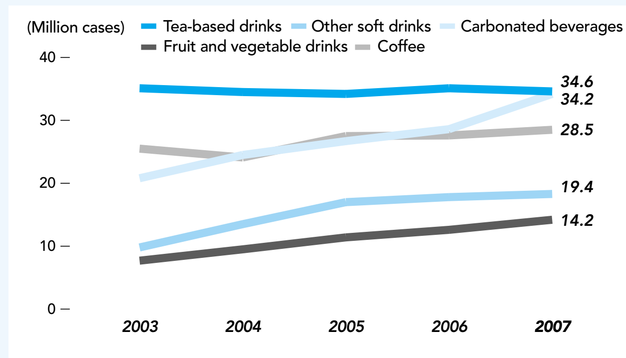
Japan's soft drinks market and Asahi Soft Drinks sales

13 Sales in domestic soft drinks market, by category

INDUSTRY OVERALL



ASAHI SOFT DRINKS



INDUSTRY OVERALL (Million cases)

	2003	2004	2005	2006	2007
Tea-based drinks	490.1	542.8	549.3	537.4	545.6
Coffee	472.1	476.3	493.3	488.7	496.0
Fruit and vegetable drinks	230.5	241.0	247.9	255.2	265.2
Carbonated beverages	197.7	207.5	206.6	199.8	209.3
Other soft drinks	391.5	405.7	425.8	437.6	472.1
Total	1,781.9	1,873.3	1,922.9	1,918.7	1,988.2

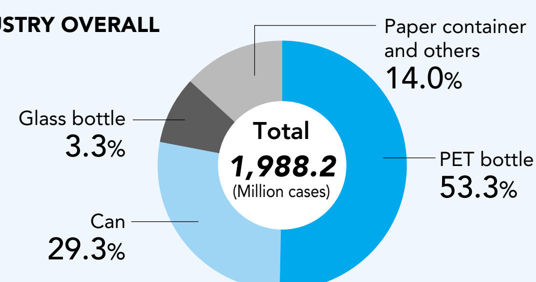
ASAHI SOFT DRINKS (Million cases)

	2003	2004	2005	2006	2007
Tea-based drinks	35.1	34.5	34.2	35.1	34.6
Coffee	25.5	24.1	27.5	27.6	28.5
Fruit and vegetable drinks	7.7	9.5	11.4	12.6	14.2
Carbonated beverages	20.8	24.5	26.7	28.6	34.2
Other soft drinks	9.8	13.5	17.0	17.8	19.4
Total	99.0	106.0	116.8	121.7	130.9

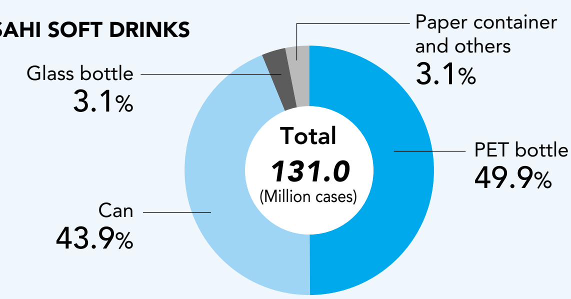
Source: Asahi Soft Drinks, Co., Ltd.

14 Sales in domestic soft drinks market, by container type in 2007

INDUSTRY OVERALL



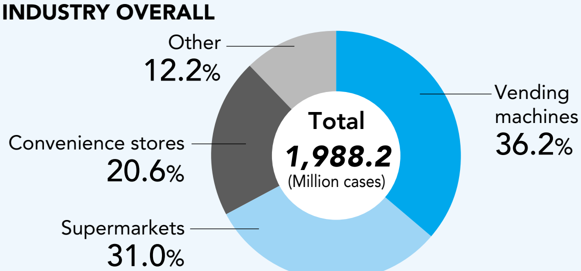
ASAHI SOFT DRINKS



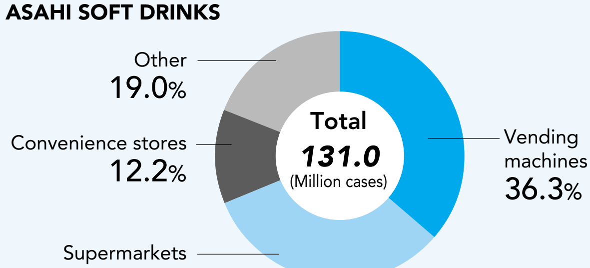
Source: Asahi Soft Drinks, Co., Ltd.

