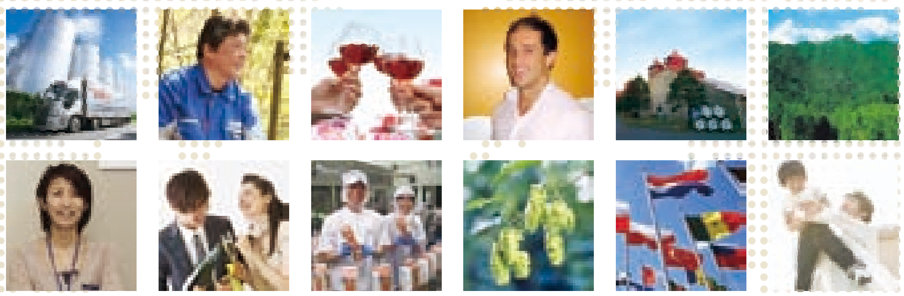
Asahi Breweries, Ltd.

ANNUAL REPORT 2009



Asahi World

Vision and Strategies for 2015

The Asahi Breweries Group is anchored by alcoholic beverages, including beer-type*[1], shochu, and RTD (ready-to-drink) beverages, whisky and spirits, and wine, also handling soft drinks and chilled beverages in its soft drinks business, along with functional foods, baby foods and other products in the food business. The Group controls powerful brands in the Japanese market, including *Asahi Super Dry* beer in the alcoholic beverages business and *WONDA* canned coffee in the soft drinks business. Overseas, the Group is broadening its business horizons through partnerships with Tsingtao Brewery Company Limited (Tsingtao Brewery) and Tingyi-Asahi Beverages Holding Co., Ltd. in China, the acquisition of Schweppes Australia, and other actions.

Our Vision → P4

Long-Term Vision 2015, our vision for the Asahi Breweries Group by 2015, comprises two parts: a Group management philosophy and a corporate brand statement. Based on the statement of purpose and the code of conduct outlined in the management philosophy, we will strive to realize our long-term vision by pursuing the goal of creating fresh value set out in the corporate brand statement.

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.

Corporate Brand Statement

Share the "Kando"*[2]

Always creating new value moves people's hearts and forms a strong bond. Always imagining a fresh tomorrow moves people's hearts and helps them shine. Sharing these emotional experiences with as many people as possible—this is the mission of the Asahi Breweries Group.

Long-Term Vision 2015

Striving for transforming the bounty of nature into the "Kando" of food while becoming a trusted company with global quality.

*[1] In this report, "**beer**" refers to beverages made from malt (at least two-thirds) and supplementary ingredients from a government-specified list (including malt, barley, hops, rice, corn and starch). "**Happoshu**" refers to beverages with less than two-thirds malt content and containing other ingredients not specified for use in beer. Happoshu is defined as a sparkling alcoholic beverage that contains malt or barley as an ingredient. "**New genre beverages**" refers to beverages that taste like beer but cannot be categorized as either beer or happoshu. Two types of new genre beverages are currently available on the market: malt-type, which blends malt-based happoshu with another type of alcohol such as spirits; and non-malt type, which uses soy beans or other ingredients in place of malt.

*[2] Kando is an emotion experienced in various ways. It can be an extreme satisfaction, an extraordinary feeling beyond one's expectations, and/or a sensitively touching and moving sensation.

Contents

The Asahi Breweries Group recently formulated its long-term vision targeting the year 2015. Our aim in this report is to give readers a clear understanding of both this vision and the business strategies contained in the Medium-Term Management Plan 2012 that we will pursue to achieve it. In the Special Feature (p. 4), we let front-line employees explain in their own words our long-term vision of striving to transform the bounty of nature into the "Kando" of food while becoming a trusted company with global quality. Next, in an interview with Asahi Breweries President Naoki Izumiya (p. 10) and the Review of Operations (p. 18), we discuss the underlying economic climate in which we are operating and the concrete strategies that will allow us to realize our long-term vision.

and Strategies → P10

The Asahi Breweries Group has established the Medium-Term Management Plan 2012 as a priority milestone for the achievement of the Long-Term Vision 2015. Our top priority for the three years through 2012 is to improve existing businesses' profitability while aggressively promoting new capital and business alliances. The policies for each business are outlined below.

Medium-Term Management Plan 2012

Improve existing businesses' profitability in pursuit of Long-Term Vision 2015's attainment.

Alcoholic Beverages Business:

Strengthening and Cultivating Core Brands While Striving for World-Class Profitability

Soft Drinks Business:

Cultivating Strong Brands and Raising Profitability to Become a Pillar of the Industry Realignment

Food Business*:

Reinforcing Brands and Seeking Group Synergies in Areas of Strength

Overseas Operations:

Raising Profitability in China by Alliance With Tsingtao Brewery and Expanding Our Presence in Asia and Oceania

* As part of the formulation "Long-Term Vision 2015" and "Medium-Term Management Plan 2012," the Group's food and pharmaceuticals operation was renamed the "food business."

Forward-Looking Statements

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

Financial Highlights

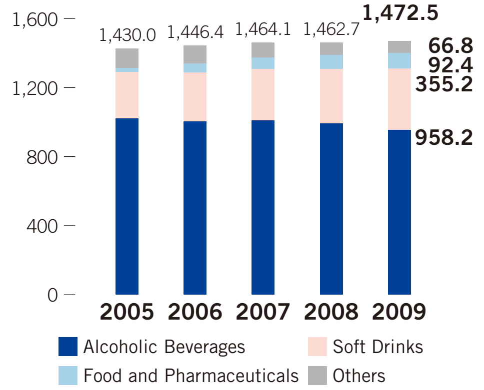
Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2009, 2008 and 2007

	Millions of yen			%	Thousands of U.S. dollars *1
	2009	2008	2007	Change (2009/2008)	2009
For the year:					
Net sales	**¥1,472,469**	¥1,462,748	¥1,464,072	+0.7	**$15,987,720**
Alcoholic beverages	**958,156**	995,703	1,012,256	–3.8	**10,403,431**
Soft drinks	**355,162**	316,737	299,663	+12.1	**3,856,265**
Food and pharmaceuticals	**92,400**	79,203	67,089	+16.7	**1,003,257**
Others	**66,751**	71,105	85,064	–6.1	**724,767**
Operating income	**82,777**	94,520	86,956	–12.4	**898,773**
Alcoholic beverages	**78,879**	90,762	79,285	–13.1	**856,449**
Soft drinks	**695**	616	4,593	+12.8	**7,546**
Food and pharmaceuticals	**2,745**	1,944	1,344	+41.2	**29,804**
Others	**889**	1,006	1,724	–11.6	**9,653**
Elimination and/or corporate	**(431)**	192	10	—	**(4,679)**
Operating income ratio (%)	**5.6**	6.5	5.9	–0.9 point	
Net income	**47,645**	45,014	44,798	+5.8	**517,318**
Net cash provided by operating activities	**106,358**	106,094	69,573	+0.2	**1,154,810**
Capital investments*2	**62,376**	36,135	44,481	+72.6	**677,264**
At year-end:					
Total assets	**¥1,433,653**	¥1,299,059	¥1,324,392	+10.4	**$15,566,265**
Interest-bearing debt	**391,875**	302,259	332,458	+29.6	**4,254,896**
Total net assets	**577,703**	534,628	529,782	+8.1	**6,272,562**
Per share data (in yen and U.S. dollars):					
Net income	**¥ 102.49**	¥ 96.31	¥ 94.94	+6.4	**$ 1.11**
Diluted net income	**102.42**	96.14	94.74	+6.5	**1.11**
Cash dividends applicable to the year	**21.00**	20.00	19.00	±0.0	**0.23**
Total net assets	**1,233.25**	1,122.13	1,089.33	+9.9	**13.39**
Key ratios:					
ROE (%)	**8.7**	8.7	9.0		
ROA (%)*3	**6.6**	7.4	6.9		
Total assets turnover (times)	**1.1**	1.1	1.1		
Equity ratio (%)	**40.0**	40.2	38.9		
Interest coverage ratio (times)	**23.1**	20.4	13.4		
Debt-to-equity ratio (times)	**0.68**	0.58	0.65		

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥92.10 to U.S.$1, using the exchange rate prevailing at December 31, 2009.
*2 Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.
*3 ROA: Ordinary income to total assets

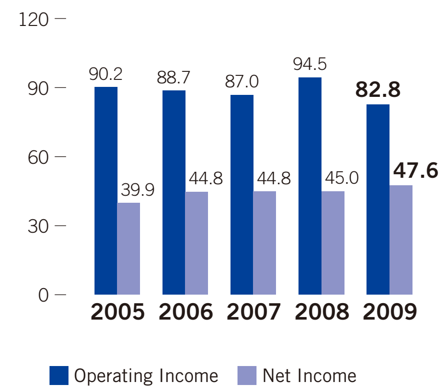
NET SALES

(¥ billion)



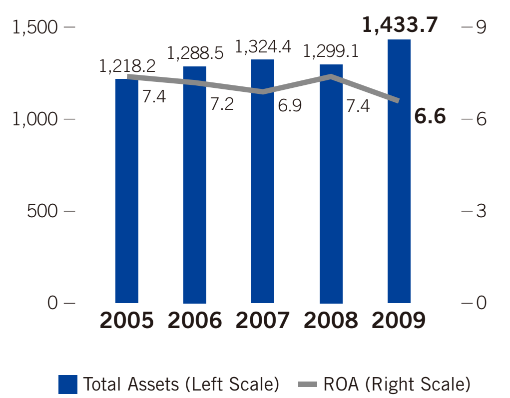
OPERATING INCOME/NET INCOME

(¥ billion)



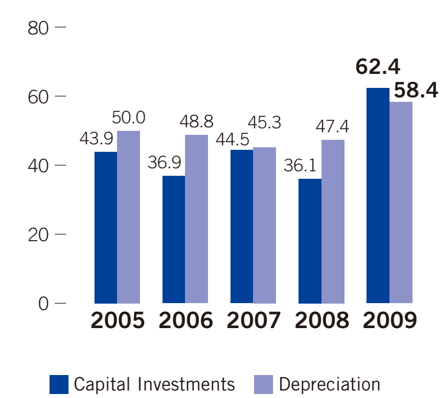
TOTAL ASSETS/ROA

(¥ billion) (%)



CAPITAL INVESTMENTS*/DEPRECIATION*

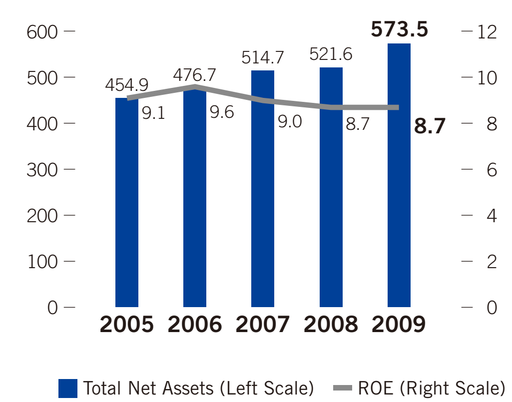
(¥ billion)



* Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

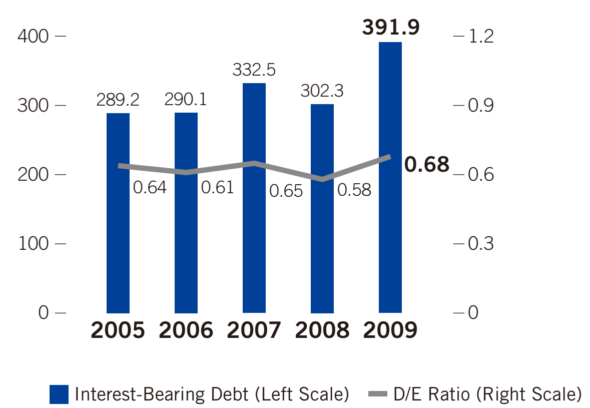
TOTAL NET ASSETS/ROE

(¥ billion) (%)



INTEREST-BEARING DEBT/D/E RATIO

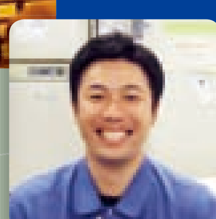
(¥ billion) (Times)



Our Vision

The Asahi Breweries Group has formulated a new Long-Term Vision 2015, under which we strive to transform the bounty of nature into the "Kando" of food while becoming a trusted company with global quality.
This vision embodies our goals for the Asahi Breweries Group in 2015: to pursue customer satisfaction by leveraging our strong manufacturing capabilities that utilize natural ingredients, and to strive to upgrade the quality of all products and activities to a world-class level and earn the trust of customers by localizing in each region.
Every day our 17,316 Group officers and employees around the world are working together to raise the quality of our operations in order to make this vision a reality.

We aim to create new value that satisfies customers by maximizing group-wide synergies driven by the strengths of each Group company, and by discovering new insights and developing fundamental technologies useful to the Group's R&D activities.



Kouichi Sashihara

Asahi Breweries, Ltd.
Corporate Research & Development Headquarters
Research Laboratories for Fundamental Technology of Food
Department of Nutrient-physiological Research

Ayako Yano
Wakodo Co., Ltd.
Department of Baby Foods & Goods
Research and Development Center

By harnessing expertise developed over more than a century and its impeccable quality grounded on food safety and reliability, Wakodo aims to offer high-value-added product propositions to customers in order to deliver customer satisfaction surpassing expectations.

Customer needs are diversifying, for example, with consumers becoming increasingly health-conscious. By constantly focusing on customer-oriented production, we propose products to satisfy as many customers as possible.

Makiko Akita
Asahi Soft Drinks Co., Ltd.
Marketing Headquarters, Products
Strategy Department

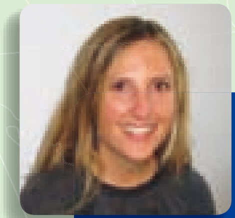
Our Vision

Satoshi Ichikawa | Asahi Breweries, Ltd.
Kanagawa Brewery, Brewing Section

The top priority of day-to-day production operations is to produce beer of the highest quality in a timely manner and only in the amounts needed. By continuously raising the bar of our performance in this regard, we aspire to earn the trust of customers and society at large.

Looking ahead, we must accelerate efforts to strengthen the overseas operations base in order to achieve further Group-wide growth. We will do our utmost to enhance our presence mainly in Asia and Oceania. In the process, we seek to establish ourselves as a driving force behind the Group's growth strategy.

Hiroshi Shimizu | Asahi Breweries, Ltd.
International Headquarters, International Business Department



Ellie Vince
Schweppes Australia Pty Ltd.
Marketing Department, Lifestyle Beverages Team

By taking full advantage of our diverse product portfolio, we will conduct sales activities that truly captivate our customers. Through these activities, we will steadily enhance our presence in Australia, to help enhance the value of the entire Asahi Breweries Group.

The guiding principle of our day-to-day activities is to ensure that customers are able to enjoy great-tasting Group beverages anytime, anywhere. By raising customer satisfaction through our activities, we aim to develop as many loyal Asahi Breweries Group customers as possible.

Junpei Yamada
Asahi Breweries, Ltd.
Sales Headquarters for On-Premise Retailers, Sales Section for Food Service Chains

Our Vision

"To realize our Long-Term Vision 2015, senior management must lead the way in enhancing management quality. This task demands that we accurately grasp the changes in our business environment, and pursue the kind of high-quality management that invites sustainable growth."

Long-Term Vision 2015: Quantitative Targets (vs. 2009)

	2009		2015
Net Sales	¥1.5 trillion	→	¥2–2.5 trillion
EBITDA Ratio*	10.8%	→	12% or higher
Overseas Sales Contribution	5%	→	20–30%

*EBITDA = Ordinary Income + Interest expense + Depreciation (including amortization of goodwill)

To Our Shareholders and Friends

Japan's economy, battered by the worldwide recession triggered by economic turmoil in the United States, continued to face weak economic conditions during the fiscal year ended December 31, 2009. The business environment in the food industry, meanwhile, has entered a period of major transformation characterized by realignments in Japan and overseas as key markets mature.

Anticipating these changes, we formulated Long-Term Vision 2015 and Medium-Term Management Plan 2012, declaring a new direction for the Asahi Breweries Group that reaffirms our corporate philosophy. Coinciding with this new start, our policy going forward is to innovate our management structure, and to move with speed to meet management plan targets.

Under the Long-Term Vision, our stated mission is strive to transform the bounty of nature into the "Kando" of food while becoming a trusted company with global quality. Our goal by the final year of this vision is to achieve net sales of ¥2 to ¥2.5 trillion, a business scale that will rank the Group among the top 10 firms in the global food industry. Under Medium-Term Management Plan 2012, a set of milestones for realizing this vision, our top priority will be improving the profitability of existing businesses. Accordingly, we plan to push ahead with profit structure reform designed to generate stable cash flows. Our intent here is not simply to grow our business scale, but to build an optimal business portfolio from a medium- to long-term perspective by using cash flows for global business and capital alliances.

To realize our Long-Term Vision, senior management must lead the way in enhancing management quality. This task demands that we accurately grasp the changes in our business environment, and pursue the kind of high-quality management that invites sustainable growth. In all corporate activities, our aim is to evolve into a corporate group that delivers more to excite, satisfy and energize our stakeholders. With this in mind, expect great things from what the Asahi Breweries Group has in store going forward.

Hitoshi Ogita

Hitoshi Ogita
Chairman of the Board

Naoki Izumiya

Naoki Izumiya
President

Our Strategies

Fiscal 2009 marked the final year of our Third Medium-Term Management Plan. Amid an increasingly challenging business environment marred by weak consumer spending, we moved to strengthen our Group management base with the goal of establishing a growth and earnings base for our next phase as a company. These efforts resulted in record-high net income for a ninth consecutive term.

From 2010, we embarked on the Medium-Term Management Plan 2012. In the plan we give highest priority to improving the profitability of existing businesses, while also further enhancing business and capital alliances in Japan and overseas. Our success here will be vital to realizing our Long-Term Vision.

Naoki Izumiya
President

Overview of the Third Medium-Term Management Plan

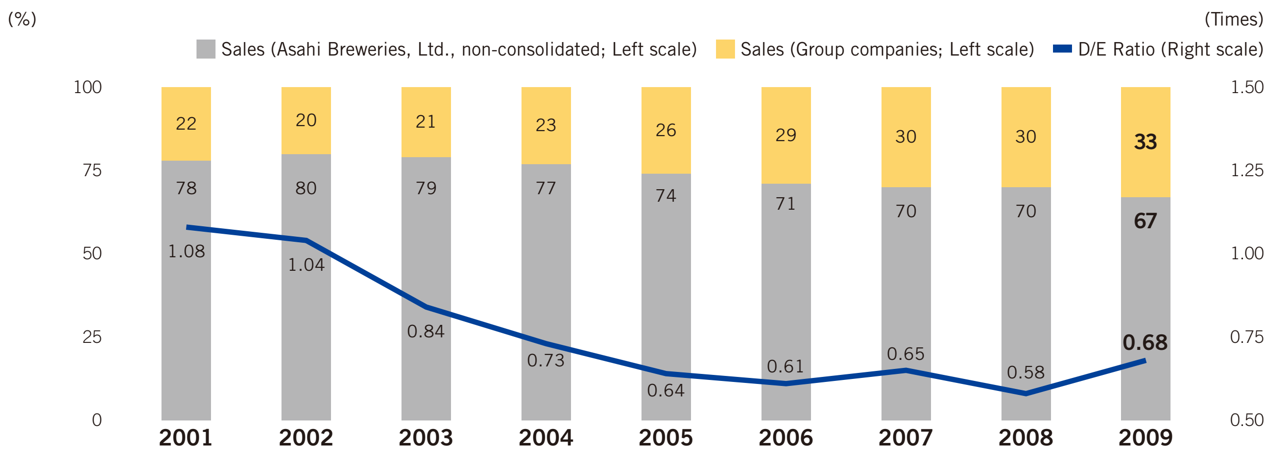
Greater-than-expected profit structure reform and successful global network expansion

From 2001 to 2009, the Asahi Breweries Group pursued a series of three medium-term management plans. We implemented management reforms and strengthened our financial standing in order to improve Group competitiveness, and conducted M&As to enable us to shift to a profit structure that relies less on the alcoholic beverages business and more on other areas.

In particular, we adhered to two main business policies under the Third Medium-Term Management Plan as we strove to carve out a new growth path for the Group. The first was to generate stable and long-term cash flows by restructuring our brand base and carrying out profit structure reform in the domestic alcoholic beverages business. The second policy was to use that cash to promote growth in existing Group businesses and for investment in new businesses.

Unquestionably, our biggest success was that the profit structure reforms we enacted were far greater than initially planned. Despite facing escalating costs for raw materials, we sought to create optimal production and distribution frameworks, which included the hybridization of our Ibaraki Brewery. We also used fixed costs more efficiently, particularly advertising and sales promotion expenses. In addition, we made huge strides in developing and cultivating new beer-type beverage brands, among them *Clear Asahi* and *Asahi Style Free*.

BREAKDOWN OF SALES/D/E RATIO*



* An indicator that measures a company's financial health (Ratio of financial debt to shareholders' equity)

Overview of the 1st through 3rd Medium-Term Management Plans

2001–2003

Implement management reforms and enhance financial standing to improve Group competitiveness

Accomplishments

- Reformed corporate governance
- Enhanced financial standing, including by reducing financial debt
- Strengthened base for Group growth, including in the shochu, RTD beverages, whisky and spirits, and wine business

2004–2006

Reform business and profit structure to achieve growth with profits

Accomplishments

- Expanded base for next-generation growth through M&As
- Improved efficiency by optimizing production and distribution frameworks

2007–2009

Generate stable cash flows in the alcoholic beverages business, and establish a new growth track for the Group

Accomplishments

- Achieved greater-than-expected reforms of profit structure, including efficiencies in fixed costs
- Expanded global network in alcoholic beverages and soft drinks businesses
- Strengthened base for domestic soft drinks and food and pharmaceuticals businesses and achieved dramatic growth in Chinese soft drinks business

Roadmap of the Group's Medium-Term Management Plans

At the same time, we enhanced and expanded our global network during these three years. Along with the acquisition of Schweppes Australia, a company poised for stable growth that has the second-leading share of Australia's soft drinks market, our success came from investment in Tsingtao Brewery Company Limited (Tsingtao Brewery). This company ranks second in terms of scale of production and sales in China's rapidly growing beer market.

In existing Group businesses as well, we managed to expand the base for our next phase of growth. Not only did growth at Asahi Soft Drinks Co., Ltd. surpass the industry average, but in food and pharmaceuticals, we entered a capital and business alliance with Amano Jitsugyo Co., Ltd., which possesses some of the best technological capabilities and manufacturing scale in Japan in the field of freeze-dried foods. Meanwhile Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages), a soft drinks business based in China that the Group has invested in since 2004, is seeing growth far outpace the market growth rate thanks to production technology, quality assurance and financial support provided by the Asahi Breweries Group.

At the same time, however, we fell short overall in achieving our quantitative targets. A main reason was that our response in the domestic alcoholic beverages business was insufficient to address the shift in demand to new genre beverages triggered by economic weakness. Our income performance also fell short in the domestic soft drinks business and overseas operations as competition heightened beyond expectations.

About Medium-Term Management Plan 2012 (2010–2012)

OVERVIEW

Under Medium-Term Management Plan 2012, we are targeting an improvement in the operating income ratio to around 8% (12% excluding alcohol tax), and net income of ¥65.0 billion (around ¥75.0 billion excluding goodwill and other depreciation costs).

Building on the issues and successes of the Third Medium-Term Management Plan, we formulated Long-Term Vision 2015 and Medium-Term Management Plan 2012. The former is our vision

Medium-Term Management Plan 2012

SALES GUIDELINES FOR EXISTING BUSINESSES

(¥ billion)

	2009 Results	2012 (Guidelines)	Compound Annual Growth Rate
Alcoholic beverages business	985.5	975.0	±0% level
Soft drinks business	296.9	335.0	4% level
Food business	96.3	115.0	6% level
Overseas operations	78.5	105.0	10% level
Total Sales	1,472.5	1,560.0	2% level

+

We will pursue aggressive investment in Japan and overseas in order to achieve our sales targets for 2015 (¥2–¥2.5 trillion)

PROFIT TARGETS FOR EXISTING BUSINESSES (¥ billion)

	2009 Results	2012 (Guidelines)	Operating income ratio target
Alcoholic beverages business	78.5	100.0	10% or higher
(excl. alcohol tax)	—	—	18% or higher
Soft drinks business	8.0	17.0	5% or higher
Food business	3.7	6.0	5% or higher
Overseas operations	(2.8)	6.0	5% or higher
(Goodwill and other depreciation costs)	(7.1)	(7.7)	—
Total operating income	82.8	123.0	8% level
(before goodwill and other depreciation costs)	89.9	130.7	8% or higher
(excl. alcohol tax)	—	—	12% level

Aim for operating income ratio of around 8% (excl. alcohol tax, 12%).

- Aim for operating income ratio of 10% or higher for alcoholic beverages business (excl. alcohol tax, 18%).
  → **Achieve one of the highest levels of profitability for this business in the world.**
- Aim for operating income ratio of 5% or higher for soft drinks business, food business, and overseas operations.

Aim for compound annual growth of 15% or more for income from investments in equity-method affiliates.

- Proactively support above-market growth at Tingyi-Asahi Beverages and Tsingtao Brewery.

Aim for net income of ¥65.0 billion

(Around ¥75.0 billion before goodwill and other depreciation costs) for the Asahi Breweries Group by 2015, taking into account a maturing domestic market, growth in newly emerging markets, global realignment among food companies, and other major changes in the business environment. The new plan, for its part, sets milestones on the road to achieving that vision in light of those environmental changes. Under the new plan, improving the profitability of existing businesses and strengthening business and capital alliances in Japan and around the world are top priority concerns, which we think will form a direct link to realizing Long-Term Vision 2015.

In terms of quantitative targets, we do not anticipate growth in the Japanese alcoholic beverages market, which is already mature. Therefore, by aiming for steady growth in sales in each company, we will work to achieve around 2% average growth overall. With this in mind, we are aiming to raise the operating income ratio for the domestic alcoholic beverages industry to one of the highest levels of profitability for this business in the world. We will pursue similar increases in profitability in all Group businesses, aiming for an overall operating income ratio* of around 8% (excl. alcohol tax, 12%). We will also actively seek income from investments in equity-method affiliates, which includes income from Tingyi-Asahi Beverages and Tsingtao Brewery, targeting compound annual growth of 15% or higher.

By adhering to these initiatives, we are looking to post ¥65.0 billion in net income in 2012 (around ¥75.0 billion excluding goodwill and other depreciation costs).

* Target operating income ratio for each business assume the adoption of International Financial Reporting Standards and exclude goodwill and other depreciation costs.

Financial and Cash Flow Policies

Operating Cash Flows + Asset Liquidation (Cumulative Total, 2010–2012)	¥360.0 billion or higher

Cash Flow Allocation Guidelines → Allocate flexibly taking into account management and operating conditions

Investments to strengthen the base for growth	**Capital investments to strengthen the base for growth and enhance efficiency: approx. ¥100.0 billion** • Investments for constructing optimal production and distribution frameworks and increasing efficiencies in the soft drinks and food businesses • Environmental investments for a low-carbon society **Aggressively promote capital and business alliances** • Make use of financial debt for capital demands in excess of internal funds (The Asahi Breweries Group considers an appropriate D/E ratio level to be about 0.7, with temporary increases acceptable)
Shareholder returns	**Consolidated payout ratio: Continue payment of stable dividends with a consolidated payout ratio of 20% or more** **Purchase of treasury stock: Consider purchase of treasury stock as capital demands and financial soundness permit** → Prioritize business investment and aim for shareholder returns through higher share prices

ROE target: Maintain current level of around 9%

Our Strategies

Medium-Term Management Plan, our allocation policy will give highest priority to business investments that strengthen our base for growth. In terms of specifics, we will allot around ¥100.0 billion to capital investments. These will consist mainly of investments to enhance efficiency in existing businesses and environmental investments. We hope to use additional funds to promote capital and business alliances both domestically and overseas in order to stake claim to new growth bases. We intend to also explore the option of making flexible use of financial debt.* This will allow us to cope with any temporary capital demands or other large-scale investment needs that may arise as we prioritize investments. As for ROE, given the current instability in the economic environment, we will strive to maintain our current level of around 9%, recognizing the importance of balancing improved profitability with robust shareholders' equity.

Where shareholder returns are concerned, as in previous years, we remain committed to the payment of a stable dividend, with a consolidated payout ratio of 20% or more. Also, as our capital demands and financial soundness permit, we will consider additional purchases of treasury stock. However, since business investment for growth is our top-priority policy during the medium-term plan, we want to meet shareholder expectations by delivering improved performance enabled through business investment.

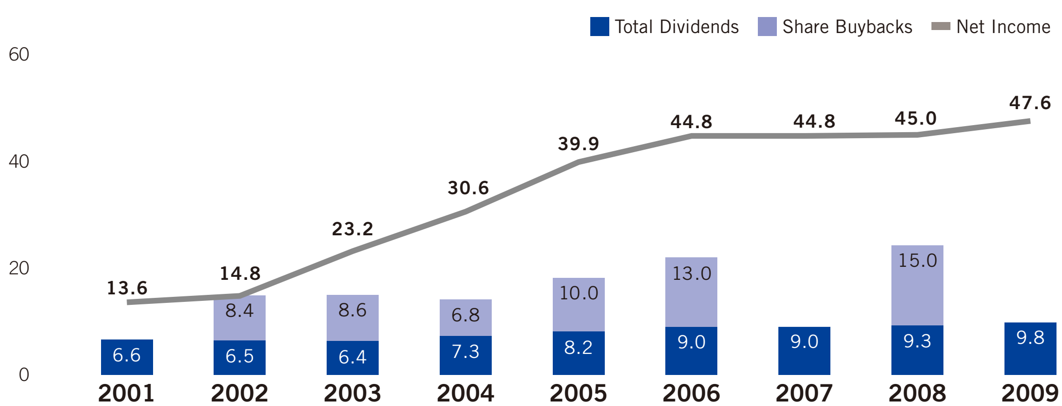
FINANCIAL AND CASH FLOW STRATEGIES AND CAPITAL-BUSINESS ALLIANCES

Allocating cash flows to business investments for growth and improving profitability are our highest priorities.

One objective under Medium-Term Management Plan 2012 is to generate cash flows of at least ¥360.0 billion from a combination of operating cash flows and asset securitization. As with the Third

Net Income and Total Dividends

(Billions of yen)



EPS	¥27.0	¥28.9	¥46.8	¥62.5	¥82.2	¥94.0	¥94.9	¥96.3	¥102.5
Dividend per share	¥13.0	¥13.0	¥13.0	¥15.0	¥17.0	¥19.0	¥19.0	¥20.0	¥21.0
Dividend payout ratio	48.1%	45.0%	27.8%	24.0%	20.7%	20.2%	20.0%	20.8%	20.5%

Regarding capital and business alliances, on the domestic side, our priority is the soft drinks and food businesses. Here, we are seeking alliances that will enhance competitiveness by, for example, complementing brands and sales channels. Outside Japan, our focus is on both the alcoholic beverages and soft drinks businesses, specifically in the Asia and Oceania region. Our ambitions there are to develop alliances with long-term business partners, and to take opportunities to expand our global network.

* The Asahi Breweries Group considers an appropriate D/E ratio level to be about 0.7.

STRATEGIES BY BUSINESS

Improving profitability is our most pressing concern for all Group businesses.

(Alcoholic Beverages Business)

Assuming the shift towards new genre beverages continues, by 2012, the total scale of Japan's beer-type beverages market is likely to contract by around 3 to 4% compared to 2009. In this climate, Asahi Breweries will continue building on its biggest advantage, the *Asahi Super Dry* brand, while concentrating on channeling management resources into strengthening its new genre beverage brands, for which demand is growing rapidly. In this way, we will focus on cultivating powerful brands in this category.

Similarly, in the shochu, RTD beverages, whisky and spirits, and wine category, we will work to develop and cultivate brands offering distinct value and strengths in each beverage category and genre.

