Asahi

Pursuing **Total Satisfaction**

ANNUAL REPORT 2004

Corporate Philosophy

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

Profile

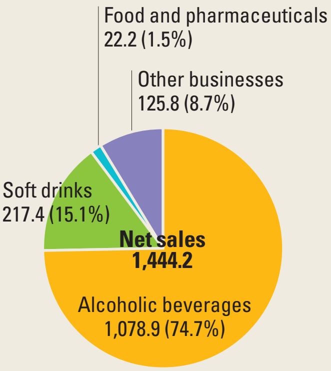
The Asahi Breweries Group of companies is centered on Asahi Breweries, Ltd., and operates three lines of business: alcoholic beverages, comprising the manufacture and sales of beer and happoshu, shochu, low-alcoholic beverages, whisky and spirits, and wines; soft drinks, which include the manufacture and sales of canned coffee, Japanese tea and other soft drinks; and food and pharmaceuticals, which involves the supply of brewer's yeast supplements and nutritional supplements. The Group's core business is alcoholic beverages, where beer and happoshu boast such top-selling brands as *Asahi Super Dry*, the world's seventh ranking* beer brand in sales volume, and *Asahi Honnama* happoshu, which together have earned top domestic share in the combined beer and happoshu market.

The Asahi Breweries Group is currently reforming its business structure under the Second Group Medium-Term Management Plan for the three years from 2004 to 2006. We are striving to leap ahead as a corporate group that is expanding from our base in alcoholic beverages to contribute to the food and health of our customers worldwide.

* Source: Impact Databank 2004 Edition

Breakdown of net sales by business segment (FY2004)

(¥ billion)



Corporate Outline (as of fiscal year ended December 2004)

Company name: Asahi Breweries, Ltd.
Date of establishment: September 1, 1949
Representative: Kouichi Ikeda, President and COO
Paid-in capital: ¥182,531 million
Number of employees: (Parent) 3,700
(Consolidated) 15,749
Number of subsidiary companies:
(Consolidated) 55
(Non-consolidated subsidiary under equity method) 1
(Affiliated companies under equity method) 16
Net sales: (Parent) ¥1,116,360 million
(Consolidated) ¥1,444,226 million

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.

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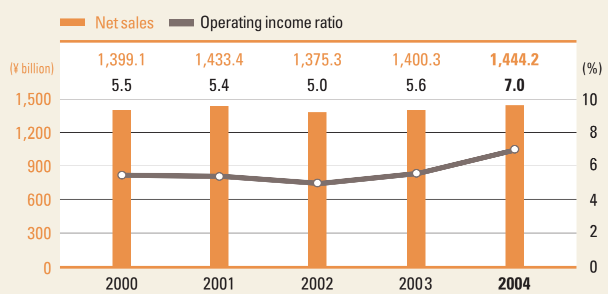
Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2004, 2003 and 2002

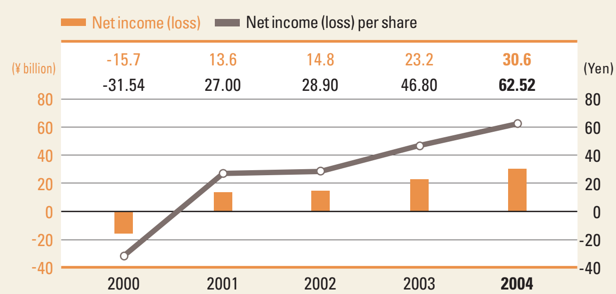
	Millions of yen			Thousands of U.S. dollars (Note)
	2004	2003	2002	2004
For the year:				
Net sales	¥ 1,444,226	¥ 1,400,302	¥ 1,375,267	$ 13,858,804
Operating income	101,273	78,984	69,341	971,817
Operating income ratio (%)	7.0	5.6	5.0	7.0
Net income	30,596	23,210	14,754	293,599
Net cash provided by operating activities	112,930	115,358	77,951	1,083,677
Capital investments	40,134	38,184	41,257	385,126
At year-end:				
Total assets	1,250,818	1,244,410	1,294,738	12,002,860
Interest-bearing debt	303,089	336,285	402,206	2,908,445
Total shareholders' equity	417,828	398,153	387,539	4,009,481
Per share data (in yen and U.S. dollars):				
Net income -Primary	¥ 62.52	¥ 46.80	¥ 28.90	$ 0.60
-Fully diluted	60.64	44.58	27.46	0.58
Cash dividends applicable to the year	15.00	13.00	13.00	0.14
Total shareholders' equity	860.66	810.19	770.86	8.26
Key ratios:				
ROE (%)	7.5	5.9	3.8	
ROA (%)	7.7	5.6	4.4	
Total assets turnover (times)	1.2	1.1	1.0	
Shareholders' equity ratio (%)	33.4	32.0	29.9	
Interest coverage ratio (times)	24.0	16.8	12.1	
Debt-to-equity ratio (%)	72.5	84.5	103.8	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥104.21 to U.S.$1, using the exchange rate prevailing at December 31, 2004.

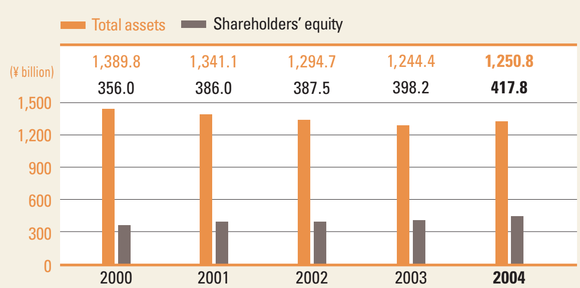
Net sales / Operating income ratio



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

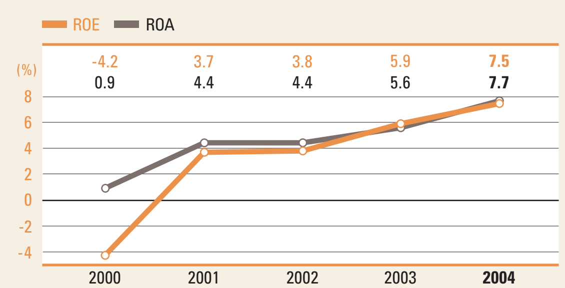


Total assets / Shareholders' equity



ROE / ROA

ROA = Ordinary income/Total assets (average) x 100



To Our Shareholders and Friends

Shigeo Fukuchi
Chairman and CEO

Kouichi Ikeda
President and COO

- **In consolidated performance, net sales totaled ¥1,444.226 billion, operating income was ¥101.273 billion, and net income reached ¥30.596 billion, achieving record highs for the first time and meeting the targets for the first year of the Second Group Medium-Term Management Plan.**
- **Sales in our core alcoholic beverages and soft drinks businesses, as well as ¥18 billion in sales by Haitai Beverage, which became a consolidated subsidiary in the second half of the fiscal year under review, helped boost overall sales.**
- **Reducing costs for manufacturing, logistics, and overhead in the alcoholic beverages and soft drinks businesses contributed to increased profit.**
- **In anticipation of the move to impairment accounting for fixed assets* in 2006, a loss of about ¥22 billion was reported in advance, due to the liquidation of our real-estate subsidiary which we had originally planned to include in our accounts over the two fiscal years of 2004 and 2005.**
- **Annual dividend was raised by ¥2 per share to ¥15 per share, and ¥6.8 billion in treasury stock was acquired to return profit to shareholders.**
- **Debt was reduced by ¥33.2 billion as part of our cash flow strategy.**

*** Impairment accounting for fixed assets:**
Method of accounting applied when the value of a fixed asset declines and the amount recoverable falls below its book value. The book value is reduced to the level of the recoverable amount and the difference is reported as a loss. This method is stipulated by International Accounting Standards (IAS No. 6), and is scheduled to be applied to the Japanese accounting standard for the fiscal year beginning April 1, 2005.

I Positioning and Report on Performance

Record-High Sales and Earnings Extend into First Year of Group Medium-Term Management Plan

Under the Second Group Medium-Term Management Plan covering fiscal 2004 — fiscal 2006, the Asahi Breweries Group is transitioning into a new business structure and revenue model for profitable growth. The keys to sustainable growth are, first, strengthening our position in the alcoholic beverages business, centered on beer and happoshu (low-malt beer), to create a system for generating stable, long-term cash flow; second, improving profitability in our existing soft drinks, food and pharmaceuticals, and overseas businesses; and third, implementing aggressive business investments, including M&A. These key areas establish a framework for the ongoing growth of the entire Group.

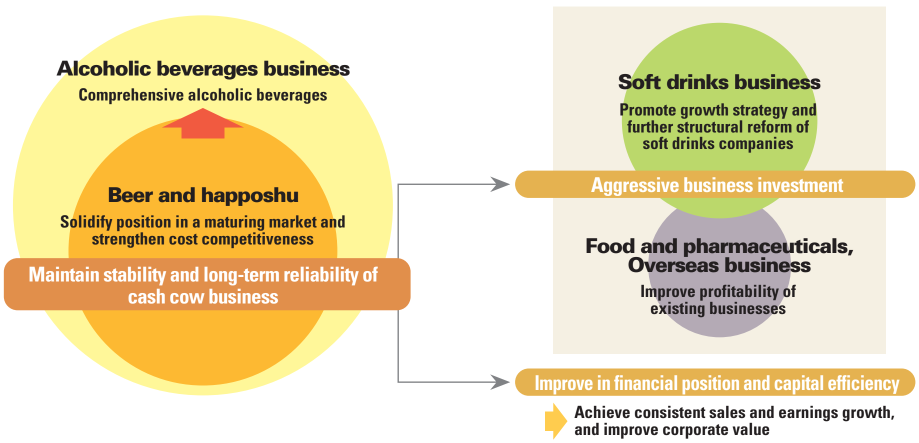
Improving the overall profitability of the alcoholic beverage business and establishing stable, long-term cash flow will enable us to proactively invest in strengthening each business area.

The Asahi Breweries Group posted outstanding results in fiscal 2004, the first year of the Second Group Medium-Term Management Plan.

Record results were achieved in consolidated sales and all categories of profit. Net sales rose 3.1% from the previous term to ¥1,444.226 billion. Operating income exceeded ¥100 billion for the first time, jumping 28.2% to ¥101.273 billion, and net income surged 31.8% to ¥30.596 billion,

The Second Group Medium-Term Management Plan (FY2004—FY2006)

Reforming Earnings Structure and Business Structure Toward Profitable Growth



By improving the overall profitability of the alcoholic beverage business, and establishing a source of long-term stable cash flow, we will finance proactive business investments to strengthen each business area.

setting a new record for the fourth consecutive fiscal year.

Improved Profitability of Core Businesses Boosts Performance

Impressive gains were posted in sales in our core alcoholic beverages and soft drinks businesses thanks to the restructuring of our profit structure. Our newly consolidated subsidiary Haitai Beverage Co., Ltd. also contributed to the overall increase in sales.

In the alcoholic beverages business, beer, happoshu, and other alcoholic beverages all recorded increased sales. Our flagship beer offering, *Asahi Super Dry*, reversed a four-year sales decline, as a result of efforts to take advantage of the strength of the brand by expanding sales in a rebounding beer market.

In the soft drinks business as well, we focused management resources on marketing and promoting our three flagship brands and were rewarded with large increases in sales.

We also posted record-high operating income, attributable in part to higher sales, but also to better-than-projected progress in reducing costs for manufacturing, logistics, and overhead, primarily in the soft drinks and alcoholic beverages businesses.

The Group also achieved a record level of net income in fiscal 2004 due to higher profits and a reduced tax burden. This was achieved despite early liquidation of our real-estate subsidiary, undertaken in anticipation of our move to impaired asset accounting in fiscal 2006, which resulted in recording a ¥22.0 billion extraordinary loss. We anticipate a substantial improvement in profit margins in fiscal 2005.

Other Accomplishments: Progress Overseas

Independent of efforts driving this year's performance, we also continued to aggressively invest in our overseas businesses, with a major emphasis on Southeast Asia, particularly China.

The Second Group Medium-Term Management Plan vs. Actual Performance

(¥ billion)

	2003 (actual)	2004 (actual)	Medium-Term Management Plan 2005 (target)	Medium-Term Management Plan 2006 (target)
Net sales	1,400	1,444	1,525	1,660
Operating income	79	101	103	115
Net income	23	31	46	50
Operating income ratio		7.0%	Approx. 7.0%	
ROE		7.5%	Over 10.0%	

restructuring. In concert with ITOCHU Corporation, we also created a new soft drinks joint venture with Tingyi Holding Corporation, China's largest food group. Further, we turned South Korea-based Haitai Beverage into a consolidated subsidiary, which is another example of how we have pressed ahead to strengthen our presence in major overseas markets.

These accomplishments represent solid progress towards forging the new business structure and profit model designed to realize the profitable growth envisioned in the Second Group Medium-Term Management Plan.

II Challenges and Directions for Fiscal 2005

Growth as the Focus for Fiscal 2005

Although we made great strides in the previous fiscal year in raising profitability in each of our businesses, several challenges remain for our growth strategy.

Although overall sales increased in alcoholic beverages, and profits rose year-on-year in other alcoholic beverages such as shochu, low-alcohol beverages, wines, whisky and spirits, we are not satisfied with the growth achieved, which fell short of our sales targets. Our product development and marketing strategies proved to be less effective than planned, and we will intensify our efforts to increase growth in the current fiscal year.

Although favorable sales results were achieved in the food and pharmaceutical business as well as the health foods and functional food product business, overall results came in below targets, burdened by up-front investment in direct marketing.

This fiscal year, we will strive to reach our medium-term targets and achieve continuous, profitable growth by implementing measures to expand sales in alcoholic beverages other than beer and happoshu as comprehensive alcoholic beverages producer and by strengthening our Group business.

Anticipating Record-Breaking Consolidated Performance and a Leap in Profitability in Fiscal 2005

In fiscal 2005, we aim to achieve consolidated net sales of ¥1,525.0 billion, up 5.6% from the previous term, and operating income of ¥102.5 billion, an increase of 1.2% from the previous term.

We forecast net income in this term will rise 50.3% to ¥46.0 billion, thanks to the loss recorded for the early disposal of a subsidiary in fiscal 2004.

To achieve these targets and keep us on track to reach the objectives of our Second Group Medium-Term Management Plan, we will focus our efforts in fiscal 2005 on growth in three areas: domestic alcoholic beverages, group companies, and overseas business.

Please see pages 12-13 for measures and implementation status, profit targets vs. actual performance.

III

Measures and Policies for Fiscal 2005

Growth in the Domestic Alcoholic Beverages Business

We will aggressively deploy marketing resources into sales efforts for *Asahi Super Dry* with the goal of sustaining last year's upward trend in the beer market. In happoshu*, *Asahi Honnama Gold*, an extension to our *Asahi Honnama* brand, will hit the shelves in February.

In April, we will respond to customer demand with the release of *Asahi Shinnama*, a new product in the beer-like alcoholic beverage* category, which includes *zasshu* (no malt beer) and experienced rapid growth in 2004. Our goal is to increase total combined sales for beer, happoshu, and beer-like alcoholic beverages.

In order to establish a sound distribution system, we introduced a new trading system for beer and happoshu in January 2005. Our objectives are to completely steer clear of price-cutting competition and to establish a transparent trading system, as well as to support the prosperity of the entire alcoholic products industry.

In the other alcoholic beverages, which comprises shochu, low-alcohol beverages, whisky, spirits and wines, we intend to dramatically improve our market position by focusing management resources on key brands, while targeting market needs with innovative products and marketing activities.

***Reference: Japan's Alcoholic Beverages Market and Alcohol Tax**

While beer represented the majority of Japan's alcoholic beverages market in the past, the recent diversification in consumer preferences has led to growing consumption of shochu and low-alcohol beverages. **Happoshu**, a product which was taxed at a lower rate than beer because of its lower malt content and therefore cheaper than beer, arrived on the scene in the late 1990s and began capturing a greater share of the home-use market.

In 2004, **beer-like alcoholic beverages** were introduced, consisting of beverages with beer flavor but without malt content. These beverages are referred to as *zasshu* and fall under other miscellaneous liquors (2) or liqueurs in the Japanese alcohol tax code, and are subject to tax rates lower than those for beer and happoshu.

Please see page 68 for details on beer-like alcoholic beverages (including *zasshu*) and happoshu.

"We expect to see record-breaking performance in fiscal 2005, including consolidated net sales of ¥1,525.0 billion, operating income of ¥102.5 billion, and net income of ¥46.0 billion."

Growth in the Group

In the soft drinks business, we intend to solidify our revenue base in our three leading brands: coffee drinks, blended teas, and carbonated beverages. We also plan to develop additional leading brands in fiscal 2005. In March and April, we released products in two categories in which we do not currently enjoy strong brands, sports drinks and green tea.

In the food and pharmaceutical business, Asahi Food and Healthcare will push forward new product development, reform its profit structure, and restructure its quality control processes to establish the means for leveraging its strengths in the industry. Our approach to profitable growth in this business will be to strengthen our operating base through the acquisition of Sunwell, the health foods subsidiary of Yamanouchi Pharmaceutical in March.

Growth in Overseas Businesses

Overseas, we will continue to place emphasis on China and the Southeast Asia, focusing on improving profit performance at our joint ventures in China, including Beijing Beer Asahi. We have established a new China Business Headquarters in Beijing to enable quick decision-making.

In soft drinks, we plan to bring to market new products developed in conjunction with Tingyi Holding in China and Haitai Beverage in South Korea, leveraging the Group's expertise in product development, quality control, and marketing.

We will also continue to look at new strategic business investments.

Cash Flow Strategy

We project cumulative free cash flows of approximately ¥200 billion between fiscal 2004 and fiscal 2006, which will be strategically allocated for business investment, returns to shareholders, and reduction of debt.

In fiscal 2004, approximately ¥40 billion was invested in businesses related to Tingyi Holding and Haitai Beverage, as a step toward strengthening our overseas operating base. In fiscal 2005, the newly formed Business Development Department, reporting directly to the President, will continue to review and implement business investments for enhancing Group competitiveness.

We returned value to shareholders in fiscal 2004 by acquiring ¥6.8 billion in treasury stock and by raising our annual dividend by ¥2 to ¥15.

Due to the early disposal of a subsidiary, accounted as an extraordinary loss in fiscal 2004, we

*"The purpose of the Second Group Medium-Term Management Plan is to realize sustained growth for decades to come.
Customer satisfaction is our top priority,
and that will drive sales and profits to trace an upward trajectory."*

expect a substantial increase in profit in fiscal 2005.

We will remain flexible in our cash flow allocation in consideration of progress in reaching our performance targets and our commitment to meet stockholder expectations.

In fiscal 2004, we reduced debt by ¥33.2 billion, an accelerated pace against our Second Group Medium-Term Management Plan to reduce debt by ¥40.0 billion by the end of fiscal 2006. A ¥6.9 billion increase in business investment, including M&A and other objectives, is planned for fiscal 2005. Decisions will be based on close monitoring of the soundness of our financial position.

Fulfilling Our Corporate Social Responsibility through Customer Relations

Our management philosophy is to deliver customer satisfaction. We define "customers" as all stakeholders who support our corporate activities, and we believe that satisfying all these customers requires listening carefully to their opinions and building lasting relationships. Our initiatives in corporate social responsibility are one way in which we engage our customers. We believe that proactive involvement in environmental, social, quality assurance, and compliance issues, is indispensable for harmonious coexistence with society, and critical to our sustainable development as an enterprise.

Customer Satisfaction and Sustained Earnings Growth

Beyond reaching our performance targets in fiscal 2005, we must, above all, achieve our three objectives for growth. The purpose of the Second Group Medium-Term Management Plan reaches beyond short-term progress toward realizing our vision of sustained growth for decades to come, so that customers continue to enjoy eating and drinking Asahi Breweries Group's products as sales and profits trace a confident, upward trajectory. These long-term goals inspire us to ensure the successful achievement of this year's targets.

Shigeo Fukuchi Chairman and CEO

Shigeo Fukuchi

Kouichi Ikeda President and COO

Kouichi Ikeda.

Status Report on the Second Group Medium-Term Management Plan (FY2004—FY2006)

Under the Second Group Medium-Term Management Plan covering fiscal 2004 —— fiscal 2006, the Asahi Breweries Group aims at profitable growth. The results in fiscal 2004, the first year of the Second Group Medium-Term Management Plan, are as follows:

Please see pages 6-7 for more information on the Second Group Medium-Term Management Plan.