15 Sales composition in domestic soft drinks market, by marketing channel in 2007

INDUSTRY OVERALL



ASAHI SOFT DRINKS



Source: Asahi Soft Drinks, Co., Ltd.

Corporate Data

Major Group companies (domestic)

(As of December 31, 2007)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2007 (¥ billion)
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	97.4%	246.4
LB, Ltd. (Hasuda, Saitama)	0.5	67.9%	16.9
LB, Ltd. (Tokai, Aichi)	0.1	97.0%	4.9
Domestic food and pharmaceuticals business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	35.4
Wakodo Co., Ltd.	2.9	100.0%	32.4
Sunwell Co., Ltd.	0.5	100.0%	1.3

Plants and manufacturing bases (domestic)

Company	Plants	Products	Locations
Asahi Breweries, Ltd.	9	Beer, happoshu, new genre, fruit wine, beer-taste, carbonated beverages	Hokkaido, Fukushima, Ibaraki, Kanagawa, Aichi, Osaka, Hyogo, Ehime, Fukuoka
The Nikka Whisky Distilling Co., Ltd.	7	Whisky, shochu, RTD beverages	Hokkaido, Aomori, Miyagi, Tochigi, Chiba, Hyogo, Fukuoka
Sainte Neige Wine Co., Ltd.	1	Wine	Yamanashi
Satsumatsukasa Shuzo Co., Ltd.	1	Otsu-type shochu	Kagoshima
Asahi Soft Drinks Co., Ltd.	4	Coffee drinks, carbonated drinks, tea-based beverages, other soft drinks and RTD beverages	Chiba, Shizuoka, Toyama, Hyogo
LB, Ltd. (Hasuda, Saitama)	1	Chilled beverages such as tea-based drinks, soft drinks and other drinks	Saitama
LB, Ltd. (Tokai, Aichi)	1	Black vinegar drinks for home-delivery and other products	Aichi
Asahi Food & Healthcare Co., Ltd.	4	Brewer's yeast extract, supplements and other products	Ibaraki, Tochigi, Nagano, Osaka
Wakodo Co., Ltd.	3	Milk powder for infants, baby food, milk powder for commercial-use, skincare products, food	Tochigi, Nagano, Shizuoka
Asahi Beer Malt, Ltd.	2	Malt, malt powder, barley tea and other products	Tochigi, Shiga

* Sunwell Co., Ltd. outsources its production

Sales and marketing bases (overseas)

(As of December 31, 2007)

Branch / Office	Principal business	Locations
Europe		
Asahi Breweries, Ltd. Europe Branch	Sales and marketing of beer	17 Connaught Place, London W2 2EL, U.K. Tel: (44) 20-7706-8330 Fax: (44) 20-7706-4220
Asia		
Asahi Breweries, Ltd. Bangkok, Asia / Pacific Regional Office	Sales and marketing of beer (Other than Thailand)	7th Floor, RS Tower Building, 121/30 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand Tel: (66-2)-245-5700 Fax: (66-2)-245-5701

Major Group companies (overseas)

(As of December 31, 2007)