We will also continue taking steps to reform the profit structure in our alcoholic beverages business. We achieved greater-than-expected efficiencies of roughly ¥25.0 billion under the Third Medium-Term Management Plan. We will accelerate this trend during the three-year duration of Medium-Term Management Plan 2012, when we look to translate an improved marginal profit ratio and more efficient use of fixed costs into an operating income ratio of 10% or more (excluding the alcohol tax, 18% or more).

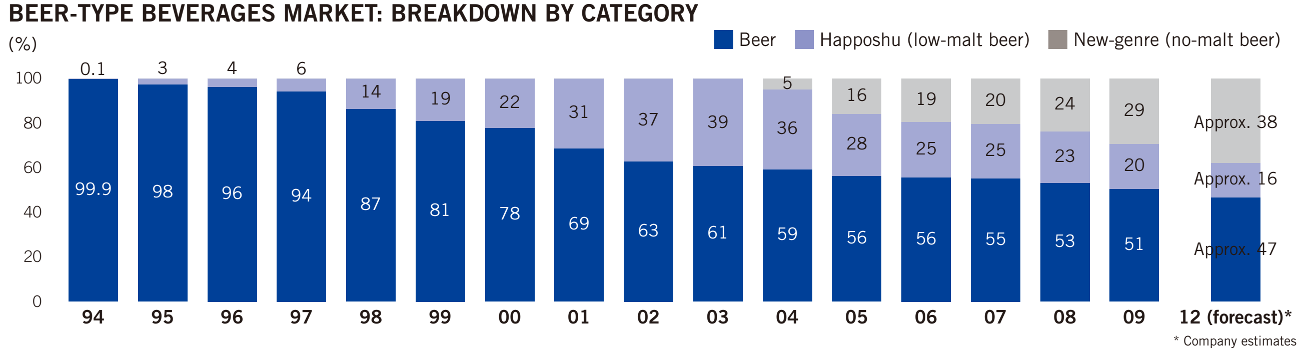
More specifically, we will push forward with lowering the cost for raw materials by, for instance, reviewing our procurement frameworks for the entire Group. Scaling back capital investments, meanwhile, will enable us to pare down depreciation costs. Other initiatives will include more efficient use of selling costs by enhancing our human asset potential and restructuring sales frameworks across the Group.

By following through with these measures, we are aiming for efficiencies of around ¥25.0 to ¥30.0 billion by 2012.

2012 Sales Volume Guidelines for Beer-Type Beverages (vs. 2009)

	Asahi Breweries	Market forecast
Beer	–8% level	–10% level
Happoshu (low-malt beer)	–50% level	–25% level
New-genre (no-malt beer)	+70% level	+20 – 25% level
Beer (cumulative total)	0 – +1% level	–3 – 4% level

BEER-TYPE BEVERAGES MARKET: BREAKDOWN BY CATEGORY



Our Strategies

(Soft Drinks Business)

In the soft drinks business in Japan, with many industry players and an increasingly severe competitive environment, the struggle for who will emerge on top is expected to only intensify going forward.

Our policy in this environment is to promote business and capital alliances that spur industry realignment. The growth strategies and improved profitability of Asahi Soft Drinks, as the core driver of these efforts, will be vital to realizing this goal.

With the market scale in 2012 projected to be virtually at the same level as today, Asahi Soft Drinks Co., Ltd. will strengthen core brands, develop new ones, and expand the number of vending machines in operation, to achieve compound annual growth of around 4%.

As for profit structure reform, our sights are on an operating income ratio of 5% or more in 2012, by continuing to raise the percentage of PET bottles produced in-house and using sales promotion expenses more efficiently.

(Food Business*)

In the food business, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. are the Group's key operating companies. Each company, while striving to strengthen brands in the categories where each has a respective advantage, will capitalize on Group synergies to propose high-added-value products to customers across a broad spectrum of age ranges.

Furthermore, by promoting greater efficiency in total SCM for the entire Group, our goal is achieve an overall operating income ratio of 5% or more for this business in 2012.

We will look to expand the base for our next stage of growth by aggressively tackling new business domains, including a natural seasonings business utilizing yeast extracts and other ingredients, and overseas expansion in baby foods, one of our strong categories in this business.

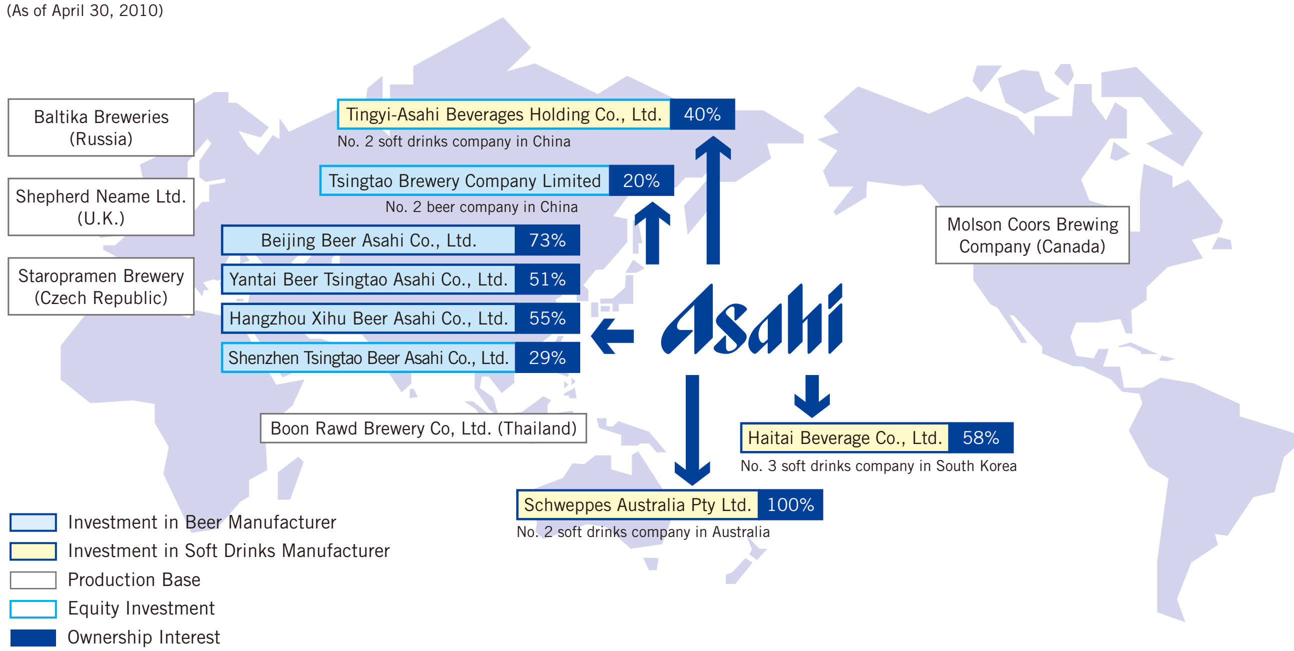
* As part of the formulation "Long-Term Vision 2015" and "Medium-Term Management Plan 2012," the Group's food and pharmaceuticals operation was renamed the "food business."

(Overseas Operations)

Turning to overseas operations, in our beer business in China, we acquired a stake in and concluded a capital and business alliance with Tsingtao Brewery. Last year marked a decade of trust building between our companies, and in Tsingtao Brewery we have now gained a powerful partner in the Chinese market. One outcome of

Overseas Business and Capital Alliances

(As of April 30, 2010)



this change is improved earnings for existing businesses thanks to production- and sales-side alliances with this partner. At the same time, the ability to support the growth of Tsingtao Brewery itself in a wide variety of ways will allow the Group to incorporate ongoing growth in the Chinese market.

One goal for the future is to leverage Tsingtao Brewery's network of production and sales bases to promote the Asahi brand across China. In regions beyond China, too, we are looking to raise the value of the Asahi brand through alliances and production licensing with powerful partners in each market. Our ambition here is clear—to become the No. 1 Asian premium brand.

In the overseas soft drinks business, Schweppes Australia, which we acquired in April 2009, was off to a great start in its first year of consolidation. Through brand cultivation and development of new channels going forward, we are aiming for a compound annual growth rate of 5%. This is in addition to an operating income ratio for 2012 of around 8% from improved efficiency gained by leveraging expertise possessed by the Group.

Turning to Haitai Beverage Co., Ltd. in South Korea, while profit structure reform is proceeding apace, sales recovery in mainstay brands has been slow. Together with enacting additional profit structure reform, we hope to stage a recovery in sales through more vigorous marketing investment in core brands, to mount a return to profitability as quickly as possible.

Tingyi-Asahi Beverages, meanwhile, continues to perform strongly amid increasingly bold attacks from major competitors. This resilience owes to a level of cost competitiveness that is second to none. Bolstering our support structure will remain a focus going forward, to help Tingyi-Asahi Beverages continue striving to be China's No. 1 soft drinks company.

As these proposed measures suggest, we remain committed in overseas operations to building a rock-solid network in Asia and Oceania. Once this network is developed, we intend to take full advantage of it to further enhance profitability.

CSR

We are moving proactively to create social value.

In closing, let me say a few words about CSR. Under Medium-Term Management Plan 2012, the activities that the Asahi Breweries Group should pursue in terms of CSR are divided into three stages. In Stage 1, "Foundations as a Company," our task is to lay the foundations that become the basis for corporate activities. Stage 2 is "Meet Expectations" and Stage 3, "Create Value," exhorts us to create social value.

Going forward, Asahi Breweries Group activities will increasingly take place on a global stage. As such, the stakeholders with whom we are connected with will also grow dramatically. As one might imagine, in this situation, we will continue to reinforce our "Foundations as a Company," particularly highly transparent governance, proper information disclosure, and compliance. From this firm foundation, every Group officer and employee will proactively address themes vital to our society. These range from contributions to the creation of local culture, to CSR procurement and efforts to stamp out problem drinking.

The business of the Asahi Breweries Group revolves around harnessing water, grains, and other natural resources. In March, we established the Environmental Vision 2020 and the Statement on Biodiversity, plans for coexisting with the global environment so that we can pass it along in good condition to the next generation. The Group as a whole is also working on a number of environmental initiatives. (For more details on Environmental Vision 2020 and the Statement on Biodiversity, please refer to page 47.)

Without question, the environment in which the Asahi Breweries Group finds itself is a challenging one. With that said, however, I am sure that we have accurately assessed the environment, and based on that assessment we will pursue measures that play to the Group's capabilities. In the process, input from our shareholders, investors and other stakeholders will always be more than welcome, since we believe that reflecting this feedback in how we manage will be critical to achieving real growth.

Review of Operations

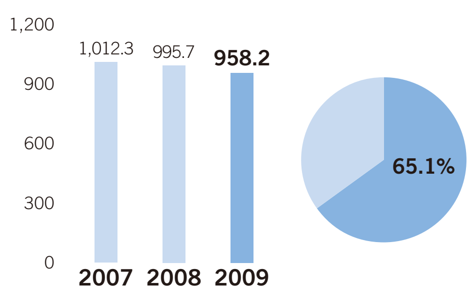
Asahi at a Glance

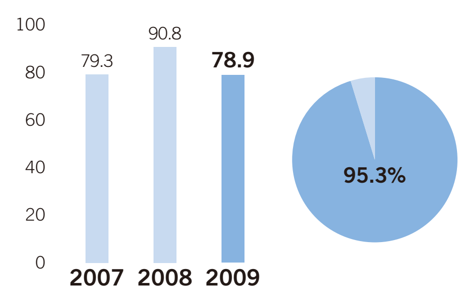
The Asahi Breweries Group's four business segments, as represented in consolidated accounting, are alcoholic beverages, soft drinks, food, and other businesses. In each business segment, the entities that generate major profits are: Asahi Breweries, Ltd. for the alcoholic beverages business; Asahi Soft Drinks Co., Ltd. for the soft drinks business; and Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. for the food business.

Net Sales (¥ billion)

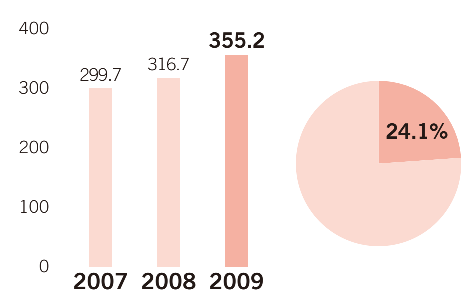
Operating Income (¥ billion)

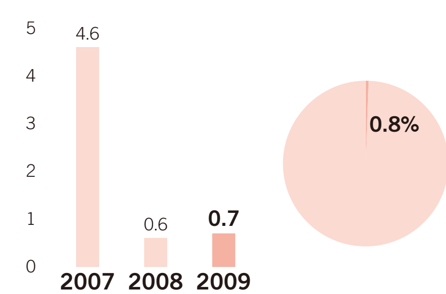
ALCOHOLIC BEVERAGES



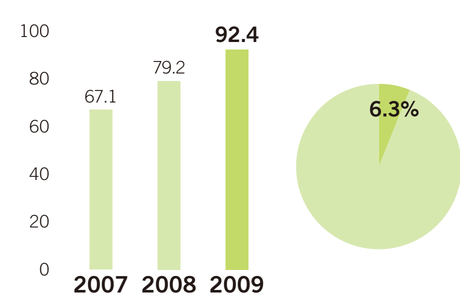


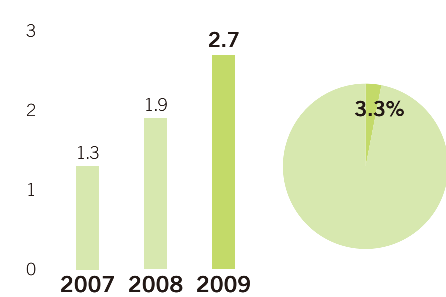
SOFT DRINKS



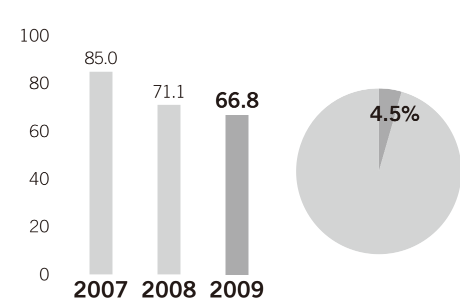


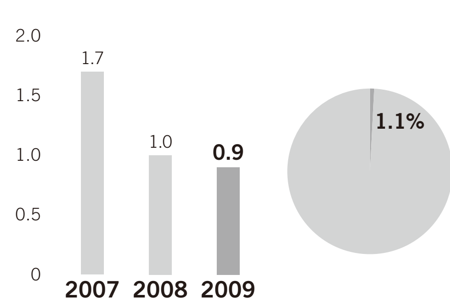
FOOD





OTHERS





Major Group Companies (including affiliates)	2009 Highlights	Plans for 2010
■ Asahi Breweries, Ltd. ■ The Nikka Whisky Distilling Co., Ltd. ■ Sainte Neige Wine Co., Ltd. ■ Satsumatsukasa Shuzo Co., Ltd. ■ Beijing Beer Asahi Co., Ltd. ■ Tsingtao Brewery Co., Ltd.	■ Share of the domestic beer market*[1] surpassed 50% for the second year in a row ■ Taxable shipment volume of *Asahi Style Free* rose year-on-year even amid overall market contraction ■ Expanded market share by introducing *Asahi Off* and *Asahi Mugi Shibori* in addition to *Clear Asahi* ■ Acquired shares of China's Tsingtao Brewery Company Limited (Tsingtao Brewery) and built a strong partnership ■ Boosted presence of *Asahi Super Dry*, mainly in Asia	■ Aim for net sales of ¥941.0 billion (down 1.8% year on year) and operating income of ¥86.5 billion (up 9.7% year on year). ■ Strengthen brand power of *Asahi Super Dry* and target latent users ■ Aim to make *Asahi Style Free* the top brand in the low-carbohydrate beverage category ■ Introduce *Asahi Strong Off*, a new value-added product in the new-genre beverages category, which is expected to grow ■ Aim to improve the profitability of the Chinese beer business in partnership with Tsingtao Brewery
■ Asahi Soft Drinks Co., Ltd. ■ LB Co., Ltd. (Tokyo) ■ LB Co., Ltd. (Nagoya) ■ Haitai Beverage Co., Ltd. ■ Schweppes Australia Pty Ltd. ■ Tingyi-Asahi Beverages Holdings Co., Ltd. (Equity Method Affiliate)	■ *WONDA* brand coffee achieved a fifth consecutive year of higher sales volume and captured No. 3 market share in coffee ■ *Mitsuya Cider* brand sales volume rose for a sixth consecutive year, to over 37 million cases annually*[2] ■ In the Chinese soft drinks business, Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages) achieved steady growth ■ Schweppes Australia saw strong performance from mainstay brands and new brands alike	■ Aim for net sales of ¥389.0 billion (up 9.5% year on year) and operating income of ¥5.2 billion (up by a factor of 7.4 year on year). ■ Actively develop zero-carbohydrate Health Facts and product proposals based on the concept of good taste and health ■ Further promote creation of an optimal production framework linked throughout the Group to enhance cost competitiveness ■ Harness synergies with Schweppes Australia to strengthen our foundation for growth and improve profitability ■ Strengthen across-the-board support for Tingyi-Asahi Beverages with the aim of making it China's number-one soft drinks manufacturer
■ Asahi Food & Healthcare Co., Ltd. ■ Wakodo Co., Ltd. ■ Amano Jitsugyo Co., Ltd.	■ Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. all expanded profits ■ Harnessed Group synergies to launch a seasonings business	■ Aim for net sales of ¥99.0 billion (up 7.1% year on year) and operating income of ¥3.7 billion (up 34.8% year on year) ■ Further strengthen core brands and synergies between operating companies ■ Aim to raise operating income ratio by pursuing greater SCM efficiency for the business as a whole

In our other businesses, we undertake Group company support operations such as logistics and sales support businesses and operation of restaurants. In 2009, sales and operating income both declined as a result of reorganization of our wholesale business and other factors.

*1 Refer to inside front cover for details on beer-type beverage categories (beer, happoshu, and new genre beverages). *2 For the purpose of sales volume, a case is calculated as a case of product ready for shipment.

Alcoholic Beverages Business

Refer to pages 34–37 for details of activities in the overseas operations.
Refer to inside front cover for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

Results of the Third Medium-Term Management Plan

- **Cultivated and enhanced brands**

Share of domestic beer category	2007 49.4%	→	2009 **50.6%**
Sales volume for *Asahi Style Free*	2007 8.3 million cases	→	2008 **11.72** **million cases**
Sales volume for *Clear Asahi*	2008 Launched	→	2009 **19.33** **million cases**

- **Advanced profit structure reform**

  Exceeded targets through optimal production and distribution frameworks and increasing efficiency of fixed costs.

Future Topics

- **Improve market position of mainstay brands**
- **Strengthen business base through further profit structure reforms**
- **Research and develop new products that provide differentiated value**
- **Restructure product portfolio**
- **Optimize manufacturing capabilities and internal structure in light of market changes**

Strengthening and Cultivating Core Brands While Striving for World-Class Profitability

Toshihiko Nagao
Director and Corporate Officer in Charge of Alcoholic Beverages Business

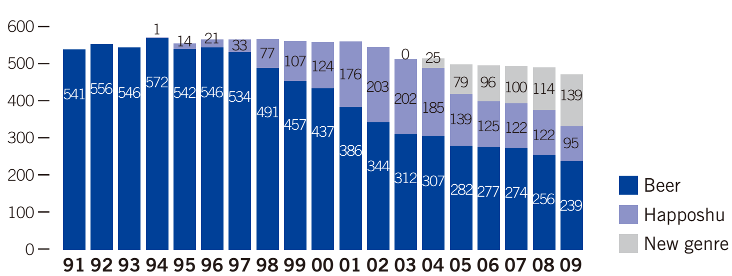
The domestic market for alcoholic beverages is maturing, and due mainly to the economic recession we are seeing a continuing shift in demand toward new genre beverages. In this environment, the alcoholic beverages business has an important role to play in generating the cash flows needed to support the growth of Asahi Breweries Group as a whole.

That is why the alcoholic beverages business will concentrate management resources on strengthening core brands such as *Asahi Super Dry* and *Clear Asahi*, while also developing products that provide new value by responding accurately to customer needs. At the same time, we will accelerate our efforts toward profit structure reform in order to achieve our goal of raising the operating income ratio to 10% or higher (excl. alcohol tax, 18%) under the Medium-Term Management Plan 2012. Through these efforts, we will aim for world-class profitability as a global beer company.

Business Environment

- **Need for low-priced products growing amid deterioration in the economic environment**
  →Growth in new genre beverages, increasing prominence of private brands
- **Diversifying preferences due to changing consumer needs and values**
- **Rising health consciousness among consumers**
- **Increasing focus on food security, quality, environmental issues, etc.**

BEER-TYPE BEVERAGE MARKET (TAXABLE SHIPMENT VOLUME)
(Million cases)



Medium-Term Management Plan 2012: Targets and Strategies

- **Beer: Concentrate management resources on strengthening beer and new genre brands in order to improve market position**
- **Shochu, RTD Beverages, Whisky and Spirits, Wine: Strengthen core brands and promote efficiencies, with improving profitability as the top priority**
- **Profit Structure Reform: Implement structural reforms with the target of raising the operating income ratio for the domestic alcoholic beverages business to 10% or higher (excluding alcohol tax, 18%)**
  – Improve maximum profit (to ¥10.0 billion or higher)
  – Increase efficiency in fixed costs (¥15.0–20.0 billion or higher)

Beer

Asahi Super Dry

Asahi The Master

Happoshu

Asahi Style Free

2009 BUSINESS OVERVIEW

Market Environment

Japan's alcoholic beverages industry continued to confront accelerating market changes in 2009, including a decline in the drinking-age population and changing consumer tastes, as well as realignment in the distribution sector and growth in private brand products. In addition, beer-type beverages saw substantial growth in new genre beverages (up 21.4% year on year), owing primarily to more stringent belt-tightening among consumers due to poor economic conditions. In contrast, shipment volumes for beer and happoshu declined by 6.7% and 15.6%, respectively. As a result, overall taxable shipment volume was 2.1% lower year on year. By category, beer was 50.6%, happoshu 20.1%, and new genre beverages 29.3% of the beer-type beverages market.

Shipment volume in alcoholic beverages other than beer-type was largely unchanged for the year, despite revitalized growth in the whisky and spirits market, as the market has reached saturation.

Initiatives in 2009

The Asahi Breweries Group worked to cultivate and enhance its brands with product proposals and sales promotion activities tailored to customer needs. At the same time, we took steps to establish a profit structure capable of withstanding market volatility by constructing optimal production and distribution frameworks, and utilizing advertising and sales promotion expenses more efficiently. These efforts, however, were negatively impacted by several factors, including lower sales volumes for beer-type beverages, reflecting weak economic conditions and unstable weather during the summer months, as well as amendments to Japan's tax system and changes in accounting standards. As a result, total sales for the alcoholic beverages business, including overseas operations, were ¥958.2 billion, down 3.8% year on year, with operating income down 13.1% to ¥78.9 billion for the same period.

Beer-type Beverages

In the beer category, as part of efforts to further enhance the brand value of our core product, *Asahi Super Dry*, we implemented a special promotional campaign called "Refreshingly Sustainable" in which a portion of sales was used for the protection and preservation of natural environments and cultural treasures across Japan's 47 prefectures. We also conducted the "Embody Refreshment" consumer campaign, designed to encourage enjoyment of beer at home, as well as other informational and sales promotion activities. Meanwhile, we proposed products tailored to the wide-ranging needs of our customers, which included the launch in May of *Asahi The Master*, a beer that blends the distinctive qualities of Asahi Breweries' with the traditional flavors favored in Germany, with its rich history of brewing. Although taxable shipment volume fell 6.4% year on year, through this and other initiatives, our share of Japan's beer market increased steadily to 50.6%[*1], giving Asahi Breweries the No. 1[*2] position in beer sales in Japan for a twelfth consecutive year.

In happoshu, sales volume for *Asahi Style Free*, the industry's first zero-carbohydrate[*3] beverage created with customer health-consciousness in mind, rose 3% year on year, becoming a bright spot in a market that contracted by nearly 16% for the year. Together with other steps to revitalize the market, including the sale of *Asahi Cool Draft* in March, our happoshu market share grew to 26.6%, although taxable shipment volume fell by 13.4% year on year.

In new genre beverages, we aggressively pursued sales promotion activities intended to establish a solid position for malt liquors, a growing new genre beverage category. To this end, we carried out a large-scale promotion offering free samples of our malt liquor brand, *Clear Asahi*. February and September saw the respective launch of two new beverages, *Asahi Off* and *Asahi Mugi Shibori*, as we proposed products tailored to customers' diverse needs around new genre beverages. The result was steady growth in this category, with taxable shipment volume up 29.7% year on year, while our market share increased 1.4 percentage points to 22.3%.

*1 Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.
*2 Based on taxable shipment volume for beer form Asahi Breweries, Ltd. in 2009
*3 Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero carbohydrate."

Shochu, RTD Beverages, Whisky and Spirits, Wine

Although sales of shochu, RTD beverages, whisky and spirits, and wine as a group ended lower than the previous year, we marked steady progress in cultivating core brands, one of our top priorities for this category.

New genre
(Malt-type)

Clear Asahi | Asahi Off | Asahi Mugi Shibori | Asahi Strong Off

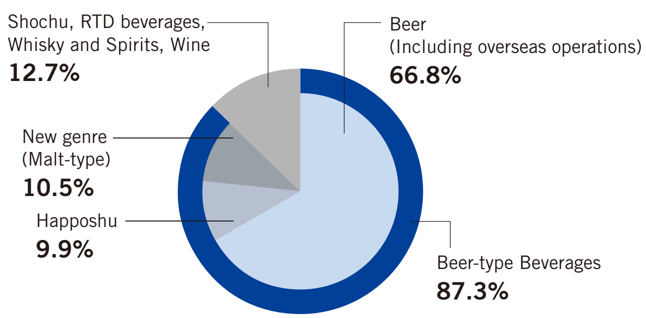
The profit margin, meanwhile, improved over initial estimates, to nearly 6%, thanks largely to more efficient use of sales promotion expenses.

In shochu, we conducted vigorous sales promotion activities targeting core brands *Kanoka* and *Satsuma Tsukasa*, in a bid to fortify our position in the strong-selling Ko- and Otsu-type shochu blend and potato shochu markets. These efforts yielded steady success, culminating in year-on-year growth for *Kanoka* on a sales volume and monetary basis for a sixteenth consecutive year.

In RTD beverages, along with adding *Asahi Slat* to our mainstay *Asahi Cocktail Partner* and *Asahi Shunka Shibori* brands, we worked to propose a broad lineup of products to meet customer needs. *Asahi Slat*, launched in February 2009, has proven a hit for its juicy taste with real fruit pulp while remaining a very low-calorie beverage*4. As a result, the product continues to sell strongly, having already exceeded initial targets.

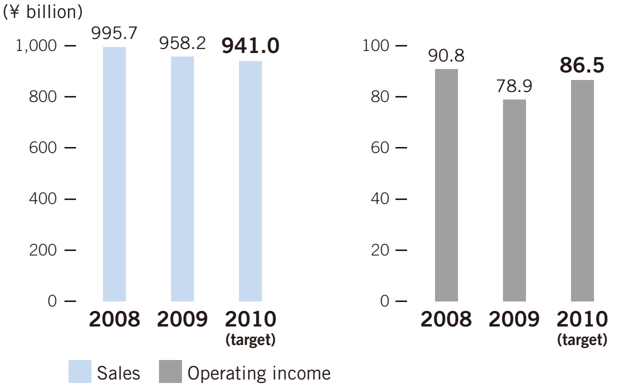
In whisky and spirits, brisk sales of core brand *Black Nikka Clear Blend* continued, leading to year-on-year growth for a third consecutive year. The quality of the *Nikka* brand, moreover, was recognized on the world stage when *Taketsuru 21 Years Old* was named "World's Best Blended Malt Whisky" at the World Whiskies Awards*5 in April 2009,

SHARE OF SALES BY PRODUCT (2009)

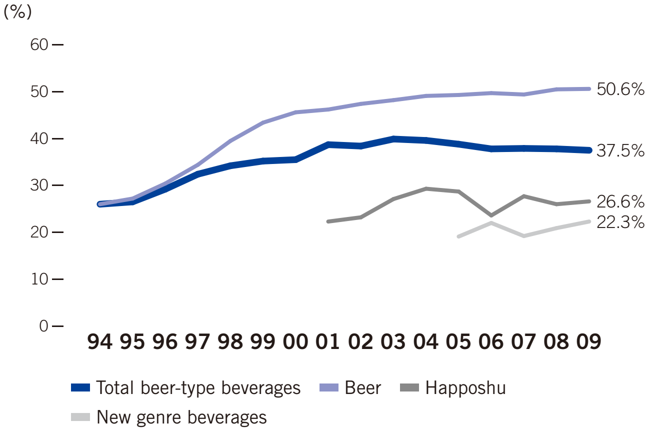


* Excludes sales from real estate and other

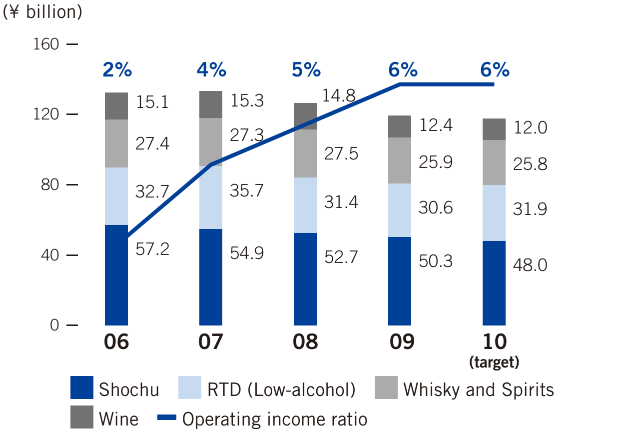
ALCOHOLIC BEVERAGES SALES AND OPERATING INCOME (INCL. OVERSEAS OPERATIONS)



SHARE BY BEER-TYPE BEVERAGE CATEGORY (ASAHI BREWERIES, LTD.)



NET SALES FOR SHOCHU, RTD BEVERAGES, WHISKY AND SPIRITS, WINE AND OPERATING INCOME RATIO



Shochu

Kanoka

Satsuma Tsukasa

RTD beverages

Asahi Slat

Asahi Cocktail Partner

and received the highest honor in the whisky category at the International Spirits Challenge*6 in October.

In wine, we revamped our *Antioxidant-Free Organic Wine* series of domestic wines to further groom the *Sainte Neige* brand. For imported wines, along with handling the *Lanson* champagne brand for the first time, we strove to expand sales through more robust brand appeal and a diverse product lineup centered on key brands like *Baron Philippe de Rothschild* and *Maison Louis Latour*.

*4 Based on comparison with products sold in the can chu-hi market as of December 2009.
*5 An international competition focused exclusively on whisky, chiefly sponsored by U.K.-based *Whisky Magazine*.
*6 An international competition covering the full range of spirits, chiefly sponsored by Drinks International, an exclusive publisher of alcoholic beverage-related material based in the U.K.

PLANS AND STRATEGIES FOR 2010

Sales Plan for the Alcoholic Beverages Business in 2010

Faced with ongoing market contraction and realignment of the industry in Japan and overseas, the alcoholic beverages industry is likely to continue to confront a severe environment characterized by major restructuring both domestically and internationally. Despite this climate, we will marshal Group management resources in a drive to cultivate and enhance top brands in each category. At the same time, we are determined to successfully achieve the top priority of our Medium-Term Management Plan 2012—improving the profitability of existing businesses—and push forward with profit structure reform. Consequently, the Group is targeting sales of ¥941.0 billion (down 1.8% year on year) and operating income of ¥86.5 billion (up 9.7% year on year).