	Goals and Measures for Fiscal 2004	Net Sales (¥ billion) Fiscal 2003 Actual Results	Fiscal 2004 Actual Results	Fiscal 2006 Projections
Alcoholic Beverages	● Expand cash cow operations —Solidify position in the beer and happoshu market —Promote comprehensive alcoholic beverages ● Promote operational efficiency (cost reductions)	1,107.0	**1,116.4**	1,200.0
Soft Drinks	● Bolster product recognition (*Mitsuya* and other brands) ● Reduce costs (¥3.7 billion) ● Strengthen mass merchandising and vending machine channels	189.4	**204.0**	300.0
Food and Pharmaceuticals	● Cultivate mainstay products ● Promote M&A ● Develop functional products	22.0	**22.3**	50.0
Overseas	Chinese market ● Restructuring of Beijing Beer Asahi Co., Ltd. ● Joint soft drink venture with Tingyi Holding Corporation Other regions ● Expand sales of *Asahi Super Dry* ● Turned South Korea's Haitai Beverage Co., Ltd. into a consolidated subsidiary	13.2	**31.6**	50.0
Other Businesses	● Promote operational efficiency (cost reductions)	68.7	**69.9**	60.0
Total		1,400.3	**1,444.2**	1,660.0

Cash Flow Strategies

Free cash flow accumulated over 3 years (FY2004—FY2006): approximately ¥200 billion

Flexible allocation upon consideration of management and business environment

Basic Policy and Strategy

	Basic Policy and Strategy
Business investment approximately ¥100billion	● Strategic investments aimed at medium- to-long-term growth for Group creation of a new growth structure by restructuring the business portfolio
Returns to shareholders approximately ¥60billion	● Promotion of treasury stock acquisition on a timely and appropriate basis ● Consideration for satisfactory profit returns based on consistent and stable dividend payouts
Reduction of debt approximately ¥40billion	● Promoting reductions based on optimal capital balance (debt-to-equity ratio)

Operating Income (¥ billion) Fiscal 2003 Actual Results	Fiscal 2004 Actual Results	Fiscal 2006 Projections	Fiscal 2004 Overview
72.4	**91.7**	90.0	● Significantly reduced manufacturing and logistics costs by a total of ¥7.8 billion, reduced fixed costs excluding sales and promotion expenses Beer and happoshu ● Share of combined taxable shipments of beer and happoshu reached 41.7%, securing the top market share for fourth consecutive year ● Sales of *Asahi Super Dry* rose year-on-year for the first time in four years ● Sales of *Asahi Honnama* maintained previous fiscal year's levels against a contracting happoshu market *Asahi Honnama Aqua Blue*, introduced in July 2003, became No. 3 brand in the happoshu market ● Combined sales for *Asahi Honnama* brand increased for the third consecutive year Other alcoholic beverages segment (shochu, low-alcoholic beverages, whisky and spirits, wines) ● Growth in low-alcoholic beverages led to increased sales for the entire segment ● Higher operational efficiency results in improved profitability compared with previous fiscal year ● Fell short of total sales target for other alcoholic beverages segment
2.8	**8.1**	15.0	● Success in bolstering *Mitsuya* brand led to 7% growth in sales, exceeding the industry average ● Progress in cost reductions through structural reforms exceeded projections ● Operating income exceeded ¥8.0 billion, above targeted amount for fiscal 2004
0.0	**-0.6**	3.0	● Began direct marketing through Asahi Food & Healthcare Co., Ltd.; strengthened existing operation ● Health foods and functional food products performed favorably, but fell short of projections in areas such as commercial-use food products ● Fell short of total projections due to considerable burden of initial investments for direct marketing
-1.5	**-1.5**	2.0	● Implemented strategic investments in Asia centered on China ● New Beijing Beer Asahi brewery began operations, sold renewed version of product Beijing Beer ● Established joint soft drinks company with Tingyi Holding and ITOCHU Corporation ● Raised investment ratio in Haitai Beverage to turn it into consolidated subsidiary, approximately ¥18.0 billion in six-month sales contributed to Group sales ● Invested in Lotte Group's liquor sales company, established Lotte Asahi Liquor Co., Ltd.
5.2	**3.5**	5.0	● Sold entire stockholdings in subsidiary Nippon National Seikan Company, Ltd. ● Suceeded in generating operating income in restaurant business
78.9	**101.2**	115.0	

Accomplishments in Fiscal 2004

● Implemented business investments of appoximately ¥38.0 billion to establish a soft drinks joint venture with Tingyi Holding and ITOCHU Corporation and ¥2.6 billion related to Haitai Beverage

● Repurchased treasury stock worth ¥6.8 billion, increased dividend per share by ¥2 to full-year dividend of ¥15

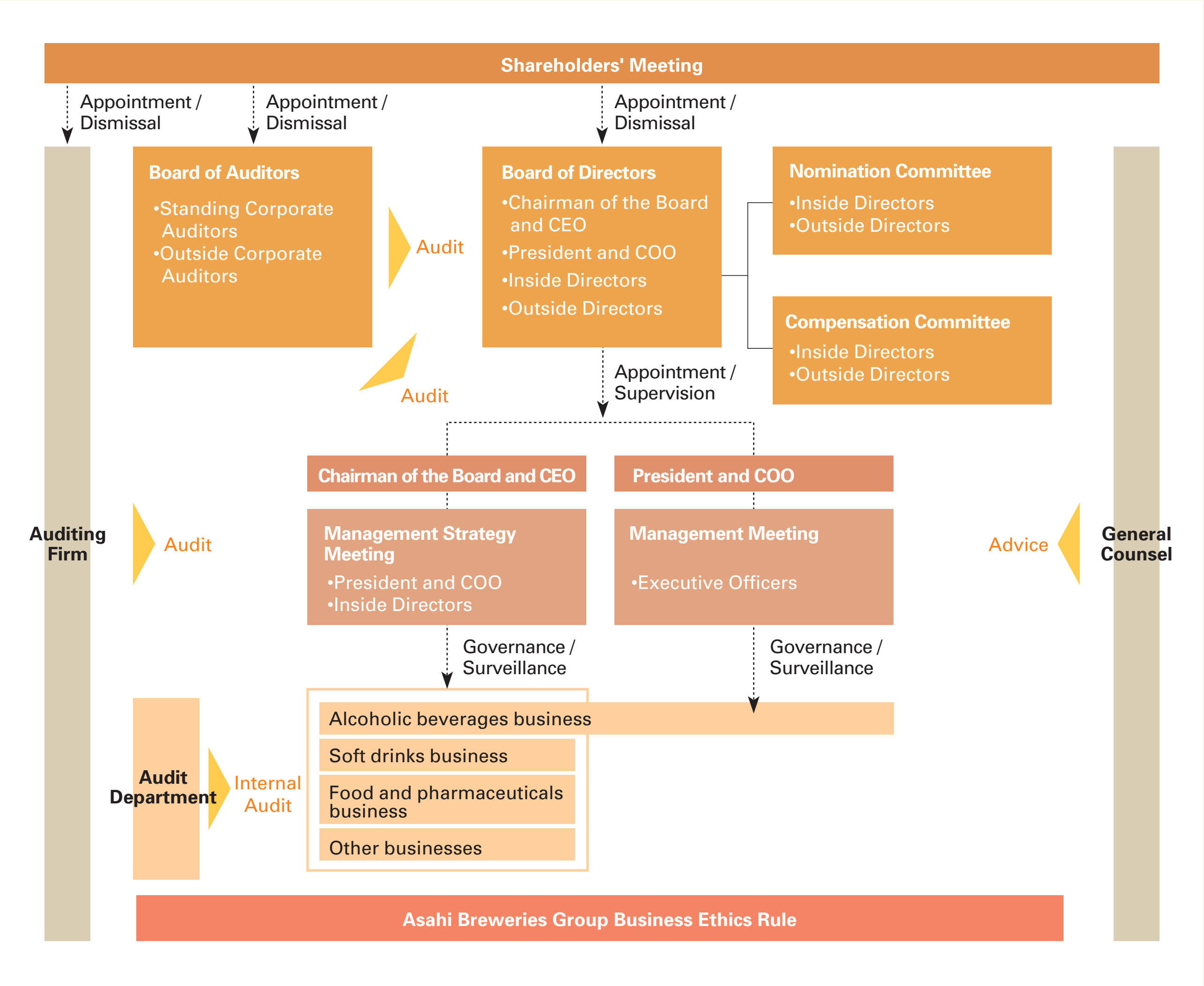
● Reduced financial debt by ¥33.2 billion, surpassing progress envisioned by Medium-Term Management Plan
● Reported liquidation loss planned for fiscal 2005 for subsidiary Century Development Planning ahead of schedule, achieved early normalization of net income

Creating a Corporate Governance Structure to Effectively Respond to Change

Basic Policy

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

Corporate Governance Structure



Toward Enhancing Management Fairness and Transparency

Management Structure

Asahi Breweries has a Board of Directors and a Board of Auditors, and has also introduced an Executive Officer system. There are eleven Directors, of which three are Outside Directors; five Auditors, including three Outside Corporate Auditors; and 30 Executive Officers. These various directors and officers are responsible for management, surveillance and supervision of management, and operational execution. Each has a clear responsibility in their respective role and they collectively strive to meet shareholder expectations by undertaking fair and transparent management.

Board of Directors and System of Outside Directors

The Board of Directors met ten times between April 2004 and March 2005. In these meetings, three Outside Directors reviewed the deliberations of the Board of Directors from a broader perspective. Through this system of outside review, we aim to enhance management fairness and transparency while further strengthening Group management capabilities.

Establishment of Nomination Committee and Compensation Committee

To ensure fairness and transparency in the appointment and compensation of senior officers, the Group has established a Nomination Committee and a Compensation Committee as sub-entities of the Board of Directors. Each committee comprises a total of four officers, of which two are Inside Directors and the others are Outside Directors.

The Nomination Committee, which recommends to candidates for Directors, Executive Officers and Standing Auditors the Board of Directors, held two meetings between April 2004 and March 2005. The Compensation Committee, which submits agendas regarding the compensation structure and proposed compensation for Directors and Executive Officers to the Board of Directors, met five times between April 2004 and March 2005. We will continually advance the fairness and transparency of management through effective and appropriate actions of these bodies.

Board of Auditors

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

We have engaged KPMG AZSA & Co. to audit our accounts in collaboration with our Board of Auditors. In addition, we give due consideration to legal compliance by seeking the advice of general counsel as needed.

In fiscal 2004, audit fees payable to the Auditor amounted to ¥52 million for an attestation engagement and ¥17 million in other compensation.

Stock Option System

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

Compensation and Retirement Benefits for Senior Officers

During fiscal 2004, compensation paid to Directors of Asahi Breweries, Ltd. totaled ¥264 million, including ¥25 million paid to Outside Directors. Compensation for Auditors totaled ¥78 million, of which ¥14 million was paid to Outside Auditors. Executive bonuses paid out of profit totaled ¥42 million for Directors, including ¥4 million paid to Outside Directors and ¥8 million for Auditors, with ¥3 million paid to Outside Auditors. Retirement benefits based on a resolution adopted at the General Shareholders' Meeting amounted to ¥132 million for three Directors who retired during the previous fiscal year and ¥14 million to an Auditor who retired.

Toward Accelerating Decision-Making Processes

Introduction of the Executive Officer System

Asahi Breweries has introduced an Executive Officer System for separating supervisory and operational execution functions, strengthening decision-making and the oversight responsibilities of the Board of Directors, and ensuring the timely execution of operations. In addition to supervising the execution of our operations and decision-making, the mission of our Directors also includes formulating Group management strategies and strengthening and developing the Group through strategic Group management decisions. Accordingly, Group headquarters functions have been established at the Asahi Breweries Headquarters to provide staff for Group management. We have also transferred the authority of executing operations to the Executive Officers to ensure timely execution of operations by allowing them to focus on these tasks.

Management Strategy Meeting and Management Meeting

In operational execution, decision-making responsibilities are guided and implemented through two meetings. The Management Strategy Meeting, directed by the CEO, is the venue for discussing the business of the entire Group. The Management Meeting, led by the COO, reviews our backbone alcoholic beverages business. These meetings maintain accountability of the Directors for the entire Group, and the responsibility of the COO and Executive Officers for the alcoholic beverages business, thereby accelerating decision making and clarifying responsibilities.

Compliance with Laws and Social Codes

Internal Control by the Audit Department

The Company has established a management monitoring system focused on the supervision of operational execution by Directors and audits conducted by Auditors and the Board of Auditors. For internal control, the Audit Department was established as the internal auditing organ to conduct audits based on our annual auditing plan to ensure the operation of the entire Group is executed properly and efficiently.

Formulation of the Business Ethics Rule

In November 1999, we formulated the Asahi Breweries Group Business Ethics Rule, which provides concrete guidance on compliance issues contained in the Group’s Corporate Philosophy and Guidelines for Corporate Activity. It lays out codes of conduct from the perspective of compliance with corporate ethics required of senior officers and employees of the Group in their daily operations. The Rule applies to all senior officers and employees of the Asahi Breweries Group, including contract employees and temporary staff. In order to promote thorough understanding of both the significance and the spirit of compliance, every employee attends a training seminar on business ethics and then signs an agreement to adhere to the Ethics Rule.

We have surveyed all Group employees every year since 2002 to determine the level of internal understanding of compliance. The survey fulfills the "Check" function in the PDCA (Plan-Do-Check-Act) cycle used in promoting compliance management.

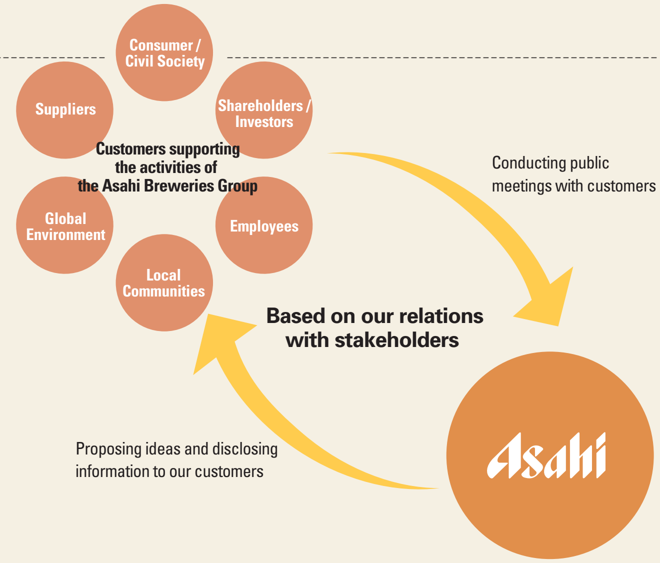
Establishment of the Clean Line System

In January 2003, the Asahi Breweries Group introduced a Clean Line System, as an in-house reporting system that is operated under the Corporate Ethics Committee in its role of overseeing compliance for the entire Group. Under this system, employees can report problems related to violations of various laws and internal rules that arise in the workplace, either directly to the Corporate Ethics Committee or to a lawyer working under contract with the Company in the event they do not feel comfortable or safe discussing specific issues with their immediate superiors. Through this system, we have established a structure for investigating facts on internal problems that arise, while protecting individuals who submit reports. There were 8 reports in 2004.

Earning Society's Trust

Basic Policy

The corporate activities of the Asahi Breweries Group are guided by the philosophy of bringing greater enjoyment and prosperity to people's lives through our Food and Health businesses. As stated in our Corporate Philosophy, pursuing customer satisfaction is the foundational tenet of our Group. Our various stakeholders, such as our shareholders, suppliers, communities and employees, are all important "customers" who use our products. We seek feedback and comments on our activities and will respond with appropriate changes in our thinking and action to ensure we satisfy all our customers by working and communicating from the customer's perspective. We believe this continuing cycle of Customer Satisfaction (CS) and Relations (R) enables the Asahi Breweries Group to fulfill its corporate social responsibility (CSR).



Today, these diverse customers expect more from our Group than just the continued production and sales of quality products. We strive to fulfill our responsibilities as a corporate citizen in every respect, including the environment and society, and thereby earn society's trust.

Based on this conviction, the Group launched a CSR Committee in 2003, reporting directly to the President, and revised the Asahi Breweries Group Business Ethics Rule. In 2004, representatives of major Group companies joined the CSR Committee, expanding it into the Group CSR Committee. An important goal of the Second Group Medium-Term Management Plan for fiscal 2004 to 2006 is to increase public trust in the entire Group by fulfilling our corporate social responsibility. Through active commitment to CSR, we intend to live in harmony with society as a corporate citizen while promoting the sustainable development of the Group.

CSR activity is connected to every aspect of our corporate efforts, and therefore encompasses a far-reaching scope. In 2003, the Group focused on six priority initiatives for the immediate future. Accordingly, we pursued these six initiatives in fiscal 2004 and succeeded in making significant progress, as reported on the following page.

Please see page 18 for details.

Evaluation by External Research Institutions

Dow Jones **ETHIBEL** **FTSE***

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

Six Priority Initiatives and Accomplishments for Fiscal 2004

Pursuit of Quality

Develop and provide high quality products and services to gain trust and ensure satisfaction of the customer.

Accomplishments for fiscal 2004

Asahi Breweries actively works to guarantee quality and all our breweries have acquired ISO 9001 certification. In addition to efforts by each division, we convened representatives from across the company in June 2003 to focus on quality and established the Quality Management Committee as an inter-departmental organization for exchanging ideas on how to meet the challenges ahead. The key themes are strengthening our quality assurance system and raising the level of quality. We will combine our forces to consistently deliver the great taste our customers have come to expect.

Compliance with Laws and Ethical Standards

Perform corporate activities in compliance with laws and ethical standards to gain the trust of society.

Accomplishments for fiscal 2004

We conduct a survey* of all Group employees as part of the "Check" function in our Plan-Do-Check-Act (PDCA) cycle for promoting compliance. In 2004, we used the survey to assess the level of employee awareness regarding the 2003 revisions to the Group Business Ethics Rule. Based on survey results, we provided training sessions from January to April on the revised Group Business Ethics Rule at our offices nationwide.

* Surveys on the state of internal compliance have been conducted each year since 2002.

Environmental Conservation

Reduce the Group's burden on the environment and carry out conservation activities for forests and water resources to protect the global environment.

Accomplishments for fiscal 2004

In May 2004, Asahi Breweries formulated the Second Medium-Term Group Environmental Management Plan. The plan set numerical targets for each measure related to reducing environmental burdens for both Asahi Breweries, Ltd. and the entire Group. The targets were clearly communicated inside and outside the Group. Anticipating the Kyoto Protocol coming into force in February 2005, we also set targets for reducing CO_2 emissions for the entire Group to the same levels as 1990 by fiscal 2008. Within the same timeframe, Asahi Breweries, Ltd. will strive to reduce CO_2 emissions to 10% below 1990 levels.

Appropriate Information Disclosure

Rapidly disclose information in a fair and impartial manner to raise the transparency of corporate management.

Accomplishments for fiscal 2004

We received the Award for Excellence in Corporate Disclosure from the Security Analysts Association of Japan in 2004 for the second consecutive year, and the Japan Investor Relations Association's Excellence in IR Award for Fiscal 2004. The Japan Investor Relations Association recognized our efforts in providing detailed disclosure of information, including items of significant interest to investors, and for making marked improvement in IR activities within the past year.

Living in Harmony with Local Communities

Support volunteer and cultural activities to contribute to the creation of local culture. In addition, encourage exchanges with local communities to deepen mutual understanding.

Accomplishments for fiscal 2004

We began forest conservation activities at our Shikoku Brewery to conserve the rich water resources in the area. Brewery employees joined with local citizens in planting trees, trimming undergrowth, and playing games designed to raise awareness of environmental conservation. We plan to extend our forest conservation activities to other areas where our production sites are located.

Encouraging Socially Responsible Drinking

Carry out initiatives to prevent underage drinking, drinking and driving, and consumption by pregnant and breast-feeding women to actively fulfill the responsibility of educating consumers in responsible drinking.

Accomplishments for fiscal 2004

In 2004, Asahi Breweries established the Moderate Responsible Drinking Committee and decided to expand the scope of our activities by formulating basic principles and action guidelines and setting up six work groups. We also created the Fund for Preventing Underage Drinking and began supporting organizations, individuals and business establishments in tackling this issue. Raising awareness of responsible drinking is one of our most important social responsibilities as an alcoholic beverage provider. We will continue to take bold action that contributes to a prosperous and healthy lifestyle.

Board of Directors, Auditors, and Executive Officers

Board of Directors

Shigeo Fukuchi
Chairman of the Board and
Chief Executive Officer

Kouichi Ikeda
President and
Chief Operating Officer

Yoshihiro Goto
Senior Managing Director and
Senior Managing Executive Officer

Masaaki Okada
Senior Managing Director and
Senior Managing Executive Officer

Akira Ohara
Senior Managing Director

Yoshifumi Nishino
Managing Director

Naoki Izumiya
Managing Director

Hikaru Kawamura
Managing Director

Nobuo Yamaguchi
Director

Yukio Okamoto
Director

Tomoyo Nonaka
Director

Auditors

Standing Corporate Auditors
Sugao Nishikawa
Hiroshi Fujita

Outside Auditors
Takahide Sakurai
Naoto Nakamura
Tadashi Ishizaki

Executive Officers

Senior Managing Executive Officers
Masaru Kuraguchi
Masatoshi Takahashi

Managing Executive Officers
Masahiko Osawa
Hideyuki Ishibashi
Tsugiya Iwasaki
Osamu Sasaki
Masanori Kameno
Hisao Tominaga
Nobukazu Yoshioka
Toshifumi Ishii
Yoshito Tomita

Executive Officers
Kazuo Motoyama
Yuji Ninomiya
Akira Matsunobu
Seikou Takahashi
Sakae Mitani
Nobuo Nagura
Masato Miyake
Fumio Yamasaki
Shigeru Hada
Shin Iwakami
Susumu Nihei
Osamu Takahashi
Masao Tokura
Kaoru Koi
Kenji Taniguchi
Katuyuki Kawatura
Makoto Sugiura
Kazutami Kouzu
Itaru Takahashi

(As of March 30, 2005)

Asahi at a Glance

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

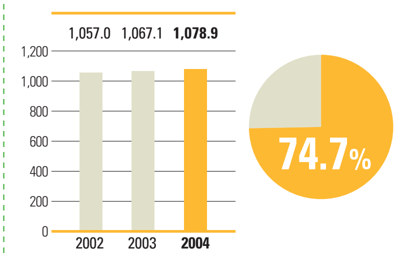
Entities that generate major profit for each segment are: Asahi Breweries, Ltd. for the alcoholic beverages business; Asahi Soft Drinks Co., Ltd. for the soft drinks business; and Asahi Food and Healthcare Co., Ltd. for the food and pharmaceuticals business.