Company	Capital	Percentage of voting rights	Principal business	Locations
United States				
Asahi Beer U.S.A., Inc.	US$32 million	99.2%	Sales and marketing of beer	Headquarters & Los Angeles Branch: 3625 Del Amo Blvd., Suite 250, Torrance, CA 90503, U.S.A. Tel: (1) 310-214-9051 Fax: (1) 310-542-5108 New York Branch: 300 Hamilton Ave., Suite 209, White Plains, NY 10606 Tel: (1) 914-288-0788 Fax: (1) 914-288-0744
Europe				
Buckinghamshire Golf Company Limited	£24.5 million	100.0%	Ownership and management of a golf club	Denham Court Drive, Denham Buckinghamshire UB9 5PG, U.K. Tel: (44) 1895-835777 Fax: (44) 1895-835210
Asia				
Hangzhou Xihu Beer Asahi Co., Ltd.	RMB276 million	55.0%	Production and sales of beer	545 Xixi Road, Hangzhou, Zhejiang, China Tel: (86) 571-8502-1919 Fax: (86) 571-8512-2654
Yantai Beer Asahi Co., Ltd.	RMB219 million	53.0%	Production and sales of beer	100 Huanshan Road Yantai, Shandong, China Tel: (86) 535-608-2283 Fax: (86) 535-608-6279
Beijing Beer Asahi Co., Ltd.	RMB375 million	47.0%	Production and sales of beer	North 1 Yanqi Road Yanqi Industrial Development Zone, Huairou District, Beijing, China Tel: (86) 10-6567-7001 Fax: (86) 10-6566-6885
Shenzhen Tsingtao Beer Asahi Co., Ltd.	RMB249 million	29.0%	Production and sales of beer	Hongqiaotou Village, Songgang Town Baoan District Shenzhen P.R China Tel: (86) 755-2705-8200 Fax: (86) 755-2705-7146
Asahi Beer (Shanghai) Product Services Co., Ltd.	RMB345 million	100.0%	Sales of beer and soft drinks	No.1205, 12th Floor, Westgate Mall 1038 Nanjing Rd. (w), Shanghai, China Tel: (86) 21-6267-2052 Fax: (86) 21-6267-2082
Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd.	RMB110 million	60.0%	Production and sales of soft drinks	97 Laoshan Road, Qingdao, Shandong, China Tel: (86) 532-8880-7400 Fax: (86) 532-8880-7401
Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.	US$10 thousand	50.0%	Production and sales of soft drinks	No.15, 3rd Avenue, T.E.D.A, Tianjin, China Tel: (86) 22-6529-8888 Fax: (86) 22-6529-8877
Haitai Beverage Co., Ltd.	KRW100,000 million	41.0%	Production and sales of soft drinks	17th Floor, CBS Bldg., 917-1, Mok-Dong, Yangchon-Gu, Seoul, 158-050 Korea Tel: (82) 2-3219-7114 Fax: (82) 2-2651-9084
B&A Distribution Co., Ltd.	THB100 million	49.0%	Sales and marketing of beer in Thailand	7th Floor, RS Tower Building, 121/30 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand Tel: (66-2)-245-5700 Fax: (66-2)-245-5701

Investor Information (As of December 31, 2007)

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/english

DATE OF ESTABLISHMENT
September 1,1949

MAJOR DOMESTIC OFFICES AND BREWERIES
Regional Headquarters and Branches: 19
Breweries: 9
Laboratories: 6

NUMBER OF OVERSEAS OFFICES
Business Coordination Department: 1
Business Offices: 3

NUMBER OF EMPLOYEES
Consolidated: 15,599
Non-consolidated: 3,725

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

PAID-IN CAPITAL
¥182,531 million

NUMBER OF SHARES OF COMMON STOCK ISSUED
483,585,862

NUMBER OF SHAREHOLDERS
115,588 (1,745 more than last fiscal year)

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.

COMPOSITION OF SHAREHOLDERS

	(%)
Financial institutions	38.3
Overseas corporations, etc.	26.2
Individuals, other	16.0
Other corporations	16.5
Securities companies	3.1

* Treasury stock is included under "Individuals, other."

