Asahi

Beer & Beyond

New Paths to Value Creation

Annual Report 2008

Corporate Philosophy

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

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

In alcoholic beverages, the Group offers *Asahi Super Dry* and other brands in beer-type beverages, as well as shochu, RTD beverages, whisky and spirits, and wine. Group companies Asahi Breweries, Ltd. and The Nikka Whisky Distilling Co., Ltd. are primarily responsible for developing these operations. Steps are also under way to expand operations overseas, with Asia as a particularly important region. In soft drinks, home to *WONDA* canned coffee and other prominent brands, operations are promoted mainly by Asahi Soft Drinks Co., Ltd. and two LB, Ltd. companies in Japan (Saitama and Aichi), and overseas by South Korea-based Haitai Beverage Co., Ltd., and China-based Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.*, while Schweppes Australia Pty Ltd. (Schweppes Australia) became a wholly owned subsidiary in April 2009. In food and pharmaceuticals, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. are the Group's key operating companies.

* Equity-method affiliate

Contents

01 Management's Message
- 01 To Our Shareholders and Friends
- 02 Financial Highlights
- 04 The Asahi Breweries Group's Growth Strategies
- 06 Interview With President Ogita

14 Review of Operations
- 14 Asahi at a Glance
- 16 Alcoholic Beverages Business
- 22 Soft Drinks Business
- 26 Food and Pharmaceuticals Business
- 29 Overseas Operations
- 32 Research and Development

34 Group Management
- 34 Corporate Governance
- 38 Risk Management and Compliance
- 39 Board of Directors, Auditors and Executive Officers
- 40 Corporate Social Responsibility (CSR)

43 Financial Section

79 Fact Sheets

Forward-Looking Statements

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

To Our Shareholders and Friends

In the fiscal year ended December 31, 2008, the Asahi Breweries Group confronted an adverse operating environment in Japan's alcoholic beverages and food industries, one characterized by a maturing market and high prices for raw materials. In this climate, we worked during the second year of the Third Group Medium-Term Management Plan to promote Group management centered on three key catchphrases—"Brand cultivation and reinforcement," "Profit structure reform," and "Investment for dramatic growth." In alcoholic beverages, we made steady strides in reinforcing our main brands in each beer-type category. We also took steps to enhance efficiency with respect to our advertising and sales promotion expenses, and pushed forward with significantly reforming our profit structure. In soft drinks, we noted firm growth in our core brands, with the *WONDA* and *Mitsuya* brands both recording annual sales volume of more than 30 million cases*. Where "investment for dramatic growth" is concerned, our investments in Amano Jitsugyo Co., Ltd. in the food and pharmaceuticals business, and Tsingtao Brewery Co., Ltd. (Tsingtao Brewery) and Schweppes Australia overseas, successfully expanded the scale of our business.

As a result of the foregoing, net sales for the year were ¥1,462.7 billion, down 0.1% from the previous fiscal year. On the profit side, operating income rose 8.7% year on year to ¥94.5 billion, while net income increased 0.5% to ¥45.0 billion.

The environment facing the Asahi Breweries Group in 2009 is expected to grow more severe, and the pace of change to quicken, amid what is being called the most serious economic crisis in a century. This landscape notwithstanding, we will be celebrating the 60th anniversary of Asahi Breweries' founding during 2009, as well as the 120th anniversary since the founding of our progenitor, Osaka Beer Brewing Co. We are determined to make this milestone year one in which we showcase the Group's ability to face challenges with energy and enthusiasm—especially important given the times that we are in—and lay the foundations for next-generation growth.

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

(Left)
Kouichi Ikeda
Chairman of the Board

(Right)
Hitoshi Ogita
President

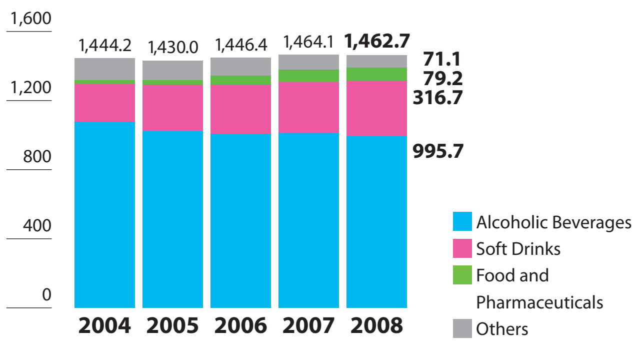
Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2008, 2007 and 2006