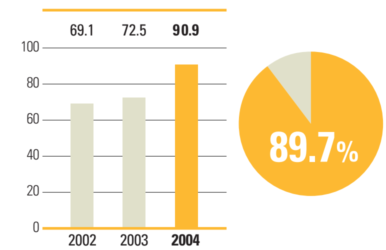
Please see the comparison chart at the top of the next page.

Net Sales (¥ billion)

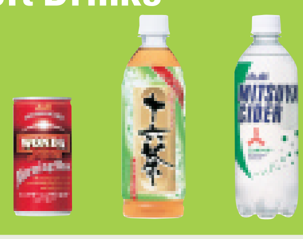
Operating Income (¥ billion)

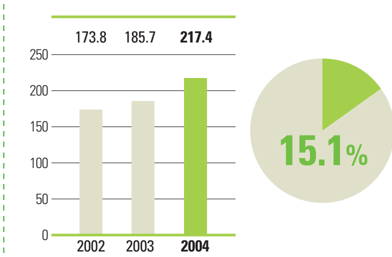
Alcoholic Beverages

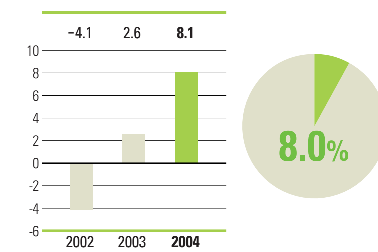




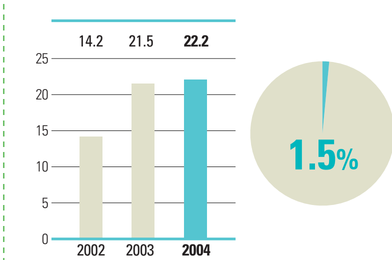
Soft Drinks

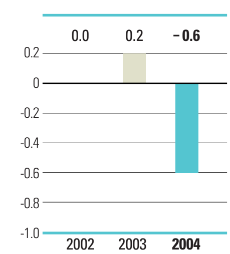




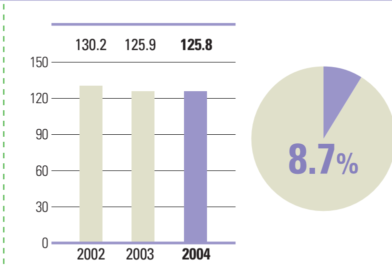


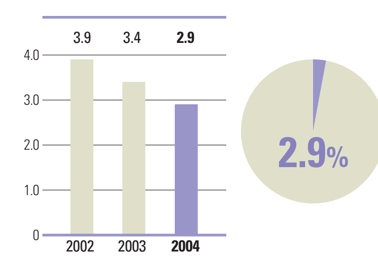
Food and Pharmaceuticals





Other Businesses





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

Net sales for business segments and Asahi business entities are as follows:

Segment (¥ billion)	2004	2003	Year-on-year
Alcoholic beverages	1,078.9	1,067.1	+1.1%
Soft drinks	217.4	185.7	+17.0%
Food and pharmaceuticals	22.2	21.5	+2.9%
Other businesses	125.8	125.9	-0.1%

Company / Businesses (¥ billion)	2004	2003	Year-on-year
Asahi Breweries	1,116.4	1,107.0	+0.8%
Asahi Soft Drinks	204.0	189.4	+7.7%
Asahi Food & Healthcare	22.3	22.0	+1.5%
Other (including cancellation/deletion)	101.5	81.9	+24.0%

Business Outline	Highlights of the Year
Manufacturing and sales of domestic beers, centered on *Asahi Super Dry*, international brand beers, *Asahi Honnama* happoshu series, shochu, low-alcohol beverages, whisky and spirits, and wines. Asahi Breweries, Ltd. is the main business corporation.	• Sales in terms of taxable shipments of *Asahi Super Dry* increased year-on-year for the first time in four years. • *Asahi Honnama Aqua Blue* became the third best-selling happoshu brand in the market. • Core brand products in shochu and low-alcohol beverages demonstrated growing sales. • Profitability improved in part due to cost reductions in manufacturing and logistics. • Operating income exceeded our target for fiscal 2006.
Manufacturing and sales of canned coffee such as *WONDA*, tea-based beverages such as *Asahi Juroku-Cha*, and soft drinks such as *Mitsuya Cider*, and Bireley's. Asahi Soft Drinks Co., Ltd. is the main business corporation.	• Sales of *Mitsuya*, our core brand, increased 28.6% from the previous fiscal year. • Combined total profit of our soft drinks business reached a record high. • Acquired a controlling stake in South Korea's Haitai Beverage Co., Ltd. and turned it into a consolidated subsidiary. • Established a three-way joint venture with China's Tingyi Holding Corporation and Itochu Corporation to create a new company and turned the entity into an affiliate through purchase of a controlling stake.
Development and sales of processed seasoning materials, utilizing our brewer's yeast processing technology, brewer's yeast products for the industrial and consumer markets, supplements, and processed foods. Asahi Food & Healthcare Co., Ltd. is the main business corporation.	• Sales of food products for commercial use declined, while mainstay products such as *EBIOS* maintained a solid performance. • Reported an operating loss under the considerable strain caused by initial investments in direct marketing.
Broad range of businesses centered on real estate businesses, logistics businesses and operation of restaurants, including sales support operations for Group companies.	• Restaurant business succeeded in generating an operating profit. • Transferred our entire stockholding in Nippon National Seikan Company, Ltd. to Toyo Seikan Kaisha, Ltd.

Alcoholic Beverages Business

Alcoholic Beverages Business

Review of Consolidated Operations

Market Trends

In the domestic beer and happoshu market in 2004, total taxable shipments decreased 4.2% on the year, marking the third consecutive year of decline. In the beer market, the consumption of commercial-use products exhibited some signs of recovery while home-use products experienced less movement of demand toward the happoshu market, thereby shrinking the margin of year-on-year declines in beer shipments. However, shipments in the happoshu market dropped significantly by 8.1% year-on-year. Factors behind the decrease in happoshu shipments included the continuing effects of the tax hike that went into effect in May 2003 and the emergence of beer-like alcoholic beverages (no malt beer) such as *zasshu*.

On the other hand, the markets for shochu and low-alcoholic beverages continued to expand, reflecting diversifying consumer preferences.

Summary of Performance

Under these circumstances, total sales for the alcoholic beverages business in fiscal 2004 increased 1.1% to ¥1,078,931 million, and operating income rose 25.4% to ¥90,872 million, achieving year-on-year increases in both sales and profits. As the beer market headed for recovery, sales of *Asahi Super Dry* increased from the previous fiscal year, while sales of our happoshu brand *Asahi Honnama* rose despite the contracting market. Sales of other alcoholic beverages including shochu, low-alcoholic beverages, whisky and spirits, and wines, also grew year-on-year.

In terms of profit, in addition to growth in sales, year-on-year reductions in manufacturing and logistics costs totaling ¥7.8 billion and in fixed costs excluding sales promotion expenses at Asahi Breweries significantly contributed to increased earnings.

Review of Operations for Fiscal 2004 (Asahi Breweries, Ltd.)

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

Breakdown of net sales

(¥ million)	2004	2003	Year-on- year
Beer	786,756	784,360	+0.3%
Happoshu	200,645	195,600	+2.6%
Shochu	51,773	51,870	-0.2%
Whisky and spirits	29,525	32,349	-8.7%
Low-alcohol beverages	28,328	23,464	+20.7%
Wines	14,398	14,594	-1.3%
Other alcoholic beverages	3,049	2,666	+14.4%
Real estate	1,882	2,071	-9.1%
Total	1,116,360	1,106,977	+0.8%

Beer and Happoshu

Beer sales grew 0.3% year-on-year to ¥786.8 billion. The growth of happoshu sales also continued, achieving 2.6% year-on-year to ¥200.6 billion.

In the face of a 4.2% year-on-year decline in taxable shipments for the total market for beer and happoshu, our products achieved growth in sales to further solidify their position.

While taxable shipments for the overall beer market fell 1.6% year-on-year, the Company's taxable shipments rose for the first time in four years, enabling us to raise our market share by 0.9 percentage points to 49.1%, marking a thirteenth consecutive year of expansion. As the beer market headed for a recovery based on commercial-use products, *Asahi Super Dry* demonstrated its brand power through fine-tuned sales activities for each retail channel.

In the happoshu market, we were able to limit the year-on-year decrease in taxable shipments to just 0.4% even as the market considerably contracted, due in part to the July 2003 sales launch of *Asahi Honnama Aqua Blue*, which became the third best-selling product in the happoshu market. However, in the latter half of the year, beer-like alcoholic beverages (no malt beer) began to emerge while sales of a new product that we began marketing in March stagnated. We consequently fell slightly short of our initial target. Our share of the happoshu market rose

Asahi Super Dry

Asahi Honnama

Asahi Honnama Aqua Blue

2.2 percentage points year-on-year to 29.3%. As a result, our combined share, in terms of taxable shipments, of the domestic beer and happoshu markets amounted to 41.7%, enabling us to maintain the top spot for the fourth consecutive year.

Shochu

Sales of *Kanoka*, our mainstay product, showed significant growth, rising 30% year-on-year, exceeding the industry average. We also endeavored to meet diversifying customer demand by offering original new shochu products such as *SAZAN*, which uses the distilling techniques and know-how of Nikka Whisky Distilling Co., Ltd. However, sales for the category as a whole decreased slightly by 0.2% to ¥51.8 billion.

Kanoka

SAZAN

Whisky and Spirits

New All Malt

The Anniversary 12 years

In line with the year-on-year decline in sales for the overall market, sales fell 8.7% year-on-year to ¥29.5 billion.

While the whisky and spirits market continued to contract and remained under severe conditions, 2004 marked the 70th anniversary of Nikka Whisky Distilling Co., Ltd. and we were able to subsequently win renewed recognition of the high quality of the Nikka brand through such measures as the sales of commemorative products and enhanced communication with customers.

Low-Alcohol Beverages

As sales in the market maintained a favorable pace, we also enjoyed a year-on-year increase in sales of 20.7% to ¥28.3 billion. In particular, *Asahi Cocktail Partner* achieved a 30% year-on-year growth in sales volume, exceeding the industry average and establishing itself as a core brand in the upper ranks of the low-alcohol beverages market.

Asahi Cocktail Partner

Asahi Shunka Shibori

Wines

Overall wine sales showed a slight decrease of 1.3% to ¥14.4 billion, dampened by stagnant sales in domestic wines. On the other hand, our aggressive sales and marketing activities for imported wine paid off, raising us to second in the industry in terms of import volume for Beaujolais Nouveau.

Sankaboshizai-Mutenka Wine
(antioxidant-free wine)

Caliterra

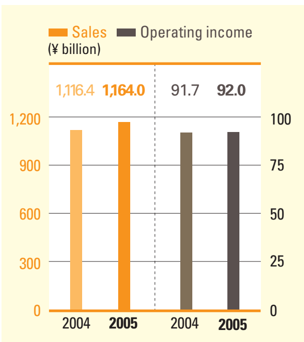
Targets and Strategies for Fiscal 2005 (Asahi Breweries, Ltd.)

Market Outlook and Performance Targets

In 2005, the market for beer, happoshu and beer-like alcoholic beverages is expected to decline approximately 2% year-on-year. Beer is projected to fall about 4%, while happoshu is expected to decrease by approximately 24% based on a projected increase of nearly 184% for beer-like alcoholic beverages such as *zasshu*. We expect continued increases in the markets for shochu and low-alcoholic beverages.

In this context, Asahi Breweries will endeavor to lead the beer market to recovery as the top maker, while strengthening and cultivating our brands in the happoshu and beer-like alcoholic beverages markets. In other categories, we will invest our management resources in core brands and pursue new product development and sales activities that meet the needs of the markets.

Targets for sales and operating income



Through these measures, we intend to attain our performance targets for fiscal 2005 of ¥1,164.0 billion in sales, 4.3% higher than fiscal 2004, and ¥92.0 billion in operating income, commensurate with fiscal 2004. By category, we are targeting ¥784.2 billion for beer, ¥141.2 billion for happoshu and ¥68.2 billion for *zasshu*, for a total of ¥993.6 billion in sales. In other alcoholic beverages segment, our goals are ¥68.0 billion for shochu sales, ¥48.0 billion for low-alcoholic beverages, ¥33.5 billion for whisky and spirits, ¥16.0 billion for wines and ¥3.5 billion for other categories, for a total year-on-year increase of 33% to ¥169 billion.

Strategy 1: Strengthening Recovery in Beer Market while Expanding Happoshu and *Zasshu* Brands.

In the beer market, we will work to solidify the current trend of customers returning to beer by cooperating with distributors to enhance the freshness of *Asahi Super Dry*, and improving the quality of draft beer kegs for commercial-use at stores.

In the happoshu market, growth in beer-like alcoholic beverages category is expected to intensify the process of selection among brands. Therefore, we will strive to enhance our market position by bolstering the lineup of our *Asahi Honnama* brand with a new product, *Asahi Honnama Gold*, with sales starting in February. In addition, we will respond to growing demand in beer-like alcoholic beverages category by selling our first *zasshu* product, *Asahi Shinnama*, starting in April 2005. This product is intended to meet customer demand for a milder drinking experience.

Fiscal 2005 sales plan for beer, happoshu and *zasshu*

(Million cases)		2005	2004	Year-on- year
Beer		150.0	150.0	+0.0%
	Asahi Super Dry	148.0	147.5	+0.3%
	Other	2.0	2.5	-20.0%
Happoshu		38.0	54.0	-29.6%
	Asahi Honnama	17.8	29.8	-40.3%
	Asahi Honnama Aqua Blue	12.1	20.3	-40.4%
	Asahi Honnama Offtime	0.1	3.3	-97.0%
	Asahi Honnama Gold	8.0	—	—
	Other	0.0	0.6	—
Zasshu		22.0	—	—
	Asahi Shinnama	22.0	—	—
Total		210.0	204.0	+2.9%

Strategy 2: Fine-Tuning Sales Activities for Shochu and Low-Alcohol Beverages

In the shochu category, we completed our product line by the end of fiscal 2004 in response to differing trends in demand by region and restaurant retail channels. In fiscal 2005, we will strengthen the brand power of our core brand *Kanoka* and *SAZAN*, which we began selling in 2004, through product proposal activities that correspond to demand. We also plan to expand sales of authentic shochu brands based on rice, barley and sweet potatoes from the commercial-use market to the mass merchandising market.

In low-alcoholic beverages, we plan to pursue continued expansion in the sales of *Asahi Cocktail Partner*, and cultivate the *Asahi Shunka Shibori* brand. We will also focus resources on product development to create new markets, such as our collaborative effort with Fauchon, Inc.*

Through these measures, we plan to raise sales of shochu by 31.3% year-on-year to ¥68.0 billion and sales of low-alcohol beverages by 69.4% year-on-year to ¥48.0 billion.

* We developed the low-alcoholic beverage *Fauchon Scented Tea* in collaboration with Fauchon, Inc. the world's leading tea company based in France.

Strategy 3: Implementing Sales Strategies for Nikka's 70th Anniversary and SCM Reform in Wines

Given the continued severity of the whisky and spirits market, we will use the 70th anniversary of Nikka Whisky Distilling Co., Ltd. to promote marketing and sales focused on Nikka's malt whisky, which is highly acclaimed worldwide.

In wines, which require greater specialization than other categories, we will establish a wine business division to review the entire supply chain and improve profitability.

We plan to raise sales of whisky and spirits by 13.5% year-on-year to ¥33.5 billion and sales of wines by 11.1% year-on-year to ¥16.0 billion.

Sales plan by category

(¥ billion)	2005	2004	Year-on- year
Beer	78.4	78.7	-0.3%
Happoshu	14.1	20.1	-29.6%
Zasshu	6.8	—	—
Shochu	6.8	5.2	+31.3%
Low-alcohol beverages	4.8	2.8	+69.4%
Whiskey and spirits	3.4	3.0	+13.5%
Wines	1.6	1.4	+11.1%
Other alcoholic beverages	0.4	0.3	+14.8%

Note: In addition to income from alcoholic beverage products, sales of Asahi Breweries, Ltd. include income from real estate (actual results for fiscal 2004: ¥0.2 billion).

Soft Drinks Business

Review of Consolidated Operations

Market Trends

In 2004, the soft drinks market in Japan showed the sales volume of Japanese tea grew 21% year-on-year, with fruit drinks, carbonated beverages and coffee also showing a slight year-on-year increase. Sales volume in the overall market is estimated to have risen approximately 5% year-on-year, buoyed by the increased consumption caused by the scorching summer heat.

Summary of Performance

In fiscal 2004, we accomplished increased sales and profits for the second consecutive year. Sales for fiscal 2004 in the soft drinks business rose 17.0% year-on-year to ¥217,380 million with operating income exceeding the ¥8,000 million mark for the first time, growing by nearly more than three times by ¥5,469 million to ¥8,114 million. The most significant factor was our successful focusing of management resources on promoting the sales of our core brands of *WONDA* canned coffee, *Asahi Juroku-Cha* blended tea, and *Mitsuya* carbonated drink. In addition, structural reforms at Asahi Soft Drinks Co., Ltd. resulted in considerable cost reductions and significantly contributed to increasing profit. The performance of South Korea's Haitai Beverage Co., Ltd., which became a consolidated subsidiary in the second half of the fiscal year under review, also contributed to increasing sales.

Review of Operations for Fiscal 2004 (Asahi Soft Drinks Co, Ltd.)

Sales Growth in Several Brands, Led by *Mitsuya Cider*

Here is a review of operations by category.

Carbonated Beverages

2004 marked the 120th anniversary of our core *Mitsuya* brand. We used the occasion to renew the brand's mainstay product *Mitsuya Cider* and conduct a major sales campaign. We succeeded in subsequently winning greater brand recognition and steadily rising sales.

As a result, total sales of carbonated beverages for Asahi Soft Drinks Co., Ltd. significantly exceeded the industry average of 2.3%, rising 19.7% year-on-year to ¥46,502 million.

Fruit and Vegetable Drinks

Sales grew 29.5% year-on-year to ¥16,908 million, outpacing the 3.4% growth of the overall market. We revitalized our *Bireley's* brand by selling a new product made from 100% pure, high quality oranges grown in Florida.

Coffee

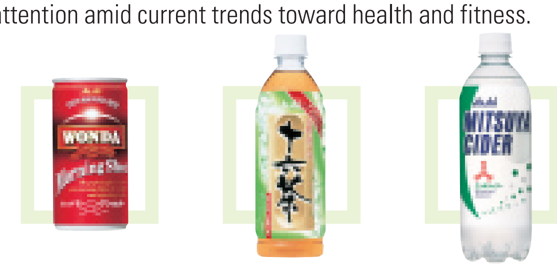
Although we maintained marketing and sales promotion activities for *WONDA Morning Shot* for its third year, and also began selling new products to bolster the *WONDA* sub-brand, sales fell 5.7% year-on-year to ¥52,978 million.

Tea-Based Drinks

In our core brand, *Asahi Juroku-Cha*, we maximized the appeal of its blend of various healthy ingredients by selling products with differing combinations of ingredients for each season. We also began selling a new Chinese tea-based product. Despite such efforts, total sales of tea-based drinks fell 1.9% year-on-year to ¥58,915 million.

Other Soft Drinks

Sales rose 34.9% year-on-year to ¥28,702 million. Health drinks performed favorably, with sales rising 32.6% year-on-year due partially to the popularity of *Dodekamin*, which features a healthy, thirst-quenching product image. In mineral water, sales grew 255.3% year-on-year in our *Fujisan no Vanadium Tennensui* (Vanadium Natural Mineral Water from Mt. Fuji), rich in the mineral vanadium, which is attracting attention amid current trends toward health and fitness.



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

Steady Progress in Cost Reduction Measures

In fiscal 2004, we remained committed to structural reforms focusing on the following three areas: 1) establishing an optimal production system, 2) raising the efficiency of vending machines, and 3) undertaking organizational and structural reforms.

Asahi Soft Drinks Co., Ltd. expanded the functions of its information system, enabling it to promptly reflect sales trends in the distribution channels in plans for inventory, production and procurement. Internal operational processes were also reviewed. These actions led to reducing inventory and losses of raw materials and manufactured goods, resulting in a ¥300 million year-on-year decrease in loss on disposal of obsolete inventories. We also endeavored to improve the operational efficiency of vending machines and restrain new purchases, and as a result managed to cut vending machine-related costs by 9% year-on-year.

In our organization, we reduced the number of employees by 3.5% year-on-year to 1,976 by the end of the fiscal year under review, realizing a 2,000 employee-structure for the entire company and making a step toward our goal of operating with a smaller number of skilled employees and speeding up management decision-making processes.

Expanding Overseas Soft Drink Business

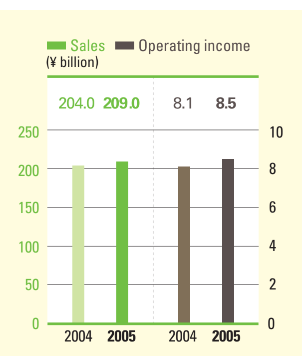
We strengthened the foundation of our soft drink business in China by establishing a joint soft drink venture with Tingyi Holding Corporation, China's largest food products group, and Itochu Corporation, including the dispatch of a financial officer and providing technical assistance in the areas of new product development as well as production and quality control. In addition, in July 2004 we raised our investment ratio in South Korea's Haitai Beverage Co., Ltd., making it into a consolidated subsidiary. Sales at Haitai Beverage is steadily increasing, and we intend to continue pursuing synergies by utilizing the product control and marketing expertise of the Asahi Breweries Group.