Beer-type Beverages

The market for beer-type beverages in 2010 is predicted to contract between 1 and 2%, with the ongoing shift in demand away from the beer and happoshu categories towards new genre beverages projected to continue. Still further growth is also likely for some time in low-carbohydrate beverages and other products that meet needs around customer health consciousness. The Group is responding readily to these customer trends, with the goal of tying these efforts to future growth.

Three policies will shape initiatives in this area—uncover potential beer demand; respond more robustly to zero- and low-carbohydrate beverage needs; and propose new value in the diversifying range of new genre beverages. To this end, we are targeting total taxable shipment volume of 176 million cases, down 0.6% year on year.

Beer

In the beer category, the overall market is expected to decline between 5 to 6% due to the impact of economic weakness in Japan. In this climate, the Asahi Breweries Group will focus on “uncovering potential beer demand” to frame our initiatives, working to expand Asahi brand presence even in a contracting market. Specifically, in *Asahi Super Dry*, while to date we have focused mainly on marketing activities designed to heighten brand loyalty among an existing base of mainstay customers, going forward we intend to strengthen the targeting of entry customers from a wider range of generations, particularly those of younger drinking ages. In February 2010, the Asahi Group served as a Japan Olympic Committee “Gold Partner” for the Winter Olympic Games in Vancouver, pursuing ad campaigns featuring Olympic athletes and various other promotions to stimulate demand. This year, the Company will continue to promote the “Refreshingly Sustainable” campaign, which earned a good reception when it was run in spring and fall of 2009.

In targeting other potential customers, we are planning a series of ad campaigns that persuasively underscore the inherent value of the *Asahi Super Dry* brand as a sophisticated and masculine beer. At the same time, we seek to propose the new “extra cold” style of drinking to uncover potential beer demand in the commercial- and home-use sectors.

Happoshu

The overall happoshu market is projected to decline by between 12 and 14%, reflecting a shift in demand away from standard-type happoshu towards new genre beverages. The Group achieved record-high sales last year, and will continue to promote the strong-performing *Asahi Style Free* in advertising and sales promotions, with the goal of further cultivating the brand.

New Genre Beverages

The market for new genre beverages is expected to grow between 11 and 13% overall. The entire Group will concentrate on this category, with

Whisky and Spirits

Taketsuru

Black Nikka
Clear Blend

Wine

Sankaboshizai-Mutenka
Wine

Mouton-Cadet

initiatives led by a commitment to "propose new value in the diversifying range of new genre beverages." First in malt-type new genre beverages, our top priority is to reinforce the *Clear Asahi* brand, ranked No. 1 in sales for a second consecutive year. Specifically, beginning with the late January 2010 production run we enacted quality improvements, changed the package design and enhanced its thirst-quenching qualities. At the same time, we plan to launch the Asahi Breweries Group's largest-ever television ad campaign for new genre beverages in a drive to boost brand value.

In March we launched sales of *Asahi Strong Off*, a product that answers the needs of more frequent consumers. The added value of this beverage includes its higher alcohol content and a crisper taste thanks to its lower level of carbohydrates.

As for *Asahi Off*, the No. 1 newly launched brand in the beer-type beverages market in 2009, we will enhance product quality and packaging beginning late January. Going forward we will highlight more vigorously the two distinct properties of this beverage in order to raise satisfaction among existing customers and encourage potential customers to try the product.

Shochu, RTD Beverages, Whisky and Spirits, Wine

Profit margins are projected to be largely flat across shochu, RTD beverages, whisky and spirits, and wine, mainly reflecting lower sales and greater investment in low-alcohol beverage brands. We will continue channeling resources into cultivating core brands that offer unique value and advantages, and promote further structural reform by enhancing cost competitiveness.

Profit Structure Reform

Improving the profitability of existing businesses is the top priority issue of the Group's newly announced Medium-Term Management Plan 2012.

In terms of profit structure reform for the domestic alcoholic beverages business, our policy is to gain efficiencies totaling ¥25 to ¥30 billion between 2010 to 2012, and raise the operating income ratio excluding the liquor tax in the alcoholic beverages business to 18% or more. In the first year, 2010, our goal is to reduce total costs by roughly ¥11 billion through reductions in costs for raw materials, including benefits from falling market prices for imported malt, and by promoting efforts to minimize fixed costs across the board.

As we press ahead over the three-year period with more efficient utilization of the portion of advertising and sales promotion expenses allocated to the commercial-use sector, we hope to expand investment for fostering and strengthening strong brands. In 2010, assuming the bulk of expenses will go toward new genre beverages, efficiencies should total around ¥1 billion. That said, we will strive to flexibly manage the situation by keeping a close watch on sales trends and other factors.

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

(¥ billion)

	2009	2008	Year-on-year	% of Total	**2010 Target**	Year-on-year	% of Total
Beer-type beverages (total)	844.3	873.5	–3.3%	87.3%	**827.3**	–2.0%	87.1%
Beer	646.5	685.7	–5.7%	66.8%	**614.7**	–4.9%	64.8%
Happoshu	96.2	110.3	–12.8%	9.9%	**76.9**	–20.1%	8.1%
New genre	101.6	77.5	+31.1%	10.5%	**135.7**	+33.6%	14.3%
Beverages other than beer-type beverages (total)	123.1	129.7	–5.1%	12.7%	**122.0**	–0.9%	12.9%
Shochu	50.3	52.7	–4.6%	5.2%	**48.0**	–4.5%	5.1%
RTD	30.6	31.4	–2.7%	3.2%	**31.9**	+4.4%	3.4%
Whisky and spirits	26.0	27.5	–5.5%	2.7%	**25.8**	–0.8%	2.7%
Wine	12.4	14.8	–16.3%	1.3%	**12.0**	–3.4%	1.3%
Other	3.9	3.2	+19.8%	0.4%	**4.3**	+10.9%	0.5%
Total	967.5	1,003.1	–3.6%	100%	**949.3**	–1.9%	100%

Excludes sales from real estate and other businesses

Soft Drinks Business

Refer to pages 34–37 for details of activities in the overseas operations.

Results of the Third Medium-Term Management Plan

- **Growing the Top Line**

2007	¥268.3 billion	→	2009 **¥296.9 billion**

- **Strengthening Core Brands**

	2007		2009
Sales Volume for *Mitsuya Cider* brand	31.97 million cases*	→	**37.47 million cases**
Sales Volume for *WONDA* brand	28.45 million cases	→	**36.90 million cases**

* For the purpose of sales volume, a case is calculated as a case of product ready for shipment.

- **Structural changes included conversion of Asahi Soft Drinks Co., Ltd. to a wholly owned subsidiary and establishment of Asahi Calpis Beverage Co., Ltd.**
- **Made steady progress in constructing optimal production and distribution frameworks, including by improving the in-house manufacturing ratio for PET bottles, etc.**

Future Topics

- **Cultivate *Mitsuya Cider* and *WONDA* to top-level brands in their respective categories.**
- **Cultivate powerful new brands**
- **Work to strengthen proposals in the logistics field**
- **In the automatic vending machine business, develop favorable locations and continue to reduce the number of machines withdrawn**

Cultivating Strong Brands and Raising Profitability to Become a Pillar of the Industry Realignment

Yoshihiro Tonozuka
Director and Corporate Officer in Charge of Soft Drinks Business

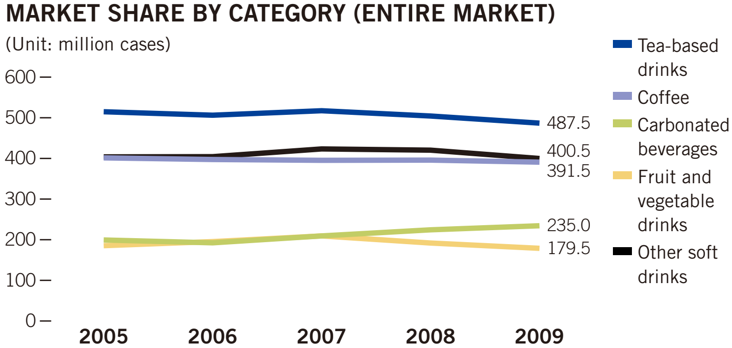
The environment of the soft drinks business remains harsh amid contraction caused by the economic recession and increasingly competitive market. Given these conditions, in order to ensure that the Asahi Breweries Group remains a pillar of the industry through the coming realignments, we are implementing further growth strategies, centered around Asahi Soft Drinks, Co., Ltd., and working to reform the profit structure. We are focusing on strengthening core brands such as *Mitsuya Cider*, *WONDA* and *Juroku-cha*, while developing revolutionary new brands and expanding the automatic vending machine business in order to reach our target average annual growth rate of 4% in line with the Medium-Term Management Plan 2012.

We are also working to raise the operating income ratio to 5% or higher by 2012. We will achieve this by accelerating initiatives to promote optimal production and distribution, including by increasing the ratio of PET bottles produced in-house, and by quickening efforts to raise the efficiency of sales promotion expenses.

Business Environment

- **Industry growth rate stagnant due to deterioration in the economic environment and other factors**
- **Industry realignment expected to accelerate as the top five companies increasingly dominate**
- **The automatic vending machine business is expected to grow increasingly difficult as machine numbers and per-machine revenues decline, generic vending machines become more prominent, and low-priced vending machines emerge**

MARKET SHARE BY CATEGORY (ENTIRE MARKET)



Medium-Term Management Plan 2012: Targets and Strategies

- **Asahi Soft Drinks**
  - Growth Strategy: Aim for annual growth of 4% by strengthening core brands and other measures
  - Profit Structure Reform: Aim for operating income ratio of 5% or higher by working to further optimize production and distribution frameworks
- **LB Co., Ltd. (2 companies)**
  - Aim to improve profitability by prioritizing strengthening of the business base

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

Asahi Juroku-cha

Asahi TeaO Golden Straight Tea

Asahi Soft Drinks Co., Ltd.
Coffee

WONDA Morning Shot

WONDA Kinnobitou (low-sugar)

WONDA Zero Max (sugar-free)

WONDA Black WONDA

Asahi Soft Drinks Co., Ltd.
Carbonated beverages

MARKET ENVIRONMENT

In 2009, sales volume in the Japanese soft drinks industry is estimated to have declined by around 3% overall as a result of weak economic conditions and unstable weather during the summer months. By category, although carbonated beverages continued from 2008 to see steady growth in sales volume, other categories were generally lower year on year.

INITIATIVES IN 2009

Sales for the soft drinks business, including for overseas operations, were ¥355.2 billion, up 12.1% year on year, with operating income up 12.9% to ¥694 million.

In soft drink operations in Japan, core operating company Asahi Soft Drinks Co., Ltd. enacted initiatives designed to stimulate dramatic growth through a basic policy addressing three key issues: growth strategies, structural reform, and "taking on challenges in new areas."

With respect to the product-related measures at the heart of the growth strategies, we focused marketing efforts on the company's core brands *WONDA* and *Mitsuya Cider*, working continuously to cultivate and strengthen these brands. These efforts were rewarded with a fifth consecutive year of higher sales volume of *WONDA* canned coffee, enhancing the brand's presence and bringing it to the number three place in terms of market share. The May 2009 release of the *Mitsuya Cider All Zero* product under the *Mitsuya Cider* brand won a strong response from customers and helped vitalize the entire brand. Consequently, sales volume of the *Mitsuya Cider* brand rose for a sixth consecutive year, to over 37 million cases. Thanks to these developments, total sales volume for Asahi Soft Drinks recorded a seventh consecutive year of growth and set an all-time high.

As a result, Asahi Soft Drinks sales rose 0.3% year on year to ¥274.4 billion.

Where profit structure reform is concerned, we took steps designed to both improve quality and reform the profit structure by striving to reduce prices for raw materials and improve logistics efficiency, and by introducing a cutting-edge production line at the Akashi Factory, including equipment to produce PET bottles.

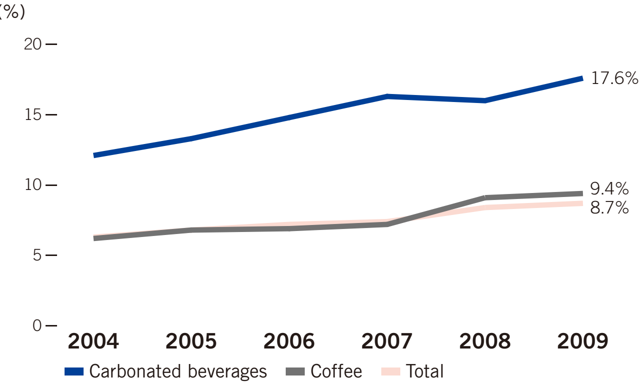
In the chilled beverages business, LB Co., Ltd. (Tokyo) gained prominent convenience store chains as regular customers in the mainstay tea-based drinks category. Sales declined, however, due to poor sales stemming from a sharp downturn in the overall market, coupled with lackluster sales of long life products. On the profit side, earnings grew despite factors such as lower sales and further price cuts, thanks largely to efforts to curb costs for raw materials, smarter use of processing costs, and greater efficiency in sales commissions.

At LB Co., Ltd. (Nagoya), earnings growth was attributable to several factors. These included sharp growth in the OEM business, reflecting the subcontracted production of *Bireley's* for Asahi Soft Drinks Co., Ltd.; the steady enactment of support measures to enhance functionality in the home delivery business; and the aggressive purchase and sale of Group products. Profit, meanwhile, rose substantially atop growth in sales of *Bireley's*, coupled with cost reductions in fixed costs, including for sales promotions and sample products, and lower production costs.

PLANS AND STRATEGIES FOR 2010

The soft drinks market in Japan is expected to remain in severe straits in 2010, with performance on a par with 2009. Under these stringent conditions, the Asahi Breweries Group is targeting sales of ¥389.0

SHARE BY CATEGORY (ASAHI SOFT DRINKS CO., LTD.)



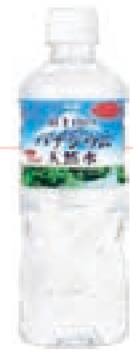

Mitsuya Cider


Mitsuya Cider
All Zero


Lemon-Flavor
Mitsuya Cider Zero

Asahi Soft Drinks Co., Ltd.

Water


Asahi Fujisan no
Vanadium Tennensui

LB Co., Ltd. (Tokyo)
LB Co., Ltd. (Nagoya)

Chilled beverages


Ocha


UKON α

billion (up 9.5% year on year) and operating income of ¥5.2 billion (up by a factor of 7.4).

At Asahi Soft Drinks Co., Ltd., we will continue to promote growth strategies, with a target of boosting sales volume 3.6% to 152 million cases, as well as implementing profit structure reforms that will lead to improved profitability.

With respect to the product-related measures at the heart of the growth strategies, we will aggressively develop products based on the concept of "Health Facts" that balance good taste and zero calories, with the aim of cultivating and establishing brands that customers will choose. Specifically, with the *Mitsuya Cider* brand we will continue to pursue "transparent value" and cultivate *Mitsuya Cider All Zero*. We will strengthen the *WONDA* brand by expanding our presence in the growing low-sugar and sugar-free categories. In product development, we will move to a "borderless" mode of development that looks beyond the existing category frameworks and analyzes needs from the customer perspective, challenging ourselves to create innovative new products.

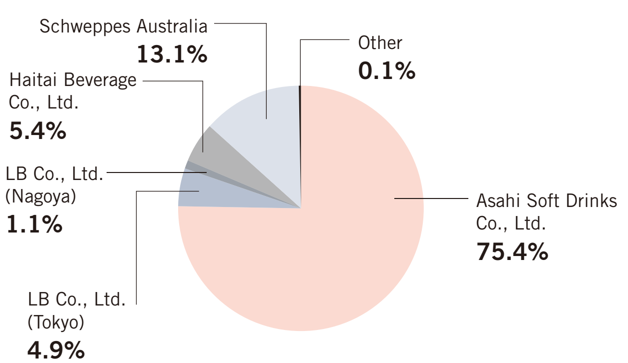
In the vending machine business, we will strive to increase the number of vending machines by at least 10,000, and also firmly establish efficient vending machine operations.

In terms of structural reform, we will seek to create an optimal production framework linked throughout the Group, including the commencement of operations in March 2010 of a new soft drinks production line at our Ibaraki Brewery, and to work to enhance cost competitiveness.

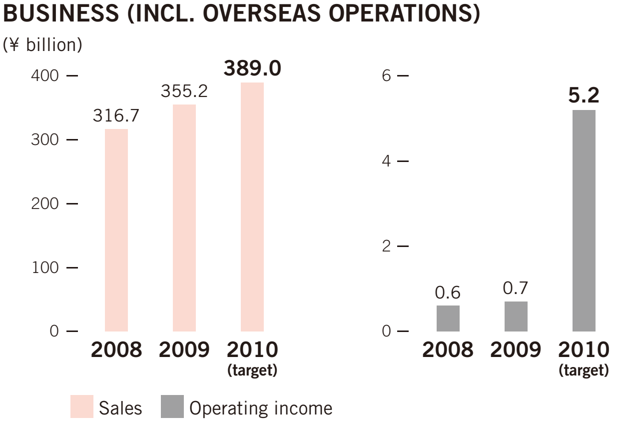
In the chilled beverages business, in the mainstay tea-based drinks category LB Co., Ltd. (Tokyo) will increase the number of new convenience store chains handled and expand sales channels by acquiring mass-retail outlets as regular vendors for long life products. At the same time, we will aggressively enter the cup beverage market and develop markets in new beverage categories. With respect to profit, our goals are to grow profit through increased sales, primarily in the tea-based drinks category, and to take steps to reduce variable and fixed costs.

At LB Co., Ltd. (Nagoya), in addition to realizing sales expansion for LB products and other Asahi Breweries Group products in the home delivery business, efforts will focus on broadening sales channels in four areas—catering, restaurants, mass retail, and bidding. On the profit side, we will look to reduce costs for raw materials, variable costs related to distribution and other variable costs, and to use sales promotion expenses, processing costs, and other fixed costs more efficiently.

SOFT DRINKS SALES COMPOSITION BY COMPANY (2009)



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



Food Business

* As part of the formulation "Long-Term Vision 2015" and "Medium-Term Management Plan 2012," the Group's food and pharmaceuticals operation was renamed the "food business."

Results of the Third Medium-Term Management Plan

- **Expanded business base and grew profits**

	2007		2009
Net sales	¥67.1 billion	→	**¥92.4 billion**
Operating income	¥1.3 billion	→	**¥2.7 billion**

- **Strengthened business base through capital and business alliance with Amano Jitsugyo**

Asahi Food & Healthcare

- **Enhanced brand power of *MINTIA* and other core brands**

Wakodo

- **Grew core businesses such as baby foods and powdered infant formula**

Amano Jitsugyo

- **Developed new businesses and grew direct marketing business**

Future Topics

- **Harness Group Synergies**
  - – Strengthen product proposal capabilities
  - – Expand sales channels and business domains
  - – Profit structure reform for SCM as a whole

Asahi Food & Healthcare

- **Enhance profitability, improve financial standing**

Wakodo

- **Cultivate new businesses, including overseas operations**

Amano Jitsugyo

- **Improve profit structure dramatically**

Reinforcing Brands and Seeking Group Synergies in Areas of Strength

Toshio Mori
Director and Corporate Officer in Charge of Food Business

The food business market includes business fields and products that have the potential to grow despite the long-term downtrend in the Japanese population. With consumer preferences and lifestyles growing increasingly diverse, obtaining an accurate understanding of these changing needs will allow us to tap into this potential.

The Asahi Breweries Group's food business is centered around Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. Each company works to build up brands and develop new products in the categories where it has the greatest strengths. At the same time, we seek to organically harness synergies between the strengths of Group companies in areas such as technology infrastructure, procurement, production, distribution, and marketing. In this way, we both provide customers with new value and enhance profitability.

Business Environment

- Aging demographics, long-term decline in population
- Diversification of lifestyles
- Increasing health consciousness
- Growing demand for safety and reliability
- Distribution-side changes such as increasing prominence of Internet supermarkets and realignment of distribution system
- Acceleration of industry realignment

Medium-Term Management Plan 2012: Targets and Strategies

Pursue self-generated growth for each Group company

Aim for annual average growth rate of 6% and operating income ratio of 5% or higher

Asahi Food & Healthcare
- Further expand existing businesses and cultivate new businesses
- Strengthen corporate structure by improving profitability

Wakodo
- Solidify market position in existing businesses
- Expand business base by cultivating new businesses

Amano Jitsugyo
- Enhance the power of the Amano brand
- Achieve one of the highest levels of profitability in the industry

Asahi Food & Healthcare Co., Ltd.

MINTIA

BALANCEUP

Wakodo Co., Ltd.

2009 BUSINESS OVERVIEW

Sales in the food and pharmaceuticals business rose 16.7% year on year to ¥92.4 billion, with operating income climbing 41.2% to ¥2.7 billion. This steady improvement reflected the rollout of strategies tailored to characteristics unique to each Group company, which culminated in sales expansion in mainstay products. Performance also benefited from contributions from the full-year earnings of newly consolidated subsidiaries.

Asahi Food & Healthcare Co., Ltd. promoted business development and expansion and reinforced its business base, guided by a strategy focused on "growth, structural reform, and ensuring safety and reliability." The successive launch of new and revamped products and aggressive sales promotions prompted brisk performance in our core products—*MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bars, *Dear-Natura* brand supplements, and quasi-drug product *EBIOS*, a pure brewer's yeast preparation tablet. The result was significant sales growth. Similarly, the direct marketing business saw a substantial 51% increase in sales from the previous year, as we moved forward with diversifying our sales channels.

Profits, however, declined for the year despite profit growth, which was attributed mainly to increased sales and lower costs due to greater capacity utilization rates at production sites. This outcome stemmed largely from higher personnel and fixed costs from our integration with Sunwell Co., Ltd., as well as upfront investments in the form of advertising and sales promotion expenses. The aim of the latter was to cultivate brands and attract customers in the direct marketing business to promote smooth business expansion in 2010.

Wakodo Co., Ltd., following a management policy of "further accelerating growth," took steps to strengthen and expand its business base in a severe market environment, characterized by the launch of new products and low-pricing strategies by competitors. Specifically, the company worked to revamp products and bolster its brands in other ways by leveraging expertise in "infant-safe quality" honed in baby products over the years. These efforts culminated in brisk performance from the company's mainstay brands—powdered infant formula brands *Hai Hai* and *Gun Gun*, and the *Goo-Goo Kitchen* baby food brand—resulting in steady sales growth.

In terms of profit, Wakodo saw profit levels improve steadily thanks to lower costs for raw materials and a better product mix. This positive result came despite aggressive investment in advertising and sales promotion expenses in order to cultivate and strengthen brands.

Elsewhere, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan's freeze-dried food market. In addition to realizing year-on-year growth in commercial-use sales through outsourced production for food companies, the company saw significant growth in its direct marketing business, resulting in record sales for the year. Where profit is concerned, Amano Jitsugyo strove for improved profitability by trimming fixed costs and raising product prices, and by promoting more robust cooperation with companies throughout the Asahi Breweries Group.

Among other measures, we sought in this segment to generate

Launch of Food Seasonings Business Utilizing Yeast Discovered by Asahi Breweries, Ltd.

As the shift toward greater health consciousness and a preference for foods free of additives and preservatives gains momentum worldwide, particularly in developed countries, market scale continues to grow for yeast extract as a natural food ingredient. In light of this trend, in February 2009, we established a joint venture with Mitsui & Co., Ltd. called Advanced Yeast Technologies Japan, Ltd. that will manufacture and sell yeast extract as a natural seasoning.

The joint venture will sell high-value-added yeast extract that uses original extraction technologies and four strains of yeast containing high concentrations of certain constituents first discovered by Asahi Breweries, Ltd., including glutamic acid, which adds greater depth of flavor to the yeast. Asahi Breweries, Ltd. will allow the company to which production has been outsourced access to its yeast strains and cultivation technology. Asahi Food & Healthcare Co., Ltd., meanwhile, will contribute its extract manufacturing technology and expertise in blending and formulation to the production company.

Infant formula
Lebens Milk Hai Hai

Goo-Goo Kitchen

Amano Jitsugyo Co., Ltd.

Miso Soup

synergies between operating companies by promoting joint procurement designed to reduce unit costs for raw materials, joint delivery to cut distribution costs, and encouraging entry into new product development fields.

PLANS AND STRATEGIES FOR 2010

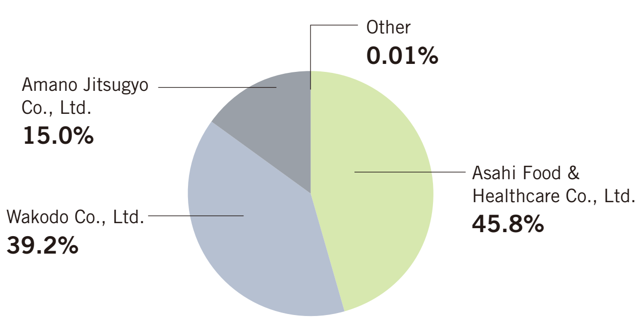
Beyond strengthening core brands in 2010, we will propose high-added-value products for a wide range of ages by promoting further synergies among operating companies. Similarly, we will move quickly to meet our target operating income ratio of 5% for 2012 outlined in the Medium-Term Management Plan 2012 by pursuing greater SCM efficiency for the business as a whole. Consequently, we are aiming for sales of ¥99.0 billion (up 7.1% year on year) and operating income of ¥3.7 billion (up 34.8%) for this business in 2010.

Asahi Food & Healthcare Co., Ltd. is targeting sales of ¥47.5 billion (up 7.7%) and operating income of ¥1.7 billion (up 64.3%). The company will look to accelerate growth driven by sales expansion, as well as boost production and marketing efficiency. Another focus will be the drive to transform core brands *MINTIA* and *BALANCEUP* into mega-brands through the aggressive launch of new and revamped products. Asahi Food & Healthcare will also take steps to expand the business base for the direct marketing and seasonings businesses, two operations where substantial growth is projected going forward.

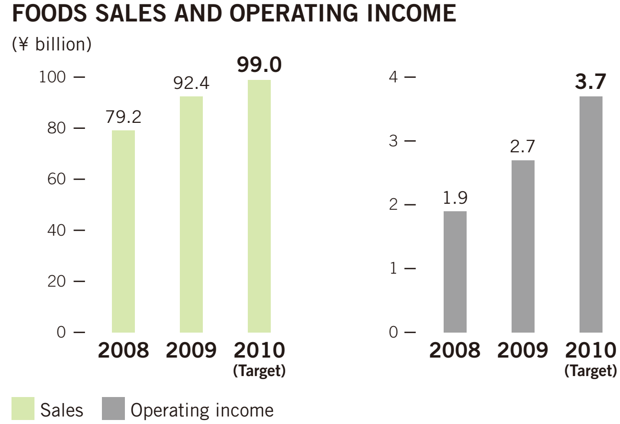
The market environment surrounding Wakodo Co., Ltd. is likely to remain a challenging one. Nevertheless, the company will seek to enhance quality on all fronts, guided by a fundamental commitment to food safety and reliability, with the goal of expanding the business base in powdered infant formula, baby food, and other existing mainstay businesses. Wakodo will also commence with the full-scale promotion of powdered infant formula in China and ramp up the pace of efforts to enter new markets. Through these actions, the company is aiming for sales of ¥39.0 billion (up 7.7% year on year) and operating income of ¥2.4 billion (up 8.8%).

Amano Jitsugyo Co., Ltd., as in 2009, will proactively invest mainly in the expansion of its direct marketing business and the development of products that stand apart in the marketplace. At the same time, the company will seek to expand sales in new channels like supermarkets and convenience stores, and in new areas. The latter will see efforts to expand sales in the eastern part of Japan, as well as in the Chubu and Kyushu regions. In addition, Amano Jitsugyo will focus even more on enhancing production- and distribution-side efficiency, as well as joint production development with Group companies. Consequently, the company is targeting sales of ¥16.6 billion (up 3.8% year on year) and operating income of ¥0.6 billion (up 29.5%).

FOOD SALES COMPOSITION BY COMPANY



FOODS SALES AND OPERATING INCOME



Overseas Operations

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

Results of the Third Medium-Term Management Plan

- **Establish international network**
  - **Tsingtao Brewery (China)**
    (No. 2 share in Chinese beer market)
  - **Schweppes Australia (Australia)**
    (No. 2 share in Australian soft drinks market)
  - **Tingyi-Asahi Beverages (China)**
    (No. 2 share in Chinese soft drinks category and No. 1 in Chinese tea beverages and mineral water category)

Future Topics

Alcoholic Beverages

- **Improve profitability of the Chinese beer business**
- **Enhance presence of *Asahi Super Dry***

Soft Drinks

- **Improve profitability of Haitai Beverage Co., Ltd. (South Korea)**
- **Prepare framework for promoting international soft drinks business**

Business Environment

Alcoholic Beverages

- **Growing profit opportunities in Asian markets**
- **Ongoing international domination by leading companies as global players realign**

Soft Drinks

- **Growing profit opportunities in Asian, Russian, South American and other markets**

Raising Profitability in China by Alliance With Tsingtao Brewery and Expanding Our Presence in Asia and Oceania

Toshio Kodato
Director and Corporate Officer in Charge of Overseas Business

Although the Japanese market is reaching maturity, overseas markets are continuing to expand, primarily in emerging economies. We are working to expand our presence in the Asia and Oceania region in order to ensure that the growth in these markets also means growth for the Asahi Breweries Group.

In the alcoholic beverages business, we are working to rebuild the Chinese beer business through an alliance with Tsingtao Brewery Company Limited (Tsingtao Brewery), in which we invested in 2009. By strengthening our alliances with powerful partners in various regions, we aim to make *Asahi Super Dry* the No. 1 Asian premium brand.

In the soft drinks business, we are harnessing synergies with Schweppes Australia, which we acquired in 2009, to strengthen our foundation for growth and improve profitability. Our target is to raise the operating ratio for the entire overseas business to at least 5% by 2012.

Meanwhile, we will strengthen our across-the-board support for Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages) with the aim of making it China's No. 1 soft drinks manufacturer.

Medium-Term Management Plan 2012: Targets and Strategies

Alcoholic Beverages

- **Strengthen the Chinese alcoholic beverages business through the alliance with Tsingtao Brewery in order to expand presence in Asia and Oceania**

Chinese Beer Business	**Improve profitability of the Chinese beer business through the alliance with Tsingtao Brewery** – Improve earnings for existing beer business through alliance with Tsingtao Brewery – Support Tsingtao Brewery's growth strategy to expand income from investments in equity-method affiliates – Develop the Asahi brand in China
Global Alcoholic Beverages Business	**Make *Asahi Super Dry* the No. 1 premium brand in Asia**

Soft Drinks

- **Aim to improve profitability in Asia and Oceania by leveraging the Group network**

Schweppes Australia	**Strengthen the growth base for the soft drinks business in Australia and improve profitability (compound annual growth rate of 5%, operating income ratio 8%)**
Haitai Beverage	**In addition to profit structure reform, promote growth strategies by strengthening brands**
Tingyi-Asahi Beverages	**Strengthen support for growth to make the company the No. 1 soft drinks manufacturer in China**

* Equity method affiliate

Feature: Business in China

Responding Assertively to Growth in Emerging Markets

China boasts the world's largest population. According to U.N. projections, China's population is expected to increase to 1.46 billion people by 2030. At the same time, the pace of growth of the country's economy is also gaining speed, with China looking increasingly likely to overtake Japan with the world's second largest gross domestic product (GDP) in 2010. Alongside this growth, technological innovation in manufacturing, logistics and a wide range of other areas, coupled with elements such as the modernization of distribution channels and the market entry of new domestic and foreign companies, is fanning expansion in China's consumer market.

In this enticing Chinese market environment, the Asahi Breweries Group is moving assertively to forge a stronger business base. The following is a brief introduction to just some of the steps being taken to this end.