MAJOR SHAREHOLDERS

Shareholder Name	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.0
Japan Trustee Services Bank, Ltd. (Trust Account)	3.9
Asahi Kasei Corporation	3.9
The Dai-ichi Mutual Life Insurance Company	3.7
Fukoku Mutual Life Insurance Company	3.5
Sumitomo Mitsui Banking Corporation	1.9
The Sumitomo Trust & Banking Co., Ltd.	1.7
Sumitomo Life Insurance Company	1.5
State Street Bank and Trust Company 505103	1.5
Mizuho Corporate Bank, Ltd.	1.4

* While Asahi Breweries, Ltd. owns 11,124,000 shares of treasury stock, it is not included with the major shareholders listed above.

STOCK EXCHANGE LISTINGS
Tokyo Stock Exchange, Osaka Securities Exchange

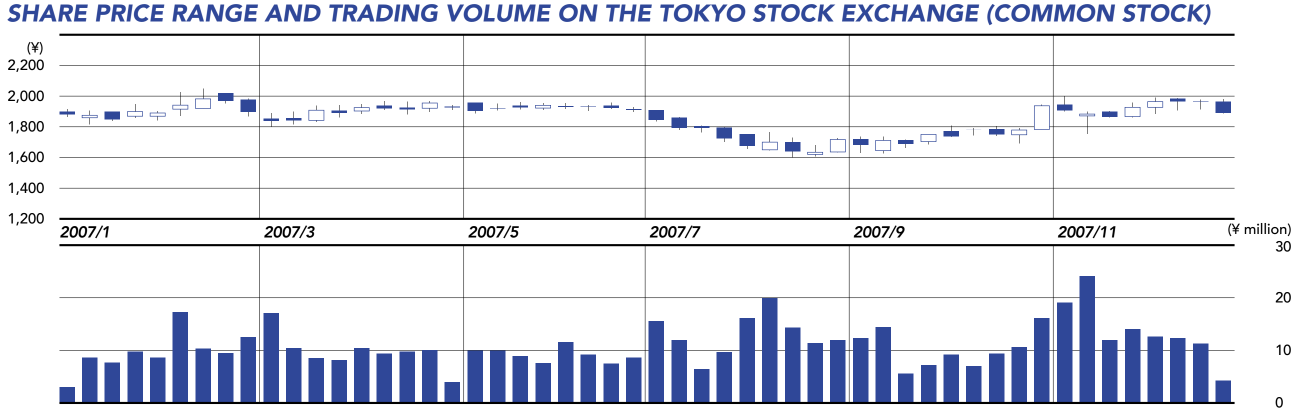
NEWSPAPER FOR OFFICIAL NOTICE
Nihon Keizai Shimbun

TRANSFER AGENT AND REGISTRAR
STOCK TRANSFER AGENT:
The Sumitomo Trust & Banking Co., Ltd.
4-5-33 Kitahama, Chuo-ku, Osaka

HANDLING OFFICE:
The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-4-4 Marunouchi, Chiyoda-ku, Tokyo

AUDITOR
KPMG AZSA & Co.

SHARE PRICE RANGE AND TRADING VOLUME ON THE TOKYO STOCK EXCHANGE (COMMON STOCK)