Targets and Strategies for Fiscal 2005 (Asahi Soft Drinks Co., Ltd.)

Market Outlook and Performance Targets

In the soft drinks market for 2005, sales volume for the overall market is forecast to remain at levels similar to 2004 due to the rebounding effect of the scorching summer heat in the previous year. Under such circumstances, we will continue to seek business growth and structural reform. Our goal for fiscal 2005 is to attain net sales of ¥209.0 billion and operating income of ¥8.5 billion in Asahi Soft Drinks Co., Ltd. and attain overall net sales of ¥247.0 billion and operating income of ¥9.2 billion in the soft drinks division of the Asahi Breweries Group.

Targets for sales and operating income



Strategy 1: Reinforcing Core Brands and Developing Brands for Growth Areas

Asahi Soft Drinks Co. Ltd. will continue to aggressively promote sales of core brands *WONDA*, *Asahi Juroku-Cha* and *Mitsuya* as the foundation of our profitability. With regard to *WONDA*, we plan to develop sub-brands such as *WONDA SHOT & SHOT* to supplement *WONDA Morning Shot*, expanding the product line. Similarly, we plan to introduce new products to expand the *Mitsuya* brand. For *Asahi Juroku-Cha*, we will emphasize its appeal as a non-caffeine product that can be enjoyed by all generations. In fiscal 2005, we intend to secure sales of 60 million cases with these three brands.

We will also cultivate products that serve as core brands in the green tea and sports drinks areas, respectively, which represent areas with high growth potential. Concretely we will begin sales of Wakamusha in the green tea market, targeting young male customers, and *Asahi SUPER H_2O* in the sports drink market, which features F1 racer Mr. Takuma Sato (BAR Honda) as an advisor. In fiscal 2005 we will aggressively advertise products, including new entries, to expand profits for the entire business.

Strategy 2: Promoting Plant Investments and Continuing to Cut Costs

Asahi Soft Drinks Co., Ltd. will follow up on its efforts during fiscal 2004 to reduce costs by seeking optimal production systems and greater efficiency in vending machines. In this light, we established Asahi Beverage Service Co., Ltd. to oversee our vending machine-related business operations, as part of our overall efforts to lower operational costs.

In fiscal 2005, we will strategically invest in new plants and facilities, including the strengthening of production lines at three plants, to improve production capacity and efficiency toward reducing production costs.

Through these measures, we plan to reduce costs by ¥850 million compared with fiscal 2004.

Food and Pharmaceuticals Business

Food and Pharmaceuticals Business

Review of Consolidated Operations

Despite steady sales in health foods and functional foods, sales declined in commercial-use food products and the burden of initial investments on direct marketing, as expected, exerted a negative influence on income and expenses.

As a result, sales for fiscal 2004 rose 2.9% year-on-year to ¥22,163 million. Operating losses decreased by ¥768 million year-on-year to an operating loss of ¥599 million.

Review of Operations for Fiscal 2004 (Asahi Food & Healthcare Co., Ltd.)

Steady Performance by Mainstay Products

We observed steady sales growth in quasi-drug product *EBIOS*, a supplement produced from brewers' yeast, that is our main brand. In the area of functional foods and supplements, *Actio* performed favorably amid a fiercely competitive market. We successfully increased sales and strengthened the market position of *BALANCEUP*, a nutritional snack bar, and *MINTIA*, a breath mint, by developing a series of products in both lines that reflected market demand and product renewal.

In addition, we began full-scale direct marketing to consumers through catalog shopping as a third distribution channel, which initially launched in July 2003 to supplement our retail and commercial-use sales.

Future Targets and Strategies

In fiscal 2005 we are targeting sales of ¥26.5 billion, and expect to break-even in operating income by offsetting the initial investments with increased sales.

To attain these results, Asahi Food & Healthcare Co., Ltd. will continue to develop products, by strengthening R&D, and to reform its profit structure. We will also respond to customer requirements for product safety by establishing a quality assurance system with a higher level of reliability.

In addition to these measures, Asahi Breweries, Ltd. will acquire health foods maker Sunwell Co., Ltd.*, a subsidiary of Yamanouchi Pharmaceutical Co., Ltd.

*Sunwell Co., Ltd.'s main products consist of high quality health foods made from plant-based ingredients, which the company sells through direct sales to retailers such as pharmacies and drug stores nationwide.

EBIOS
(brewer's yeast for medical use)

Actio

MINTIA

Other Businesses

Other Businesses

Review of Consolidated Operations

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

In fiscal 2004, total sales for other businesses remained more or less unchanged, down 0.1% year-on-year, at ¥125,752 million. Operating income fell 13.7% to ¥2,935 million.

Overseas Business

Expanding Sales of Beer and Soft Drinks in Asia as the Top Priority, including the Fast Growing Chinese Market

The Asahi Breweries Group is producing and selling beer and soft drinks in the three major regions, which are Asia, North America and Europe.
Under our Second Group Medium-Term Management Plan, we intend to cultivate our overseas businesses into a future pillar of earnings for the Group by identifying China and Southeast Asia as our top priority regions and striving to extend the scope of our businesses and enhancing profitability through strategic investments.

Net sales and operating income (loss) for overseas businesses are included in the alcoholic beverages business, soft drinks business and other businesses segments.

Beer Business in Europe

We are selling *Asahi Super Dry* in Europe with a focus on the U.K. market, where demand for imported beer is high, as well as in the Japanese and Asian beer market segments in France, Germany and Italy. We are also developing our businesses in Russia and Eastern Europe.

- Product manufactured and sold: *Asahi Super Dry.*
- Production subcontractor: products are supplied primarily by the Staropramen Brewery of Prague, Czech Republic.

Beer Business in North America

We are emphasizing profitability in our marketing activities by concentrating on the West Coast, Hawaii and eastern metropolitan areas including New York, where Japanese beer brands enjoy high demand.

- Product manufactured and sold: *Asahi Super Dry.*
- Production subcontractor: products are supplied primarily by Molson Canada Ltd., of Vancouver, Canada.

Beer Business in Asian Regions Besides China

We are working to increase sales of *Asahi Super Dry* as a premium beer in East Asia, Southeast Asia and Oceania, where the gradual lowering and elimination of import taxes are underway following the formation of the ASEAN Free Trade Area (AFTA). In addition, in November 2004, we invested in the alcoholic beverage sales company of South Korea's Lotte Group and launched operations through Lotte Asahi Liquor Co., Ltd. to solidify our business platform in South Korea.

- Product manufactured and sold: *Asahi Super Dry.*
- Production subcontractor: products are supplied primarily by KHONKAEN Brewery Co., Ltd. of Thailand.

Beer Business in China

Asahi Breweries entered the Chinese beer market in 1994, and currently operates joint ventures through investments in breweries in Beijing, Hangzhou, Shenzhen etc. These joint venture companies produce and sell our own *Asahi Super Dry* brand, which belongs to the higher priced category, as well as local brands in the lower priced category that constitutes the majority of demand. Combined production volume of beer companies invested in by Asahi Breweries reached 5,400,000 hectoliters in 2004.

- Products manufactured and sold: Asahi Xihu brands such as *Asahi Super Dry* and local brand beers of each joint venture company.
- Volume of production and sales: 5,400,000 hectoliters (actual results for 2004).
- Business model: Joint ventures through investment in Chinese breweries.
- Business corporations (joint venture companies): Hangzhou Xihu Beer Asahi Co., Ltd., Beijing Beer Asahi Co., Ltd., Yantai Beer Asahi Co., Ltd., Shenzhen Tsingtao Beer Asahi Co., Ltd.

Topics 1 Restructuring Beijing Beer Business

In 2004, a new plant began operations at Beijing Beer, where sales performance had previously stagnated. We are endeavoring to reconstruct its business by establishing an efficient production system utilizing the production technology and management know-how of Asahi Breweries. The company's Beijing Beer brand, which as renewed and re-introduced to the market in 2004, has steadily improved its sales track record, and we will seek to further expand sales in a market where demand is expected to grow towards the Beijing Olympics in 2008.

Asahi Breweries' business corporations in East Asia (beer and soft drinks)

Soft Drinks Business in China and South Korea

In addition to beer, we have begun to enter the soft drinks market. In 2004, we established a joint soft drinks venture, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. in China, and raised our investment ratio in South Korea's Haitai Beverage Co., Ltd. in 2004, turning it into a consolidated subsidiary of Asahi Breweries, Ltd.

- Products manufactured and sold: bottled water, tea-based beverages, fruit juice, and other soft drinks.
- Business corporation*:
  Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd., Shandong Province, China: a joint soft drinks company established by Tsingtao Breweries Group and Asahi Breweries, Ltd.
  *companies established in 2004 are not listed here.

Topics 2 Establishment of Joint Ventures with Leading Chinese Manufacturer

The Asahi Breweries Group is also aggressively investing in soft drinks businesses in China and the Asian region. In 2000 Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd., a soft drinks manufacturing and sales company, was established in a joint venture with Tsingtao Brewery Co., Ltd., and in 2004 a joint soft drinks venture was established with China's Tingyi Holding Corporation* and ITOCHU Corporation, which boasts the fourth largest share of the Chinese market.

* Tingyi Holding Corporation: a leading Chinese food products maker. Sales volume of the soft drinks division approaches approximately 13,000,000 hectoliters in the Chinese soft drinks market, with the company ranking No. 1 in the Chinese market for tea-based beverages, which have shown the most growth in recent years, and No. 2 in juices.

Note: Asahi Breweries, Ltd. and ITOCHU Corporation established a holding company that owns 50% of the stock of Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.

Beer Market in China

Market Size and Potential

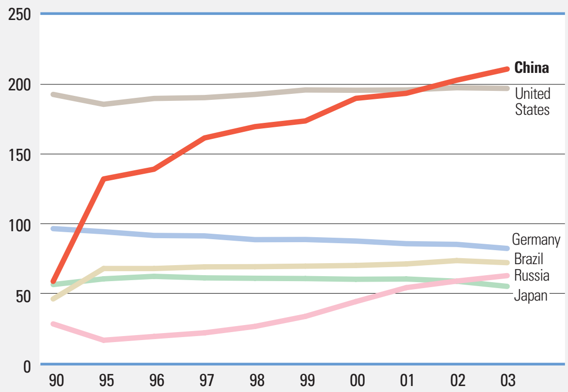
Since the 1990s, rapid economic growth has driven annual increases in beer consumption in China. In 1993, China surpassed Germany in beer consumption to take second place after the United States. In 2002, it overtook even the United States to become the largest beer consuming country in the world. The size of the Chinese beer market has expanded 3.6 times* as of 2003, compared with 1990.

In line with market expansion, annual per capita beer consumption more than tripled in China, from 1.6 gallons (about 6.1 liters**) in 1990 to 5.0 gallons in 2003*. However, this represents only a third of the 13.4 gallons (2003) in annual per capita beer consumption for Japan. This illustrates the extremely high growth potential of the Chinese beer market.

* Source: Impact Databank 2004 Edition
** 1 gallon (U.S. unit) = 3.785 liters

Beer Consumption-Top 6 Countries

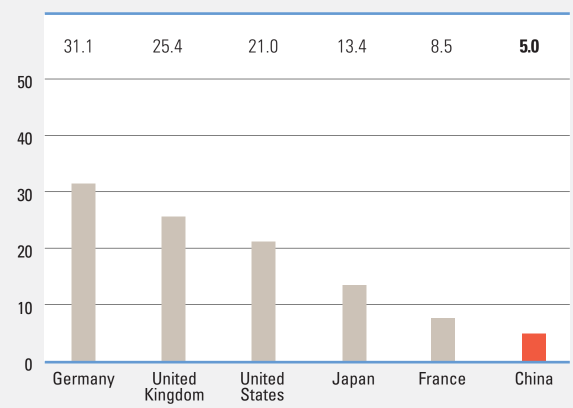
(Millions of barrels*)



* One U.S. barrel = 1,173477653 hectoliters.
Source: Impact Databank 2004 Edition

Per-Capita Beer Consumption in Major Countries

(Gallons per person*)



* Based on total population. One U.S. gallon = 3.785 liters.
Source:Impact Databank 2004 Edition

Please see page 66 for detailed information on the beer consumption by country.

Market Trends

Starting in the mid-1990s, in addition to market expansion, many foreign beer manufacturers, including Asahi Breweries, began entering the Chinese market in the wake of the improved investment climate brought about by the government's open door policy. At that time there were more than 800 beer manufacturers in China, mostly small local companies, which had undergo rapid realignment beginning around 1997.

Current estimates place the number of breweries in China at about 350. Competition has escalated primarily between major state-controlled breweries, led by Tsingtao Brewery Co., Ltd., which has grown into the country's largest through active corporate acquisitions, and foreign breweries, forming markets that are roughly divided into the low, medium and high priced categories.

Financial Section

Eleven-Year Summary

Years ended December, 31

	Millions of yen				
	2004	2003	2002	2001	2000
For the year:					
Net sales	**¥1,444,226**	¥1,400,302	¥1,375,267	¥1,433,364	¥1,399,108
Operating income	**101,273**	78,984	69,341	77,777	76,550
Net income (loss) before income taxes	**58,369**	48,681	32,483	18,611	(18,116)
Net income (loss)	**30,596**	23,210	14,754	13,617	(15,707)
Capital investments	**40,134**	38,184	41,257	64,829	66,518
Depreciation	**51,339**	53,101	51,546	52,901	51,790
<Segment information>					
Sales:					
Alcoholic beverages	**—**	—	—	1,179,412	1,127,737
Soft drinks and food	**—**	—	—	201,772	216,191
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	3,058	4,194
Others	**—**	—	—	49,122	50,986
Sales: (New Segments)					
Alcoholic beverages	**1,078,931**	1,067,136	1,057,029	1,101,620	
Soft drinks	**217,380**	185,738	173,773	192,526	
Food and pharmaceuticals	**22,163**	21,547	14,232	14,561	
Others	**125,752**	125,881	130,233	124,657	
Operating income:					
Alcoholic beverages	**—**	—	—	92,635	86,774
Soft drinks and food	**—**	—	—	(1,485)	2,009
Pharmaceuticals	**—**	—	—	—	—
Real estate	**—**	—	—	1,833	2,717
Others	**—**	—	—	(816)	(758)
Operating income: (New Segments)					
Alcoholic beverages	**90,872**	72,452	69,145	76,809	
Soft drinks	**8,114**	2,645	(4,086)	(2,079)	
Food and pharmaceuticals	**(599)**	169	8	406	
Others	**2,935**	3,399	3,855	2,476	
Financial position					
Total assets	**1,250,818**	1,244,410	1,294,738	1,341,103	1,389,827
Total shareholders' equity	**417,828**	398,153	387,539	385,965	356,009
Interest-bearing debt	**303,089**	336,285	402,206	417,167	503,371
	Yen				
Per share data					
Net income (loss): Primary	**62.52**	46.80	28.90	27.00	(31.54)
: Fully diluted	**60.64**	44.58	27.46	25.25	—*3
Shareholders' equity	**860.66**	810.19	770.86	752.25	715.04
Cash dividends applicable to the year	**15.00**	13.00	13.00	13.00	12.00
	%				
Ratios					
Net income to shareholders' equity (ROE)	**7.5**	5.9	3.8	3.7	(4.2)
Operating income per net sales	**7.0**	5.6	5.0	5.4	5.5
Operating income per net sales (exclusive of alcohol tax)	**11.4**	9.2	8.3	9.0	9.2
Shareholders' equity to total assets	**33.4**	32.0	29.9	28.8	25.6

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥104.21 to U.S.$1, the exchange rate prevailing at December 31, 2004.

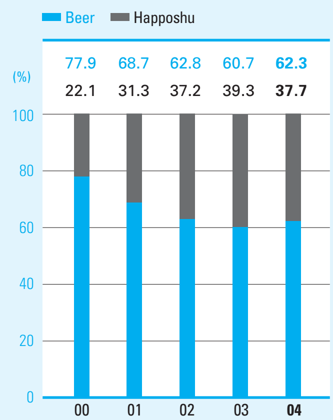
*1 Disclosure of fully diluted per share data of net income was not required for the years 1993 through 1994.
*2 Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.
*3 In case of net loss, disclosure of fully diluted per share data is not required.

	Millions of yen						Thousands of U.S. dollars (Note)
	1999	1998	1997	1996	1995	1994	2004
	¥1,396,898	¥1,357,217	¥1,313,257	¥1,212,046	¥1,087,900	¥1,075,540	$13,858,804
	80,122	91,893	96,299	99,643	77,829	80,858	971,817
	15,038	23,273	32,798	36,291	24,480	25,168	560,110
	4,082	579	11,555	8,231	6,607	6,492	293,599
	63,149	103,449	100,936	48,366	33,906	19,015	385,126
	43,840	39,656	35,740	34,245	32,629	31,407	492,649
	1,114,441	1,068,908	1,017,915	933,072	832,106	832,963	—
	229,704	234,729	204,199	192,127	170,241	167,007	—
	—	—	41,891	40,158	39,746	34,645	—
	3,897	4,921	4,488	3,819	4,415	16,752	—
	48,856	48,659	44,764	42,870	41,392	24,173	—
							10,353,431
							2,085,980
							212,676
							1,206,717
	86,037	92,583	92,140	86,489	64,935	67,820	—
	6,972	7,641	5,290	11,686	13,668	13,668	—
	—	—	5,723	5,343	4,625	3,406	—
	1,623	3,060	3,453	3,326	4,071	4,000	—
	94	950	1,007	430	175	360	—
							872,009
							77,862
							(5,748)
							28,164
	1,405,507	1,519,014	1,616,210	1,697,268	1,727,834	1,782,546	12,002,860
	383,474	387,089	374,591	319,645	298,804	294,945	4,009,481
	502,327	613,194	695,569	861,955	893,300	957,227	2,908,445
	Yen						U.S. dollars (Note)
	8.20	1.19	25.15	19.18	15.60	15.49	0.60
	8.11	—*2	23.36	17.56	—*2	—*1	0.58
	777.04	777.60	776.68	723.99	703.45	697.84	8.26
	12.00	12.00	11.00	10.00	9.50	9.50	0.14

	%					
	1.1	0.2	3.3	2.7	2.2	2.2
	5.7	6.8	7.3	8.2	7.2	7.5
	9.7	11.5	12.3	13.7	11.9	12.5
	27.3	25.5	23.2	18.8	17.3	16.5

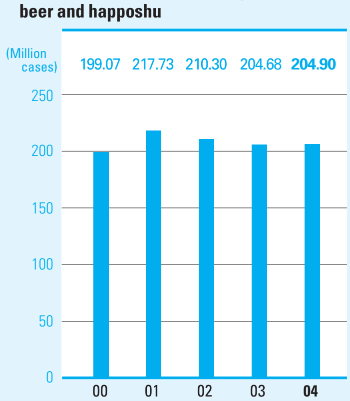
Overview

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

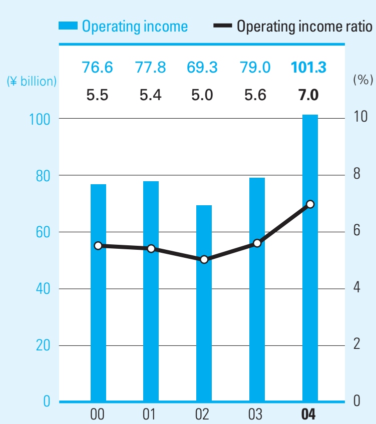


* Based on taxable shipments

Asahi's combined taxable shipments of beer and happoshu



Operating income and Operating income ratio



Market trends

In the alcoholic beverage industry in the fiscal year ended December 31, 2004, although some signs of recovery appeared in the beer market, taxable shipments of beer and happoshu that constitute the greatest portion of alcoholic beverage sales nevertheless declined for the third consecutive year, falling 4.2% year-on-year, partially due to the effects of the May 2003 tax increase on happoshu.

In categories other than beer and happoshu, the whisky and spirits market continued to contract, while the markets for both shochu and low-alcoholic beverages continued to expand.

In the soft drinks industry, while sales volume fell below levels of the previous fiscal year in some months due to factors such as typhoons, sales volume for the overall market is estimated to have increased by approximately 5% year-on-year due to the record-breaking summer heat and aggressive launching of new products by soft drink companies.

Net sales

Net sales of Asahi Breweries, Ltd. and its consolidated subsidiaries ("the Companies") increased ¥43.9 billion, or 3.1% year-on-year, to ¥1,444.2 billion, as profits increased across all business segments except for other businesses. The main reasons included the positive reversal in beer sales in the alcoholic beverages business, sales expansion in the soft drinks business, and the addition of sales generated by South Korea's Haitai Beverage Co., Ltd., which became a consolidated subsidiary after the Companies raised the ratio of its capital investment.

In sales composition by segment, the alcoholic beverages business decreased its share slightly to 74.7% compared with the 76.2% mark of the previous fiscal year, while the soft drinks business increased its share to 15.1% compared with 13.3% in the previous fiscal year.

Sales of the alcoholic beverages business and soft drinks business include net sales from the Companies' overseas business. Sales of overseas business increased ¥18.4 billion year-on-year to ¥31.6 billion, due to the addition of approximately ¥18.0 billion in sales generated by South Korea's Haitai Beverage Co., Ltd., which became a consolidated subsidiary in the second half of the fiscal year.