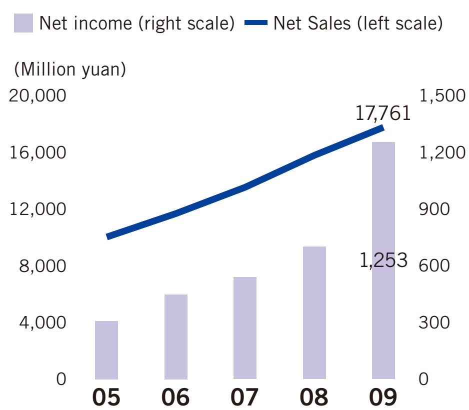
BEER BUSINESS

China is the world's largest beer consumer country. In 2008, overall national consumption was 6 times as high as in 1990, and per-capita consumption rose approximately 5 times over the same period*[1]. In light of this market expansion, the world's leading beer companies have eagerly joined the action, sparking fierce competition with local breweries.

In April 2009, the Asahi Breweries Group acquired a stake in Tsingtao Brewery, a company that commands overwhelming brand power in China. In August the same year, we moved to create a powerful partnership by signing a strategic alliance agreement with Tsingtao Brewery. Leveraging this alliance, we will push ahead with outsourcing the production of Tsingtao Beer to breweries in which the Group has previously invested, looking to reconfigure the profit base for our entire beer business in China with greater speed.

The Asahi Breweries Group will support Tsingtao Brewery's growth throughout the entire supply chain. This commitment will help as we strive over the medium to long term to develop the Asahi Breweries brand across China by leveraging Tsingtao Brewery's production and sales network.

PERFORMANCE OF TSINGTAO BREWERY



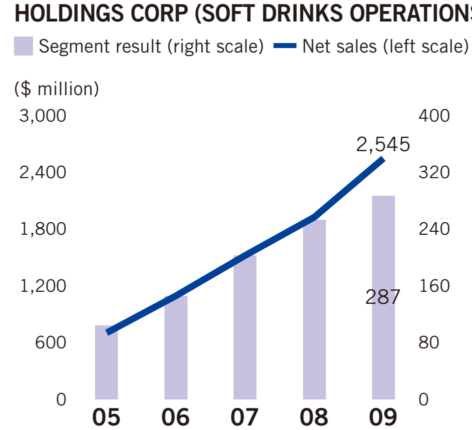
SOFT DRINKS BUSINESS

China's soft drinks market is rapidly expanding, largely reflecting population growth and increased purchasing power in the country. At the same time, the market is home to a large number of players representing both global and local brands, resulting in a fiercely competitive environment.

The Asahi Breweries Group began investing in Tingyi-Asahi Beverages in 2004. Since then, the company has grown steadily even in the current challenging environment. In 2009, Tingyi-Asahi Beverages focused on marketing investment in tea beverages and mineral water, where it boasts high market shares, and made strides in efficiency as utilization efficiency improved in step with increased sales volume. As a result, the company posted substantial growth in sales and segment results*[2] for the year.

Our policy going forward is bolster key beverage brands, grow market share through aggressive marketing investment, and to aim for further improvements in Tingyi-Asahi Beverages' already unrivaled cost competitiveness. By providing targeted support in production technology and quality assurance in core categories, the Asahi Breweries Group is striving to realize greater growth for Tingyi-Asahi Beverages.

PERFORMANCE OF TINGYI (CAYMAN ISLAND) HOLDINGS CORP (SOFT DRINKS OPERATIONS)



*[1] Source: Impact Databank 2009 Edition *[2] Segment results = ordinary income – financial costs

America

Europe

Australia

Korea

BEER BUSINESS (EXCLUDING CHINA)

In Asian markets, we are bolstering relationships with local partners in order to raise the market presence of *Asahi Super Dry*. In Thailand, by leveraging an alliance with leading local company Boon Rawd Brewery Co., Ltd., we established a framework capable of utilizing the company's nationwide network as a powerful sales channel. In Taiwan, we established ASAHI & MERCURIES CO., LTD., a joint venture with MERCURIES AND ASSOCIATES, LTD., while in South Korea, we continued to enhance our local sales network through Lotte Asahi Liquor Co., Ltd., our joint venture with the Lotte Group. In Hong Kong, we took advantage of new access to the sales network of Carlsberg Hong Kong, which holds the second leading share in Hong Kong's beer market, to pursue full-scale sales expansion for *Asahi Super Dry*, with a focus on the on-promise market.

In the U.S. market, we worked hard to reinforce the base of the market for Japanese restaurants and similar facilities and to raise brand recognition in local markets in a bid for further growth. From January 2010, we began offering *Asahi Super Dry* in kegs in the U.S. market in a full-fledged push to establish a foothold in the on-promise market.

Elsewhere, the Group continues to reinforce alliances with local breweries, including through production and sales licensing agreements with Shepherd Neame Ltd. in the U.K., and with Russia's largest beer producer, Baltika Breweries. In Europe, meanwhile, we are promoting a number of priority products, including beer in kegs and "steiny" containers, to raise the profile of the Asahi brand. In these ways, we are developing a more robust presence for the *Asahi Super Dry* brand through marketing activities that directly reflect local market characteristics.

SOFT DRINKS BUSINESS

Australia: Schweppes Australia

Schweppes Australia has seen morale surge and is off to a strong start since becoming a wholly owned subsidiary of the Asahi Breweries Group in April 2009. The Group's emphasis on alcoholic beverages and soft drinks has made it a good fit for the Australian company.

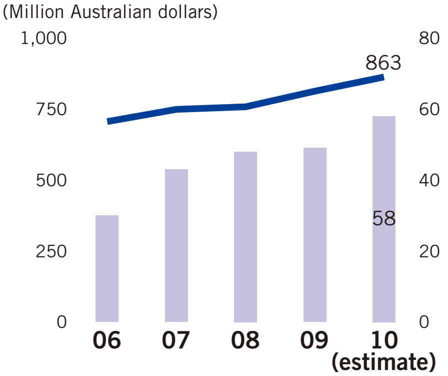
Schweppes Australia saw sales volume improve 7% year on year. In addition to robust growth in core brands *Schweppes*, *Solo*, and *Pepsi*, another beverage, *Monster*, performed well following its July 2009 debut. In terms of earnings, the company maintained profit growth despite higher costs for raw materials as a result of higher costs due to foreign currency exchange rates. Factors that enabled growth included lower costs, the result of more efficient use of marketing expenses and reductions in distribution costs and disposal losses, as well as benefits from price increases implemented from May 2009.

In 2010, Schweppes Australia will continue promoting sales growth by bolstering core brands and developing new sales channels, while working to sustain profit growth by leveraging the expertise of the Asahi Breweries Group to realize greater efficiency across the total supply chain.

PERFORMANCE OF SCHWEPPES AUSTRALIA

Operating income (right scale) — Net sales (left scale)

(Million Australian dollars)



South Korea: Haitai Beverage

Efforts in 2009 to use fixed costs more efficiently at Haitai Beverage in South Korea, including through the integration and elimination of sales and production bases, yielded steady results. However, escalating prices for raw materials triggered by the won's depreciation, coupled with lackluster sales of *Sunkist* as a core brand, caused performance to fall short of initial targets.

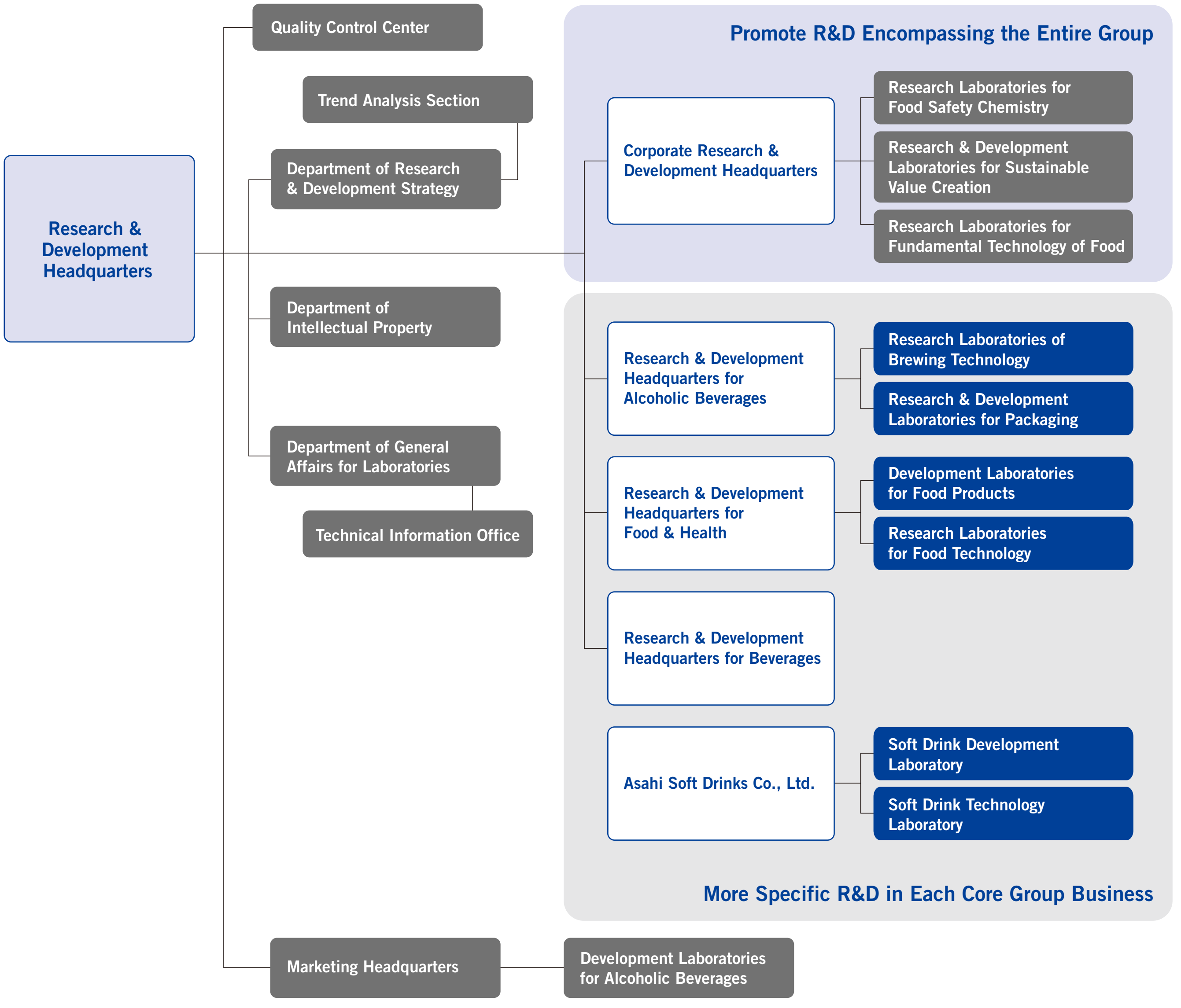
To achieve profitability early in 2010, a drive is under way to promote sales growth by revamping the *Sunkist* brand and reaping benefits from the launch of mineral water and other new products. These benefits are expected to come atop contributions from additional profit structure reforms, including personnel reductions enabled through improved sales route efficiency.

Research and Development

Research and development at the Asahi Breweries Group is guided by the Group's Long-Term Vision 2015 of striving to transform the bounty of nature into the "Kando" of food while becoming a trusted company with global quality.

Our R&D organization includes headquarters specific to each of the Group's businesses—alcoholic beverages, food and soft drinks—that develop applicable products and technologies. The Corporate Research & Development Headquarters, meanwhile, promotes technological developments and R&D leading to the creation of new businesses across the entire Group.

In conducting R&D activities, we actively promote joint research opportunities with universities and other public institutions in and outside of Japan, as well as with other corporations. This cooperative approach enables the Group to consistently pursue state-of-the-art R&D activities, particularly through the adoption of cutting-edge technologies. We are also striving for greater selectivity and focus in R&D, both to clarify accountability in the selection of research themes and to move forward with important themes faster.



Alcoholic Beverages

Asahi The Master, launched in May 2009, became the first domestic Japanese beer to win the Gold Medal award in the pilsner category at the 2009 World Beer Championships (WBC), an international beer-rating event held in the United States. The event featured 370 beer brands submitted by manufacturers, importers and retailers from 26 countries, with the most beers (33 brands) appearing in the pilsner category.

Production of *Asahi The Master* is supervised by Group employees who have earned the title “Master” from the Technical University Munich-Weihenstephan in Munich, Germany. The finished product is the result of a meticulous brewing process that uses only the finest barley and hops.

Asahi The Master

Soft Drinks

For *Mitsuya Cider*, a brand that celebrated 126 years in business in 2009, we took optimal advantage of our “zero calorie, zero sugar, and zero preservatives” product development technology, honed through many years of experience. The result was *Mitsuya Cider All Zero*, a new clear carbonated beverage that is lightly sweet and refreshing. The product has been well received by consumers since its release in May 2009.

Mitsuya Cider All Zero

Food

In February 2009, we established a joint venture with Mitsui & Co., Ltd. for the manufacture and sale of yeast extract as a natural seasoning. The new company will sell high valued-added yeast extracts developed primarily from our proprietary yeast fermentation and extract manufacturing technologies. The extracts are derived from four yeast strains first discovered by the Asahi Breweries Group that contain high concentrations of glutamic acid and other constituents. As greater health consciousness and the trend toward natural foods gain momentum worldwide, we hope to use the sale of our yeast extract as an opportunity to expand the Group’s full range of natural seasonings.

Cooking is one application for yeast extract

New Businesses

Asahi Breweries’ Research Laboratories for Fundamental Technology of Food was first in the world to develop technology for the low-cost production of cellulase, an enzyme used to breakdown cellulose into sugar. Cellulase exists widely in nature, in products such as rice straw, wheat straw and other typically unused plant resources.

Global demand for cellulase is increasing, particularly in food processing and in the field of energy, where it is vital in the production of bioethanol. However, production technologies for conventional cellulase have been costly, presenting a significant barrier to widespread adoption.

Research and development is now in progress for the use of cellulase in a broad array of applications, particularly in the food processing and energy fields.

The cellulase production process (old paper gradually breaking down over time)

Group Management

Corporate Governance

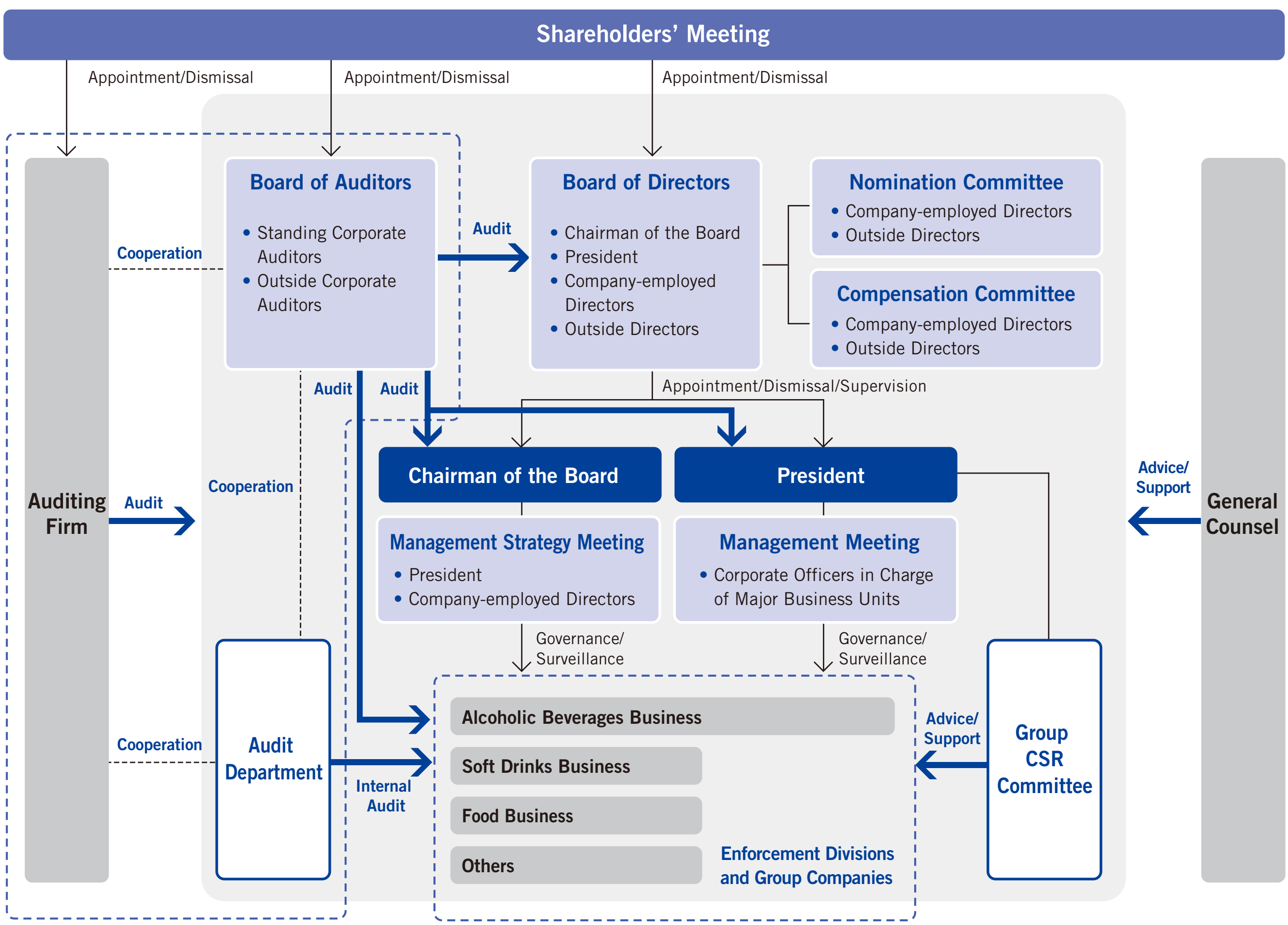
1. Basic Policy

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 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.

2. Characteristic Features of Our Corporate Governance Structure

Asahi Breweries, Ltd. is bolstering corporate governance with the goal of maintaining management soundness, transparency and efficiency. Specifically we have adopted a "company with auditors" governance framework, under which we strengthen management oversight functions and preserve transparency by appointing outside directors. Asahi Breweries, Ltd. has also introduced a Corporate Officer System, designed to separate management duties from business execution, as well as boost management decision-making speed, and realize more efficient management overall.

CORPORATE GOVERNANCE STRUCTURE



Basic Principles for Establishing an Internal Control System and various internal regulations (including Business Ethics Rule)

Board of Directors

The Board of Directors consists of 14 directors, including 3 outside directors (as of March 31, 2010). Outside directors are chosen from a pool of exceptional external candidates who qualify as independent directors. Outside directors have varied career backgrounds, with some having served as corporate executives, educators, and as advisory government committee members prior to their appointments. The wealth of experience and keen insight of our current outside directors are reflected in the continued transparency of the Board's decision-making processes and management oversight.

In 2000, Asahi Breweries, Ltd. significantly reduced the number of directors, in the interest of realizing greater management efficiency and timelier decision-making.

In 2009, the Board of Directors held 11 regular meetings, with outside directors Mr. Yamaguchi, Ms. Bando, and Mr. Tanaka attending 10, 11 and 8 meetings, respectively. (Because Mr. Tanaka was elected at the Company's 85th Ordinary General Meeting of Shareholders on March 26, 2009, only 9 meetings have been held since he took up his post.) In addition to the abovementioned meetings, the Board of Directors adopted two resolutions without holding a formal meeting, as permitted by Article 370 of Japan's Corporate Law.

Nomination and Compensation Committees

Complete fairness and transparency in the appointment and compensation of senior officers are achieved by the Nomination Committee and the Compensation Committee, which serve as advisory bodies to the Board of Directors. Outside directors are present among the directors that comprise the membership of each committee.

The Nomination Committee consists of a total of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by a Company-employed director, and is responsible for recommending candidates for director, corporate officer or auditor to the Board of Directors. The committee met once in 2009.

The Compensation Committee is also comprised of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by an outside director, and is responsible for proposing compensation systems and packages for directors and corporate officers to the Board of Directors. The committee met twice in 2009, and mainly forwarded proposals regarding the amount of bonuses for senior officers.

Board of Auditors

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, including three outside auditors. Selected from a pool of exceptional candidates who qualify as independent auditors, the experience and insight gained from 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 2009, the Board of Auditors held eight meetings, of which Mr. Sakurai attended eight, Mr. Nakamura attended seven, and Mr. Ishizaki attended eight.

Comments from Outside Director

Asahi Breweries conducted an ongoing demonstration project in ethanol production in Iejima, Okinawa, through to March 2010. The goal of this joint research with the National Agricultural Research Center for Kyushu Okinawa Region was to establish a high-speed, high-concentration fermentation process for bio-ethanol using a high-yield variety of sugarcane. In my view, this project is highly significant as an attempt to benefit the Earth. I hope that it will help to show ways of using renewable energy involving agricultural corporations and government agencies, and in a business context too. In promoting the project, we inevitably have to consider ways to draw it out from under the rubric of agriculture protection policies. On this point, I hope to do what I can to bring this about after establishing my views on the economies of the business model.

Outside Director
Naoki Tanaka
President, Center for International Public Policy Studies
Appointed Outside Director of Asahi Breweries, Ltd. in 2009

3. Corporate Officer System

Introduction of a Corporate Officer System

Asahi Breweries, Ltd. has introduced a Corporate Officer System to ensure timely execution of operations and clarify responsibilities and authority. Corporate 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 deliberates matters pertaining to the direction of the entire Group. The Management Meeting, meanwhile, is charged with deciding specific matters concerning business execution. The Management Strategy Meeting is chaired by the chairman and representative director, while the Management Meeting is chaired by the president and representative director. These meetings maintain the accountability of directors for the entire Group and the responsibility of the president and representative director and corporate officers for the alcoholic beverages business, thereby clarifying responsibilities and accelerating decision-making. To maximize operational efficiency, at each meeting progress is controlled and assessed based on an objective and rational management index. In order to ensure the legality of the decision-making process employed for major issues and to further enhance compliance management, each meeting is attended by at least one standing corporate auditor.

Internal Audits and Accounting Audits

To enable auditors to efficiently conduct their auditing duties, Asahi Breweries, Ltd. assigns two full-time staff to attend to the needs of the Board of Auditors, enabling auditors' full attendance at important meetings and facilitating the review of authorized documents at all times.

With respect to internal audits, the 11-member Audit Department, under the direct control of the President, has been established as the internal organ responsible for conducting audits based on Group-wide auditing standards and our annual audit plan to ensure proper and effective business execution across the entire Group. In addition to reports individually filed with each audit, twice a year, general reviews of the audits are submitted to the Management Strategy Meeting to be used 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 2009, the Board of Auditors held five briefings with the accounting auditor and three briefings with the Internal Audit Department, respectively. The Internal Audit Department held four meetings with the accounting auditor.

4. Compensation for Directors and Auditors

Resolutions regarding compensation for senior officers become agenda items for the Board of Directors following deliberations that take into account the compensation systems and packages for directors and corporate officers proposed by the Compensation Committee. In 2009, fixed salaries comprised around 80% of compensation for directors, with the performance-based portion roughly accounting for another 20%. (Note: All performance-based compensation was short term). For auditors, compensation consisted entirely of fixed salaries (monthly compensation), reflecting the abolishment of the Company's system of benefits from April 2009. (Refer below.)

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, on the grounds that even if they were able to execute their rights under insider trading regulations, it would be difficult to sell the rights at a later date, so that their function as an incentive was unsustainable.

Compensation for Directors and Auditors (FY2009)

(¥ million)	Salary	Bonus	Total
Company-employed Directors (Total: 9)	¥407.1	¥98.7	¥505.8
Outside Directors (Total: 2)	28.8	8.1	36.9
Corporate Auditors (Total: 2)	63.0	—	63.0
Outside Auditors (Total: 3)	32.0	—	32.0

Accounting Auditor Compensation

In fiscal 2009, audit fees payable to the accounting auditor amounted to ¥192 million for an attestation agreement and ¥2 million in other compensation.

5. Internal Control System

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

In response to the Japanese SOX Act, Asahi Breweries, Ltd. has put an evaluation and reporting framework in place that includes a set of guidelines, "Basic Regulations for Evaluation and Reporting of Internal Control for Financial Reporting," and the establishment of the Internal Control Evaluation Office as an organization to conduct independent evaluation of managers.

Based on evaluation results for fiscal 2009, the Company has determined that, as of December 31, 2009, it has an effective internal control system with respect to financial reporting. This assessment was corroborated by an audit of the internal control system performed by the outside auditors.

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. 44 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.

In 2009, we added language to the Basic Principles for Establishing an Internal Control System regarding zero tolerance of criminal organizations and our internal control system with respect to financial reporting.

Going forward, we anticipate that business growth will trigger expansion in both the number of Group companies and the regions where we operate. This growth notwithstanding, we are committed to extensively embedding our internal control system throughout the entire Group. At the same time, we will constantly strive to remain aware of regulatory reforms and social trends in each business and operating region, responding proactively to any changes that emerge.

6. Renewal of Takeover Defense Measures

With the approval of the shareholders at the 83rd Annual Shareholders' Meeting held on March 27, 2007, Asahi Breweries, Ltd. adopted countermeasures against the large-scale purchase of its shares ("takeover defense measures"). The takeover defense measures define procedures for measures to be taken in the event that the Company becomes the target of a large-scale attempt to purchase its shares. Such measures include (1) requiring the person conducting the purchase ("the purchaser") to provide necessary and sufficient information in advance, (2) securing the time necessary for gathering and examining information concerning the purchase, and (3) presenting management's own plan or an alternative proposal to shareholders of the Company, or conducting negotiations with the purchaser.

The potential for abusive share purchases remains a risk in Japan's current legal framework. Asahi Breweries, Ltd. believes it should therefore continue to maintain highly transparent procedures capable of providing shareholders with sufficient information and decision-making opportunity should the Company suddenly become the target of a large-scale attempt to purchase its shares. Accordingly, with the approval of shareholders, Asahi Breweries, Ltd. renewed its takeover defense measures at the 86th Annual Shareholders' Meeting held on March 26, 2010.

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 once 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.

In 2009, the committee focused mainly on measures to address new strains of influenza.

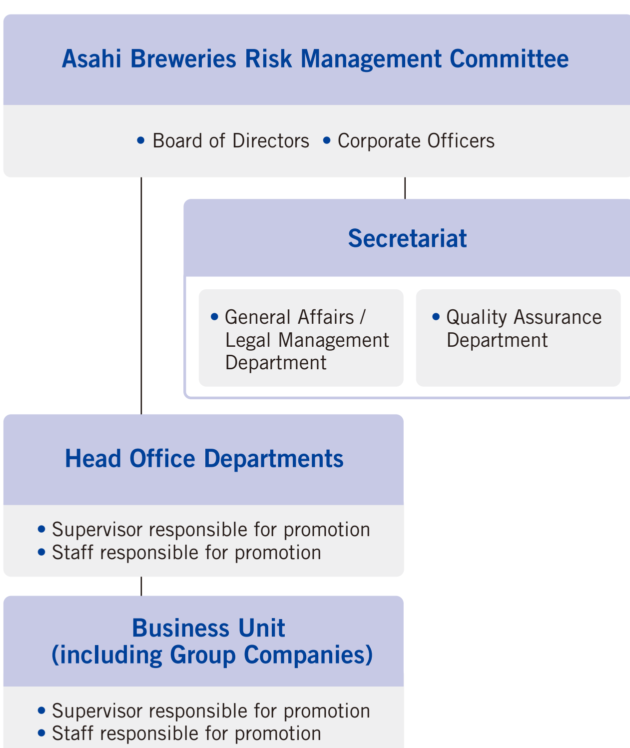
Compliance

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 trained compliance promotion staff in each place of business and Group company, providing thorough training on the Business Ethics Rule and enhancing awareness of compliance among employees.

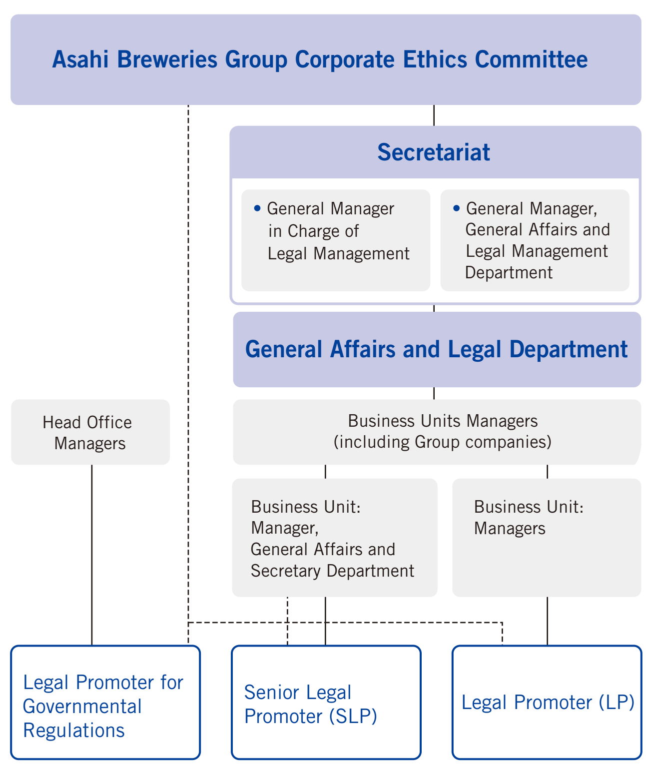
The Group has appointed Legal Promoters (LPs), Senior Legal Promoters (SLPs), and Legal Promoters for Governmental Regulations (GLPs) to further strengthen our compliance structure. Appointees to each of these positions are selected from among the Group's regular employees. As of the end of 2009, approximately 130 LPs, 30 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. Through compliance training targeting LPs in particular in 2009, we were able to create deeper understanding of the most up-to-date know-how relating to compliance initiatives targeting the environment, business partners, employees, and other stakeholders.