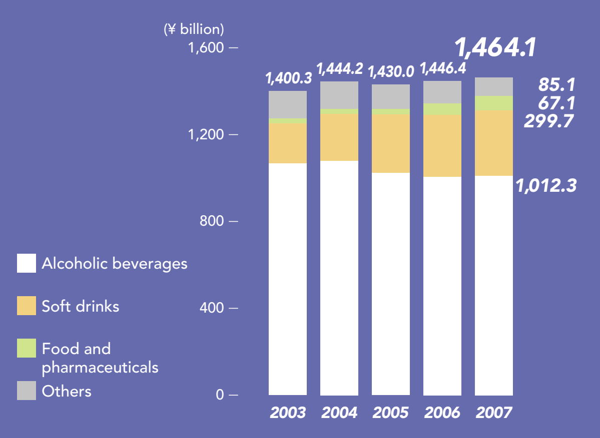
FINANCIAL HIGHLIGHTS

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2007, 2006 and 2005

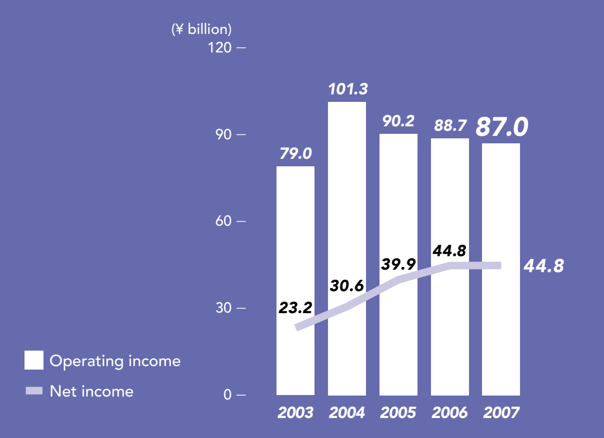
	Millions of yen			%	Thousands of U.S. dollars *1
	2007	2006	2005	Change (2007/2006)	**2007**
For the year:					
Net sales	**¥1,464,072**	¥1,446,385	¥1,430,027	+1.2	**$12,825,861**
Alcoholic beverages	**1,012,256**	1,007,558	1,025,447	+0.5	**8,867,770**
Soft drinks	**299,663**	283,121	267,003	+5.8	**2,625,169**
Food and pharmaceuticals	**67,089**	53,792	25,286	+24.7	**587,727**
Others	**85,064**	101,914	112,291	–16.5	**745,195**
Operating income	**86,956**	88,713	90,249	–2.0	**761,770**
Alcoholic beverages	**79,285**	78,186	78,089	+1.4	**694,569**
Soft drinks	**4,593**	7,746	8,632	–40.7	**40,237**
Food and pharmaceuticals	**1,344**	445	805	+201.9	**11,774**
Others	**1,724**	2,173	2,559	–20.7	**15,103**
Elimination and/or corporate	**10**	163	164	–94.2	**87**
Operating income ratio (%)	**5.9**	6.1	6.3	–0.2point	
Net income	**44,798**	44,775	39,870	±0.0	**392,449**
Net cash provided by operating activities	**69,573**	105,843	87,245	–34.3	**609,488**
Capital investments	**44,481**	36,894	43,941	+20.6	**389,671**
At year-end:					
Total assets	**¥1,324,392**	¥1,288,501	¥1,218,227	+2.8	**$11,602,208**
Interest-bearing debt	**332,458**	290,101	289,202	+14.6	**2,912,467**
Total net assets*2	**529,782**	509,775	454,892	+3.9	**4,641,104**
Per share data (in yen and U.S. dollars):					
Net income	**¥ 94.94**	¥ 94.02	¥ 82.22	+1.0	**0.83**
Diluted net income	**94.74**	93.85	80.98	+0.9	**0.83**
Cash dividends applicable to the year	**19.00**	19.00	17.00	±0.0	**0.17**
Total net assets	**1,089.33**	1,012.77	951.12	+7.6	**9.54**
Key ratios:					
ROE (%)	**9.0**	9.6	9.1		
ROA (%)*3	**6.9**	7.2	7.4		
Total assets turnover (times)	**1.1**	1.2	1.2		
Equity ratio (%)	**38.9**	37.0	37.3		
Interest coverage ratio (times)	**17.7**	20.5	22.5		
Debt-to-equity ratio (times)	**0.65**	0.61	0.64		

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥114.15 to U.S.$1, using the exchange rate prevailing at December 31, 2007.
*2 Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.
*3 ROA: Recurring profit to total assets