Operating income

Cost of sales increased ¥19.4 billion, or 2.0% year-on-year, to ¥978.6 billion, and the cost of sales ratio decreased from 68.5% in the previous fiscal year to 67.8%. This is primarily due to reductions in manufacturing and logistics costs in the alcoholic beverages business and in procurement costs of raw materials in the soft drinks business that were achieved as a result of promoting operational efficiency throughout the entire Group.

Selling, general and administrative costs increased ¥2.2 billion, or 0.6%, from ¥362.2 billion in the previous fiscal year to ¥364.3 billion, primarily due to increased sales promotion expenses. The total costs of sales promotion and advertising increased ¥5.1 billion, or 3.0%, from ¥169.8 billion in the previous fiscal year to ¥174.9 billion, while the ratio of costs of sales promotion and advertising to net sales remained at the same level as the previous fiscal year at 12.1%. As a result, the selling, general and administrative costs to net sales ratio decreased slightly from the previous fiscal year from 25.9% to 25.2%.

As a result, operating income increased ¥22.3 billion, or 28.2% year-on-year, to ¥101.3 billion. This resulted in a considerable improvement in the operating income ratio from 5.6% in the previous fiscal year to 7.0%.

Other income and expenses

Due to the reductions in interest-bearing debt, the Companies' financial balance improved from a loss of ¥3.2 billion in the previous fiscal year to a loss of ¥2.8 billion.

In anticipation of the scheduled adoption of impairment accounting for fixed assets in 2006, the Companies reported ¥22.3 billion in losses caused by the liquidation of real estate subsidiary Century Development Planning Co., Ltd., including the amount to be reported as a loss in fiscal 2005. Furthermore, as a result of having reported an estimated amount for sales promotion expenses for the soft drinks business rather than reporting the actual amount as done previously, the Companies reported an extraordinary loss of ¥2.0 billion for the month of December of the previous fiscal year. In addition, ¥1.7 billion in expense for modification of vending machines due to issuance of new bank bill was also reported.

As a result, non-operating income and losses increased ¥12.6 billion year-on-year to ¥42.9 billion.

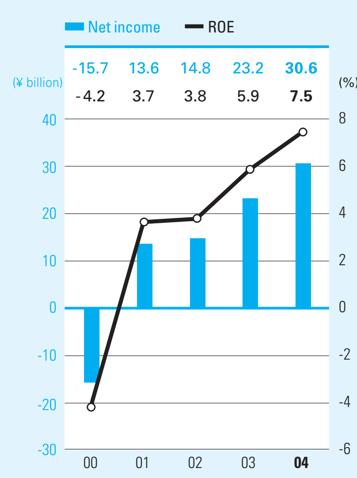
Income taxes

The tax rate on income taxes, including corporate tax for fiscal 2004, declined to 46.0% from 51.9% in the previous fiscal year. The difference between the actual effective tax rate of 46.0% and the statutory tax rate of 41.8% is primarily caused by the positive effects of 2.8% in permanent difference on entertainment expenses and 7.7% in valuation allowances, and the negative effect of 6.8% in reversal of valuation allowances. The tax rate on income taxes, including corporate tax, declined from the previous fiscal year, primarily due to a 7.4% decrease in valuation allowances from 15.1% to 7.7%.

Net income

Net income increased ¥7.4 billion, or 31.8%, from ¥23.2 billion in the previous fiscal year to ¥30.6 billion, a record high for the fourth consecutive year. Net income ratio increased from 1.7% in the previous fiscal year to 2.1%, and ROE improved significantly from 5.9% to 7.5%. Net income per share also marked a record high of ¥62.52.

Net income (loss) and ROE



Financial Section

Dividend

Asahi Breweries, Ltd. increased annual dividends by ¥2.0 in fiscal 2004. The Company plans to increase ordinary dividend per share for the full term by ¥1.0 over the same term in the previous fiscal year to ¥7.5, which, when combined with the half-term dividend of ¥7.5 will result in an ordinary dividend of ¥15.0 for the full year.

Including the half-term dividend of ¥7.5 per share, ordinary dividend per share for the next fiscal year is expected to total ¥15.0 per share, the same amount as the fiscal year under review.

Review of operations by segment

	Millions of yen		Percent change
	2004	2003	
Sales			
Alcoholic beverages	¥1,078,931	¥1,067,136	1.1
Soft drinks	217,380	185,738	17.0
Food and pharmaceuticals	22,163	21,547	2.9
Other businesses	125,752	125,881	(0.1)
Operating income (loss)			
Alcoholic beverages	90,872	72,452	25.4
Soft drinks	8,114	2,645	306.8
Food and pharmaceuticals	(599)	169	—
Other businesses	2,935	3,399	(13.7)

Alcoholic beverages business

In fiscal 2004, the Companies achieved increases in both sales and profit, with sales increasing 1.1% year-on-year to ¥1,078.9 billion and operating income rising 25.4% to ¥90.9 billion. Amidst signs of a recovery in beer demand, sales of our mainstay product *Asahi Super Dry* returned to positive year-on-year growth for the first time in four years, while sales of happoshu were maintained at levels roughly in line with the previous fiscal year, even as the market continued to contract in the wake of such factors as increased taxes. In terms of profit, successful cost reductions in manufacturing and logistics, in addition to the growth in sales, contributed to a significant year-on-year increase.

Beer and happoshu

As the beer market recovered, sales of mainstay product *Asahi Super Dry* exceeded the previous fiscal year's levels for the first time in four years, raising beer sales 0.3% year-on-year to ¥786.8 billion.

The Company sought to rigorously improve the freshness of *Asahi Super Dry*, and attained its target of three days on average from manufacturing to shipment. In the commercial-use market, the Company endeavored to enhance the quality of draft beer in kegs with the cooperation of drinking and eating establishments. These efforts at pursuing aggressive sales promotion measures geared to each business channel led to increased sales.

Sales of happoshu rose 2.6% from ¥195.6 billion in the previous fiscal year to ¥200.6 billion. By presenting three products under the *Honnama* brand, including *Asahi Honnama Aqua Blue* and *Asahi Honnama Off Time*, sales for the *Honnama* brand increased for the third consecutive year since its initial introduction, and the Company significantly increased market share in the face of negative growth in happoshu for the entire industry.

As a result, sales of beer and happoshu grew year-on-year, rising 1.0% from ¥980.0 billion in the previous fiscal year to ¥987.4 billion. The Company increased its market share of combined taxable shipments for beer and happoshu from 39.9% in the previous fiscal year to 41.7%, retaining the top share in the Japanese market for the fourth consecutive year.

Shochu

As price competition intensified in this growth market, sales fell slightly from ¥51.9 billion in the previous fiscal year to ¥51.8 billion. *Kanoka*, our mainstay product, particularly demonstrated a 30% year-on-year growth in sales.

Whisky and spirits

In line with the contraction in the market, sales fell 8.7% from ¥32.3 billion in the previous fiscal year to ¥29.5 billion. Nikka Whisky Distilling Co., Ltd. nevertheless re-asserted its outstanding reputation for quality in the wake of sales promotion measures undertaken to commemorate the company's 70th anniversary, including sales of commemorative products and enhanced communication with customers.

Low-alcoholic beverages

The Company achieved a significant increase in sales of 20.7% from ¥23.5 billion in the previous fiscal year to ¥28.3 billion. In particular, *Asahi Cocktail Partner* grew 30% year-on-year in sales volume, exceeding the industry average and establishing itself as a top-ranking brand among low-alcoholic beverages.

Wines

Stagnant sales of domestically produced wines led sales to decline 1.3% from ¥14.6 billion in the previous fiscal year to ¥14.4 billion. However, the Company was ranked second in the industry in import volume for Beaujolais Nouveau as a result of aggressive sales and marketing activities.

Soft drinks business

In fiscal 2004, sales increased 17.0% year-on-year to ¥217.4 billion. Operating income increased ¥5.5 billion year-on-year to ¥8.1 billion, roughly triple the amount in the previous fiscal year. The Companies successfully sustained the growth trend in sales and profit after having reversed the decline in fiscal 2003, with a particularly significant improvement in profit.

Major factors behind the increased sales were the success of concentrating management resources into sales promotion activities for the three core brands of *WONDA* canned coffee, *Asahi Juroku-Cha* blended tea, and *Mitsuya Cider* carbonated drink. The Companies particularly focused on *Mitsuya Cider* in fiscal 2004 by renewing the product to commemorate the brand's 120th anniversary and through active advertisements and sales promotion measures. These actions resulted in considerably increasing sales and raised brand recognition. As a consequence, total sales of carbonated beverages for the Asahi Breweries Group exceeded the industry average by a large margin, accomplishing a 19.7% year-on-year increase to ¥46.5 billion.

The Companies also sought to develop new products in growth categories, and received favorable response from a broad customer base for the *Asahi Fujisan no Vanadium Tennensui* natural mineral water.

Furthermore, Asahi Breweries, Ltd. made South Korea's Haitai Beverage Co., Ltd. a consolidated subsidiary in the second half of the fiscal year by raising the ratio of its capital investment, bringing an addition of approximately ¥18.0 billion in sales from the subsidiary.

In addition to increased sales, decreased cost of sales ratio at Asahi Soft Drinks Co., Ltd., the main business corporation, made a major contribution to profits. Concretely, as part of its measures for strengthening SCM, the information system was expanded to enable the company to promptly reflect sales trends in the distribution channels into plans for inventory, production and procurement, thereby achieving a reduction in loss of ¥0.3 billion year-on-year on disposal of obsolete inventories. The operational efficiency of vending machines was also improved, while new purchases were restrained by utilizing renovated machines, thereby cutting vending machine-related costs by 9% year-on-year.

Food and pharmaceuticals

Sales for the food and pharmaceuticals business in fiscal 2004 increased 2.9% year-on-year to ¥22.2 billion. Operating income fell ¥0.8 billion year-on-year to a loss of ¥0.6 billion.

While sales of commercial-use food products decreased year-on-year, sales of the quasi-drug *EBIOS*, the Companies' mainstay product, increased steadily against the background of growing health consciousness among consumers and deregulation.* In the functional foods and supplement categories, where market growth has been accompanied by intensified competition, *Actio* showed a favorable performance, while sales of *BALANCEUP* vitamin supplement and *MINTIA* breath mints increased due to product development that matched diversifying customer preferences and the continuous launch of renewed products. In fiscal 2004, the Company also implemented aggressive advertising activities towards full-scale development of the direct marketing business it began in July 2003.

While income increased in line with increased sales, the burden of initial investments in the direct marketing business caused profits to decline in fiscal 2004.

* Deregulation
In accordance with measures implemented on July 30, 2004, which transferred certain drugs to the quasi-drug category, *EBIOS* will be transferred to the quasi-drug category. As a result, the Companies plan to start sales of *EBIOS* containing 300 tablets fewer than the conventional products as products specifically targeted at convenience stores, in an effort to capture new users and encourage trial purchases.

Other businesses

In other businesses, while the pursuit of efficiency in the restaurant business caused sales to decline, the logistics business maintained solid sales. The Companies also managed to generate operating income in the restaurant business.

As a result, sales for other businesses remained at levels in line with the previous fiscal year, falling 0.1% year-on-year to ¥125.8 billion, and operating income decreased 13.7% year-on-year to ¥2.9 billion.

Liquidity and capital resources

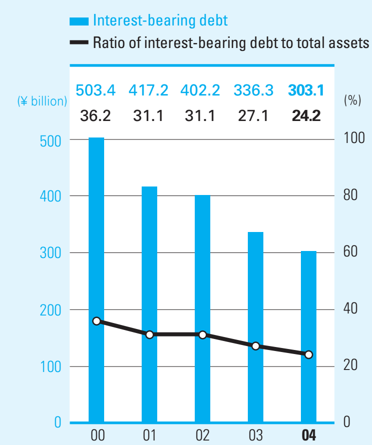
Asahi Breweries, Ltd. gains its capital resources principally from cash flows from its operating activities, loans from financial institutions, and the issuance of bonds or stock. Daily financing needs are in principle met through short-term loans and the issuance of commercial paper.

Free cash flows decreased by ¥4.0 billion, or 5.4% year-on-year, to ¥71.0 billion. Free cash flows were mainly used to invest in businesses in China and South Korea (approximately ¥40.0 billion), and to repay interest-bearing debt. The outstanding balance of interest-bearing debt decreased ¥33.2 billion, or 9.9% year-on-year, to ¥303.1 billion.

The reduction of interest-bearing debt is a key corporate goal, and the Companies have consistently acted to reduce the outstanding balance each year. As a result, the outstanding amount for fiscal 2004 was reduced to roughly a fifth of its peak of ¥1,411.1 billion in fiscal 1992. The debt-equity ratio fell from 4.9 in fiscal 1992 to 0.7 during the year under review.

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

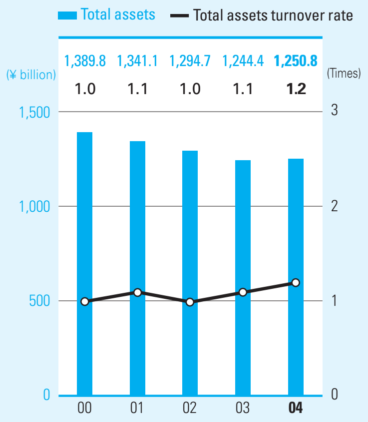
Interest-bearing debt and Ratio of interest-bearing debt to total assets



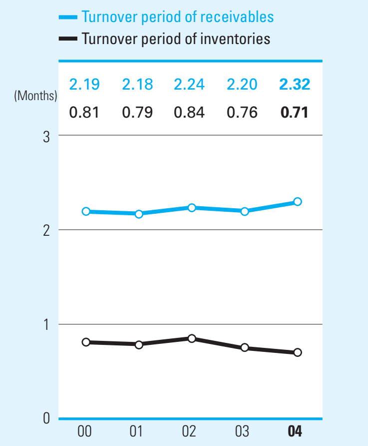
Financial Section

Assets, liabilities and shareholders' equity

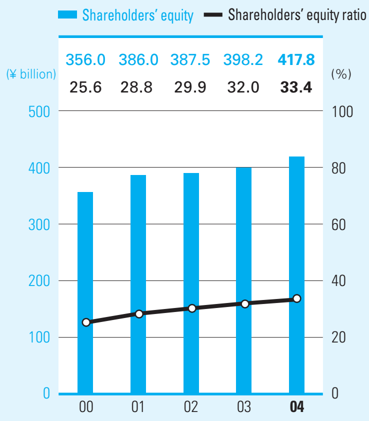
Total assets and Total assets turnover rate



Turnover period of trade receivables and Turnover period of inventories



Shareholders' equity and Shareholders' equity ratio



Total assets at fiscal year-end increased ¥6.4 billion, or 0.5% year-on-year, to ¥1,250.8 billion. The reduction in land owing to the liquidation of real estate subsidiary Century Development Planning Co., Ltd. was more than offset by an increase in investment securities that resulted from the Companies' investment in Tingyi-Asahi-Itochu Beverages Holding Co., Ltd., a three-way joint venture established in China, and the addition of assets that resulted from turning Haitai Beverage Co., Ltd. into a consolidated subsidiary. Return on assets rose from 5.6% to 7.7%.

Current assets increased ¥27.5 billion, or 7.0% year-on-year, to ¥420.8 billion, primarily due to an increase in accounts receivable. Trade receivables increased 6.6% to ¥279.8 billion, along with increased sales. The turnover period of trade receivables for the fiscal year under review was 2.3 months compared with 2.2 months for the previous fiscal year.

Inventories decreased ¥3.9 billion year-on-year to ¥8.5 billion due to efforts undertaken mainly at the beer companies to reduce inventories such as semi-finished products, raw materials and supplies. As a result, the turnover period for inventories decreased to 0.7 months in fiscal 2004 from 0.8 months in the previous fiscal year.

Property, plant and equipment decreased ¥36.1 billion, or 5.2% year-on-year, to ¥657.5 billion, largely due to the reduction in land owing to the liquidation of real estate subsidiary Century Development Planning Co., Ltd.

Investments and other assets increased ¥15.0 billion, or 9.5% year-on-year, to ¥172.5 billion, mainly due to the increase in investment securities that resulted from the Companies' investment in Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.

Current liabilities declined ¥10.6 billion, or 2.0% year-on-year, to ¥531.7 billion. This came about despite the increase of ¥7.2 billion in accrued liabilities expenses, due to decreases of ¥12.4 billion in short-term loans and of ¥3.9 billion in long-term debt due within one year, as well as to the absence of commercial paper, which amounted to ¥5.5 billion at the end of fiscal 2003.

Long-term liabilities decreased ¥12.0 billion, or 4.2% year-on-year, to ¥274.5 billion, mainly due to the decrease of ¥40.0 billion in bonds and an increase of ¥28.6 billion in long-term loans.

Total shareholders' equity increased ¥19.7 billion, or 4.9% year-on-year, to ¥417.8 billion. This resulted from the increase in retained earnings generated by record-high levels of net income that offset decreases caused by repurchases of treasury stock worth ¥6.9 billion and dividend payment. As a result, the equity ratio improved to 33.4% from 32.0% in the previous fiscal year. Return on equity rose from 5.9% to 7.5%and shareholders' equity per share increased from ¥810.19 to ¥860.66.

Cash flows

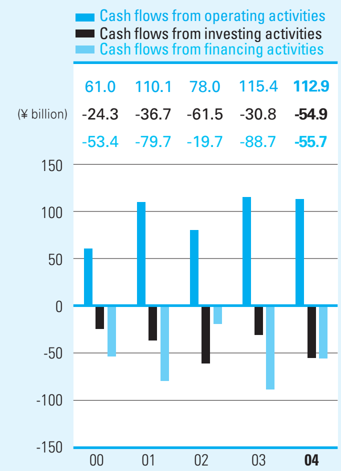
Net cash provided by operating activities decreased ¥2.4 billion, or 2.1% year-on-year, to ¥112.9 billion, due to the increase in income taxes, including corporate tax, despite the increase in pretax income.

Net cash used in investing activities increased ¥24.1 billion, or 78.4% year-on-year, to ¥54.9 billion, primarily due to increased expenses related to the acquisition of investment securities resulting from the investment in Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.

Net cash used in financing activities decreased ¥33.0 billion, or 37.2% year-on-year, to ¥55.7 billion, due to fund procurement for M&A including the investment in Tingyi-Asahi-Itochu Beverages Holding Co., Ltd., despite continued efforts to reduce financial debt following fiscal 2003.

As a result, cash and cash equivalents at fiscal year-end increased ¥2.1 billion, or 18.1% year-on-year, to ¥13.7 billion.

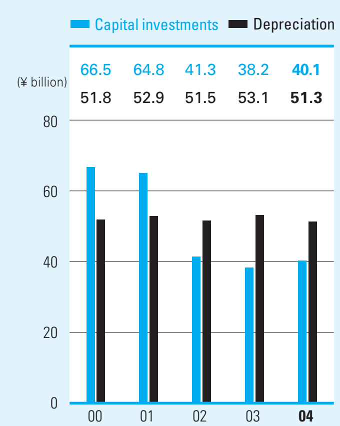
Cash flows



Capital investments

Capital investments increased ¥38.1 billion from the previous fiscal year to ¥40.1 billion, including ¥26.9 billion for Asahi Breweries, Ltd. Depreciation costs on a consolidated basis totaled ¥51.3 billion, including ¥38.6 billion for Asahi Breweries, Ltd.

Capital investments and depreciation



R&D activities

The Companies develop new alcoholic beverage products and technologies for enhancing quality, while also pursuing research and development on unique functional materials based on mannan contained in brewer's yeast, hop polyphenol and apple polyphenol, and environment-related businesses. Major accomplishments for fiscal 2004 included the following:

- Became the first company in the beer industry to obtain ISO/IEC17025 certification, the international laboratory accreditation standard, for testing methods including sensory assessment for beer.
- Received the 2004 Technology Award from the Brewing Society of Japan for research on the effects of lactic acid bacteria on characteristic aroma development in whisky.

- Presented a paper on the suppressive effects of apple polyphenol against fat accumulation at an academic conference, and received the 2004 Japan Fruit Juice Association Technology Award for structural analysis technology.
- Jointly developed sugarcane for energy generation toward spreading the use of biomass ethanol in Japan and began tests for ethanol manufacturing.

R&D expenditures for the year under review increased ¥0.9 billion, or 12.2% year-on-year, to ¥8.3 billion.

Risk management

In the operation of their businesses, the Companies are exposed to risks that may affect their financial conditions, for example, changing interest rates on loans, foreign exchange fluctuations and price fluctuations of securities holdings.

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

To deal with changing interest rates on loans, the Companies procure funding at fixed rates for long-term loans and bond issuances to avoid the risk of rising interest rates. With regard to the import of raw materials that account for a significant portion of foreign exchange settlements, the Companies denominate in yen purchasing contracts entered into with trading companies, while buying forward foreign exchange contracts for the settlement of certain imported products as the situation requires to avoid the risk of fluctuating exchange rates.

Asahi Breweries, Ltd. has been reducing the outstanding balance of its assets by actively dissolving mutual shareholdings mainly with financial institutions to minimize the risk of price fluctuations in securities holdings. As a result, the market value of the Company's securities holdings steadily recovered during the fiscal year under review, and the value of its securities based on mark-to-market accounting as included in the Companies' balance sheet as of the fiscal year-end exceeded the purchasing price by a net ¥7.6 billion.