RISK MANAGEMENT PROMOTION SYSTEM



COMPLIANCE PROMOTION SYSTEM



Board of Directors, Auditors and Corporate Officers (As of March 26, 2010)

1	2		
3	4	5	6
7	8	9	10
11	12	13	14

Board of Directors

1. **Hitoshi Ogita**
   Chairman of the Board
2. **Naoki Izumiya**
   President
3. **Kazuo Motoyama**
   Executive Vice President
4. **Masatoshi Takahashi**
   Senior Managing Director and Senior Managing Corporate Officer
5. **Akiyoshi Koji**
   Managing Director and Managing Corporate Officer
6. **Noriyuki Karasawa**
   Managing Director and Managing Corporate Officer
7. **Katsuyuki Kawatsura**
   Managing Director and Managing Corporate Officer
8. **Toshihiko Nagao**
   Director and Corporate Officer
9. **Toshio Mori**
   Director and Corporate Officer
10. **Toshio Kodato**
   Director and Corporate Officer
11. **Yoshihiro Tonozuka**
   Director and Corporate Officer
12. **Nobuo Yamaguchi**
   Director
13. **Mariko Bando**
   Director
14. **Naoki Tanaka**
   Director

Auditors

Standing Corporate Auditors
Yoshihiro Goto
Yoshifumi Nishino

Outside Auditors
Takahide Sakurai
Naoto Nakamura
Tadashi Ishizaki

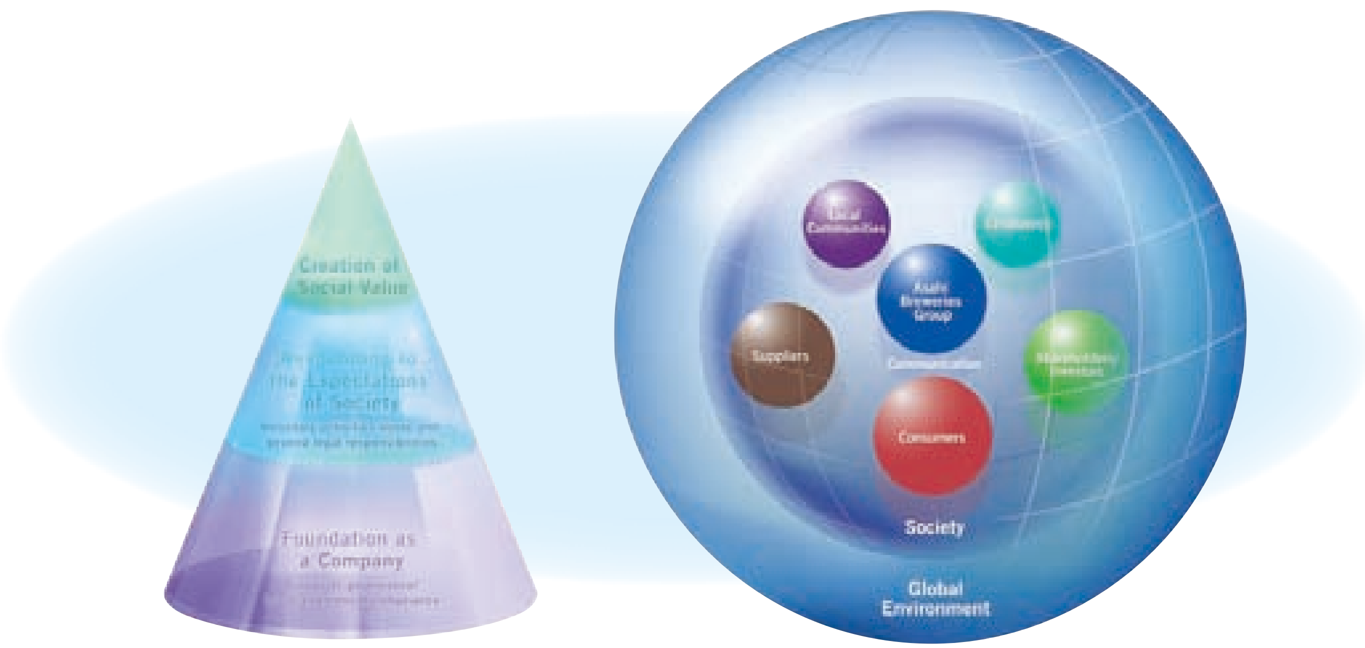
Corporate Officers

Managing Corporate Officers
Yuji Ninomiya
Akira Matsunobu
Fumio Yamasaki
Kenji Taniguchi
Masafumi Tanino
Takayoshi Kanaya
Hideaki Takemoto

Corporate Officers
Makoto Sugiura
Norio Naito
Shoji Tsumura
Takami Maruyama
Katsutoshi Takahashi
Shinichi Hirano
Seiichi Ishikawa
Kenkichi Aoki
Hirohisa Shibuya
Masaru Nohara
Hiroshi Katagiri
Kazunori Shibata
Shiro Ikeda
Kiminari Maruta
Yukihiro Shiraishi
Yukio Kakegai
Kazuya Arakeda
Hiroshi Kawashita
Yoshihide Okuda

The Asahi Breweries Group and CSR

The Asahi Breweries Group is committed to striving to transform the bounty of nature into the “Kando” of food while becoming a trusted company with global quality. Guided by this approach, we conduct corporate activities in ways that uphold our corporate philosophy of pursuing customer satisfaction. In all business activities worldwide, we are determined to meet our social responsibility as a corporate citizen through environmentally and socially conscious business actions. At the same time, we strive to create social value, and work to promote the sustainable development of both society and the Asahi Breweries Group.



CSR Policy of the Asahi Breweries Group (Drafted January 2010)

The Asahi Breweries Group, through its business activities worldwide, is committed to contributing to the development of a sustainable society.

In addition to strict compliance with all relevant laws and rules in the countries and regions where the Group operates, we voluntarily and vigorously promote activities designed to fulfill our social responsibility from a global perspective.

Beyond these actions, we strive through the creation of new social value to deliver enjoyment in ways that people across the globe can partake in.

With this goal in mind, we work together with those around us to consider our best course to achieving this end, followed by appropriate action.

Formulation of the Asahi Breweries Group Environmental Vision 2020

In March 2010, the Asahi Breweries Group formulated Environmental Vision 2020 to strengthen environmental preservation activities throughout the Group. In order to realize a sustainable society for the future, the Group will place importance on working to reduce the environmental burden of its production and business activities and value its relationships with the individuals in society, including the next generation. With this goal in view, the Group as a whole will promote initiatives to preserve the environment.

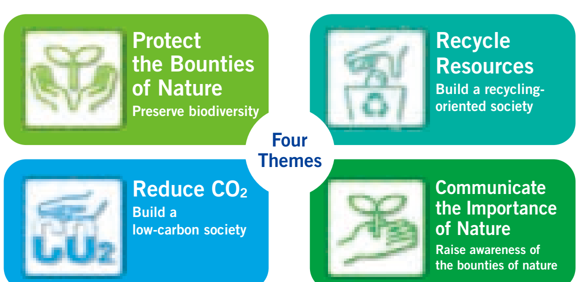
Asahi Breweries Group
Environmental Vision 2020

Bringing the Best of Nature to Tomorrow

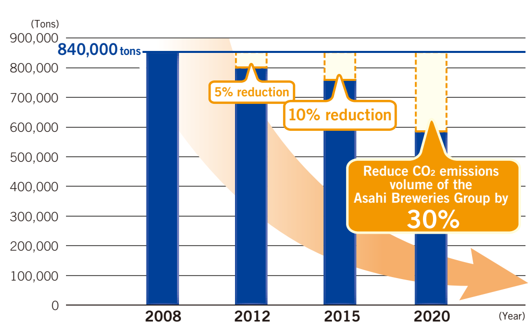
The business of the Asahi Breweries Group revolves around harnessing water, grains, and other natural resources. When the global environment and human society are sustainable, we can deliver safe and reliable products to our customers.

Companies and consumers alike need to respond quickly and concretely to the current global environmental changes. It is the common mission of the human race to build a society that can coexist with the global environment.

To contribute to the realization of a sustainable society, the Asahi Breweries Group will actively work to address environmental issues, based on the four themes of building a low-carbon society, building a recycling-oriented society, preserving biodiversity, and raising awareness of the bounties of nature.

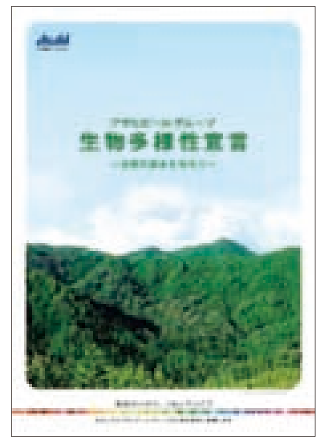


CO_2 EMISSIONS VOLUME OF THE ASAHI BREWERIES GROUP



The Asahi Breweries Group Statement on Biodiversity

In its business activities, the Asahi Breweries Group makes use of water, grains, and other natural resources. As such, the Group has formulated the Statement on Biodiversity, designed to respect biodiversity and protect the bounties of nature so that we can pass them on to the next generation. Under this declaration, we will act in a biodiversity-conscious manner based on the three core policies of protecting the natural environments where plants and animals live, valuing the bounties of nature, and working together with people around the world.



In formulating this statement the Asahi Breweries Group established a Biodiversity Committee. The committee evaluated the ways in which the Group shares and applies knowledge related to biodiversity, and considered what path the Group should take going forward. After further verification from experts and relevant third parties, the Group as a whole will promote activities that take biodiversity into account.

In addition, four Group companies—Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd.—have launched a joint project for product development that takes into account the environments and connections between living things.

Social Contribution

"Refreshingly Sustainable" Project

Leveraging the sales scope of *Asahi Super Dry*, a beer brand that has sold over 100 million cases*1, Asahi Breweries, Ltd. has been developing its "Refreshingly Sustainable" Project as a unique social contribution activity since 2009. Promoted in each of Japan's 47 prefectures, the project donates ¥1 for each eligible item*2 sold in each prefecture to the protection and preservation of the local environment and cultural treasures.

The project was implemented twice, in the spring and in the fall of 2009. The initial spring campaign netted ¥219,792,528 in donations nationwide. For the fall campaign, this figure was ¥460,952,200, resulting in a grand total of more than ¥680,744,728 in donations for the entire year.

Asahi Breweries will run the project twice again in the spring and fall of 2010, and plans to continue in 2011 as well. In conjunction with the campaign, Asahi Breweries actively encourages employees to volunteer locally as part of ongoing efforts to contribute to the community through its business activities.

*1 One case is equivalent to 20 bottles (633ml each).
*2 Initial campaign: 500ml and 350ml cans; Second campaign: 500ml and 350ml cans and large (633ml) and medium (500ml) bottles.

	Total Donation
First Project	¥219,792,528
Second Project	¥460,952,200

Appropriate Drinking Habits

Since ancient times, alcoholic beverages have been produced around the world as a cultural asset that brings delight and pleasure into daily life. At the same time, however, inappropriate drinking habits are associated with a number of social problems.

The Asahi Breweries Group believes it is our serious responsibility as an alcoholic beverage maker to lead the way in solving these problems. In 2004, this commitment culminated in the drafting of The Asahi Breweries Group's Basic Philosophy for Promotion of Moderate & Responsible Drinking. Based on this philosophy, we are developing alliances within the industry to prevent problems associated with improper drinking habits such as underage drinking, drunk driving, drinking during pregnancy, and binge drinking, in addition to taking steps Group-wide to raise awareness against improper drinking.

In 2009, Asahi continued its participation in the "STOP! Underage Drinking" campaign run by the Brewers Association of Japan, promoting awareness among both adults and minors. In addition, Asahi Breweries has created a pamphlet distributed free of charge each year in April to incoming college students in Japan. The company has also created a free educational tool for primary school students. In 2009, the tool won the Outstanding Performance Award in the Printed Material Division of the 7th Consumer Education Material Recognition held by the National Institute on Consumer Education.

Financial Section

Eleven-Year Summary

Years ended December 31

	Millions of yen				
	2009	2008	2007	2006	2005
For the year:					
Net sales	**¥1,472,469**	¥1,462,748	¥1,464,072	¥1,446,385	¥1,430,027
Operating income	**82,777**	94,520	86,956	88,713	90,249
Income (loss) before income taxes and minority interests	**88,078**	82,938	81,741	81,165	75,725
Net income (loss)	**47,645**	45,014	44,798	44,775	39,870
Capital investments*2	**62,376**	36,135	44,481	36,894	43,941
Depreciation*2	**58,372**	47,353	45,250	48,793	50,028
<Segment information>					
Sales:					
Alcoholic beverages	**—**	—	—	—	—
Soft drinks and food	**—**	—	—	—	—
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	—	—
Others	**—**	—	—	—	—
Sales: (New Segments)					
Alcoholic beverages	**958,156**	995,703	1,012,256	1,007,558	1,025,447
Soft drinks	**355,162**	316,737	299,663	283,121	267,003
Food and pharmaceuticals	**92,400**	79,203	67,089	53,792	25,286
Others	**66,751**	71,105	85,064	101,914	112,291
Operating income (loss):					
Alcoholic beverages	**—**	—	—	—	—
Soft drinks and food	**—**	—	—	—	—
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	—	—
Others	**—**	—	—	—	—
Operating income (loss): (New Segments)					
Alcoholic beverages	**78,879**	90,762	79,285	78,186	78,089
Soft drinks	**695**	616	4,593	7,746	8,632
Food and pharmaceuticals	**2,745**	1,944	1,344	445	805
Others	**889**	1,006	1,724	2,173	2,559
Financial position:					
Total assets	**1,433,653**	1,299,059	1,324,392	1,288,501	1,218,227
Interest-bearing debt	**391,875**	302,259	332,458	290,101	289,202
Total net assets*3	**577,703**	534,628	529,782	509,775	454,892
	Yen				
Per share data:					
Net income	**¥ 102.49**	¥ 96.31	¥ 94.94	¥ 94.02	¥ 82.22
Diluted net income	**102.42**	96.14	94.74	93.85	80.98
Cash dividends applicable to the year	**21.00**	20.00	19.00	19.00	17.00
Total net assets	**1,233.25**	1,122.13	1,089.33	1,012.77	951.12
	%				
Ratios:					
ROE	**8.7**	8.7	9.0	9.6	9.1
Operating income ratio	**5.6**	6.5	5.9	6.1	6.3
Operating income ratio (exclusive of alcohol tax)	**8.1**	9.6	9.0	9.4	9.8
Equity ratio	**40.0**	40.2	38.9	37.0	37.3

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥92.10 to U.S.$1, the exchange rate prevailing at December 31, 2009.
*2 Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.
*3 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.
*4 In case of net loss, disclosure of fully diluted per share data is not required.

	Millions of yen						Thousands of U.S. dollars*1
	2004	2003	2002	2001	2000	1999	2009
	¥1,444,226	¥1,400,302	¥1,375,267	¥1,433,364	¥1,399,108	¥1,396,898	$15,987,720
	101,273	78,984	69,341	77,777	76,550	80,122	898,773
	58,369	48,681	32,483	18,611	(18,116)	15,038	956,330
	30,596	23,210	14,754	13,617	(15,707)	4,082	517,318
	40,134	38,184	41,257	64,829	66,518	63,149	677,264
	51,339	53,101	51,546	52,901	51,790	43,840	633,789
	—	—	—	1,179,412	1,127,737	1,114,441	—
	—	—	—	201,772	216,191	229,704	—
	—	—	—	—	—	—	—
	—	—	—	3,058	4,194	3,897	—
	—	—	—	49,122	50,986	48,856	—
	1,078,931	1,067,136	1,057,029	1,101,620			10,403,431
	217,380	185,738	173,773	192,526			3,856,265
	22,163	21,547	14,232	14,561			1,003,257
	125,752	125,881	130,233	124,657			724,767
	—	—	—	92,635	86,774	86,037	—
	—	—	—	(1,485)	2,009	6,972	—
	—	—	—	—	—	—	—
	—	—	—	1,833	2,717	1,623	—
	—	—	—	(816)	(758)	94	—
	90,872	72,452	69,145	76,809			856,449
	8,114	2,645	(4,086)	(2,079)			7,546
	(599)	169	8	406			29,804
	2,935	3,399	3,855	2,476			9,653
	1,250,818	1,244,410	1,294,738	1,341,103	1,389,827	1,405,507	15,566,265
	303,089	336,285	402,206	417,167	503,371	502,327	4,254,896
	417,828	398,153	387,539	385,965	356,009	383,474	6,272,562
	Yen						U.S. dollars
	¥ 62.52	¥ 46.80	¥ 28.90	¥ 27.00	¥ (31.54)	¥ 8.20	$ 1.11
	60.64	44.58	27.46	25.25	—*4	8.11	1.11
	15.00	13.00	13.00	13.00	12.00	12.00	0.23
	860.66	810.19	770.86	752.25	715.04	777.04	13.39
	%						
	7.5	5.9	3.8	3.7	(4.2)	1.1	
	7.0	5.6	5.0	5.4	5.5	5.7	
	11.4	9.2	8.3	9.0	9.2	9.7	
	33.4	32.0	29.9	28.8	25.6	27.3	

Management's Discussion and Analysis

Overview

Market Trends

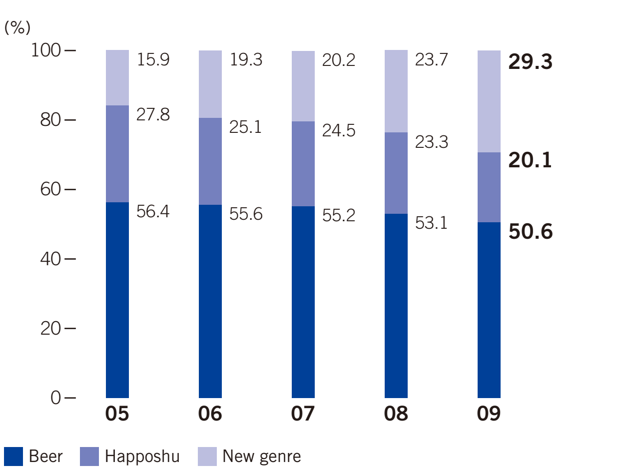
In the fiscal year ended December 31, 2009, Japan's economy continued to face harsh economic conditions, marked by steady deterioration in the employment environment and lackluster consumer spending in the wake of the global financial crisis that originated in the United States. The trajectory of these metrics remained largely unchanged despite signs that the economy is headed toward recovery, thanks to government-backed economic stimulus measures.

In the alcoholic beverages industry, while sales of new genre beverages rose substantially, reflecting more conservative consumer spending habits due to weak economic conditions, sales of beer and happoshu faltered. As a result, sales in the overall market for beer-type beverages ended 2.1% lower year on year on a taxable shipment volume basis. Sales in alcoholic beverages other than beer-type beverages were flat overall, despite revitalized performance in the market for whisky and spirits.

In the soft drinks industry, overall industry sales volume is estimated to have declined by around 3%, attributed mainly to economic weakness and irregular weather during the summer.

In this climate, the Asahi Breweries Group worked during the final year of its Third Medium-Term Management Plan to enhance the Group management base in several ways. In addition to strengthening each segment, key actions designed to establish growth and earnings bases for the Group's next generation of businesses included efforts to develop an optimal production system not limited by any single business framework.

PRODUCT SHARE IN THE BEER-TYPE BEVERAGES MARKET BY GENRE



* Based on taxable shipments

Net Sales

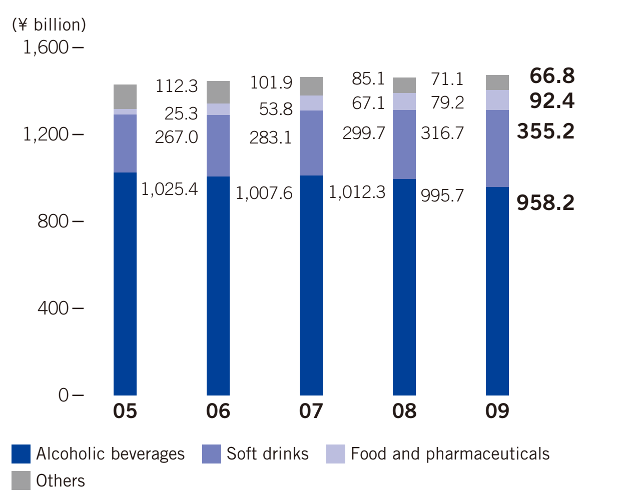
In fiscal 2009, net sales for the Asahi Breweries Group increased ¥9.7 billion, or 0.7%, year on year, to ¥1,472.5 billion ($15,987.7 million).

Sales in the alcoholic beverages business declined ¥37.5 billion, or 3.8% year on year, to ¥958.2 billion, largely reflecting lower sales for beer-type beverages. In the soft drinks business, sales rose ¥38.4 billion, or 12.1%, to ¥355.2 billion, while sales in the food business increased ¥13.2 billion, or 16.7%, to ¥92.4 billion.

In sales composition by segment, the alcoholic beverages business saw its share decrease from 68.1% in the previous fiscal year to 65.1%, while the soft drinks business' share increased from 21.7% to 24.1%, and the food business' share increased from 5.4% to 6.3%.

Sales from the alcoholic beverages business and the soft drinks business include net sales from the Group's overseas business. Overseas sales increased ¥35.2 billion, or 81.3%, year on year, to ¥78.5 billion, primarily from the recent consolidation of Schweppes Australia.

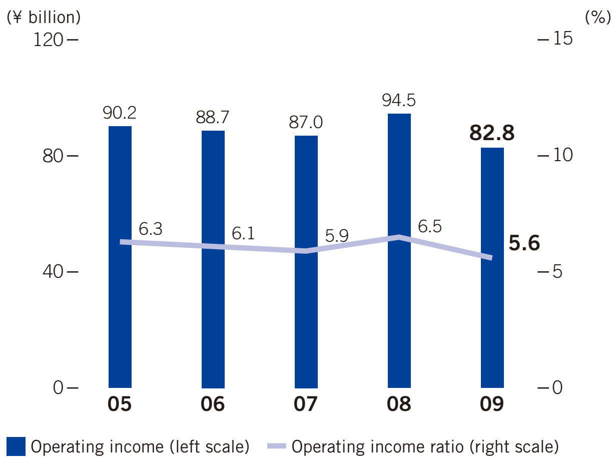
NET SALES BY SEGMENT



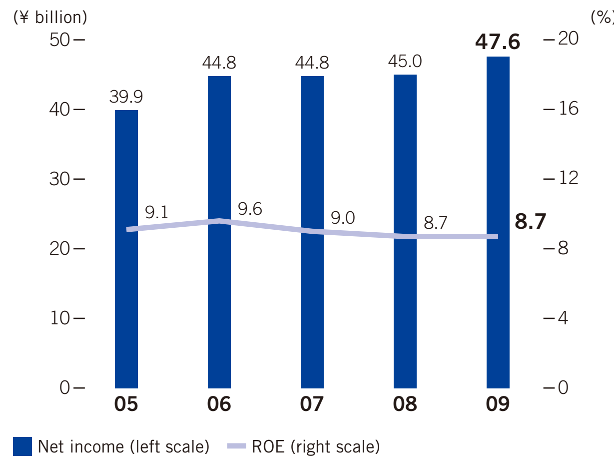
Operating Income

For the consolidated fiscal year, operating income decreased ¥11.7 billion, or 12.4%, year on year, to ¥82.8 billion. This result owed to several factors, including lower sales volume in the alcoholic beverages business, a higher cost of sales accompanying revisions to Japan's tax system, increased depreciation costs due to revisions to the years of useful life for property, plant and equipment, and an increased burden for amortization of goodwill in the soft drinks business related to Schweppes Australia.

OPERATING INCOME/OPERATING INCOME RATIO



NET INCOME/ROE



Other Income and Expenses

Other income increased ¥16.9 billion year on year, to ¥5.3 billion, reversing the loss posted in the previous year. Other income rose largely atop a gain on sales of investments in subsidiaries and affiliate companies of ¥16.1 billion, mainly from the partial sale of shares in Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages). In other expenses, while profit benefited from the absence of prior year sales promotion expenses posted in the previous year, as well as a decline of ¥2.8 billion in the loss on devaluation of investment securities, the loss on sale and disposal of property, plant and equipment—net and loss on impairment of fixed assets increased ¥5.0 billion and ¥6.1 billion, respectively.

Income Taxes

The actual effective tax rate, including the corporate tax for fiscal 2009, decreased from 49.6% in the previous fiscal year to 47.1%. The difference between the actual effective tax rate of 47.1% and the statutory tax rate of 40.4% was primarily caused by the positive effects of 7.4% in valuation allowances, 2.4% in amortization of goodwill, and 1.9% in non-deductible expenses, and the negative effect of 3.9% in equity in net income of unconsolidated subsidiaries and affiliated companies, as well as 2.1% in the undistributed earnings of affiliated companies The major factor behind the decline in the actual effective tax rate was the decrease of 2.1% from undistributed earnings of affiliated companies.

Net Income

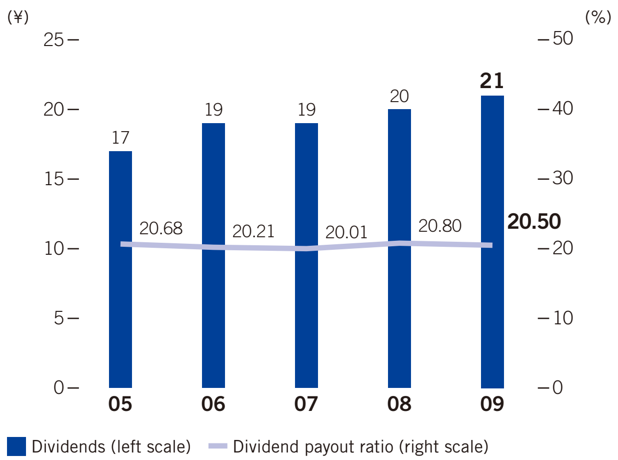
Net income rose 5.8%, or ¥2.6 billion year on year, to ¥47.6 billion ($517.3 million). The net income ratio was 3.2%, up 0.1 percentage points from the previous fiscal year. ROE was unchanged year on year, at 8.7%. Net income per share (diluted) increased from ¥96.14 to ¥102.42.

Dividends

Asahi Breweries, Ltd. places priority on returning profit to shareholders and adheres to a basic policy of implementing shareholder return that takes business performance and a range of other factors into account, while seeking enhanced profitability and ensuring a stronger financial position. We strive for consistent and stable dividend payments and aim to increase dividends by generally referring to a benchmark of at least 20% for the consolidated dividend 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 ¥21.0 per share, which included a one-yen increase in the year-end dividend to ¥11.0 per share, and an interim dividend of ¥10.0 per share. In fiscal 2010, ending December 31, 2010, we plan to pay an interim dividend of ¥10.5 and a year-end dividend of ¥10.5 per share, for a full-year dividend of ¥21.0 per share.

DIVIDENDS/DIVIDEND PAYOUT RATIO



Review of Operations by Segment

SALES AND OPERATING INCOME BY SEGMENT (2009/2008)

	Millions of yen		
	2009	2008	Percent change
Sales			
Alcoholic beverages	**¥958,156**	¥995,703	(3.8)
Soft drinks	**355,162**	316,737	12.1
Food and pharmaceuticals	**92,400**	79,203	16.7
Others	**66,751**	71,105	(6.1)
Operating income			
Alcoholic beverages	**78,879**	90,762	(13.1)
Soft drinks	**695**	616	12.9
Food and pharmaceuticals	**2,745**	1,944	41.2
Others	**889**	1,006	(11.6)

Alcoholic Beverages Business

The domestic alcoholic beverages business is being affected by a decline in the drinking-age population and more consumers, particularly younger consumers, showing preference for beverages other than beer. In this climate, we proposed products designed to meet customer needs and took steps to cultivate and reinforce our brands through sales promotion activities and other means. At the same time, we pursued initiatives for establishing a profit structure capable of weathering changes in the business environment.

While these initiatives spurred significant sales growth in the new genre beverages category, reflecting more conservative spending habits among consumers, the result was a slight dip in sales in the beer category and a sharp drop in happoshu sales. Combined with the downward trend across alcoholic beverages, overall sales in the alcoholic beverages segment declined 3.8% year on year, to ¥958.2 billion. Operating income was down ¥11.9 billion, or 13.1% year on year, to ¥78.9 billion, as benefits from our ongoing pursuit of greater efficiency in production, distribution, and advertising and promotional activities was offset mainly by lower sales volume in beer-type beverages and increased costs. The latter included costs stemming from revisions to the accounting system pertaining to the years of useful life for production equipment.

Asahi Breweries, Ltd.

Beer-type beverages

In the domestic beer market, we took action to further enhance the brand value of our core product in the beer category, *Asahi Super Dry*, by generating information and developing sales promotion activities highlighting the product. Efforts included the enactment of "Embody Refreshment," a sales campaign to encourage consumers to try *Asahi Super Dry* at home, and a project called "Refreshingly Sustainable." Promoted in each of Japan's 47 prefectures, the project donates a portion of proceeds from sales of *Asahi Super Dry* to the protection and preservation of the natural environment and important cultural treasures in each region. May 2009, meanwhile, saw the release of *Asahi The Master*, as we sought to propose products that answer a wide range of customer needs. The result was annual sales volume of over 100 million cases*1 for a 21st consecutive year, and a record-high share of 50.6%*2 of Japan's beer market, up 0.1 percentage points from the previous year. This achievement notwithstanding, beer sales volume decreased 6.1% year on year to 121 million cases, with beer sales declining ¥39.2 billion, or 5.7%, to ¥646.5 billion.

In happoshu, customers gave high marks to *Asahi Style Free*, a product designed to meet growing consumer health consciousness that features "zero carbohydrates"*3, and which saw improved performance from the previous year amid a contracting market. We also took steps to revitalize the market, including through the release of *Asahi Cool Draft* in March. However, despite these vigorous efforts, happoshu sales volume declined 13.5% year on year. As a result, sales of happoshu decreased ¥14.1 billion, or 12.8%, to ¥96.2 billion. Asahi Breweries, Ltd.'s share of the domestic happoshu market, though, increased 0.6 percentage points to 26.6%.

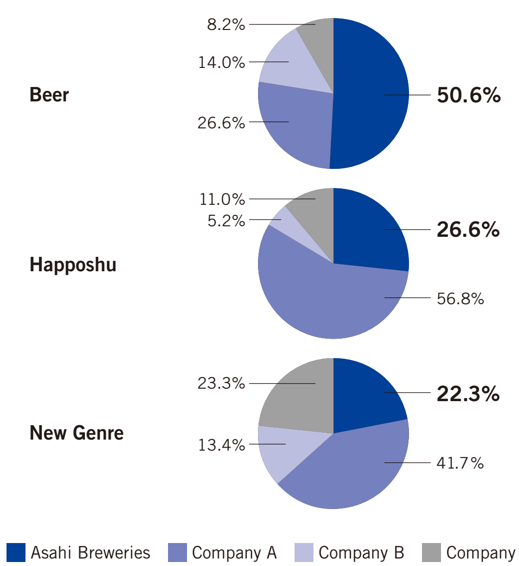
In new genre beverages, we aggressively pursued sales promotion activities intended to establish a solid position in the growing malt liquor*4 market, which included enacting a large-scale sampling program for *Clear Asahi*. We also took on the challenge of proposing new value, releasing *Asahi Off* in February, and *Asahi Mugi Shibori* in September. From these initiatives, sales volume rose 30.7% from the previous year. Consequently, Asahi Breweries, Ltd.'s share of the domestic market for new genre beverages rose 1.4 percentage points to 22.3%. Sales in this category increased ¥24.1 billion, or 31.1%, to ¥101.6 billion.

Taxable shipments for domestic beer-type beverages from Asahi Breweries, Ltd. declined 2.5% year on year to 176.9 million cases. The company's share of the overall domestic beer-type beverages market was 37.5%, down 0.3 percentage points from the previous fiscal year.

As a result, sales of beer-type beverages declined ¥29.2 billion, or 3.3% from the previous year, to ¥844.3 billion.

*[1] One case is equivalent to 20 large bottles (663ml each).
*[2] Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.
*[3] Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero carbohydrate."
*[4] "Malt liquor" refers to a new wheat beverage genre that blends malt-based happoshu (malt content of less than 50%) with wheat-based spirits (liquor).

BEER-TYPE BEVERAGES BY SHARE (2009)



Alcoholic beverages other than beer-type beverages

Overall sales of other alcoholic beverages—shochu, RTD beverages, whisky and spirits, and wine—decreased ¥6.6 billion, or 5.1%, to ¥123.1 billion. As customer needs in this area diversify, we worked to cultivate uniquely advantaged leading brands while making progress on profit structure reform, which focused largely on striving to use advertising and sales promotion expenses more efficiently. As a result of these efforts, we achieved an operating income ratio of 6%.

Shochu

For shochu, we vigorously pursued sales promotion activities targeting core brands *Kanoka* and *Satsuma Tsukasa*, with the goal of enhancing our position in the brisk markets for Ko- and Otsu-type shochu blends and potato shochu. Despite these efforts, however, sales declined 4.6% year on year to ¥50.3 billion.

Ready-to-Drink (RTD) beverages

In Ready-to-Drink (RTD) beverages, sales were firm for *Asahi Slat*, a well-received beverage that has both juicy bits of fruit and the lowest number of calories*[1] in its class. Elsewhere, we took steps to propose a full lineup of products alongside our core products *Asahi Cocktail Partner* and *Asahi Shunka Shibori*. Nevertheless, sales fell 2.7% year on year to ¥30.6 billion.

Whisky and Spirits

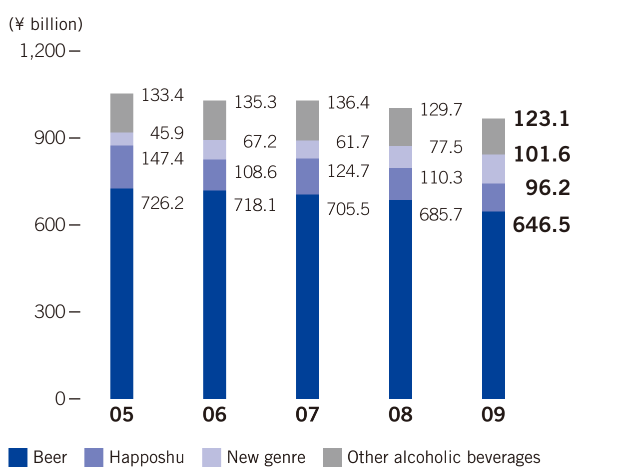
In whisky and spirits, brisk sales of core brand *Black Nikka Clear Blend* continued, leading to year-on-year growth for a third consecutive year. The quality of the *Nikka* brand, moreover, was recognized on the world stage when *Taketsuru 21 Years Old* was named "World's Best Blended Malt Whisky" at the World Whiskies Awards*[2] in April 2009, and received the highest honor in the whisky category at the International Spirits Challenge*[3] in October. These accolades notwithstanding, sales decreased 5.5% from the previous year to ¥26.0 billion.