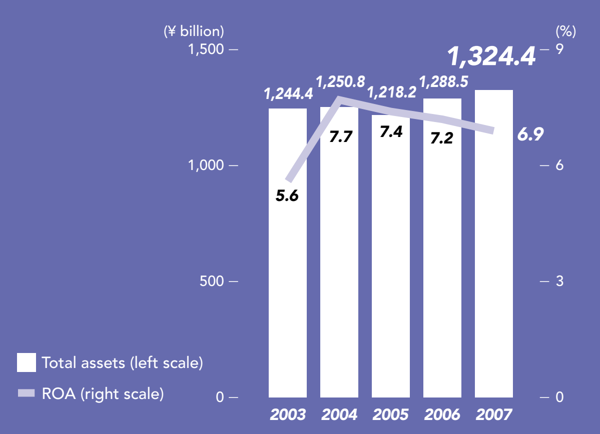
NET SALES



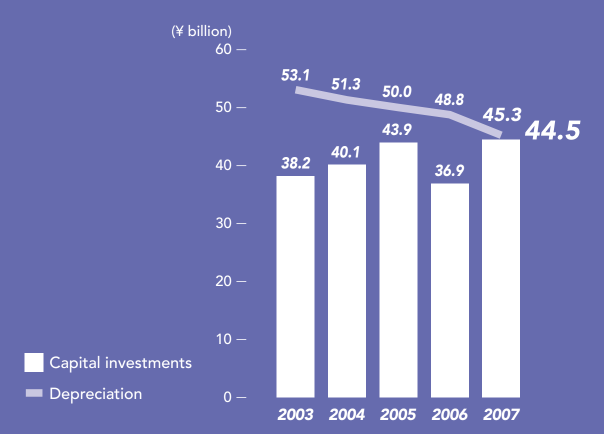
OPERATING INCOME/NET INCOME



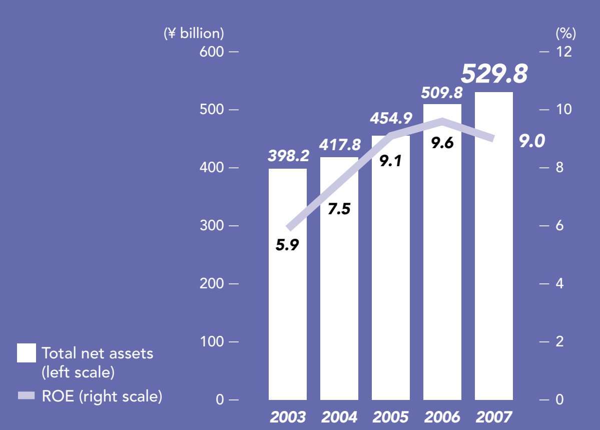
TOTAL ASSETS/ROA



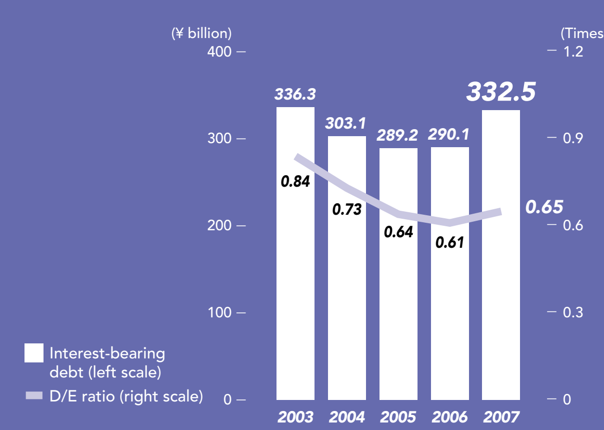
CAPITAL INVESTMENTS/DEPRECIATION



TOTAL NET ASSETS/ROE



INTEREST-BEARING DEBT/D/E RATIO



ASAHI BREWERIES, LTD.

http://www.asahibeer.co.jp/english

For more IR information, please contact our Investor Relations Office

(Public Relations Department)

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