Outlook

Management Plan, Asahi Breweries, Ltd. will pay due consideration to the accomplishments and challenges of the fiscal year under review in pursuing the top priority tasks of achieving growth in the Japanese alcoholic beverages business, Group businesses and overseas businesses to ensure the attainment of the goals laid out in the Medium-Term Management Plan.

In the Japanese alcoholic beverages business, the Companies will endeavor to bolster their efforts for promoting the "return to beer" trend to recover demand, while launching major new products in the happoshu category and the new other miscellaneous liquors (2) category* with the aim of creating new markets. With regard to shochu, low-alcoholic beverages, whisky, spirits, and wines, the Companies will strive to achieve growth by strengthening the brand power of core products and by undertaking new product development and sales activities that meet the needs of customers.

The Companies will maintain their structural reform efforts towards raising cost competitiveness while seeking to accomplish their growth strategies centered on Asahi Soft Drinks Co., Ltd. in the soft drinks business and on Asahi Food and Healthcare Co., Ltd. in the food and pharmaceuticals business, where the Companies will also acquire the operations of Sunwell Co., Ltd. from Yamanouchi Pharmaceutical Co., Ltd.

In overseas businesses, the Companies will seek to establish a solid business foundation for alcoholic beverages and soft drinks throughout Asia, their priority region, and continue to assess and implement strategic business investments aimed at further growth.

Through these measures, the Companies forecast net sales of ¥1,525.0 billion (up 5.6% from fiscal 2004 results), operating income of ¥102.5 billion (up 1.2%) and net income of ¥46.0 billion (up 50.3%).

* Please see pages 64-65 for detailed information on Japan's alcoholic beverage categories.

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2004**	2003	**2004**
Current assets:			
Cash and time deposits (Note 3)	¥ 14,156	¥ 11,699	$ 135,841
Notes and accounts receivable:			
Trade	279,771	262,406	2,684,685
Other	16,033	19,221	153,853
Allowance for doubtful accounts	(10,439)	(12,298)	(100,173)
Securities (Note 5)	2,172	—	20,843
Inventories (Note 4)	85,191	89,068	817,494
Deferred income tax assets (Note 10)	19,862	6,449	190,596
Other current assets	14,034	16,716	134,699
Total current assets	420,780	393,261	4,037,808
Property, plant and equipment (Note 8)**:**			
Land	183,045	204,684	1,756,501
Buildings and structures	391,146	389,381	3,753,440
Machinery and equipment	587,893	582,755	5,641,426
Construction in progress	4,229	4,102	40,582
	1,166,313	1,180,922	11,191,949
Less accumulated depreciation	(508,804)	(487,352)	(4,882,487)
Net property, plant and equipment	657,509	693,570	6,309,462
Investments and other assets:			
Investment securities (Note 5)	55,053	63,767	528,289
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	39,786	5,606	381,787
Long-term loans receivable	5,392	3,886	51,742
Deferred income tax assets (Note 10)	29,816	38,325	286,115
Other non-current assets	42,482	45,995	407,657
Total investments and other assets	172,529	157,579	1,655,590
	¥1,250,818	¥1,244,410	$12,002,860

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Bank loans (Note 8)	¥ 38,865	¥ 51,238	$ 372,949
Commercial paper (Note 8)	—	5,500	—
Long-term debt due within one year (Note 8)	59,702	63,587	572,901
Notes and accounts payable:			
Trade	84,252	81,057	808,483
Other (mainly construction)	43,568	39,090	418,079
Alcohol tax and consumption taxes payable	159,506	157,440	1,530,621
Deposits received	63,719	70,525	611,448
Income taxes payable (Note 10)	23,959	21,000	229,911
Accrued liabilities	54,525	47,336	523,222
Other current liabilities	3,594	5,536	34,488
Total current liabilities	531,690	542,309	5,102,102
Long-term debt (Note 8)	204,522	215,960	1,962,595
Employees' severance and retirement benefits (Note 9)	29,184	29,772	280,050
Allowance for retirement benefits for directors and corporate auditors	674	649	6,468
Deferred income tax liabilities (Note 10)	448	305	4,299
Long-term deposits received	36,733	37,864	352,490
Other long-term liabilities	2,911	1,903	27,933
Minority interests	26,828	17,495	257,442
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Note 11)**:**			
Common stock:			
Authorized-992,305,309 shares			
Issued-513,585,862 shares	182,531	182,531	1,751,569
Capital surplus	181,282	181,281	1,739,584
Retained earnings	74,053	50,410	710,613
Net unrealized holding gains on securities, net of taxes	4,769	1,794	45,763
Foreign currency translation adjustments (Note 2)	78	164	749
Treasury stock, at cost	(24,885)	(18,027)	(238,797)
Total shareholders' equity	417,828	398,153	4,009,481
	¥1,250,818	¥1,244,410	$12,002,860

Financial Section

Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Net sales (Note 14)	**¥1,444,226**	¥1,400,302	¥1,375,267	**$13,858,804**
Costs and expenses (Note 14):				
Cost of sales	**424,901**	413,326	421,726	**4,077,353**
Alcohol tax	**553,709**	545,837	535,101	**5,313,396**
Selling, general and administrative expenses	**364,343**	362,155	349,099	**3,496,238**
	1,342,953	1,321,318	1,305,926	**12,886,987**
Operating income(Note 14)	**101,273**	78,984	69,341	**971,817**
Other income (expenses):				
Interest and dividend income	**1,505**	1,554	1,690	**14,442**
Interest expenses	**(4,284)**	(4,800)	(5,861)	**(41,109)**
Equity in net income (loss) of unconsolidated subsidiaries and affiliated companies	**(734)**	327	666	**(7,043)**
Compensation for transfer of plant	**598**	1,543	—	**5,738**
Gain (loss) on sale of securities-net	**(1,469)**	209	(107)	**(14,097)**
Loss on sale and disposal of property, plant and equipment-net	**(30,865)**	(13,520)	(12,873)	**(296,181)**
Inpairment loss of long-lived assets of a foreign subsidiary	**—**	(2,855)	—	**—**
Loss on liquidation of businesses	**—**	(4,288)	—	**—**
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	**(666)**	(644)	(506)	**(6,391)**
Loss on devaluation of investment securities	**(272)**	(1,199)	(6,915)	**(2,610)**
Loss on securities contributed to employees' retirement benefit trust (Note 5)	**—**	—	(3,641)	**—**
Expense for modification of vending machines due to issuance of new bank bill	**(1,668)**	—	—	**(16,006)**
Other-net	**(5,049)**	(6,630)	(9,311)	**(48,450)**
	(42,904)	(30,303)	(36,858)	**(411,707)**
Income before income taxes and minority interests	**58,369**	48,681	32,483	**560,110**
Income taxes (Note 10):				
Current	**33,742**	22,830	23,463	**323,789**
Deferred	**(6,910)**	2,452	(2,266)	**(66,308)**
	26,832	25,282	21,197	**257,481**
Income before minority interests	**31,537**	23,399	11,286	**302,629**
Minority interests in net loss (gain) of consolidated subsidiaries	**(941)**	(189)	3,468	**(9,030)**
Net income	**¥ 30,596**	¥ 23,210	¥ 14,754	**$ 293,599**

	Yen			U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Amounts per share of common stock:				
Net income	**¥62.52**	¥46.80	¥28.90	**$0.60**
Diluted net income	**60.64**	44.58	27.46	**0.58**
Cash dividends applicable to the year	**15**	13	13	**0.14**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2004, 2003 and 2002

		Millions of yen					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2001	513,585	¥182,531	¥180,894	¥20,864	¥ —	¥2,275	¥ (599)
Net income				14,754			
Cash dividends paid (¥7.00 per share)				(3,592)			
Bonuses to directors and corporate auditors				(100)			
Shares issued upon conversion of convertible debentures	1	0	0				
Increase resulting from increase in consolidated subsidiaries				497			
Adoption of market valuation rule for available-for-sale securities					64		
Adjustments from translation of foreign currency financial statements						(1,300)	
Purchases of treasury stock							(8,749)
Balance at December 31, 2002	513,586	182,531	180,894	32,423	64	975	(9,348)
Net income				23,210			
Cash dividends paid (¥19.50 per share)				(9,729)			
Bonuses to directors and corporate auditors				(112)			
Increase resulting from merger			389				
Increase resulting from increase in consolidated subsidiaries				454			
Increase resulting from decrease in consolidated subsidiaries				3,973			
Increase resulting from increase in unconsolidated subsidiaries accounted for by the equity method				403			
Decrease resulting from merger of consolidated subsidiaries				(212)			
Increase due to changes in fair market values of available-for-sale securities					1,730		
Adjustments from translation of foreign currency financial statements						(811)	
Purchase of treasury stock							(8,706)
Disposal of treasury stock			(2)				27
Balance at December 31, 2003	513,586	182,531	181,281	50,410	1,794	164	(18,027)
Net income				**30,596**			
Cash dividends paid (¥14.00 per share)				**(6,833)**			
Bonuses to directors and corporate auditors				**(124)**			
Increase resulting from increase in consolidated subsidiaries				**6**			
Decrease resulting from increase in consolidated subsidiaries				**(2)**			
Increase due to changes in fair market values of available-for-sale securities					**2,975**		
Adjustments from translation of foreign currency financial statements						**(86)**	
Purchases of treasury stock							**(6,871)**
Disposal of treasury stock			**1**				**13**
Balance at December 31, 2004	**513,586**	**¥182,531**	**¥181,282**	**¥74,053**	**¥4,769**	**¥ 78**	**¥(24,885)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2003	$1,751,569	$1,739,574	$483,735	$17,215	$ 1,574	$ (172,987)
Net income			**293,599**			
Cash dividends paid ($0.13 per share)			**(65,570)**			
Bonuses to directors and corporate auditors			**(1,190)**			
Increase resulting from increase in consolidated subsidiaries			**58**			
Decrease resulting from increase in consolidated subsidiaries			**(19)**			
Increase due to changes in fair market values of available-for-sale securities				**28,548**		
Adjustments from translation of foreign currency financial statements					**(825)**	
Purchases of treasury stock						**(65,934)**
Disposal of treasury stock		**10**				**124**
Balance at December 31, 2004	**$1,751,569**	**$1,739,584**	**$710,613**	**$45,763**	**$ 749**	**$(238,797)**

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 58,369**	¥ 48,681	¥ 32,483	**$560,110**
Depreciation (Note 14)	**51,339**	53,101	51,546	**492,649**
Decrease in provision for employees' severance and retirement benefits	**(1,039)**	(2,149)	(2,306)	**(9,970)**
Increase (decrease) in allowance for doubtful accounts	**(1,263)**	5,175	6,391	**(12,120)**
Interest and dividend income	**(1,505)**	(1,554)	(1,690)	**(14,442)**
Interest expenses	**4,284**	4,800	5,861	**41,109**
Equity in net loss (income) of unconsolidated subsidiaries and affiliated companies	**734**	(327)	(666)	**7,043**
Loss (gain) on sale of securities-net	**1,469**	(209)	107	**14,097**
Loss on devaluation of investment securities	**272**	1,199	6,915	**2,610**
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	**666**	644	506	**6,391**
Loss on liquidation of businesses	**—**	4,288	—	**—**
Loss on sale and disposal of property, plant and equipment-net	**30,865**	13,520	12,873	**296,181**
Impairment loss of long-lived assets of a foreign subsidiary	**—**	2,855	—	**—**
Decrease (increase) in notes and accounts receivable	**(12,809)**	(1,067)	8,957	**(122,915)**
Decrease (increase) in inventories	**4,316**	4,881	(1,118)	**41,416**
Increase (decrease) in notes and accounts payable (excluding construction)	**2,770**	(2,793)	(3,128)	**26,581**
Increase (decrease) in accrued alcohol tax payable	**1,938**	4,345	(6,268)	**18,597**
Increase (decrease) in accrued consumption taxes payable	**8**	1,662	(407)	**77**
Bonuses paid to directors and corporate auditors	**(127)**	(113)	(102)	**(1,219)**
Other	**5,788**	(4,324)	4,084	**55,542**
Subtotal	**146,075**	132,615	114,038	**1,401,737**
Interest and dividends received	**1,621**	1,533	1,849	**15,555**
Interest paid	**(4,392)**	(4,400)	(6,266)	**(42,146)**
Income taxes paid	**(30,374)**	(14,390)	(31,670)	**(291,469)**
Net cash provided by operating activities	**112,930**	115,358	77,951	**1,083,677**
Cash flows from investing activities:				
Payments for time deposits	**(1,046)**	(259)	(2,961)	**(10,037)**
Proceeds from time deposits	**1,279**	2,406	1,615	**12,273**
Payments for purchases of property, plant and equipment	**(36,021)**	(35,467)	(49,795)	**(345,658)**
Proceeds from sale of property, plant and equipment	**3,960**	2,564	1,041	**38,000**
Payments for purchases of intangible assets	**(5,888)**	(4,822)	(2,989)	**(56,501)**
Payments for purchases of investment securities	**(39,114)**	(4,442)	(5,855)	**(375,338)**
Proceeds from sale of investment securities	**12,180**	2,173	15,538	**116,879**
Payment for purchases of investment in subsidiaries results in change in scope of consolidation	**(784)**	—	—	**(7,523)**
Proceeds from sales of investment in subsidiaries results in change in scope of consolidation	**7,780**	—	—	**74,657**
Payments for loans receivable	**(809)**	(1,646)	(4,417)	**(7,763)**
Proceeds from collections of loans receivable	**978**	8,784	2,749	**9,385**
Payments for purchases of business (Note 3)	**—**	—	(19,221)	**—**
Other	**2,634**	(44)	2,787	**25,275**
Net cash used in investing activities	**(54,851)**	(30,753)	(61,508)	**(526,351)**
Cash flows from financing activities:				
Increase (decrease) in bank loans	**(17,360)**	(55,459)	7,450	**(166,587)**
Proceeds from long-term debt	**30,765**	46,500	2,479	**295,221**
Repayments of long-term debt	**(17,242)**	(46,143)	(13,325)	**(165,454)**
Proceeds from bonds and convertible debentures issued	**10,000**	10,000	50,000	**95,960**
Redemption of bonds	**(47,397)**	(25,451)	(62,270)	**(454,822)**
Payments for purchases of treasury stock	**(6,872)**	(8,706)	(8,749)	**(65,944)**
Cash dividends paid	**(6,833)**	(9,729)	(3,592)	**(65,570)**
Cash dividends paid to minority in consolidated subsidiaries	**(2)**	(2)	(115)	**(19)**
Contribution from minority in consolidated subsidiaries	**2,504**	—	—	**24,028**
Other	**(3,230)**	295	8,375	**(30,994)**
Net cash used in financing activities	**(55,667)**	(88,695)	(19,747)	**(534,181)**
Effect of exchange rate change on cash and cash equivalents	**(230)**	(366)	(675)	**(2,207)**
Net increase (decrease) in cash and cash equivalents	**2,182**	(4,456)	(3,979)	**20,938**
Cash and cash equivalents at beginning of year	**11,562**	15,986	19,352	**110,949**
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	**(87)**	19	613	**(834)**
Increase in cash and cash equivalents due to merger	**—**	13	—	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 13,657**	¥ 11,562	¥ 15,986	**$131,053**
Supplemental disclosures of cash flow information:				
Conversion of convertible debentures to common stock and additional paid-in capital	**¥ —**	¥ —	¥ 0	**$ —**

See accompanying notes.

Notes to Consolidated Financial Statements

Asahi Breweries, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of ASAHI BREWERIES, LTD. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2004, which was ¥104.21 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2003 and 2002 financial statements to conform to the presentation for 2004.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (41 domestic and 14 overseas subsidiaries for 2004, 40 domestic and 13 overseas subsidiaries for 2003, and 30 domestic and 14 overseas subsidiaries for 2002). All significant intercompany transactions and account balances are eliminated in consolidation.

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

The difference of investment cost and net assets is amortized over five 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 the Company's collection losses.

Securities

Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). The Company and its consolidated subsidiaries (the "Companies") do not have trading securities.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated nor accounted for using the equity method are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

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

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

Prior to January 1, 2002, when devaluation of available-for-sale securities with fair market values was considered necessary, available-for-sale securities with fair market values were devalued based on the market price as of the balance sheet date. Effective January 1, 2002, when available-for-sale securities with fair market values are to be devalued, an average market price for one month immediately before the balance sheet date is used to exclude effects of temporary fluctuations of stock prices. As a result of this change, income before income taxes and minority interests decreased by ¥3,702 million for the year ended December 31, 2002.

Inventories

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

Property, plant and equipment

Property, plant and equipment are carried substantially at cost. Depreciation is provided by the straight-line method with respect to production facilities and by the declining-balance method with respect to remaining assets, except for the buildings acquired on or after April 1, 1998, which are depreciated using the straight-line method due to the amendments to the Corporation Tax Law.

Estimated useful lives of the assets are as follows:

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

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

In addition to the above, in the year ended December 31, 2001, for production equipment to be scrapped in connection with the closing of the Tokyo brewery, the portion not yet depreciated is depreciated based on the remaining period until the planned date of scrapping.

Income taxes

The Companies recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences.

Employees' severance and retirement benefits

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

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Companies provided allowance for employees' severance and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

Allowance for retirement benefits for directors and corporate auditors

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

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

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

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

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

Translation of foreign currency accounts and financial statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

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

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

Derivative financial instruments

The 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.

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

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

	Yen
	2002
Net income	¥28.68
Diluted net income	¥27.26

Impairment of Fixed Assets

In the year ended December 31, 2004, the Company did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

The Company will adopt these standards for the year beginning January 1, 2006.

3. Cash and Cash Equivalents

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, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and time deposits	¥14,156	¥11,699	$135,841
Less: Time deposits with maturities exceeding three months	(499)	(137)	(4,788)
Cash and cash equivalents	¥13,657	¥11,562	$131,053

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

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

4. Inventories

Inventories at December 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods	¥13,374	¥12,273	$128,337
Work in process	39,392	41,755	378,006
Raw materials	17,832	19,387	171,116
Supplies	5,854	6,823	56,175
Merchandise	8,739	8,830	83,860
Total	¥85,191	¥89,068	$817,494

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, 2004:

	Millions of yen		
	2004		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	¥ 115	¥ 140	¥ 25
	115	140	25
Securities with fair values not exceeding book values:			
Foreign securities	1	1	(0)
	1	1	(0)
Total	¥ 116	¥ 141	¥ 25

	Thousands of U.S. dollars		
	2004		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	$ 1,103	$ 1,343	$ 240
	1,103	1,343	240
Securities with fair values not exceeding book values:			
Foreign securities	10	10	(0)
	10	10	(0)
Total	$ 1,113	$ 1,353	$ 240

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2004 and 2003:

Type	Millions of yen 2004 Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 14,887	¥ 24,189	¥ 9,302
Others	5	5	0
	14,892	24,194	9,302
Securities with book values not exceeding acquisition costs:			
Equity securities	9,892	8,633	(1,259)
Corporate bonds	1	1	(0)
	9,893	8,634	(1,259)
Total	¥ 24,785	¥ 32,828	¥ 8,043

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

Type	Thousands of U.S. dollars 2004 Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$142,856	$232,118	$ 89,262
Others	48	48	0
	142,904	232,166	89,262
Securities with book values not exceeding acquisition costs:			
Equity securities	94,923	82,842	(12,081)
Corporate bonds	10	10	(0)
	94,933	82,852	(12,081)
Total	$237,837	$315,018	$ 77,181

C. Total sales of available-for-sale securities sold in the years ended December 31, 2004, 2003 and 2002 amounted to ¥1,323 million ($12,696 thousand), ¥2,173 million and ¥15,538 million, and the related gains amounted to ¥496 million ($4,760 thousand), ¥288 million and ¥422 million and the related losses amounted to ¥125 million ($1,200 thousand), ¥79 million and ¥529 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
(a) Held-to-maturity debt securities			
Type	Book value	Book value	Book value
Non-listed foreign securities	**¥ 4,517**	¥12,248	**$ 43,345**
(b) Available-for-sale securities			
Type	Book value	Book value	Book value
Non-listed equity securities	**¥ 8,908**	¥ 8,882	**$ 85,481**
Preference shares	**10,000**	13,129	**95,960**
Others	**857**	762	**8,224**
(c) Investments in unconsolidated subsidiaries and affiliated companies	**¥38,600**	¥ 4,370	**$370,406**

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2004 and 2003 are as follows:

	Millions of yen				
	2004				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	**¥ –**	**¥ 345**	**¥–**	**¥–**	**¥ 345**
Others	**–**	**3**	**–**	**–**	**3**
Held-to-maturity debt securities:					
Foreign securities	**2,172**	**2,458**	**3**	**–**	**4,633**
Total	**¥2,172**	**¥2,806**	**¥3**	**¥–**	**¥4,981**

	Millions of yen				
	2003				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	¥2	¥ 248	¥1	¥–	¥ 251
Held-to-maturity debt securities:					
Foreign securities	–	12,248	–	–	12,248
Total	¥2	¥12,496	¥1	¥–	¥12,499

	Thousands of U.S. dollars				
	2004				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	**$ –**	**$ 3,311**	**$ –**	**$–**	**$ 3,311**
Others	**–**	**29**	**–**	**–**	**29**
Held-to-maturity debt securities:					
Foreign securities	**20,843**	**23,586**	**29**	**–**	**44,458**
Total	**$20,843**	**$26,926**	**$29**	**$–**	**$47,798**

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

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 are ¥8,318 million ($79,820 thousand), ¥7,413 million and ¥6,923 million for the years ended December 31, 2004, 2003 and 2002, respectively.