Wine

In wine, we revamped our *Antioxidant-Free Organic Wine* series of domestic wines to further groom the *Sainte Neige* brand. For imported wines, along with handling the *Lanson* champagne brand for the first time, we strove to expand sales through more robust brand appeal and a diverse product lineup centered on key brands like *Baron Philippe de Rothschild* and *Louis Latour*. However, sales declined 16.3% to ¥12.4 billion.

*[1] Based on comparison of products sold in the canned chu-hi market as of December 2009.
*[2] An international contest focused exclusively on whisky, chiefly sponsored by U.K.-based *Whisky Magazine*.
*[3] An international contest covering the full range of spirits, chiefly sponsored by Drinks International, an exclusive publisher of alcoholic beverage-related material based in the U.K.

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



Overseas Alcoholic Beverages Business

In the overseas alcoholic beverages business, we acquired shares in Tsingtao Brewery Company Limited (Tsingtao Brewery) enabling Asahi Breweries to build an evolving, long-term partnering relationship with Tsingtao Brewery. Accordingly, we moved to strengthen this strategic partnership in our beer business in China, for one that takes optimal advantage of Tsingtao Brewery's brand power and firm business base in China's beer market, together with our own skills in production, quality management, and product development technology.

As a result, sales from the overseas business, including the overseas soft drinks business, rose ¥35.2 billion, or 81.3%, to ¥78.5 billion. The operating loss associated with the overseas business declined by ¥3.0 billion year on year to ¥2.8 billion.

Soft Drinks Business

In the domestic soft drinks business, we enacted initiatives designed to stimulate dramatic growth through Asahi Soft Drinks Co., Ltd.'s fundamental strategies of "Growth Strategies," "Structural Reform," and "Taking on Challenges in New Areas." As a result, sales in the soft drinks business rose 12.1% year on year to ¥355.2 billion. Operating income, meanwhile, increased 12.8% to ¥0.7 billion, as higher prices for raw materials, proactive brand investment and other loss factors were offset by better-than-expected progress on cost reductions. The latter included benefits gained from increased internal production of PET bottles.

Asahi Soft Drinks Co., Ltd.

In the domestic soft drinks market, at Asahi Soft Drinks Co., Ltd., we concentrated marketing investment into the core brands *WONDA* and *Mitsuya Cider* in our ongoing efforts to strengthen and cultivate these brands. This decision culminated in record sales volume for Asahi Soft Drinks for a seventh consecutive year.

In the area of structural reform, we took steps designed to both improve quality and reform the profit structure by striving to reduce prices for raw materials and improve logistics efficiency, and by introducing a cutting-edge production line at the Akashi Factory, including equipment to produce PET bottles.

In taking on challenges in new areas, we moved assertively to propose new products, and also took steps in sales channels* to establish growth bases in new areas.

* Refers to direct and indirect sales routes and formats encompassing mass-retail outlets, convenience stores, vending machines and direct marketing, as well as sales activities conducted through authorized dealers.

Carbonated beverages

For our mainstay *Mitsuya Cider* brand, brisk sales of *Mitsuya Cider All Zero*, launched in May, revitalized the entire brand, leading to increased sales volume for a sixth consecutive year. This outcome led to an annual sales volume of 37.5 million cases for *Mitsuya Cider* brand beverages. This figure represented an increase of 12.1% from the previous year, and another year of sales of more than 30 million cases for the brand. As a result, the total sales for carbonated beverages increased 14.4% year on year to 41.3 million cases.

Coffee

Amid stagnation in the coffee market, sales volume for the core brand *WONDA* rose for a fifth consecutive year. In a follow up from 2008, sales once again pushed past the 30-million case mark, with overall sales volume for coffee up 2.8% year on year to 36.9 million cases.

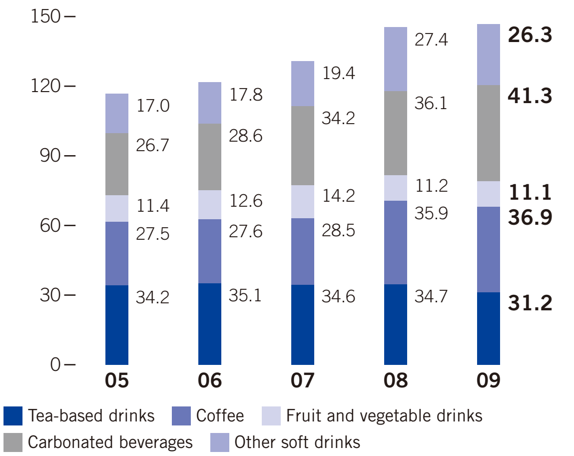
Tea-based drinks

During the year, we sought to boost sales for the entire tea-based drinks category, including through the launch of *Ibuki*, a new tea brand. Nevertheless, annual sales volume fell 10.2% year on year, to 31.2 million cases.

Other soft drinks

In other soft drinks, total sales volume declined 9.8% year on year to 14.4 million cases, primarily due to lower sales volume for *Asahi Fujisan no Vanadium Tennensui* mineral water.

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



Overseas Soft Drinks Business

In the overseas soft drinks business, China-based Tingyi-Asahi Beverages continued to record firm sales growth. We also enacted sweeping reform of the profit structure at Haitai Beverage Co., Ltd. in South Korea, which included advancing measures to restructure core brands. In addition, Schweppes Australia, which became a wholly owned subsidiary in April 2009, launched new brands and reinforced existing ones as part of the effort to elevate its position in the Australian market.

Food Business

In the food 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.

The successive launch of new and revamped products, coupled with aggressive sales promotions, prompted brisk performance in our core products—*MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bars, *Dear-Natura* brand supplements, quasi-drug product *EBIOS*, our *Slim Up Slim* line of diet support food, and *Ippon Manzoku Bar* nutrition bars—resulting in substantial sales growth during the year.

Wakodo Co., Ltd., meanwhile, pursued initiatives designed to reinforce its business base and expand business, guided by a management policy of "further accelerating growth." Taking advantage of its expertise in "infant-safe quality" honed in baby products over the years as a fundamental strength, Wakodo moved to reinforce its brands, which included the revamp of several products. Brisk performance from mainstay brands, including powdered infant formula brands *Hai Hai* and *Gun Gun*, and baby food brand *Goo-Goo Kitchen* resulted in sales growth for the year.

Meanwhile, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan's freeze-dried food market. In addition to realizing year-on-year growth in commercial-use sales through outsourced production, the company saw significant growth in its direct marketing business, resulting in record sales for the year. The company also looked for ways to enhance its own profitability through closer ties with other Asahi Breweries Group companies.

As a result of the above actions, and with the inclusion of operating results from Amano Jitsugyo Co., Ltd. and growth in sales of core products, sales in the food business climbed 16.7% year on year to ¥92.4 billion. Operating income rose 41.2% year on year to ¥2.7 billion.

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 6.1% year on year to ¥66.8 billion and operating income fell 11.6% year on year to ¥0.9 billion.

Outlook for Fiscal 2010

As the initial year of Medium-Term Management Plan 2012, formulated to realize the Group's Long-Term Vision 2015, fiscal 2010 will see management resources channeled into strengthening brands for core products in each business, and a continued push to enhance cost competitiveness, in a bid to bolster the earnings power of the entire Group. Similarly, we will implement optimal financial and cash flow strategies with the goal of lifting the corporate value of the Asahi Breweries Group as a whole. In terms of investment, with a focus primarily on the alcoholic beverages and soft drinks businesses, we are exploring and enacting strategic business investments and business alliances both domestically and overseas, giving priority to strengthening our growth base. We will also pursue capital investment opportunities, with emphasis on creating more efficient production and distribution systems, and on environmental investment.

Consequently, we are forecasting net sales of ¥1,500.0 billion (up 1.9% year on year), operating income of ¥96.0 billion (up 16.0%) and net income of ¥52.0 billion (up 9.1%) for the fiscal year ending December 31, 2010.

Liquidity and Capital Resources

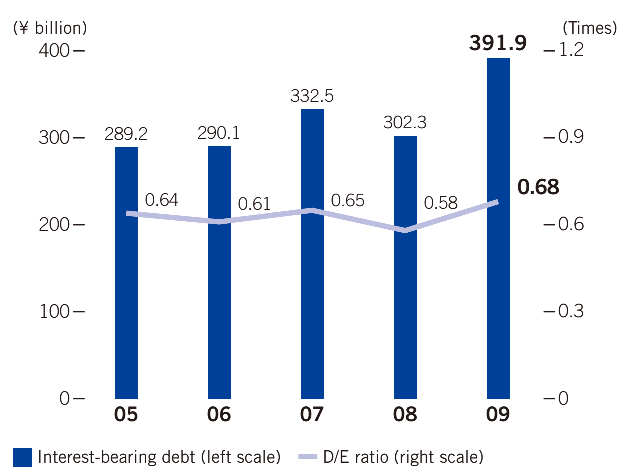
Asahi Breweries, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds, and as a management policy regards the reduction of interest-bearing debt as a priority issue. However, we make flexible use of our financial liabilities according to the need for capital resources to invest. Potential investments include capital expenditure to enhance the management base and increase efficiency, and strategic investments such as M&As. When financing needs arise, we respond with due consideration to procurement methods that will result in the lowest possible interest cost. 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 ¥391.9 billion as of the end of 2009, up ¥89.6 billion from the previous fiscal year-end. This balance primarily reflected an increase in cash flows used in investing activities, mainly for the acquisition of a soft drinks business in Australia and shares of Tsingtao Brewery. The outstanding balance was approximately one-fourth of its all-time peak in fiscal 1992. In addition, during the year under review the debt-equity ratio was 0.7, compared to 4.9 in fiscal 1992.

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– rating from Standard & Poor's (S&P), and an A– rating from Fitch Ratings, Ltd.

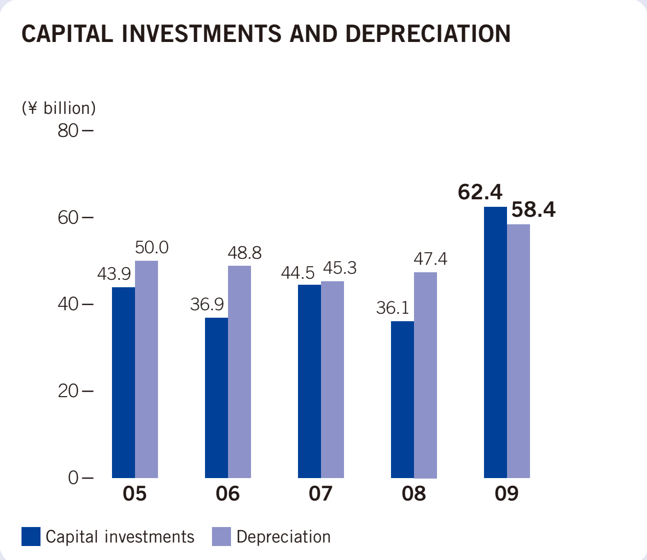
INTEREST-BEARING DEBT AND D/E RATIO



Capital Investments*

Capital investments for the fiscal year ended December 31, 2009, increased ¥26.2 billion from ¥36.1 billion in the previous fiscal year, to ¥62.4 billion. This growth resulted primarily from ongoing capital investment in the alcoholic beverages business, including upgrades to existing equipment and energy-saving measures; the acquisition in the soft drinks business of Schweppes Australia trademarks; and strategic capital investment to enhance production system efficiency in Japan. Consolidated depreciation* costs totaled ¥58.4 billion.

* Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.



Assets, Liabilities and Net Assets

Consolidated total assets as of the end of fiscal 2009 increased by ¥134.6 billion, or 10.4% compared with the previous fiscal year-end, to ¥1,433.7 billion ($15,566.3 million). This growth was primarily due to the new consolidation of Schweppes Australia from the acquisition of a soft drinks business in Australia, and an increase in investment securities from the acquisition of shares in Tsingtao Brewery. Return on assets (ROA) deteriorated 0.8 points to 6.6%.

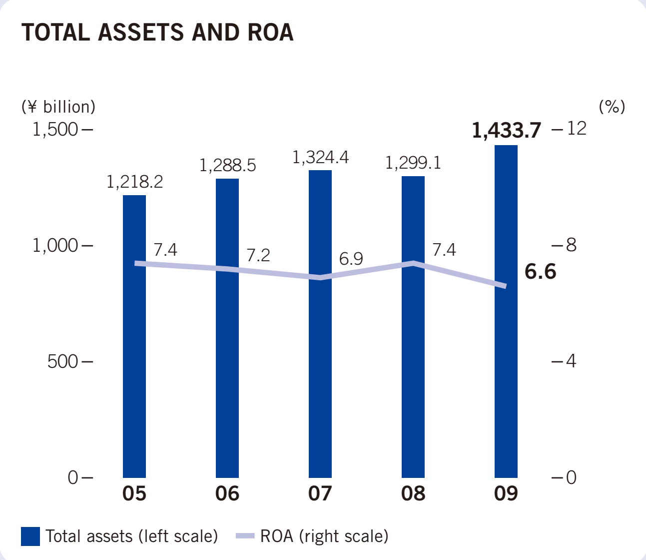
Current assets increased ¥15.7 billion, or 3.8%, year on year, to ¥428.0 billion. This was mainly due to an increase in cash and time deposits, and in notes and accounts receivable. Trade receivable turnover was 5.5 times, compared to 5.4 times in the previous fiscal year. Inventories turnover was 15.1 times, a decline of 0.5 percentage points from 15.6 times recorded for the previous year.

Property, plant and equipment decreased ¥7.7 billion, or 1.3%, year on year, to ¥599.1 billion, as a result of an increase in accumulated depreciation, despite increases in machinery and equipment mainly from the consolidation of Schweppes Australia. Investments and other assets increased ¥126.6 billion, or 45.2% year on year, to ¥406.5 billion, mainly reflecting an increasing in goodwill due to the consolidation of Schweppes Australia and an increase in investment securities from the acquisition of shares in Tsingtao Brewery.

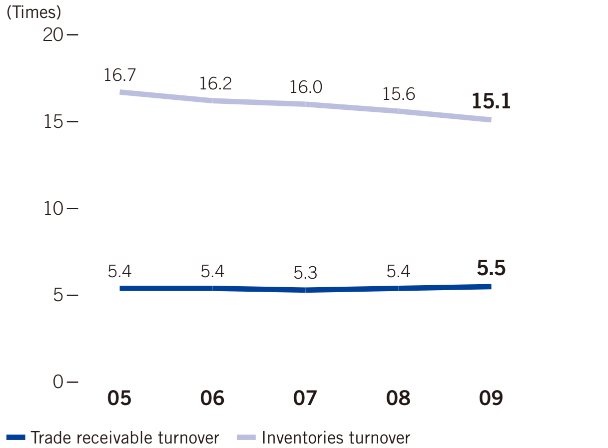
Total liabilities increased ¥91.5 billion, or 12.0%, from the previous fiscal year-end, to ¥855.9 billion. Current liabilities increased ¥57.7 billion, or 11.2% year on year, to ¥573.8 billion. This reflected a 50.7% rise in bank loans, a 35.6% increase in long-term debt due within one year, and a 4.3-fold increase in commercial paper. Long-term liabilities rose ¥33.8 billion, or 13.6%, to ¥282.2 billion, primarily due to an increase of 8.3% in company bonds and a 26.8% increase in long-term debt.

Total net assets increased ¥43.1 billion, or 8.1%, to ¥577.7 billion. Shareholders' equity minus minority interests was ¥573.5 billion, up ¥51.9 billion, or 9.9%, compared to ¥521.6 billion in the previous fiscal year. This resulted from an increase in retained earnings from the posting of consolidated net income, along with an increase in foreign currency translation adjustments, primarily from exchange rate fluctuations for the Australian dollar.

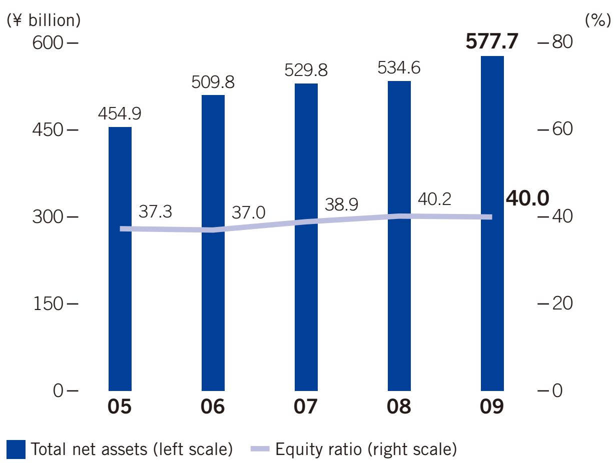
As a result, the equity ratio declined 0.2 percentage points to 40.0%.



TRADE RECEIVABLE TURNOVER AND INVENTORIES TURNOVER



TOTAL NET ASSETS AND EQUITY RATIO



Cash Flows

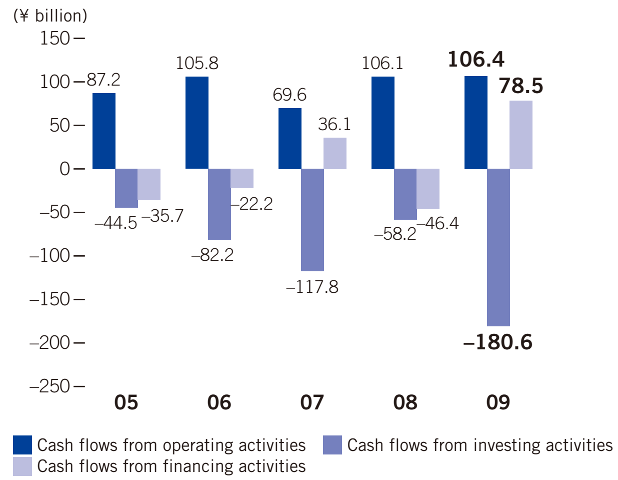
For the fiscal year ended December 31, 2009, net cash provided by operating activities increased ¥0.3 billion year on year to ¥106.4 billion. This result came despite increased corporate tax payments, and was due in large part to an increase in income before income taxes and minority interests and in interest and dividend income.

Net cash used in investing activities went primarily toward acquiring a soft drinks business in Australia and the acquisition of shares in Tsingtao Brewery. Consequently, outflows for investing activities increased ¥122.4 billion from the previous year to ¥180.6 billion.

Net cash provided by financing activities increased ¥124.9 billion year on year to ¥78.5 billion, primarily from capital procured for M&A activity.

As a result, cash and cash equivalents at the fiscal year-end increased ¥5.4 billion to ¥18.1 billion.

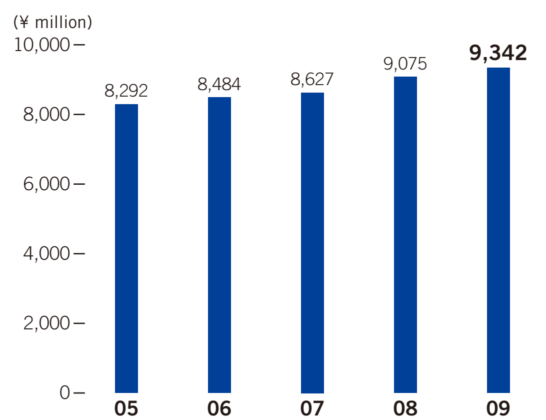
CASH FLOWS



Research and Development

R&D expenses for the year under review were ¥9.3 billion, representing an increase of 2.9% 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 65% 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 that consumption tax or liquor tax rates are raised, consumption of alcoholic beverages, soft drinks, or foods and pharmaceuticals 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-type beverage 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-type beverages, 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 consumption of beer-type beverages 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 is strengthening its efforts 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 prices 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

The 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 operations

The Asahi Breweries Group pursues business operations in Asia and Oceania, 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, the 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, the 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, the 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.

15. Business and capital alliances

The Asahi Breweries Group pursues business and capital alliances with companies in Japan and overseas to establish bases for growth in line with its medium-term management plan. There is the possibility, however, that these alliances could fail to yield synergies as initially projected due to the impact of changes in the business environment on the Asahi Breweries Group, its alliance partners, or companies in which the Group is invested, or other factors. Moreover, changes of this kind in the business environment could cause deterioration in the businesses, management, or financial condition of alliance partners and invested companies. Adverse effects of this type could negatively impact the businesses, operating results and financial condition of the Asahi Breweries Group.

Furthermore, the need to amortize a substantial amount of goodwill stemming from investment, or to post significant impairment losses caused by slumping business performance at invested companies, could adversely affect the operating results of the Asahi Breweries Group.

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
Assets	**2009**	2008	2007	**2009**
Current assets:				
Cash and time deposits (Notes 3 and 8)	**¥ 19,584**	¥ 12,772	¥ 11,628	**$ 212,639**
Notes and accounts receivable:				
Trade	**274,559**	265,048	278,239	**2,981,097**
Other	**13,721**	18,019	13,209	**148,979**
Allowance for doubtful accounts	**(7,666)**	(6,045)	(6,576)	**(83,236)**
Securities (Note 5)	**—**	302	52	**—**
Inventories (Note 4)	**97,442**	97,040	90,436	**1,058,002**
Deferred income tax assets (Note 10)	**11,176**	9,009	6,931	**121,346**
Other current assets (Note 3)	**19,232**	16,199	17,293	**208,817**
Total current assets	**428,048**	412,344	411,212	**4,647,644**
Property, plant and equipment (Notes 8 and 13):				
Land	**184,433**	185,202	180,760	**2,002,530**
Buildings and structures	**416,591**	413,984	413,711	**4,523,247**
Machinery and equipment	**657,872**	633,995	632,142	**7,143,018**
Others	**10,572**	—	—	**114,788**
Construction in progress	**6,382**	6,090	3,447	**69,294**
	1,275,850	1,239,271	1,230,060	**13,852,877**
Less accumulated depreciation	**(676,742)**	(632,479)	(607,341)	**(7,347,904)**
Net property, plant and equipment	**599,108**	606,792	622,719	**6,504,973**
Investments and other assets:				
Goodwill (Note 13)	**100,314**	60,676	65,326	**1,089,185**
Investment securities (Note 5)	**83,989**	88,237	104,067	**911,933**
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**124,476**	58,402	56,575	**1,351,531**
Long-term loans receivable	**4,976**	6,034	5,759	**54,029**
Deferred income tax assets (Note 10)	**21,021**	24,212	18,983	**228,241**
Other non-current assets	**71,721**	42,362	39,751	**778,729**
Total investments and other assets	**406,497**	279,923	290,461	**4,413,648**
	¥1,433,653	¥1,299,059	¥1,324,392	**$15,566,265**

See accompanying notes.

Liabilities and net assets	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:				
Bank loans (Note 8)	¥ 115,818	¥ 76,828	¥ 103,909	$ 1,257,524
Commercial paper (Note 8)	30,000	7,000	52,000	325,733
Long-term debt due within one year (Note 8)	40,402	38,728	47,072	438,675
Notes and accounts payable:				
Trade	100,854	99,146	100,420	1,095,049
Other (mainly construction)	49,981	53,891	57,496	542,682
Alcohol tax and consumption taxes payable	132,385	137,016	142,711	1,437,405
Deposits received	20,429	22,863	25,662	221,813
Income taxes payable (Note 10)	24,097	22,653	14,004	261,640
Accrued liabilities	52,462	51,824	48,025	569,620
Other current liabilities	7,352	6,112	5,497	79,826
Total current liabilities	573,780	516,061	596,796	6,229,967
Long-term debt (Note 8)	205,656	179,703	129,477	2,232,964
Employees' severance and retirement benefits (Note 9)	24,252	23,516	23,820	263,323
Allowance for retirement benefits for directors and corporate auditors	602	634	450	6,536
Deferred income tax liabilities (Note 10)	4,861	6,112	5,019	52,780
Long-term deposits received	36,207	36,088	35,130	393,127
Other long-term liabilities	10,592	2,317	3,918	115,006
Commitments and contingent liabilities (Note 12)				
Net assets (Note 11)				
Shareholders' equity (Note 16)**:**				
Common stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	182,531	182,531	182,531	1,981,878
Capital surplus	151,048	151,148	151,260	1,640,043
Retained earnings	252,147	214,189	178,079	2,737,753
Treasury stock, at cost	(29,283)	(29,579)	(14,674)	(317,948)
Total shareholders' equity	556,443	518,289	497,196	6,041,726
Accumulated gains (losses) from revaluation and translation adjustments:				
Unrealized gains on available-for-sale securities, net of taxes	2,445	1,112	13,037	26,547
Revaluation surplus (Note 2)	—	1,751	—	—
Unrealized losses on hedging derivatives, net of taxes	(7)	(3)	(44)	(76)
Foreign currency translation adjustments	14,592	446	4,478	158,437
Total accumulated gains from revaluation and translation adjustments	17,030	3,306	17,471	184,908
Minority interests	4,230	13,033	15,115	45,928
Total net assets	577,703	534,628	529,782	6,272,562
	¥1,433,653	¥1,299,059	¥1,324,392	$15,566,265

Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net sales (Note 18)	¥1,472,469	¥1,462,748	¥1,464,072	$15,987,720
Costs and expenses (Note 18):				
Cost of sales	508,293	479,999	466,592	5,518,925
Alcohol tax	450,151	473,487	494,589	4,887,633
Selling, general and administrative expenses	431,248	414,742	415,935	4,682,389
	1,389,692	1,368,228	1,377,116	15,088,947
Operating income (Note 18)	82,777	94,520	86,956	898,773
Other income (expenses):				
Interest and dividend income	2,756	1,798	2,048	29,924
Interest expenses	(4,629)	(5,194)	(5,021)	(50,261)
Equity in net income of unconsolidated subsidiaries and affiliated companies	8,512	9,106	9,011	92,421
Gain (loss) on sale of securities—net (Note 5)	(99)	32	(701)	(1,075)
Gain on sales of investments in subsidiaries and affiliated companies	16,090	—	—	174,702
Loss on sale and disposal of property, plant and equipment—net	(9,176)	(4,213)	(5,441)	(99,631)
Gain (loss) on foreign currency exchange	1,815	(1,245)	—	19,707
Loss on devaluation of investment securities	(788)	(3,598)	(344)	(8,556)
Prior year sales promotion expenses (Note 14)	—	(3,114)	—	—
Loss on adjustment to estimated usage ratio of gift coupons	—	—	(1,545)	—
Loss on impairment of fixed assets (Notes 13 and 18)	(8,318)	(2,197)	(1,388)	(90,315)
Other—net	(862)	(2,957)	(1,834)	(9,359)
	5,301	(11,582)	(5,215)	57,557
Income before income taxes and minority interests	88,078	82,938	81,741	956,330
Income taxes (Note 10):				
Current	42,370	39,574	31,227	460,043
Deferred	(899)	1,548	5,543	(9,761)
	41,471	41,122	36,770	450,282
Income before minority interests	46,607	41,816	44,971	506,048
Minority interests in net gain (loss) of consolidated subsidiaries	1,038	3,198	(173)	11,270
Net income	¥ 47,645	¥ 45,014	¥ 44,798	$ 517,318

	Yen			U.S. dollars (Note 1)
	2009	2008	2007	2009
Amounts per share of common stock:				
Net income	¥102.49	¥96.31	¥94.94	$1.11
Diluted net income	102.42	96.14	94.74	1.11
Cash dividends applicable to the year	21.00	20.00	19.00	0.23

See accompanying notes.

Consolidated Statements of Changes in Net Assets (Note 16)

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2009, 2008 and 2007

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Revaluation surplus	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
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			(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 adjustments					(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
Net income			45,014						
Cash dividends paid			(8,904)						
Purchases of treasury stock				(15,349)					
Disposal of treasury stock		(112)		444					
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(11,925)	1,751	41	(4,032)	
Decrease in minority interests									(2,082)
Balance at December 31, 2008	182,531	151,148	214,189	(29,579)	1,112	1,751	(3)	446	13,033
Net income			**47,645**						
Cash dividends paid			**(9,529)**						
Purchases of treasury stock				**(31)**					
Disposal of treasury stock		**(100)**		**327**					
Decrease resulting in change in scope of consolidation			**(394)**						
Decrease resulting in change in scope of equity method			**(15)**						
Effect of changes in accounting policies applied to foreign subsidiaries			**251**						
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					**1,333**	**(1,751)**	**(4)**	**14,146**	
Decrease in minority interests									**(8,803)**
Balance at December 31, 2009	**¥182,531**	**¥151,048**	**¥252,147**	**¥(29,283)**	**¥ 2,445**	**¥ —**	**¥ (7)**	**¥14,592**	**¥ 4,230**

	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	Revaluation surplus	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
Balance at December 31, 2008	$1,981,878	$1,641,129	$2,325,614	$(321,162)	$12,074	$ 19,012	$(33)	$ 4,843	$141,509
Net income			**517,318**						
Cash dividends paid			**(103,464)**						
Purchases of treasury stock				**(337)**					
Disposal of treasury stock		**(1,086)**		**3,551**					
Decrease resulting in change in scope of consolidation			**(4,278)**						
Decrease resulting in change in scope of equity method			**(163)**						
Effect of changes in accounting policies applied to foreign subsidiaries			**2,726**						
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					**14,473**	**(19,012)**	**(43)**	**153,594**	
Decrease in minority interests									**(95,581)**
Balance at December 31, 2009	**$1,981,878**	**$1,640,043**	**$2,737,753**	**$(317,948)**	**$26,547**	**$ —**	**$(76)**	**$158,437**	**$ 45,928**

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 88,078**	¥ 82,938	¥ 81,741	**$ 956,330**
Depreciation	**58,372**	47,353	45,250	**633,789**
Loss on impairment of fixed assets	**8,318**	2,197	1,388	**90,315**
Increase (decrease) in provision for employees' severance and retirement benefits	**765**	(3,272)	(3,908)	**8,306**
Decrease in allowance for doubtful accounts	**(754)**	(530)	(3,481)	**(8,187)**
Interest and dividend income	**(2,756)**	(1,798)	(2,048)	**(29,924)**
Interest expenses	**4,629**	5,194	5,021	**50,260**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(8,512)**	(9,105)	(9,011)	**(92,421)**
Loss (gain) on sale of securities—net	**99**	(32)	701	**1,075**
Loss on devaluation of investment securities	**788**	3,598	344	**8,556**
Loss on adjustment to estimated usage ratio of gift coupons	**—**	—	1,545	**—**
Gain on sales of investments in subsidiaries and affiliated companies	**(16,090)**	—	—	**(174,702)**
Loss on sale and disposal of property, plant and equipment—net	**9,176**	4,213	5,441	**99,631**
Decrease (increase) in notes and accounts receivable	**(891)**	15,576	(2,049)	**(9,674)**
Decrease (increase) in inventories	**5,043**	(6,956)	1,343	**54,756**
Increase (decrease) in notes and accounts payable (excluding construction)	**(2,820)**	(4,105)	(2,716)	**(30,619)**
Increase (decrease) in accrued alcohol tax payable	**(4,910)**	(5,971)	1,833	**(53,312)**
Increase (decrease) in accrued consumption taxes payable	**267**	422	(132)	**2,899**
Bonuses paid to directors and corporate auditors	**(349)**	(279)	(150)	**(3,789)**
Other	**7,777**	12,315	(6,298)	**84,442**
Subtotal	**146,230**	141,758	114,814	**1,587,731**
Interest and dividends received	**7,162**	2,067	6,479	**77,763**
Interest paid	**(4,605)**	(5,192)	(5,200)	**(50,000)**
Income taxes paid	**(42,429)**	(32,539)	(46,520)	**(460,684)**
Net cash provided by operating activities	**106,358**	106,094	69,573	**1,154,810**
Cash flows from investing activities:				
Payments for time deposits	**(3,365)**	(651)	(715)	**(36,536)**
Proceeds from time deposits	**2,243**	1,296	35	**24,354**
Proceeds from sales of securities	**—**	4	5,120	**—**
Payments for purchases of property, plant and equipment	**(35,120)**	(36,193)	(35,435)	**(381,325)**
Proceeds from sale of property, plant and equipment	**1,203**	743	2,909	**13,062**
Payments for purchases of intangible assets	**(23,418)**	(4,524)	(5,969)	**(254,267)**
Proceeds from sales of intangible assets	**9**	1	126	**98**
Payments for purchases of investment securities	**(82,838)**	(8,560)	(28,649)	**(899,436)**
Proceeds from sale of investment securities	**39,330**	1,167	333	**427,036**
Purchase of investments in subsidiaries	**(15,362)**	(2,928)	(52,091)	**(166,797)**
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	**(60,044)**	(5,420)	—	**(651,944)**
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	**—**	2,154	—	**—**
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	**(19)**	(174)	(850)	**(206)**
Payments for loans receivable	**(3,375)**	(3,234)	(3,209)	**(36,645)**
Proceeds from collections of loans receivable	**2,629**	3,585	2,924	**28,545**
Other	**(2,511)**	(5,501)	(2,357)	**(27,264)**
Net cash used in investing activities	**(180,638)**	(58,235)	(117,828)	**(1,961,325)**
Cash flows from financing activities:				
Increase (decrease) in bank loans	**61,616**	(72,095)	66,104	**669,012**
Repayments of lease obligations	**(1,124)**	—	—	**(12,204)**
Proceeds from long-term debt	**42,000**	24,148	18,210	**456,026**
Repayments of long-term debt	**(19,740)**	(34,377)	(24,773)	**(214,332)**
Proceeds from bonds and convertible debentures issued	**25,000**	70,175	25,000	**271,444**
Redemption of bonds	**(20,000)**	(10,000)	(40,000)	**(217,155)**
Payments for purchases of treasury stock	**(31)**	(15,349)	(231)	**(337)**
Cash dividends paid	**(9,529)**	(8,904)	(9,428)	**(103,464)**
Cash dividends paid to minority interest in consolidated subsidiaries	**(61)**	(98)	(435)	**(662)**
Contribution from minority interests in consolidated subsidiaries	**716**	—	321	**7,774**
Other	**(302)**	135	1,358	**(3,279)**
Net cash provided by (used in) financing activities	**78,545**	(46,365)	36,126	**852,823**
Effect of exchange rate change on cash and cash equivalents	**643**	(537)	(182)	**6,982**
Net increase (decrease) in cash and cash equivalents	**4,908**	957	(12,311)	**53,290**
Cash and cash equivalents at beginning of year	**12,698**	11,741	23,778	**137,872**
Increase in cash and cash equivalents due to change in scope of consolidation	**476**	—	274	**5,168**
Cash and cash equivalents at end of year (Note 3)	**¥ 18,082**	¥ 12,698	¥ 11,741	**$ 196,330**

Notes to Consolidated Financial Statements

Asahi Breweries, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Asahi Breweries, Ltd. (the "Company") and its consolidated subsidiaries 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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended December 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of consolidated overseas subsidiaries for the year ended December 31, 2009 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2009, which was ¥92.10 to U.S. $1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when 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 (collectively, the "Companies") (39 domestic and 16 overseas subsidiaries for 2009, 39 domestic and 11 overseas subsidiaries for 2008, and 40 domestic and 11 overseas subsidiaries for 2007). 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.