7. Derivative Financial Instruments

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

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

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

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

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

Information on the derivative financial instrument contracts utilized by the Companies outstanding at December 31, 2004 and 2003 are not disclosed as all such contracts are effectively hedging the transactions.

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

Bank loans at December 31, 2004 and 2003 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.08% per annum for 2004 and 0.87% per annum for 2003.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,919,202 thousand). There was an outstanding balance of ¥5,500 million at December 31, 2003.

Long-term debt at December 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Domestic debentures:			
1.11% debentures due in 2004	¥ –	¥ 30,000	$ –
1.54% debentures due in 2004	–	10,000	–
0.48% debentures due in 2005	5,000	5,000	47,980
0.50% debentures due in 2005	15,000	15,000	143,940
0.63% debentures due in 2006	5,000	5,000	47,980
0.66% debentures due in 2006	25,000	25,000	239,900
1.48% debentures due in 2006	20,000	20,000	191,920
0.45% debentures due in 2007	10,000	10,000	95,960
0.55% debentures due in 2007	30,000	30,000	287,881
0.61% debentures due in 2008	10,000	–	95,960
0.84% debentures due in 2009	20,000	20,000	191,920
0.70% convertible debentures due in 2005	29,997	29,997	287,852
Various bonds and notes issued by consolidated subsidiaries	–	7,604	–
Long-term loans, principally from banks,insurance companies and agricultural cooperatives:			
Secured loans due through 2013 at interest rates of mainly 1.25% to 6.83%	14,451	8,539	138,672
Unsecured loans due through 2008 at interest rates of mainly 0.40% to 2.27%	79,776	63,407	765,531
	264,224	279,547	2,535,496
Amount due within one year	(59,702)	(63,587)	(572,901)
	¥204,522	¥ 215,960	$1,962,595

The trust deeds, under which the convertible debentures were issued, provide, among other conditions, for the conversion prices per share into common shares. The current conversion prices per share at December 31, 2004 were as follows:

	Yen	U.S. dollars
0.70% convertible debentures due in 2005	¥ 1,763.00	$16.92

At December 31, 2004, 17,015 thousand shares of common stock were issuable upon full conversion of outstanding convertible debentures at the current conversion prices.

Assets, at book value, pledged as collateral for short-term bank loans and long-term loans totaling ¥14,978 million ($143,729 thousand) and ¥9,164 million, respectively, at December 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Land	¥28,774	¥22,745	$276,116
Buildings and structures	9,406	6,161	90,260
Machinery and equipment	5,366	3,977	51,492
	¥43,546	¥32,883	$417,868

The aggregate annual maturities of long-term debt at December 31, 2004 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 59,702	$ 572,901
2006	52,392	502,754
2007	52,451	503,320
2008	35,399	339,689
2009	34,483	330,899
2010 and thereafter	29,797	285,933
	¥264,224	$2,535,496

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, 2004 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥82,991	¥84,170	$796,382
Less fair value of pension assets	(30,914)	(27,108)	(296,651)
Less fair value of employees' retirement benefit trust	(18,092)	(16,260)	(173,611)
Less unrecognized actuarial differences	(4,801)	(11,030)	(46,070)
Employees' severance and retirement benefits	¥29,184	¥29,772	$280,050

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2004 and 2003, respectively.

Included in the consolidated statements of operations for the years ended December 31, 2004, 2003 and 2002 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Service costs – benefits earned during the year	¥4,531	¥4,423	¥3,570	$43,480
Interest cost on projected benefit obligation	1,644	1,668	1,921	15,776
Expected return on plan assets	(822)	(709)	(659)	(7,888)
Amortization of actuarial differences	1,281	1,523	217	12,292
Others	–	–	345	–
Severance and retirement benefit expenses	¥6,634	¥6,905	¥5,394	$63,660

The rates of expected return on plan assets used by the Companies are mainly 2.0% for the years ended December 31, 2004, 2003 and 2002, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains/losses are recognized in the statements of income using the straight-line method over 10 years, beginning the following fiscal year of recognition.

10. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 41.8% for the years ended December 31, 2004, 2003 and 2002.

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

	2004	2003	2002
Statutory tax rate	**41.8%**	41.8%	41.8%
Non-taxable entertainment expenses	**2.8%**	3.8%	6.3%
Non-taxable dividend income	**(0.1%)**	(0.2%)	(1.1%)
Per capita inhabitants' taxes	**0.5%**	0.7%	0.9%
Valuation allowance	**7.7%**	15.1%	22.5%
Reversal of valuation allowance	**(6.8%)**	(2.3%)	–
Cumulative effects of loss incurred by consolidated subsidiaries recognized in 2003	**–**	(7.5%)	–
Tax credit	**(1.2%)**	–	–
Adjustment on deferred tax assets due to change in income tax rate	**2.0%**	1.9%	–
Amortization of the difference of investment cost and net assets	**(1.2%)**	(1.4%)	(2.1%)
Others	**0.5%**	0.0%	(3.0%)
Effective tax rate	**46.0%**	51.9%	65.3%

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

Significant components of deferred income tax assets and liabilities as of December 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred income tax assets			
Deferred income tax assets:			
Allowance for doubtful accounts	¥ 7,393	¥ 9,057	$ 70,943
Severance and retirement benefits	16,737	16,378	160,608
Accrued expenses for enterprise tax	2,077	1,911	19,931
Depreciation	429	107	4,117
Temporary difference for investment in subsidiaries	10,882	347	104,424
Loss on devaluation of investment securities	4,297	4,692	41,234
Loss on securities contributed to employees' retirement benefit trust	1,470	1,470	14,106
Net operating loss carry forwards	9,948	10,511	95,461
Unrealized gain on sale of non-current assets eliminated on consolidation	11,357	12,209	108,982
Others	6,684	7,513	64,140
	71,274	64,195	683,946
Valuation allowance	(16,676)	(16,347)	(160,023)
Total deferred income tax assets	54,598	47,848	523,923
Deferred income tax liabilities:			
Reserve deductible for Japanese tax purposes	(1,783)	(1,930)	(17,110)
Net unrealized holding gains on available-for-sale securities	(3,247)	(1,230)	(31,158)
Others	(338)	(219)	(3,243)
Total deferred income tax liabilities	(5,368)	(3,074)	(51,511)
Net deferred income tax assets	¥49,230	¥44,469	$472,412

The net deferred tax assets for the year ended December 31, 2004 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥19,862 million ($190,596 thousand) and ¥29,816 million ($286,115 thousand), respectively, and deferred income tax liabilities included in long-term debt amounting to ¥448 million ($4,299 thousand).

The net deferred tax assets for the year ended December 31, 2003 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥6,449 million and ¥38,325 million, respectively, and deferred income tax liabilities included in long-term debt amounting to ¥305 million.

11. Shareholders' Equity

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

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

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

12. Commitments and Contingent Liabilities

At December 31, 2004, 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 ¥1,540 million ($14,778 thousand).

13. Information for Certain Leases

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

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
	Machinery, furniture and fixtures and others		
Acquisition cost	¥83,803	¥112,730	$804,174
Accumulated depreciation	43,974	65,940	421,975
Net book value	39,829	46,790	382,199

Future lease payments as of December 31, 2004 and 2003, net of interest, under such leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥17,178	¥19,022	$164,840
Due after one year	24,345	30,006	233,615
	¥41,523	¥49,028	$398,455

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, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Lease payments	¥20,761	¥23,524	¥30,384	$199,223
Depreciation equivalents	17,663	19,979	25,498	169,494
Amounts representing interest	1,707	2,095	3,298	16,380

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.

14. Segment Information

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

Business segment information for the years ended December 31, 2004, 2003 and 2002 was as follows:

	Millions of yen					
Year ended December 31, 2004	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,078,931	¥217,380	¥22,163	¥125,752	¥ –	¥1,444,226
Intersegment	49,781	4,367	207	63,301	(117,656)	–
Total sales	1,128,712	221,747	22,370	189,053	(117,656)	1,444,226
Operating expenses	1,037,840	213,633	22,969	186,118	(117,607)	1,342,953
Operating income (loss)	¥ 90,872	¥ 8,114	¥ (599)	¥ 2,935	¥ (49)	¥ 101,273
Identifiable assets	¥ 886,843	¥133,759	¥16,939	¥129,082	¥ 84,195	¥1,250,818
Depreciation	42,119	5,299	847	3,069	5	51,339
Capital investments	31,189	4,160	1,756	3,014	15	40,134

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

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

	Thousands of U.S. dollars					
Year ended December 31, 2004	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	$10,353,431	$2,085,980	$212,676	$1,206,717	$ –	$13,858,804
Intersegment	477,699	41,906	1,986	607,437	(1,129,028)	–
Total sales	10,831,130	2,127,886	214,662	1,814,154	(1,129,028)	13,858,804
Operating expenses	9,959,121	2,050,024	220,410	1,785,990	(1,128,558)	12,886,987
Operating income (loss)	$ 872,009	$ 77,862	$ (5,748)	$ 28,164	$ (470)	$ 971,817
Identifiable assets	$ 8,510,153	$1,283,552	$162,547	$1,238,672	$ 807,936	$12,002,860
Depreciation	404,174	50,849	8,128	29,450	48	492,649
Capital investments	299,290	39,919	16,851	28,922	144	385,126

Corporate assets in the Elimination and/or corporate column in 2004, 2003 and 2002, amounted to ¥106,492 million ($1,021,898 thousand), ¥77,737 million and ¥113,367 million, respectively, which are mainly the financial assets of the Company and subsidiaries related to the group finance.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2004, 2003 and 2002.

Change in the classification of businesses

The Companies define the three-year period from 2002 as the period for the improvement of their competitive ability and growth, and reexamine their businesses in order to intensify the soft drink business, the food business, and the pharmaceuticals business as core businesses, as well as the alcoholic business.

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

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

As the result of this change, the Companies classify their businesses into four segments, the alcoholic beverages division, the soft drinks division, the food and pharmaceuticals division, and the others division.

Change in the method of allocating operating expenses

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

As the result of this change, operating expenses for the year ended December 31, 2002 of the alcoholic beverage division increased by ¥12,948 million and operating income for the year ended December 31, 2002 decreased by the same amount, compared with what would have been recorded under the previous method of allocating operating expenses.

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

As discussed in Note 2, effective January 1, 2003, the Company changed the method of accounting for allowance for retirement benefits for directors and corporate auditors. Compared with the method used in previous year, operating income for the year ended December 31, 2003, decreased by ¥91 million. This change affected mainly on the alcohol beverage division.

15. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2004, were approved at a general meeting of the shareholders of the Company held on March 30, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 7.5 per share)	¥ 3,639	$34,920
Bonuses to directors and corporate auditors	¥ 92	$ 883

Financial Section

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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004, 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in Japan.

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2004 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 30, 2005

Fact Sheets

Market Information

Global beer market

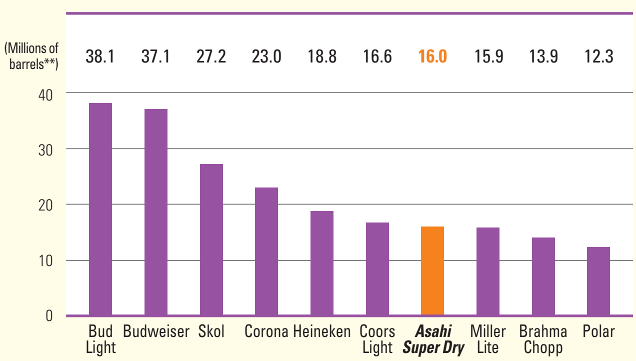
1 Beer consumption-top 10 countries*

(Millions of barrels)

	1990	1995	2000	2001	2002	2003
China	59.0	132.4	190.2	193.8	203.2	211.2
United States	193.0	185.9	196.0	196.2	197.8	197.3
Germany	96.8	94.6	87.9	86.0	85.5	82.6
Brazil	46.4	68.2	70.4	71.5	73.9	72.4
Russia	28.5	16.8	44.5	54.5	59.2	63.1
Japan**	56.7	60.8	60.5	60.7	59.1	55.4
United Kingdom	55.5	50.4	48.9	48.3	48.7	48.6
Mexico	31.5	34.8	42.9	43.6	43.2	44.7
Spain	24.1	23.0	24.8	26.5	26.2	28.5
Poland	9.6	12.9	19.0	20.7	22.8	24.2

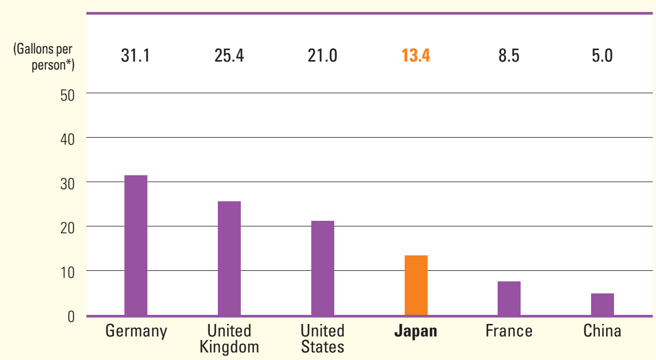
* Excludes non-alcoholic brews.
** Includes happoshu (compound beer), which amounted to 21.7 million barrels in 2003.
Source: Impact Databank 2004 Edition

2 World's top 10 beer brands* in 2003



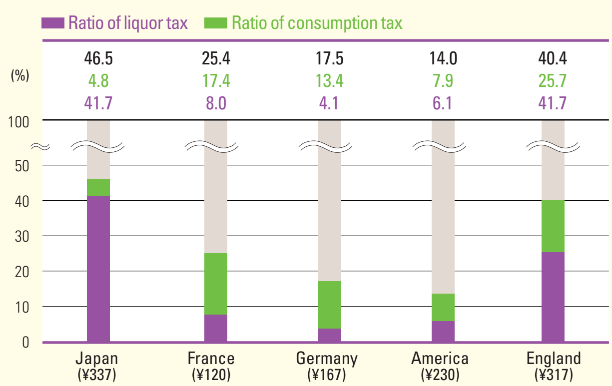
* Includes exports and license volume.
** One U.S. barrel = 1.173477653 hectoliters.
Source: Impact Databank 2004 Edition

3 Per-Capita beer consumption in major nations

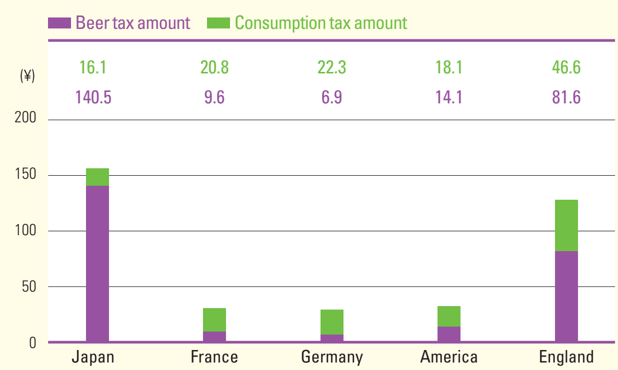


* Based on total population. One U.S. gallon = 3.785 liters.
Source: Impact Databank 2004 Edition

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



5 Beer tax and consumption tax in major nations



Source: Brewers Association of Japan (June 2004)
Notes: 1. Cash values (liquor tax, consumption taxes, retail price) shown in yen per 633 milliliters.
2. Foreign exchange rates were: €1= ¥135.74; U.S.$1= ¥113.06; £1= ¥202.64 (based on TTM rate as of May 25, 2004).
3. Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
4. Figures for the U.S. based on survey conducted in New York City.

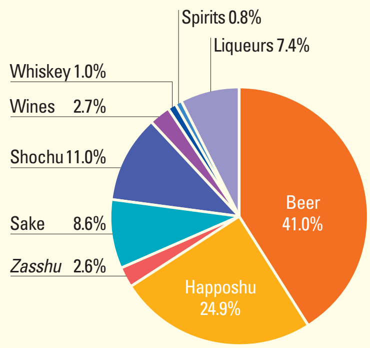
Japan's alcoholic beverage market

6 Taxable shipment volume in Japan

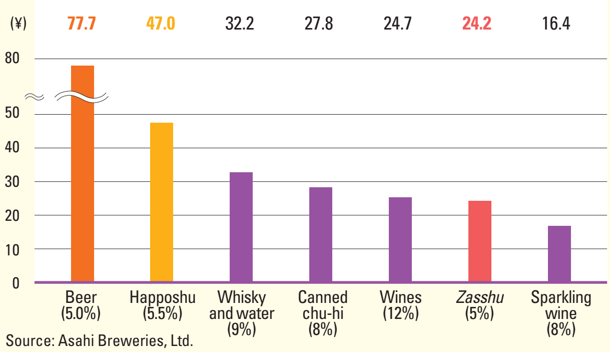
(kl)

	CY 2004
Beer	3,917,302
Happoshu	2,376,698
Zasshu (other miscellaneous liquors)	245,519
Sake	826,452
Shochu	1,047,091
Wines	254,059
Whiskey	99,279
Spirits	79,106
Liqueurs (includes low-alcohol beverages)	709,117
Total	**9,554,623**

* Compiled from National Tax Agency reference materials.

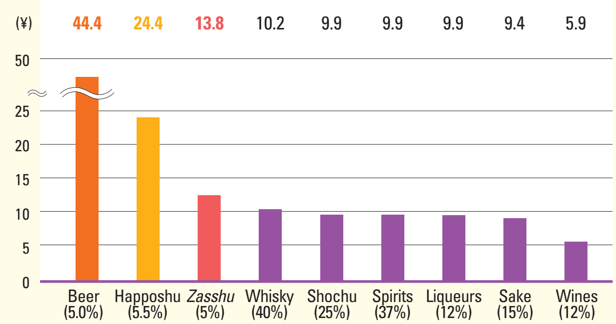


7 Comparison of liquor taxes per 350 milliliters



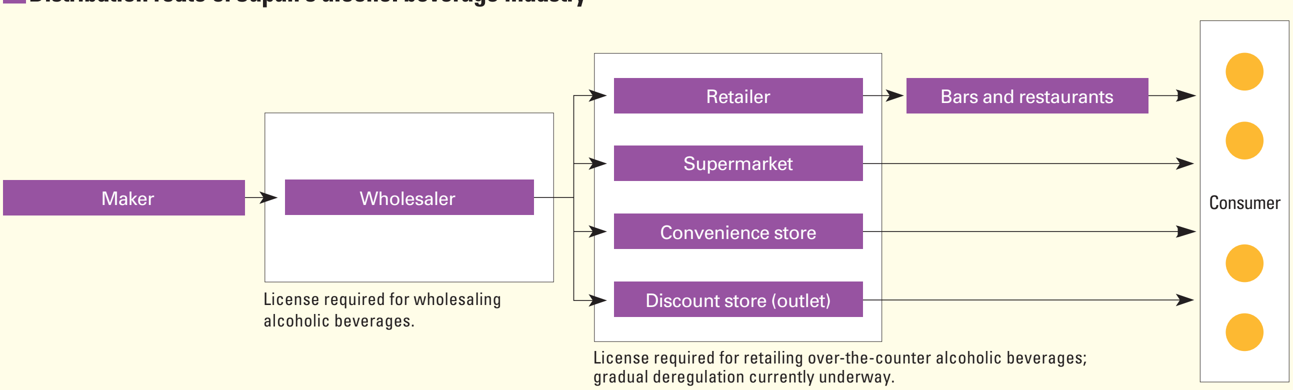
Source: Asahi Breweries, Ltd.

8 Liquor tax comparison for 1% alcohol content per liter



Source: Asahi Breweries, Ltd.

9 Distribution route of Japan's alcohol beverage industry



Fact Sheets

10 Beer, happoshu and *zasshu*, including tax rates*

Liquor tax category	Raw materials	Malt component ratio	Other characteristics and conditions	Tax rate (Yen/kiloliter)
Beer	Malt, hop, water, barley, rice and other ingredients**	67% and above	• Does not include raw materials other than those listed at left • Manufactured by fermenting raw materials	222,000
Happoshu	Includes malt	50% and above	• Effervescent	222,000
		From 25% up to 50%	• Does not include distilled alcoholic substances containing barley as raw material	178,125
		Below 25%		134,250
	Does not include malt; includes barley	0%		134,250
Zasshu (other miscellaneous liquors (2))	Does not include malt, hop, water, barley, rice and other ingredients	0%	• Effervescent	103,722

* Compiled from National Tax Agency reference materials.
**Rice and other ingredients: regulated ingredients including rice, corn, sorghum, potato, starch, sugars, caramel

11 Beer and happoshu: taxable shipment volume in Japan (January—December 2004)

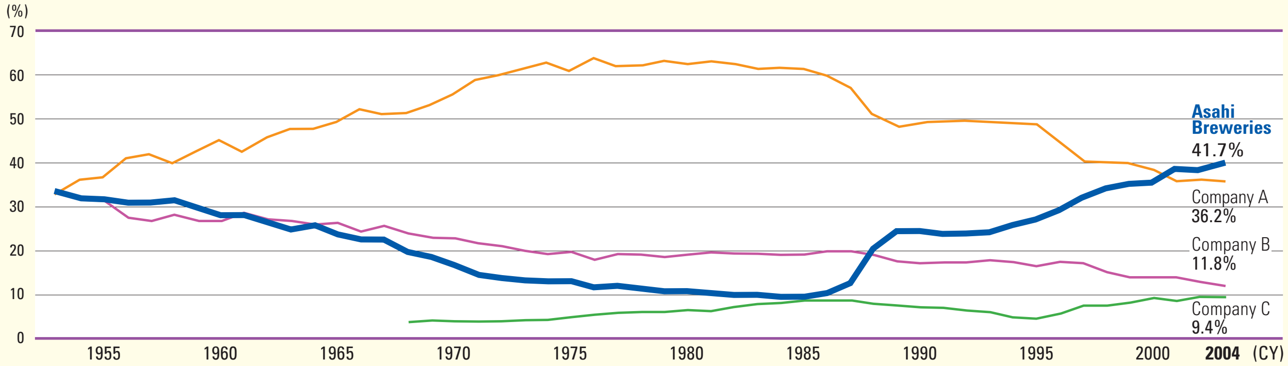
(Million cases) Asahi Breweries

	Actual volume	Year-on-year change (%)	Share (Increase/Decrease)
Beer	150.59	0.44 (+0.3%)	49.1% (+0.9%)
Happoshu	54.31	-0.22 (-0.4%)	29.3% (+2.2%)
Total	204.90	0.22 (+0.1%)	41.7% (+1.8%)

(Million cases) Industry overall

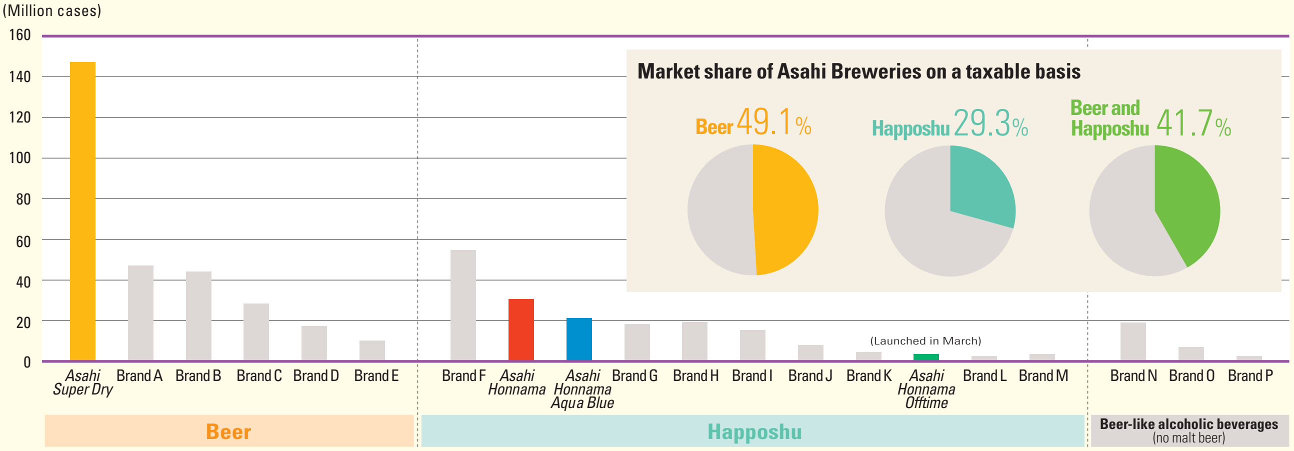
	Actual volume	Year-on-year change (%)	Ratio (Increase/Decrease)
Beer	306.55	-5.14 (-1.6%)	62.3% (+1.6%)
Happoshu	185.26	-16.25 (-8.1%)	37.7% (-1.6%)
Total	491.81	-21.39 (-4.2%)	100.0%

12 Beer and happoshu: sales volume in Japan by major company



Source: Asahi Breweries, Ltd.

13 Beer and happoshu: sales volume in Japan by major brand (January—December 2004)



Source: Nikkei Sangyo Shimbun

Asahi Breweries beer and happoshu sales

14 Sales composition by marketing channel

	2003 results			2004 results		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Convenience stores	9%	16%	11%	9%	16%	11%
Supermarkets	12%	31%	17%	13%	34%	18%
Discount stores(outlets)	20%	27%	22%	20%	25%	21%
Mass-retail outlets total	41%	74%	50%	42%	75%	50%
Commercial-use liquor retailers	34%	5%	27%	34%	5%	26%
General liquor shops,etc.	25%	20%	24%	24%	20%	24%
Total	100%	100%	100%	100%	100%	100%

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

15 Year-on-year sales ratio, by container type

	2003 results			2004 results		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Bottle	-10.2%	-51.9%	-10.6%	-3.8%	-33.7%	-4.0%
Can	-8.2%	16.0%	0.7%	0.5%	-0.6%	0.0%
Keg	-2.3%	—	-2.3%	5.5%	1.9%	5.5%

Source: Asahi Breweries, Ltd.

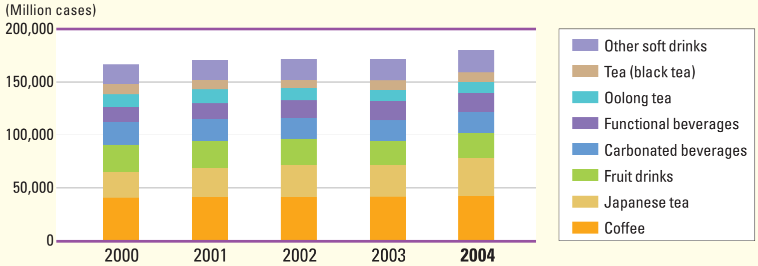
16 Sales composition by container type

	2003 results			2004 results		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Bottle	30.3%	0.4%	22.4%	29.1%	0.2%	21.5%
Can	49.1%	99.6%	62.5%	49.5%	99.8%	62.7%
Keg	20.6%	—	15.1%	21.4%	—	15.8%

Source: Asahi Breweries, Ltd.

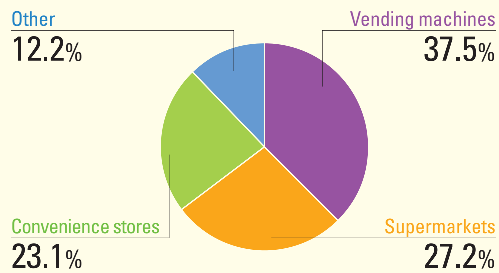
Japan's soft drinks market

17 Sales in Japan's soft drinks market, by category

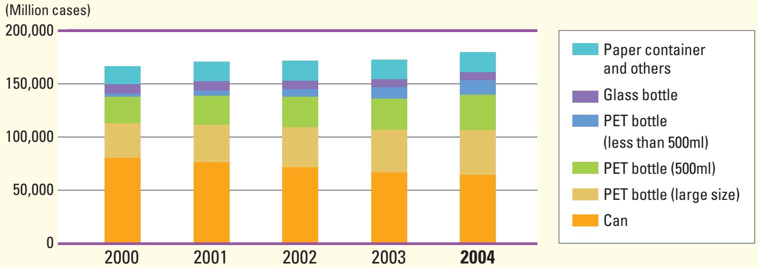


Source: Asahi Soft Drinks, Co., Ltd.

19 Sales composition in Japan's soft drinks market, by marketing channel in 2004



18 Sales in Japan's soft drinks market, by container type

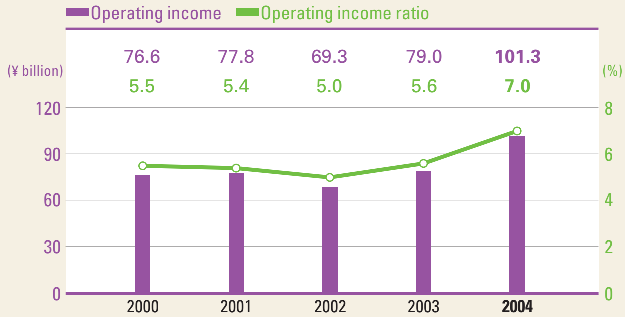


Source: Asahi Soft Drinks, Co., Ltd.

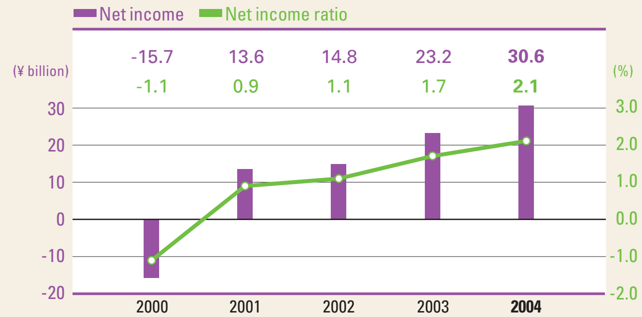
Financial Data

Profitability

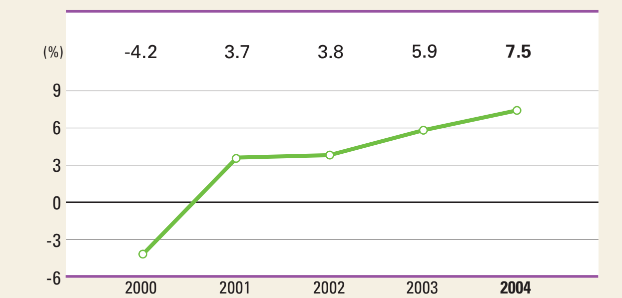
Operating income / Operating income ratio



Net income / Net income ratio

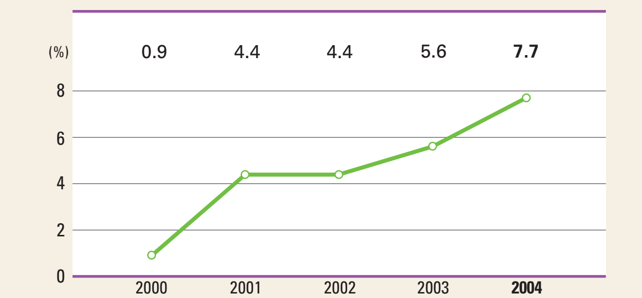


ROE



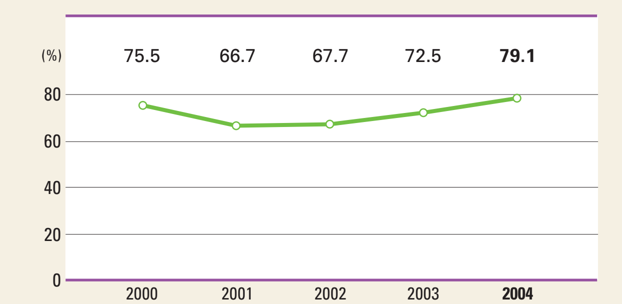
ROA

ROA = Ordinary income/Total assets (average) x100

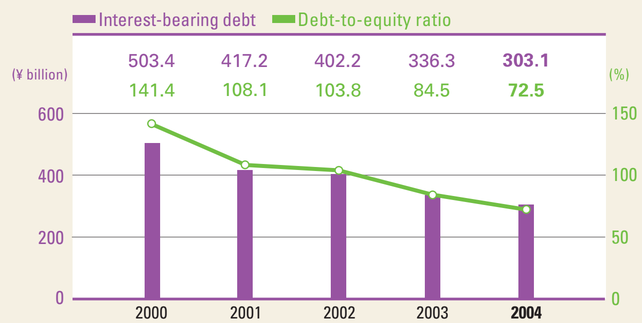


Stability

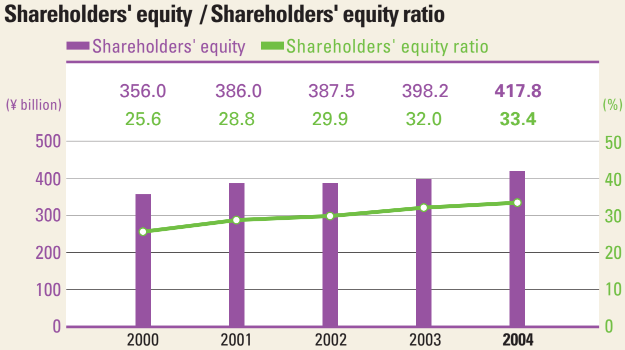
Liquidity ratio



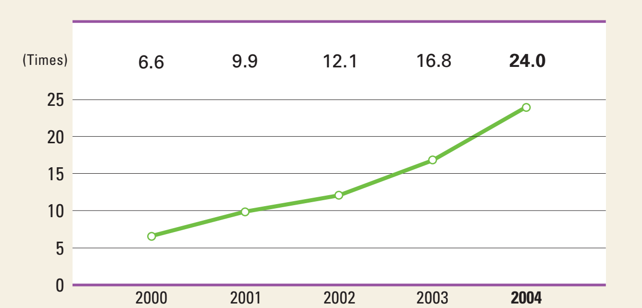
Interest-bearing debt / Debt-to-equity ratio



Shareholders' equity / Shareholders' equity ratio

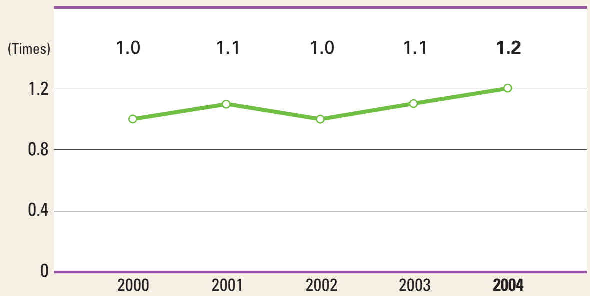


Interest coverage ratio

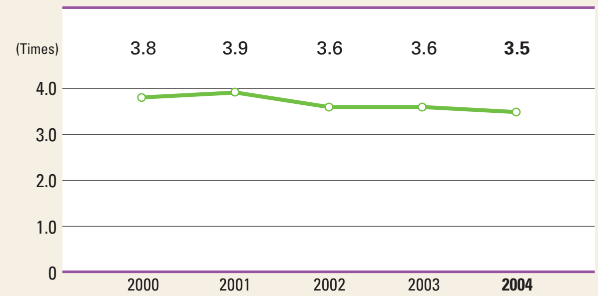


Efficiency

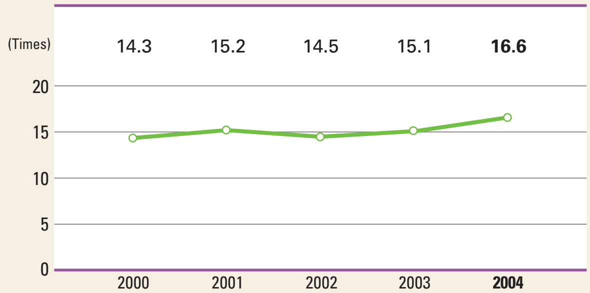
Total assets turnover



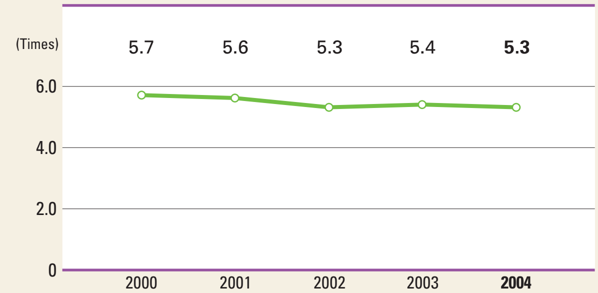
Equity turnover



Inventory turnover

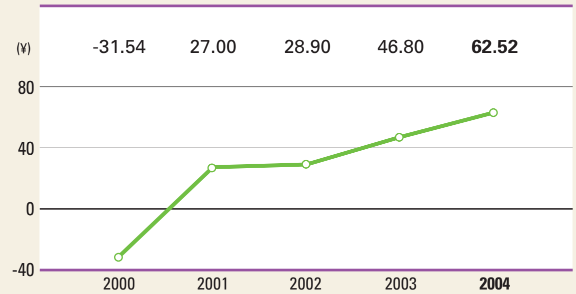


Receivables turnover

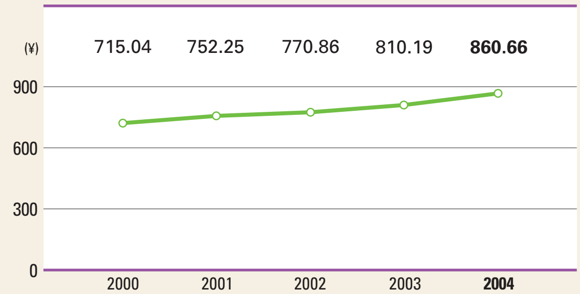


Per share data

Earnings per share

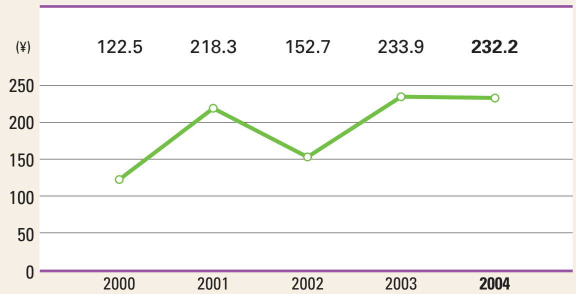


Book value per share

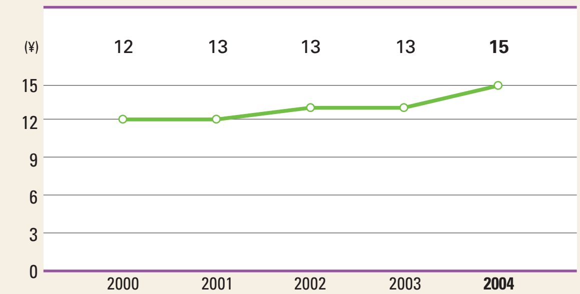


Cash flow per share

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



Dividends per share



Issuance of Bonds

Bond ratings

We have received ratings from rating agencies as follows:

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

(December 2004)

List of bonds

	Issued	Amount (¥ million)	Coupon rate	Date of maturity
17th corporate debentures	Dec.12, 2000	20,000	1.48% per annum	Dec.12, 2006
18th corporate debentures	Aug. 8, 2001	25,000	0.66% per annum	Aug. 8, 2006
19th corporate debentures	Aug. 8, 2001	15,000	0.50% per annum	Aug. 8, 2005
20th corporate debentures	Oct.31, 2001	5,000	0.63% per annum	Oct.31, 2006
21st corporate debentures	Oct.31, 2001	5,000	0.48% per annum	Oct.31, 2005
22nd corporate debentures	Nov.27, 2002	30,000	0.55% per annum	Nov.27, 2007
23rd corporate debentures	Nov.27, 2002	20,000	0.84% per annum	Nov.27, 2009
24th corporate debentures	Mar.27, 2003	10,000	0.45% per annum	Mar.27, 2007
25th corporate debentures	May12, 2004	10,000	0.61% per annum	May12, 2008

List of convertible bond

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

Evaluation by External Resarch Institutions (As of March 31, 2005)

Asahi Breweries is included in the various domestic SRI funds and the following international CSR-related indices:

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

ETHIBEL
http://www.ethibel.org

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

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

Major Subsidiaries

Domestic

Manufacturing

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

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

Sainte Neige Wine Co., Ltd.
Issued Share Capital: ¥125 million
Capital Investment Percentage: 100.0%
Principal Business: Production of wines

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

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

Transportation

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

Restaurants

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

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

Real Estate

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

(As of December 31, 2004)

Overseas

United States

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

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

Europe

Asahi Beer Europe Limited
Issued Share Capital: £14.4 million
Capital Investment Percentage: 100.0%
Principal Business: Sales and marketing of beer
17 Connaught Place, London W2 2EL, U.K.
Tel: (44) 20-7706-8330
Fax: (44) 20-7706-4220

Buckinghamshire Golf Company Limited
Issued Share Capital: £24.5 million
Capital Investment Percentage: 100.0%
Principal Business: Ownership and management of a golf club
Denham Court Drive, Denham
Buckinghamshire UB9 5PG, U.K.
Tel: (44) 1895-835777
Fax: (44) 1895-835210

Asia

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

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

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

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

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

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

Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.
Issued Share Capital: U.S.$10 thousand
Capital Investment Percentage: 50.0%
Principal Business: Production and sales of soft drinks

Haitai Beverage Co., Ltd.
Issued Share Capital: KRW 100,000 million
Capital Investment Percentage: 41.0%
Principal Business: Production and sales of soft drinks

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

(As of December 31, 2004)

Investor Information

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

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

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

Date of Establishment
September 1, 1949

Paid-in Capital
¥182,531 million

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

Number of Shareholders
100,148

Major Shareholders
Japan Trustee Services Bank, Ltd. (Trust Account)
The Master Trust Bank of Japan, Ltd. (Trust Account)
Asahi Kasei Corporation
The Dai-ichi Mutual Life Insurance Company
Fukoku Mutual Life Insurance Company
Sumitomo Mitsui Banking Corporation
Nomura Securities Co., Ltd.
Trust & Custody Services Bank, Ltd. (Trust Account B)
State Street Bank and Trust Company 505103
Sumitomo Life Insurance Company

Major Offices and Breweries
Regional Headquarters: 10
Breweries: 9
Laboratories: 6

Number of Overseas Offices
Business Coordination Department: 1
Business Offices: 6

Number of Employees
3,700

Stock Exchange Listings
Tokyo, Osaka stock exchanges

Newspaper for Official Notice
Nihon Keizai Shimbun

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

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

Auditor
KPMG AZSA & Co.

(As of December 31, 2004)

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

Fact Sheets

ASAHI BREWERIES, LTD.

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

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

1-23-1, Azumabashi, Sumida-ku,
Tokyo 130-8602, Japan
Tel: +81-3-5608-5126 Fax: +81-3-5608-7121
E-mail: ir@asahibeer.co.jp

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30% Minimum

SA-coc-1196

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