Effective January 1, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force (PITF) No. 18 issued by the Accounting Standards Board of Japan ("ASBJ") on March 17, 2006) which prescribes: PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(1) Goodwill not subject to amortization
(2) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(5) Retrospective treatment of a change in accounting policies
(6) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, effective January 1, 2009, retained earnings at January 1, 2009 was decreased by ¥251 million ($2,726 thousand).

In addition, as a result, operating income decreased by ¥1,377 million ($14,951 thousand), and income before income taxes and minority interests decreased by ¥1,416 million ($15,375 thousand) for the year ended December 31, 2009. The effects on segment information are disclosed in Note 18.

GOODWILL

The difference between acquisition cost and net assets acquired is shown as 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 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.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using 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

Prior to January 1, 2009, merchandise, finished goods and work in process were stated at cost determined mainly by the average method, and raw materials and supplies were stated at cost determined mainly by the moving average method. Effective January 1, 2009, the Company and its consolidated domestic subsidiaries adopted a new accounting standard "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) and stated them respectively at the lower of cost (average method) or net realizable value and the lower of cost (moving average method) or net realizable value.

The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net selling value, if appropriate.

As a result of the adoption of the new accounting standard, operating income decreased by ¥1,558 million ($16,916 thousand), and income before income taxes and minority interests decreased by ¥89 million ($966 thousand) for the year ended December 31, 2009.

The effects on segment information are disclosed in Note 18.

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 consolidated domestic 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.

Effective January 1, 2008, due to the revision of the Corporate Tax Law, the allowable depreciation limits of the assets acquired before March 31, 2007 are depreciated evenly over 5 years from the following year when it would be depreciated up to allowable limit for depreciation. As a consequence, operating income and income before income taxes and minority interests decreased by ¥1,978 million for the year ended December 31, 2008, respectively. The effects of this accounting change on segment information are disclosed in Note 18.

In accordance with the Company's review of the useful lives based on the recent actual usable years when the Corporation Tax Law of Japan was revised, the Company and its consolidated domestic subsidiaries have changed the useful lives for tangible fixed assets in the year ended December 31, 2009. The effect of this change in useful lives on the operating income and income before income taxes and minority interests decreased by ¥5,885 million ($63,898 thousand) for the year ended December 31, 2009. The effects of this change in useful lives on segment information are disclosed in Note 18.

ACCOUNTING FOR LEASE TRANSACTIONS AS LESSEE

Prior to January 1, 2009, the Company and its consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessees as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

Effective January 1, 2009, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, issued on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on March 30, 2007) and capitalized finance leases which commenced on and after January 1, 2009, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to January 1, 2009 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

Depreciation or amortization expense is calculated by a straight-line method over the lease's term.

The effect of this change on profits or losses is insignificant.

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 Companies' basic severance and retirement benefits consist of two types of plans; a defined benefit pension plan and an unfunded lump-sum payment plan. In addition, the Company has a defined contribution pension plan and an advance payment system for the employees' retirement 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 as 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 as 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 of certain consolidated subsidiaries are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of services and certain other factors. These 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" 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 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 at the historical exchange rates for shareholders' equity. All revenue and expense accounts are translated at the average rates of exchange during the fiscal period.

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.

REVALUATION SURPLUS

Due to the change of the accounting standard in a foreign country, an overseas subsidiary revaluated its lands based on the results of real-estate appraisals as of December 31, 2008. As a result of this change, "revaluation surplus" is recorded in net assets. The amount of revaluation surplus, net of taxes, is ¥1,751 million as of December 31, 2008.

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, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Cash and time deposits	¥19,584	¥12,772	¥11,628	$212,639
Less: Time deposits with maturities exceeding three months	(1,502)	(376)	(1,130)	(16,309)
Securities	—	302	45	—
Other current assets (short-term loans receivable)	—	—	1,198	—
Cash and cash equivalents	¥18,082	¥12,698	¥11,741	$196,330

B. Assets and liabilities of newly consolidated subsidiaries through acquisition of shares:

Assets and liabilities of acquired companies and its subsidiaries and net cash outflow of such acquisition, which are included in "Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation" for the year ended December 31, 2009, are as follows:

	Millions of yen
	2009
Current assets	¥ 13,989
Fixed assets	28,111
Goodwill	31,855
Current liabilities	(10,556)
Long-term liabilities	(1,024)
Foreign currency translation adjustment	(2,547)
Acquisition cost of shares	59,828
Expenditures for acquiring the common shares	1,407
Cash and cash equivalents of acquired companies	(1,191)
Net cash used for acquisition of acquired companies	¥ 60,044

4. Inventories

Inventories at December 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Finished goods	¥20,493	¥19,491	¥20,621	$ 222,508
Work in process	36,406	38,200	38,350	395,288
Raw materials	26,897	23,957	19,159	292,041
Supplies	6,046	6,818	5,959	65,646
Merchandise	7,600	8,574	6,347	82,519
Total	¥97,442	¥97,040	¥90,436	$1,058,002

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, 2009, 2008 and 2007:

	Millions of yen		
	2009		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign bonds	¥ 2	¥ 2	¥ 0
Corporate bonds	500	509	9
	502	511	9
Securities with fair values not exceeding book values:			
	—	—	—
Total	¥502	¥511	¥ 9

Type	Millions of yen 2008 Book value	 Fair value	 Difference
Securities with fair values exceeding book values:			
	¥—	¥—	¥—
Securities with fair values not exceeding book values:			
	—	—	—
Total	¥—	¥—	¥—

Type	Millions of yen 2007 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:			
	0	0	—
Total	¥71	¥76	¥ 5

Type	Thousands of U.S. dollars **2009** Book value	 Fair value	 Difference
Securities with fair values exceeding book values:			
Foreign bonds	**$ 22**	**$ 22**	**$ 0**
Corporate bonds	**5,429**	**5,527**	**98**
	5,451	**5,549**	**98**
Securities with fair values not exceeding book values:			
	—	**—**	**—**
Total	**$5,451**	**$5,549**	**$98**

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2009, 2008 and 2007:

Type	Millions of yen **2009** Acquisition cost	 Book value	 Difference
Securities with book values exceeding acquisition costs:			
Equity securities	**¥37,321**	**¥49,071**	**¥11,750**
Others	**49**	**53**	**4**
	37,370	**49,124**	**11,754**
Securities with book values not exceeding acquisition costs:			
Equity securities	**24,090**	**17,785**	**(6,305)**
Others	**87**	**73**	**(14)**
	24,177	**17,858**	**(6,319)**
Total	**¥61,547**	**¥66,982**	**¥ 5,435**

Type	Millions of yen 2008 Acquisition cost	 Book value	 Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥19,749	¥30,124	¥10,375
	19,749	30,124	10,375
Securities with book values not exceeding acquisition costs:			
Equity securities	45,152	38,057	(7,095)
Corporate bonds	1	1	0
Others	143	118	(25)
	45,296	38,176	(7,120)
Total	¥65,045	¥68,300	¥ 3,255

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
Corporate 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	Thousands of U.S. dollars 2009 Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$405,223	$532,802	$127,579
Others	532	575	43
	405,755	533,377	127,622
Securities with book values not exceeding acquisition costs:			
Equity securities	261,563	193,105	(68,458)
Others	945	793	(152)
	262,508	193,898	(68,610)
Total	$668,263	$727,275	$ 59,012

C. Total sales of available-for-sale securities in the years ended December 31, 2009, 2008 and 2007 amounted to ¥11,608 million ($126,037 thousand), ¥1,175 million and ¥333 million, and the related gains amounted to ¥388 million ($4,213 thousand), ¥70 million and ¥103 million and the related losses amounted to ¥119 million ($1,292 thousand), ¥3 million and ¥39 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2009, 2008 and 2007:

	Millions of yen 2009	2008	2007	Thousands of U.S. dollars 2009
(a) Held-to-maturity debt securities				
Type				
Non-listed foreign debt securities	¥ —	¥ 300	¥ —	$ —
(b) Available-for-sale securities				
Type				
Non-listed equity securities	10,921	8,457	8,808	118,578
Preference shares	5,000	10,000	10,000	54,289
Others	584	1,482	1,997	6,341
(c) Investments in unconsolidated subsidiaries and affiliated companies	122,375	54,495	53,971	1,328,719

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2009, 2008 and 2007 were as follows:

Type	Millions of yen 2009 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:					
Foreign securities	¥—	¥ 2	¥ —	¥—	¥ 2
Corporate bonds	—	580	—	—	580
Others	—	—	53	—	53
Held-to-maturity debt securities:					
	—	—	—	—	—
Total	¥—	¥582	¥53	¥—	¥635

Type	Millions of yen 2008 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	¥97	¥ 80	¥500	¥—	¥ 677
Others	—	—	50	—	50
Held-to-maturity debt securities:					
Foreign securities	—	300	—	—	300
Total	¥97	¥380	¥550	¥—	¥1,027

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	Thousands of U.S. dollars				
	2009				
	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:					
Foreign securities	**$—**	**$ 22**	**$ —**	**$—**	**$ 22**
Corporate bonds	**—**	**6,298**	**—**	**—**	**6,298**
Others	**—**	**—**	**575**	**—**	**575**
Held-to-maturity debt securities:	**—**	**—**	**—**	**—**	**—**
Total	**$—**	**$6,320**	**$575**	**$—**	**$6,895**

F. Total sales of held-to-maturity debt securities sold at December 31, 2008, and related loss, amounted respectively to ¥40 million and ¥5 million, so as to streamline the assets held by overseas subsidiaries.

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 ¥9,342 million ($101,433 thousand), ¥9,075 million and ¥8,627 million for the years ended December 31, 2009, 2008 and 2007, 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, and commodity swap contracts only for the purpose of managing the risk arising from fluctuation in the market price of raw materials.

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

Fair market value information of the derivative financial instruments is as follows:

	Millions of yen			
	2009			
Classification Type	Notional amount of contract	Notional amount due over one year	Fair market value	Unrealized gain
Forward currency exchange contracts				
Long (buy) (U.S. dollar)	¥2,656	—	¥2,635	¥(21)
Long (buy) (GB pound)	579	—	552	(27)
Short (sell) (U.S. dollar)	534	—	545	11
Total	¥3,769	—	¥3,732	¥(37)
Commodity swap contracts				
Payable fixed price/Receivable floating price	¥ 540		¥ 636	¥ 96
Total	¥ 540	—	¥ 636	¥ 96

	Millions of yen			
	2008			
Classification Type	Notional amount of contract	Notional amount due over one year	Fair market value	Unrealized gain
Forward currency exchange contracts				
Short (sell) (U.S. dollar)	¥3,216	—	¥3,011	¥205
Total	¥3,216	—	¥3,011	¥205

	Thousands of U.S. dollars			
	2009			
Classification Type	Notional amount of contract	Notional amount due over one year	Fair market value	Unrealized gain
Forward currency exchange contracts				
Long (buy) (U.S. dollar)	$28,838	—	$28,610	$ (228)
Long (buy) (GB pound)	6,287	—	5,994	(293)
Short (sell) (U.S. dollar)	5,798	—	5,917	119
Total	$40,923	—	$40,521	$ (402)
Commodity swap contracts				
Payable fixed price/Receivable floating price	$ 5,863		$ 6,906	$1,043
Total	$ 5,863	—	$ 6,906	$1,043

Derivative financial instruments that qualify as a hedge and are accounted for using the deferred hedge accounting method are not disclosed in the above table.

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

Bank loans at December 31, 2009, 2008 and 2007 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.11% per annum for 2009, 1.93% per annum for 2008 and 1.41% per annum for 2007.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($2,171,553 thousand). There were outstanding balances of ¥30,000 million ($325,733 thousand), ¥7,000 million and ¥52,000 million at December 31, 2009, 2008 and 2007, respectively.

Long-term debt at December 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Domestic debentures:				
0.61% debentures due in 2008	¥ —	¥ —	¥ 10,000	$ —
0.84% debentures due in 2009	—	20,000	20,000	—
1.34% debentures due in 2010	15,000	15,000	15,000	162,866
1.55% debentures due in 2011	15,000	15,000	15,000	162,866
1.72% debentures due in 2012	10,000	10,000	10,000	108,578
0.63% debentures due in 2012	15,000	—	—	162,866
1.88% debentures due in 2014	10,000	10,000	10,000	108,578
0.92% debentures due in 2014	10,000	—	—	108,578
Zero coupon convertible bonds due in 2023	35,156	35,168	—	381,715
Zero coupon convertible bonds due in 2028	35,000	35,000	—	380,022
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2013 at interest rates of mainly 1.15% to 6.39%	4,769	9,507	10,659	51,781
Unsecured loans due through 2015 at interest rates of mainly 0.75% to 5.75%	96,133	68,756	85,890	1,043,789
	246,058	218,431	176,549	2,671,639
Amount due within one year	(40,402)	(38,728)	(47,072)	(438,675)
	¥205,656	¥179,703	¥129,477	$2,232,964

Assets, at book value, pledged as collateral for loans totaling ¥4,769 million ($51,781 thousand), ¥9,907 million and ¥12,469 million, respectively, at December 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Deposit	¥ —	¥ —	¥ 101	$ —
Land	16,733	29,888	27,162	181,683
Buildings and structures	6,563	8,171	9,045	71,259
Machinery and equipment	535	1,291	2,900	5,809
	¥23,831	¥39,350	¥39,208	$258,751

The aggregate annual maturities of long-term debt at December 31, 2009 were as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 40,402	$ 438,675
2011	22,009	238,968
2012	72,379	785,874
2013	15,112	164,083
2014	20,000	217,155
2015 and thereafter	76,156	826,884
	¥246,058	$2,671,639

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, 2009, 2008 and 2007 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Projected benefit obligation	¥ 89,691	¥ 87,251	¥ 86,265	$ 973,844
Less fair value of pension assets	(42,749)	(36,687)	(42,652)	(464,159)
Less fair value of employees' retirement benefit trust	(18,709)	(14,904)	(21,338)	(203,138)
Unrecognized actuarial differences	(15,133)	(18,857)	(2,407)	(164,311)
Unrecognized prior service cost	2,196	2,640	3,091	23,844
Prepaid pension cost	8,956	4,073	861	97,242
Employees' severance and retirement benefits	¥ 24,252	¥ 23,516	¥ 23,820	$ 263,322

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2009, 2008 and 2007, respectively.

The pension assets of the funded contributory pension plan is not included in the fair value of pension assets above 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, 2009, 2008 and 2007 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service costs—benefits earned during the year	**¥4,485**	¥ 4,842	¥ 4,415	**$48,697**
Interest cost on projected benefit obligation	**1,796**	1,696	1,648	**19,501**
Expected return on plan assets	**(255)**	(2,386)	(2,483)	**(2,769)**
Amortization of actuarial differences	**2,228**	538	(219)	**24,191**
Amortization of prior service cost	**(443)**	(452)	(452)	**(4,810)**
Others	**477**	717	721	**5,179**
Severance and retirement benefit expenses	**¥8,288**	¥ 4,955	¥ 3,630	**$89,989**

The rates of expected return on plan assets used by the Companies are mainly 0.0% for the year ended December 31, 2009, and 4.0% for the years ended December 31, 2008 and 2007. 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 and losses are recognized as 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 as expenses using the straight-line method over the average of the estimated remaining service lives of mainly 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, 2009, 2008 and 2007.

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

	2009	2008	2007
Statutory tax rate	**40.4%**	40.4%	40.4%
Non-deductible expenses	**1.9%**	2.0%	1.9%
Non-taxable dividend income	**(0.3%)**	(0.3%)	(0.4%)
Per capita inhabitants' taxes	**0.4%**	0.4%	0.4%
Valuation allowance	**7.4%**	6.3%	5.4%
Reversal of valuation allowance	**(1.6%)**	(1.5%)	(1.7%)
Amortization of goodwill	**2.4%**	1.9%	1.2%
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(3.9%)**	(4.4%)	(4.5%)
Undistributed earnings of affiliated companies	**(2.1%)**	1.0%	1.3%
Others	**2.5%**	3.8%	1.0%
Effective tax rate	**47.1%**	49.6%	45.0%

Significant components of deferred income tax assets and liabilities as of December 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Deferred income tax assets:				
Allowance for doubtful accounts	**¥ 2,781**	¥ 4,054	¥ 4,211	**$ 30,195**
Employees' severance and retirement benefits	**15,939**	15,582	15,491	**173,062**
Accrued enterprise taxes	**1,719**	1,799	1,158	**18,665**
Depreciation	**258**	357	441	**2,801**
Temporary difference for investment in subsidiaries	**—**	—	1,083	**—**
Loss on impairment of fixed assets	**3,503**	1,507	1,565	**38,035**
Loss on devaluation of investment securities	**3,182**	5,669	4,390	**34,549**
Loss on securities contributed to employees' retirement benefit trust	**2,037**	1,470	1,470	**22,117**
Net operating loss carryforwards	**11,930**	10,066	12,432	**129,533**
Unrealized gain on sale of non-current assets eliminated on consolidation	**7,215**	7,162	7,169	**78,339**
Accrued expenses	**1,532**	1,657	1,687	**16,634**
Others	**11,019**	7,185	5,937	**119,642**
	61,115	56,508	57,034	**663,572**
Valuation allowance	**(22,496)**	(18,280)	(19,577)	**(244,256)**
Total deferred income tax assets	**38,619**	38,228	37,457	**419,316**
Deferred income tax liabilities:				
Reserve deductible for Japanese tax purposes	**(1,159)**	(1,085)	(1,206)	**(12,584)**
Unrealized gains on available-for-sale securities	**(2,184)**	(1,319)	(9,332)	**(23,713)**
Land revaluation gain	**(5,750)**	(5,750)	(5,614)	**(62,432)**
Undistributed earnings of affiliated companies	**(—)**	(1,831)	(1,034)	**(—)**
Prepaid pension cost	**(1,493)**	(1,631)	(340)	**(16,211)**
Others	**(697)**	(1,321)	(21)	**(7,568)**
Total deferred income tax liabilities	**(11,283)**	(12,937)	(17,547)	**(122,508)**
Net deferred income tax assets	**¥ 27,336**	¥ 25,291	¥ 19,910	**$ 296,808**

The net deferred tax assets as of December 31, 2009 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥11,176 million ($121,347 thousand) and ¥21,021 million ($228,241 thousand), respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥0 million ($0 thousand) and ¥4,861 million ($52,780 thousand), respectively.

The net deferred tax assets as of December 31, 2008 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥9,009 million and ¥24,212 million, respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥1,818 million and ¥6,112 million, respectively.

The net deferred tax assets as of December 31, 2007 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥6,931 million and ¥18,983 million, respectively, and deferred income tax liabilities included in other current liabilities and long-term liabilities amounting to ¥986 million and ¥5,019 million, respectively.

11. Net Assets

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 prices 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, 2010, the shareholders resolved cash dividends amounting to ¥5,115 million ($55,537 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2009, and are recognized in the period in which they were resolved.

12. Commitments and Contingent Liabilities

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 ¥1,276 million ($13,855 thousand) as of December 31, 2009.

13. 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 independently from other assets or group of assets. The recoverable amount of each group of assets is the higher amount of 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, 2009 consisted of the following:

Use	Location	Type of assets
Assets used for business (Alcoholic beverages)	Beijing (China)	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures
Asset for rent	Saitama (Saitama) and 5 others	Buildings and structures, Land
Idle properties	Yuhutsu-gun (Hokkaido)	Buildings and structures, Land
Others	—	Goodwill

The carrying amounts of certain assets used for alcoholic beverages business were devalued to their recoverable amounts, since the expected future revenue was considered to be unrealizable. Carrying amounts of certain assets for rent were devalued to their recoverable amounts, since they were considered not to be recoverable with their fair market value substantially declining. Carrying amounts of certain idle properties were devalued to their recoverable amounts, due to substantial decline in the fair market value. A part of the goodwill reported in overseas subsidiaries of alcoholic beverages and their soft drinks businesses was devaluated to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥8,318 million ($90,315 thousand), which consisted of buildings and structures of ¥1,632 million ($17,720 thousand), Machinery, equipment and vehicles of ¥1,943 million ($21,097 thousand), Tools, furniture and fixtures of ¥12 million ($130 thousand), Land of ¥2,341 million ($25,418 thousand) and goodwill of ¥2,390 million ($25,950 thousand).

The Company used a net selling price based on real-estate appraisal for the related assets, and the value in use was calculated by discounting future cash flows at interest rates of 4.3% to 8.3%.

Loss on impairment of fixed assets for the year ended December 31, 2008 consisted of the following:

Use	Location	Type of assets
Assets used for business (Logistics)	Kasumigaura (Ibaraki)	Buildings and structures
Idle properties	Kashiwa (Chiba)	Buildings and structures
Others	—	Goodwill

The carrying amounts of certain assets used for logistics business were devalued to their recoverable amounts, since they were considered not to be recoverable under the changed business circumstances. Carrying amounts of certain idle properties, as a result of the shutdown of the business office were devalued to their recoverable amounts, due to a substantial decline in the fair market value. The goodwill of soft drinks business was devaluated to its 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 ¥2,197 million ($24,135 thousand), which consisted of buildings and structures of ¥315 million ($3,460 thousand) and goodwill of ¥1,882 million ($20,675 thousand).

The Company used a net selling price based on real-estate appraisal for the related assets, and the value in use was calculated by discounting future cash flows at interest rates of 4.3% to 7.3%.

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

The carrying amounts of certain assets used for foods business were devalued to their recoverable amounts by the decision to sell them in the year ended December 31, 2007. The goodwill of foods and pharmaceutical business was devaluated to its 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, which consisted of buildings and structures of ¥99 million and goodwill of ¥1,289 million.

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

14. Prior Year Sales Promotion Expenses

Prior to fiscal year 2008, the Company had accrued sales promotion expenses based on an invoice from wholesalers which was calculated by the volume of sales from wholesalers to retailers and other factors. In 2008, the Company developed a billing system so that it was able to estimate the amount of sales and sales promotion expenses to retailers on a timely basis. Therefore, the Company changed the method of calculation of sales promotion expenses based on an estimate at the end of month from 2008.

Prior year sales promotion expenses represent such expenses related to sales and other factors in the prior year.

15. Information for Certain Leases

As discussed in Note 2, finance leases commenced prior to January 1, 2009, which do not transfer ownership to lessees, are accounted for as operating leases.

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Machinery, furniture and fixtures and others				
Acquisition cost	**¥52,804**	¥67,714	¥74,118	**$573,333**
Accumulated depreciation	**29,785**	33,881	38,753	**323,398**
Net book value	**23,019**	33,833	35,365	**249,935**

Future lease payments as of December 31, 2009, 2008 and 2007, net of interest, under such leases were summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Due within one year	**¥10,371**	¥12,564	¥12,399	**$112,606**
Due after one year	**13,694**	22,751	24,125	**148,686**
	¥24,065	¥35,315	¥36,524	**$261,292**

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, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Lease payments	**¥13,966**	¥16,005	¥15,362	**$151,640**
Depreciation equivalents	**12,935**	14,281	13,788	**140,445**
Amounts representing interest	**985**	1,531	1,466	**10,695**

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.

16. Shareholders' Equity

Changes in the number of shares issued and treasury stock outstanding during the years ended December 31, 2009, 2008 and 2007 are as follows:

Common stock issued

	2009	2008	2007
Balance at beginning of year	**483,585,862**	483,585,862	483,585,862
Decrease due to retirement of treasury stock	**—**	—	—
Balance at end of year	**483,585,862**	483,585,862	483,585,862

Treasury stock outstanding

	2009	2008	2007
Balance at beginning of year	**18,762,163**	11,124,073	12,888,400
Increase due to purchase of odd stock	**22,664**	186,391	57,027
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	**—**	7,759,900	—
Decrease due to exercise of stock options	**(205,200)**	(291,900)	(316,000)
Decrease due to stock exchanges	**—**	—	(1,361,915)
Decrease due to sales of treasury stock (Sold by subsidiaries)	**—**	—	(212,654)
Decrease for other reasons	**(2,661)**	(16,301)	(2,585)
Balance at end of year	**18,576,966**	18,762,163	11,124,073

17. Stock Option Plans

The following tables summarize contents of stock options as of December 31, 2009, 2008 and 2007.

Company name	Asahi Breweries, Ltd.
Date of the annual shareholders' meeting	March 30, 2000
Position and number of grantees	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 grantees	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 grantees	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 grantees	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 grantees	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 grantees	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 grantees	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 volume and movement of stock options as of December 31, 2009.

Non-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, 2009	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2009	—	—	—	—	—	—	—

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, 2009	35,000	242,500	410,300	166,000	536,400	598,000	620,000
Conversion from non-exercisable stock options	—	—	—	—	—	—	—
Stock options exercised	17,000	45,900	80,300	33,000	18,500	10,500	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2009	18,000	196,600	330,000	133,000	517,900	587,500	620,000

The following tables summarize price information of stock options as of December 31, 2009.

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
Exercise price	¥1,115	¥1,185	¥1,090	¥ 830	¥1,205	¥1,374	¥1,688
Average market price of the stock at the time of exercise	1,432	1,372	1,397	1,352	1,351	1,401	—

The following tables summarize volume and movement of stock options as of December 31, 2008.

Non-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, 2008	—	—	—	—	—	—	620,000
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	620,000
Stock options outstanding at December 31, 2008	—	—	—	—	—	—	—

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, 2008	58,000	276,500	518,600	260,000	567,000	600,000	—
Conversion from non-exercisable stock options	—	—	—	—	—	—	620,000
Stock options exercised	23,000	34,000	108,300	94,000	30,600	2,000	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2008	35,000	242,500	410,300	166,000	536,400	598,000	620,000

The following tables summarize price information of stock options as of December 31, 2008.

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
Exercise price	¥1,115	¥1,185	¥1,090	¥ 830	¥1,205	¥1,374	¥1,688
Average market price of the stock at the time of exercise	1,851	1,854	1,856	1,882	1,918	1,923	—

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

Non-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 non-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 table summarizes 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
Exercise price	¥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	—	—

18. 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, 2009, 2008 and 2007 was as follows:

	Millions of yen					
Year ended December 31, 2009	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥958,156	¥355,162	¥92,400	¥66,751	¥ —	¥1,472,469
Intersegment	20,969	2,572	1,744	52,329	(77,614)	—
Total sales	979,125	357,734	94,144	119,080	(77,614)	1,472,469
Operating expenses	900,246	357,039	91,399	118,191	(77,183)	1,389,692
Operating income	¥ 78,879	¥ 695	¥ 2,745	¥ 889	¥ (431)	¥ 82,777
Identifiable assets	¥737,833	¥334,850	¥90,096	¥79,286	¥191,588	¥1,433,653
Depreciation	40,672	13,165	2,500	2,033	2	58,372
Loss on impairment of fixed assets	4,111	761	—	3,446	—	8,318
Capital investments	15,924	40,801	4,341	1,310	—	62,376

	Millions of yen					
Year ended December 31, 2008	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥ 995,703	¥316,737	¥79,203	¥ 71,105	¥ —	¥1,462,748
Intersegment	21,484	3,412	1,460	53,725	(80,081)	—
Total sales	1,017,187	320,149	80,663	124,830	(80,081)	1,462,748
Operating expenses	926,425	319,533	78,719	123,824	(80,273)	1,368,228
Operating income	¥ 90,762	¥ 616	¥ 1,944	¥ 1,006	¥ 192	¥ 94,520
Identifiable assets	¥ 780,079	¥227,887	¥91,350	¥ 76,407	¥123,336	¥1,299,059
Depreciation	35,586	7,570	2,301	1,894	2	47,353
Loss on impairment of fixed assets	—	2,176	—	21	—	2,197
Capital investments	16,842	16,379	2,127	787	—	36,135

	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

	Thousands of U.S. dollars					
Year ended December 31, 2009	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	$10,403,431	$3,856,265	$1,003,257	$ 724,767	$ —	$15,987,720
Intersegment	227,676	27,926	18,936	568,176	(842,714)	—
Total sales	10,631,107	3,884,191	1,022,193	1,292,943	(842,714)	15,987,720
Operating expenses	9,774,658	3,876,645	992,389	1,283,290	(838,035)	15,088,947
Operating income	$ 856,449	$ 7,546	$ 29,804	$ 9,653	$ (4,679)	$ 898,773
Identifiable assets	$ 8,011,216	$3,635,722	$ 978,241	$ 860,869	$2,080,217	$15,566,265
Depreciation	441,607	142,942	27,144	22,074	22	633,789
Loss on impairment of fixed assets	44,636	8,263	—	37,416	—	90,315
Capital investments	172,899	443,008	47,133	14,224	—	677,264

Corporate assets in the elimination and/or corporate column in 2009, 2008 and 2007 amounted to ¥208,955 million ($2,268,784 thousand), ¥138,625 million and ¥145,176 million, which are mainly the financial assets of the Company and subsidiaries related to Group finance.

As discussed in Note 2 “Property, plant and equipment,” the allowable depreciation limits of the assets acquired before March 31, 2007 were depreciated evenly over 5 years from the following year when they would be depreciated up to the allowable limit for depreciation. As a consequence, operating income of alcoholic beverages, soft drinks, food and pharmaceuticals and others decreased by ¥1,901 million, ¥29 million, ¥48 million and ¥0 million, respectively for the year ended December 31, 2008.

Pursuant to ASBJ Practical Issues Task Force (PITF) No. 18 issued on May 17, 2006, described in Note 2 “Consolidation,” the Company, effective January 1, 2009, adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements.” As a result of this change, operating income of the soft drinks business decreased by ¥1,377 million ($14,951 thousand), for the year ended December 31, 2009.

Pursuant to ASBJ Statement No. 9 issued on July 5, 2006, described in Note 2 "Inventories," the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories." As a consequence, operating income of alcoholic beverages, soft drinks, food and pharmaceuticals and others decreased by ¥656 million ($7,123 thousand), ¥730 million ($7,926 thousand), ¥170 million ($1,846 thousand) and ¥3 million ($33 thousand), respectively for the year ended December 31, 2009.

As discussed in Note 2 "Property, plant and equipment," in accordance with the revised Japanese Corporate Tax Law and its regulations, the Company and its consolidated domestic subsidiaries have changed the useful lives for tangible fixed assets in the year ended December 31, 2009. As a consequence, the operating income of the alcoholic beverages and soft drinks businesses decreased by ¥5,961 million ($64,723 thousand) and ¥24 million ($261 thousand), respectively, and operating income of food and pharmaceutical business and others increased by ¥100 million ($1,086 thousand) and ¥1 million ($11 thousand), respectively for the year ended December 31, 2009.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2009, 2008 and 2007. Therefore, geographical segment information and the overseas sales information are not disclosed.

19. Business Combinations

Transactions applied to purchase method during the year ended December 31, 2009

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of acquired company

SCHWEPPES HOLDINGS PTY LTD

Production and sales of soft drinks

(b) Outline and purpose of the transaction

In the food and health businesses, the Asahi Breweries Group is to strengthen the operating domain mainly in Asia, and to promote the formulation of the value chain to realize further secure, safe, and high-quality goods with attractive and innovative ideas. In the quest to realize these activities, the Asahi Breweries Group is pursuing the growth of its existing subsidiaries and the synergy between its existing subsidiaries and new operating bases by further investments and aiming to establish the Asahi Breweries Group's growth path.

As for the soft drinks business, one of the pillars of the Asahi Breweries Group's operations, the Asahi Breweries Group is aiming to expand the operating base mainly through Asahi Soft Drinks Co., Ltd. in the Japanese domestic market as well as strengthen management bases of Haitai Beverage Co., Ltd. With a significant growth in sales of Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., the Asahi Breweries Group has tried to expand the operating bases in the soft drinks business in Asia, and advanced investments for new businesses as well as promising markets.

By this acquisition, the Asahi Breweries Group is to obtain an operating base not only in Asia but also in Oceania. It is the Asahi Breweries Group's policy to strengthen its overseas operating bases and accelerate its further growth by realizing group synergies.

(c) Effective date of business combination

April 3, 2009

(d) Legal form of business combination

Share acquisition by cash

(e) Name of the company after business combinations

SCHWEPPES HOLDING PTY LTD

(f) Share of voting rights acquired

100%

(2) PERIOD OF OPERATION OF ACQUIRED COMPANY INCLUDED IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS

From April 1, 2009 to December 31, 2009

(3) ACQUISITION COST OF ACQUIRED COMPANY AND ITS BREAKDOWN

	Millions of yen	Thousands of U.S. dollars
Acquisition cost of shares	¥59,828	$649,598
Expenditures for acquiring the common shares	1,406	15,266
Acquisition cost—Net	¥61,234	$664,864

(4) GOODWILL, REASON FOR RECOGNIZING GOODWILL, AMORTIZATION METHOD AND AMORTIZATION TERM

(a) Amount of goodwill

¥31,855 million

(b) Reason for recognizing goodwill

Rationally estimated future excess earning power being expected based on the future business operation.

(c) Method and term to amortize goodwill

Straight-line method over 20 years

(5) ASSETS AND LIABILITIES OF THE ACQUIRED COMPANY AS OF THE DATE OF THE BUSINESS COMBINATION

	Millions of yen	Thousands of U.S. dollars
Current assets	¥13,989	$151,889
Fixed assets	28,111	305,223
Total assets	¥42,100	$457,112
Current liabilities	¥10,556	$114,615
Long-term liabilities	1,024	11,118
Total liabilities	¥11,580	$125,733

Note: Amount of goodwill as mentioned in (4), (a) is not included in the above amount of assets and liabilities.

(6) ESTIMATED IMPACT ON CONSOLIDATED FINANCIAL RESULTS IF THE BUSINESS COMBINATION HAD BEEN COMPLETED AT THE BEGINNING OF THE FISCAL YEAR (JANUARY 1, 2009) (UNAUDITED)

	Millions of yen	Thousands of U.S. dollars
Sales	¥13,643	$148,132
Operating income	553	6,004
Income before income taxes and minority interests	670	7,275
Net income	342	3,713
Net income per share (yen and U.S. dollars, respectively)	¥ 0.74	$ 0.01

Note: The above estimated amounts were the amounts of the difference between pro forma sales and income calculated as if the business combination had been completed at the beginning of the fiscal year and sales and income per the Company's consolidated financial statements.

Net income per share was calculated by dividing net income by average number of shares during this fiscal year.

Transactions under common control during the year ended December 31, 2008

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of combined entity

Divided company: Asahi Soft Drinks Co., Ltd. ("ASD"), Production and sales of soft drinks

Successor company: Asahi Beverage Service Co., Ltd. ("ABS"), Vending machine sales of soft drinks. (On April 1, 2008, the company name was changed from Asahi Beverage Service Co., Ltd. to Asahi Calpis Beverage Co., Ltd. ("ACB"))

Merging company: Asahi Calpis Beverage Co., Ltd. ("ACB")

Merged company: Asahi Calpis Beverage Co., Ltd. ("ACB") and others ("CBs"), Vending machine sales of soft drinks. (On April 1, 2008, the company name was changed from Asahi Beverage Service Co., Ltd. to Asahi Calpis Beverage Co., Ltd. ("ACB"))

(b) Form of business combination

Transactions under common control (Divestiture of vending machine operation business of ASD and merger with vending machine operating companies.)

(c) Name of the entity after the reorganization

Asahi Soft Drinks Co., Ltd.

Asahi Calpis Beverage Co., Ltd.

(d) Outline and purpose of the transaction

ASD, a consolidated subsidiary of the Company, and, Calpis Co., Ltd. (CALPIS) integrated the vending machine operation business of both companies. The integration aimed at strengthening the relationship of both companies which have entered into a mutual operation contract of the vending machine business since 2001, and becoming more competitive in the vending machine operation business. ACB, which is engaged in the vending machine operation business, was established as a joint venture between ASD and CALPIS in December 2007. ACB acquired all shares of ABS, a subsidiary of ASD and several subsidiaries of CALPIS including CBs, in January 2008. ASD divided and transferred the vending machine business to ABS in April 2008. ACB merged with several subsidiaries of ACB and completed integration of their vending machine operation business in October 2008.

(2) ACCOUNTING METHOD

These transactions were accounted for as a business combination among entities under common control.

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 the 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 Breweries 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
Common shares	¥2,917
Expenditures for acquiring the common shares	83
Acquisition cost	¥3,000

(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

(to consolidated subsidiaries: 192,354 shares ¥361 million)

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

(i) Amount of goodwill

¥863 million

(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

20. Related Party Transactions

ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Boards of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after January 1, 2009. Pursuant to the new accounting standards, condensed financial information of all 33 equity method affiliates including Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. and its 28 affiliates is disclosed for the year ended December 31, 2009 as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥123,933	$1,345,635
Total fixed assets	242,154	2,629,251
Total current liabilities	155,496	1,688,339
Total long-term liabilities	27,326	296,699
Total shareholders' equity	183,716	1,994,745
Net sales	265,619	2,884,028
Income before income taxes and minority interests	27,140	294,680
Net income	22,374	242,932

21. Subsequent Event

Appropriations of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2009, were approved at a general meeting of the shareholders of the Company held on March 26, 2010:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥11.0 per share)	¥5,115	$55,537

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, 2009, 2008 and 2007, 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, 2009, 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, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2009 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, 2010

Fact Sheets
Market Information
Global beer market

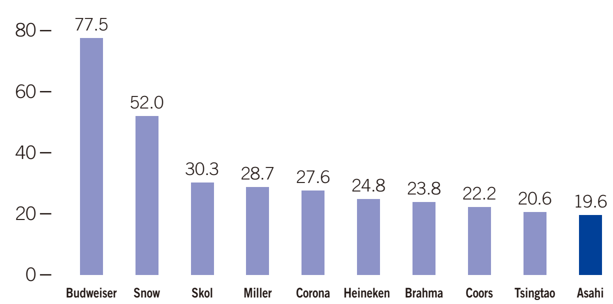
01 Beer consumption—top 10 countries*1

(Millions of barrels)

	1995	2002	2003	2004	2005	2006	2007	2008
China	132.4	203.2	211.2	240.6	263.6	288.9	324.8	351.9
United States	185.9	198.1	198.1	199.7	200.0	202.7	205.1	205.6
Russia	16.8	57.2	63.1	70.1	74.3	81.8	93.8	93.3
Brazil	68.2	73.9	72.4	74.4	77.9	81.3	87.1	88.3
Germany	94.6	85.5	82.8	81.5	81.0	82.2	78.3	77.7
Mexico	34.8	43.6	45.1	46.4	47.9	50.5	54.0	54.8
Japan*2	**60.8**	**59.1**	**56.1**	**56.4**	**53.9**	**54.0**	**53.4**	**52.1**
United Kingdom	50.4	50.6	51.4	50.4	48.1	47.4	45.3	43.8
Poland	12.9	22.8	24.2	24.9	26.2	27.7	29.8	30.4
Spain	23.0	26.2	28.5	29.4	29.5	29.8	30.4	27.8

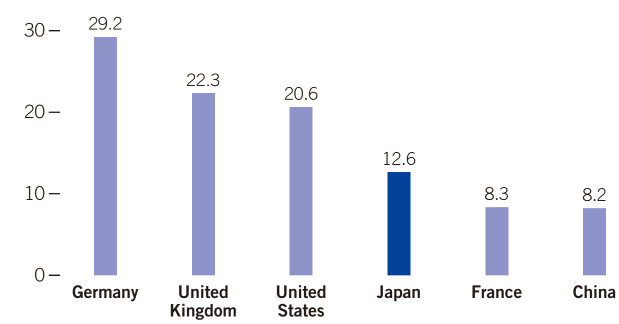
*1 Excludes non-alcoholic brews. *2 Includes happoshu and new genre.
Source: Impact Databank 2009 Edition

02 World's top 10 beer brands*1 in 2008



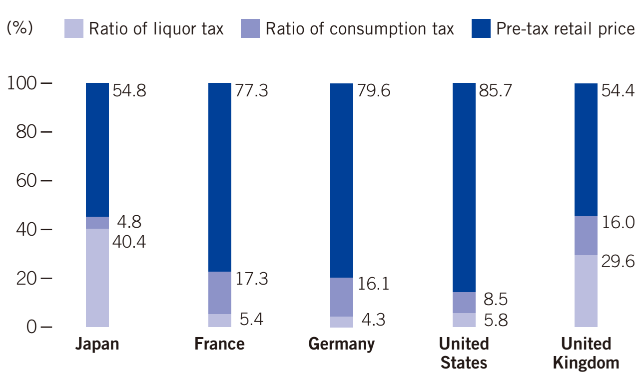
*1 Includes exports and license volume.
*2 One U.S. barrel = 1.173477653 hectoliters.
Source: Impact Databank 2009 Edition

03 Per capita beer consumption in major nations in 2008

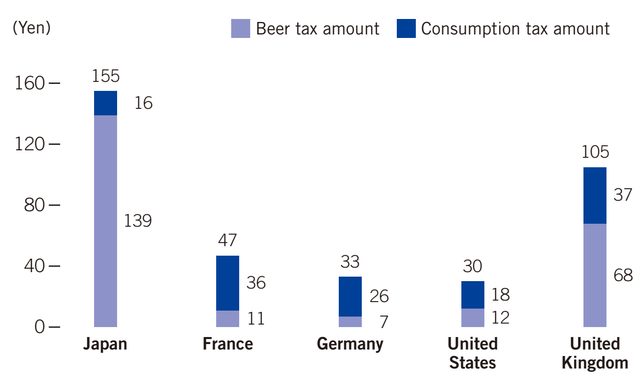


* Based on total population. One U.S. gallon = 3.785 liters.
Source: Impact Databank 2009 Edition

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



05 Beer tax and consumption tax*1,2,3,4 in major nations

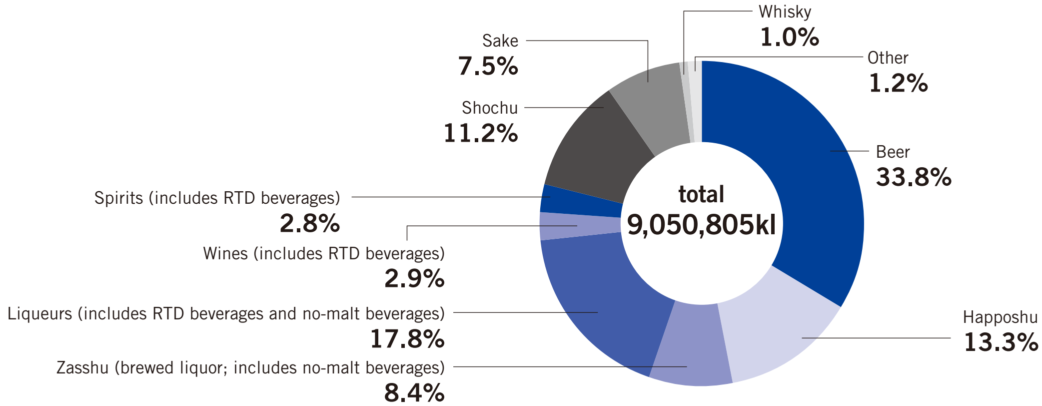


*1 Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
*2 Cash values (liquor tax, consumption taxes) shown in yen per 633 milliliters.
*3 Foreign exchange rates were: €1 = ¥135.53; U.S.$1 = ¥96.01; £1 = ¥159.54 (based on TTM rate as of June 2009).
*4 Figures for the U.S. based on survey conducted in Los Angeles.
Source: Brewers Association of Japan (June 2009)

Japan’s alcoholic beverages market

Refer to inside front cover for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

06 Taxable shipment volume in Japan in 2009



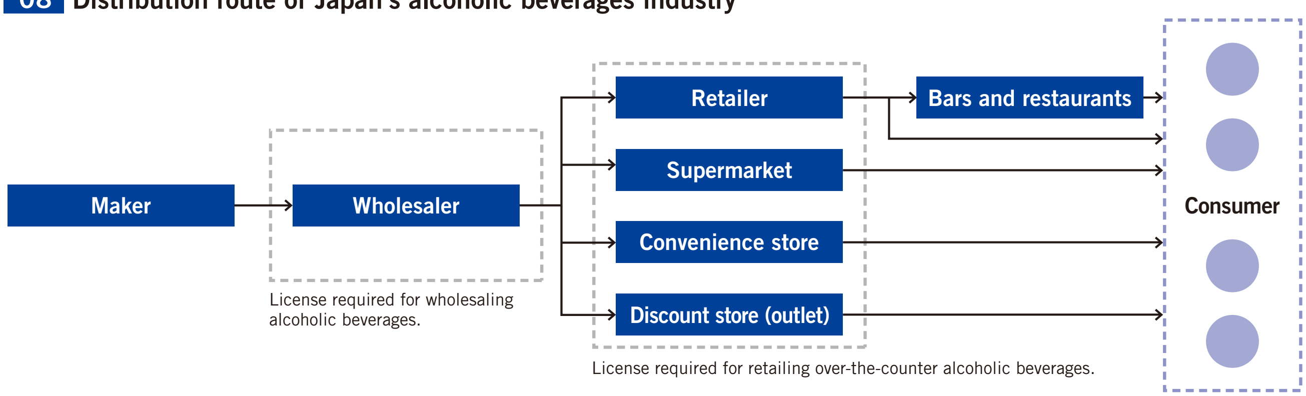
Compiled from National Tax Agency reference materials.

07 Comparison of liquor taxes per 350 milliliters

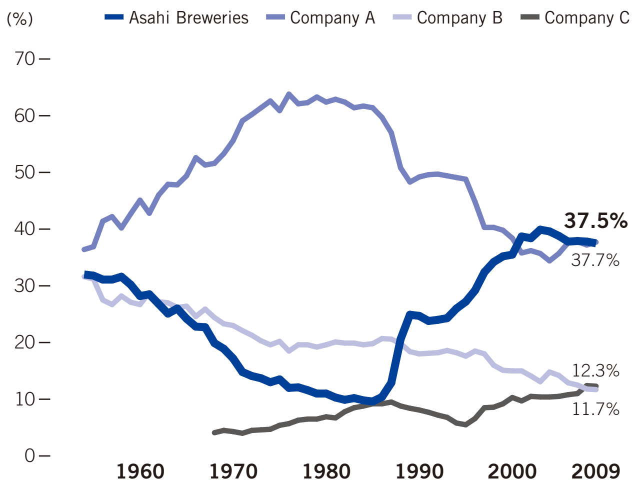
Alcoholic beverages	Malt component ratio	Alcohol content	Tax amount (Yen)
Beer*	67% and above	5.0%	77.0
Happoshu*	Below 25%	5.5%	47.0
Liqueurs*	Below 50%	5.0%	28.0
Zasshu*	0%	5.0%	28.0
Liqueurs (canned chu-hi)	—	7.0%	28.0
Sparkling Wine (low-alcohol)	—	8.0%	28.0
Wines	—	12.0%	28.0

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

08 Distribution route of Japan’s alcoholic beverages industry



09 Beer, happoshu and new genre: market share in Japan by major company (1954–2009)



Source: Asahi Breweries, Ltd.

10 Beer, happoshu and new genre: shipment volume in Japan (January–December 2009)

ASAHI BREWERIES (Million cases)

	Volume	Year-on-year change (%)		Market share (Increase/Decrease)	
Beer	120.98	–8.3	(–6.4%)	50.6%	(+0.1)
Happoshu	25.27	–3.9	(–13.4%)	26.6%	(+0.7)
New genre	30.95	+7.1	(+29.7%)	22.3%	(+1.4)
Total	**177.20**	**–5.1**	**(–2.8%)**	**37.5%**	(–0.3)

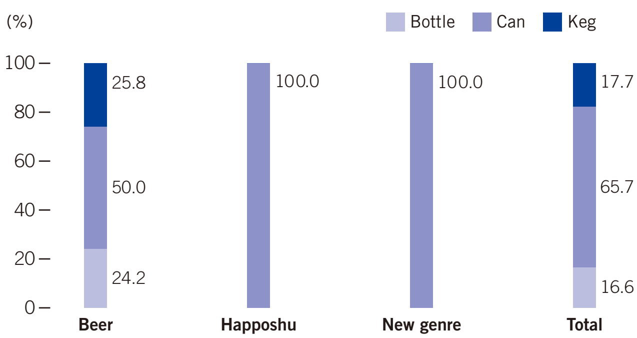
INDUSTRY OVERALL (Million cases)

	Volume	Year-on-year change (%)		Breakdown (Increase/Decrease)	
Beer	239.04	–17.1	(–6.7%)	50.6%	(–2.5)
Happoshu	94.88	–17.5	(–15.6%)	20.1%	(–3.2)
New genre	138.59	+24.4	(+21.4%)	29.3%	(+5.6)
Total	**472.51**	**–10.2**	**(–2.1%)**	**100.0%**	**(—)**

Sources: Brewers Association of Japan and Happoshu online website

Asahi Breweries beer and happoshu sales

11 Sales composition by container type in 2009



YEAR-ON-YEAR SALES RATIO, BY CONTAINER TYPE (2009/2008)

	Bottle	Can	Keg	Total
Beer	–8.1%	–6.8%	–2.7%	–6.1%
Happoshu (low-malt beer)	—	–13.5%	—	–13.5%
New genre (no-malt beer)	—	+30.7%	—	+30.7%
Total	**–8.1%**	**–1.0%**	**–2.6%**	**–2.5%**

12 Sales composition by marketing channel

	2008 results			2009 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	8.3%	13.6%	9.9%	8.3%	13.2%	9.8%
Supermarkets	17.0%	40.7%	23.8%	17.8%	41.7%	25.3%
Discount stores (outlets)	16.3%	22.5%	18.1%	16.0%	22.0%	17.9%
Mass-retail outlets total	41.6%	76.8%	51.8%	42.1%	76.9%	53.0%
Commercial-use liquor retailers	35.7%	3.7%	26.5%	36.0%	3.3%	25.7%
General liquor shops, etc.	22.6%	19.5%	21.7%	22.0%	19.8%	21.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

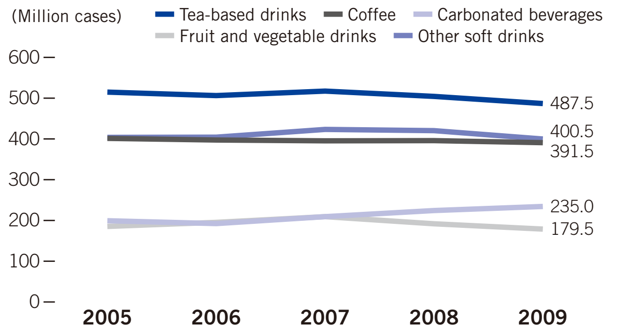
* Composition of commercial-use liquor retailers does not equal the consumption rate for commercial-use liquor.
Source: Asahi Breweries, Ltd.

Japan's soft drinks market and Asahi Soft Drinks sales

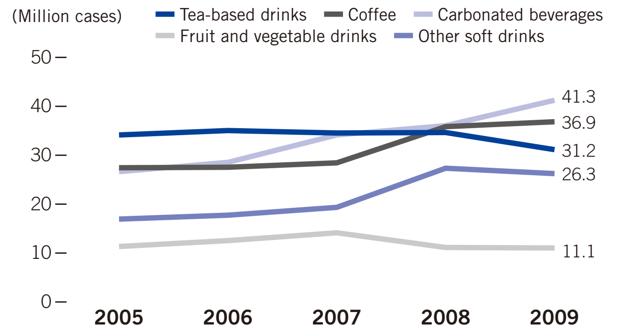
Source: Asahi Soft Drinks, Co., Ltd.

13 Sales in domestic soft drinks market, by category

INDUSTRY OVERALL



ASAHI SOFT DRINKS



(Million cases)

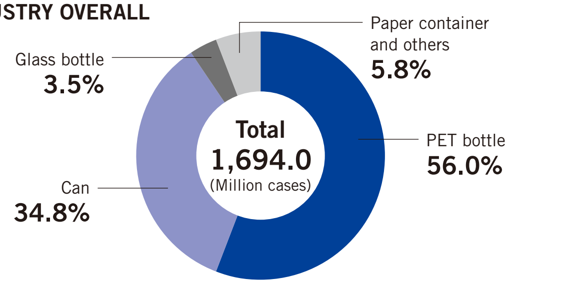
	2005	2006	2007	2008	2009
Tea-based drinks	515.5	507.0	518.0	505.0	487.5
Coffee	402.0	398.0	396.0	396.5	391.5
Carbonated beverages	200.0	193.0	210.0	225.0	235.0
Fruit and vegetable drinks	186.0	196.0	210.0	192.5	179.5
Other soft drinks	404.5	405.0	424.0	421.0	400.5
Total	**1,708.0**	**1,699.0**	**1,758.0**	**1,740.0**	**1,694.0**

(Million cases)

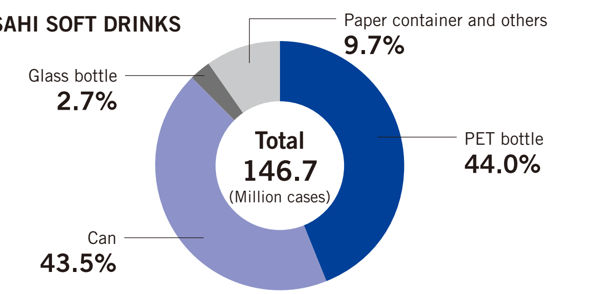
	2005	2006	2007	2008	2009
Tea-based drinks	34.2	35.1	34.6	34.7	31.2
Coffee	27.5	27.6	28.5	35.9	36.9
Carbonated beverages	26.7	28.6	34.2	36.1	41.3
Fruit and vegetable drinks	11.4	12.6	14.2	11.2	11.1
Other soft drinks	17.0	17.8	19.4	27.4	26.3
Total	**116.8**	**121.7**	**130.9**	**145.3**	**146.7**

14 Sales in domestic soft drinks market, by container type in 2009

INDUSTRY OVERALL

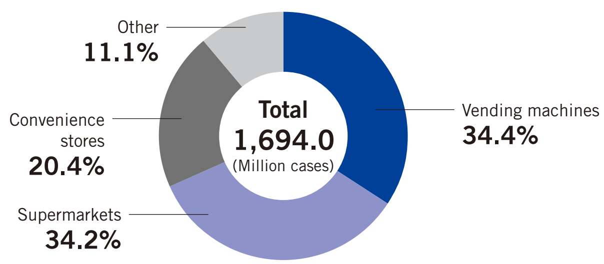


ASAHI SOFT DRINKS

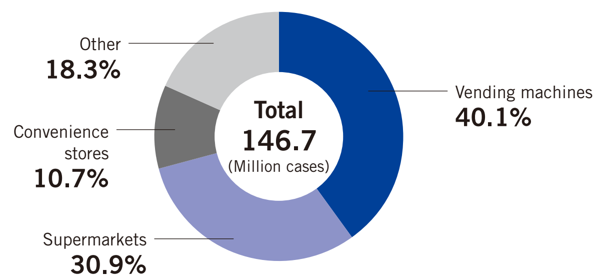


15 Sales composition in domestic soft drinks market, by marketing channel in 2009

INDUSTRY OVERALL



ASAHI SOFT DRINKS



Corporate Data (As of December 31, 2009)

Major Group companies (domestic)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2009 (¥ billion)
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	97.4%	274.4
LB Co., Ltd. (Tokyo)	0.5	67.9%	17.9
LB Co., Ltd. (Nagoya)	0.1	97.0%	4.6
Domestic food business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	44.1
Wakodo Co., Ltd.	2.9	100.0%	36.2
Amano Jitsugyo Co., Ltd.	0.1	80.0%	16.0

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.	3	Coffee drinks, carbonated drinks, tea-based beverages, other soft drinks and RTD beverages	Shizuoka, Toyama, Hyogo
LB Co., Ltd. (Tokyo)	1	Chilled beverages such as tea-based drinks, soft drinks and other drinks	Saitama
LB Co., Ltd. (Nagoya)	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
Amano Jitsugyo Co., Ltd.	2	Manufacture of caramel, powdered seasonings, and freeze-dried food products	Okayama
Asahi Beer Malt, Ltd.	2	Malt, malt powder, barley tea and other products	Tochigi, Shiga

Sales and marketing bases (overseas)

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)	12th Floor, Room No. 1213, Qhouse Asoke Building, 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok 10110, Thailand Tel: (66-2)-664-3348 Fax: (66-2)-664-3349

Major Group companies (overseas)

Company	Capital	Percentage of voting rights	Principal business	Locations
United States				
Asahi Beer U.S.A., Inc.	US$32 million	100.0%	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, U.S.A.** Tel: (1) 914-288-0788 Fax: (1) 914-288-0744
Europe				
Buckinghamshire Golf Company Limited	£40.0 million	100.0%	Ownership and management of a golf club	**Denham Court Drive, Denham Buckinghamshire UB9 5BG, U.K.** Tel: (44) 1895-835-777 Fax: (44) 1895-835-210
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 Tsingtao Asahi Co., Ltd.	RMB219 million	51.0%	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.	RMB609 million	72.8%	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, 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
Tingyi-Asahi Beverages Holding Co., Ltd.	US$10 thousand	40.0%	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.	KRW94,140 million	58.0%	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
Schweppes Australia Pty Ltd.	AU$200 million	100.0%	Production and sales of soft drinks	**Level 5, 111 Cecil Street, South Melbourne VIC 3205, Australia** Tel: (61) 3-8866-3888 Fax: (61) 3-8866-3879

Investor Information (As of December 31, 2009)

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: 20
Breweries: 9
Laboratories: 9

NUMBER OF OVERSEAS OFFICES
Business Offices: 3

NUMBER OF EMPLOYEES
Consolidated: 17,316
Non-consolidated: 3,719

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
119,908 (4,458 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	37.8
Overseas corporations, etc.	26.8
Individuals, other	16.9
Other corporations	16.3
Securities companies	2.2

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

MAJOR SHAREHOLDERS

Shareholder Name	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	4.5%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.4%
Asahi Kasei Corporation	3.9%
The Dai-ichi Mutual Life Insurance Company	3.5%
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%
Mizuho Corporate Bank, Ltd.	1.2%
The Norinchukin Bank	1.2%

* While Asahi Breweries, Ltd. owns 18,576,000 shares of treasury stock, it is not included with the major shareholders listed above.

STOCK EXCHANGE LISTINGS
Tokyo Stock Exchange, Osaka Securities Exchange

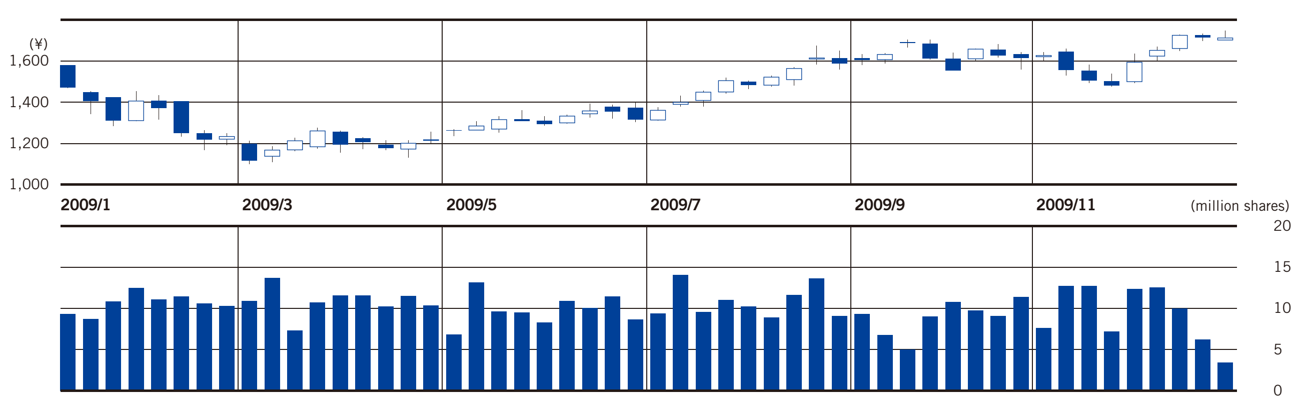
NEWSPAPER FOR OFFICIAL NOTICE
Nihon Keizai Shimbun

TRANSFER AGENT AND REGISTRAR
STOCK TRANSFER AGENT:
The Sumitomo Trust & Banking Co., Ltd.
2-3-1 Yaesu, Chuo-ku, Tokyo

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)



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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