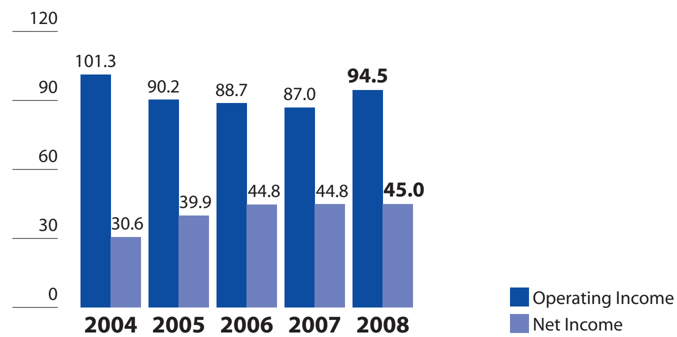
	Millions of yen			%	Thousands of U.S. dollars *[1]
	2008	2007	2006	Change (2008/2007)	**2008**
For the year:					
Net sales	**¥1,462,748**	¥1,464,072	¥1,446,385	−0.1	**16,068,856**
Alcoholic beverages	**995,703**	1,012,256	1,007,558	−1.6	**10,938,185**
Soft drinks	**316,737**	299,663	283,121	+5.7	**3,479,479**
Food and pharmaceuticals	**79,203**	67,089	53,792	+18.1	**870,076**
Others	**71,105**	85,064	101,914	−16.4	**781,116**
Operating income	**94,520**	86,956	88,713	+8.7	**1,038,339**
Alcoholic beverages	**90,762**	79,285	78,186	+14.5	**997,056**
Soft drinks	**616**	4,593	7,746	−86.6	**6,767**
Food and pharmaceuticals	**1,944**	1,344	445	+44.6	**21,356**
Others	**1,006**	1,724	2,173	−41.6	**11,051**
Elimination and/or corporate	**192**	10	163	+2,022.2	**2,109**
Operating income ratio (%)	**6.5**	5.9	6.1	+0.6 point	
Net income	**45,014**	44,798	44,775	+0.5	**494,496**
Net cash provided by operating activities	**106,094**	69,573	105,843	+52.5	**1,165,484**
Capital investments	**36,135**	44,481	36,894	−18.8	**396,958**
At year-end:					
Total assets	**¥1,299,059**	¥1,324,392	¥1,288,501	−1.9	**14,270,669**
Interest-bearing debt	**302,259**	332,458	290,101	−5.9	**3,320,432**
Total net assets	**534,628**	529,782	509,775	+0.9	**5,873,097**
Per share data (in yen and U.S. dollars):					
Net income	**¥ 96.31**	¥ 94.94	¥ 94.02	+1.4	**1.06**
Diluted net income	**96.14**	94.74	93.85	+1.5	**1.06**
Cash dividends applicable to the year	**20.00**	19.00	19.00	+5.3	**0.22**
Total net assets	**1,122.13**	1,089.33	1,012.77	+3.0	**12.33**
Key ratios:					
ROE (%)	**8.7**	9.0	9.6		
ROA (%)*[2]	**7.4**	6.9	7.2		
Total assets turnover (times)	**1.1**	1.1	1.2		
Equity ratio (%)	**40.2**	38.9	37.0		
Interest coverage ratio (times)	**18.5**	17.7	20.5		
Debt-to-equity ratio (times)	**0.58**	0.65	0.61		

*[1] U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥91.03 to U.S.$1, using the exchange rate prevailing at December 31, 2008.
*[2] ROA: Recurring profit to total assets

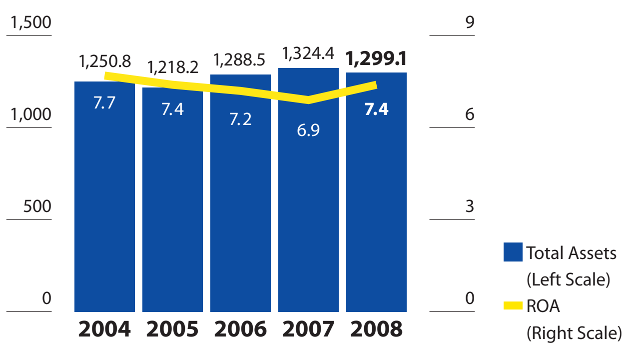
Net Sales
(¥ billion)



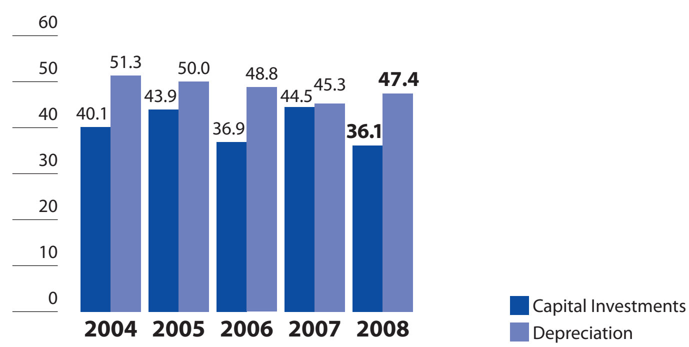
Operating Income/Net Income
(¥ billion)



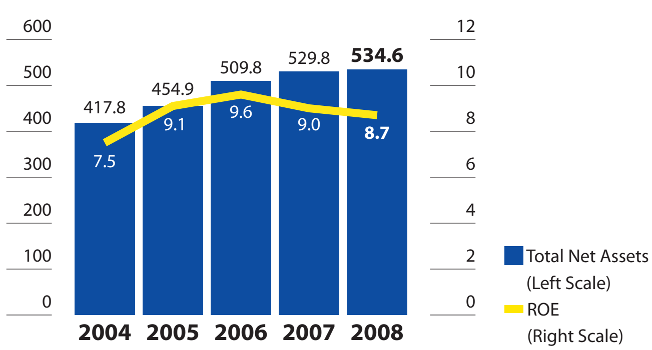
Total Assets/ROA
(¥ billion) (%)



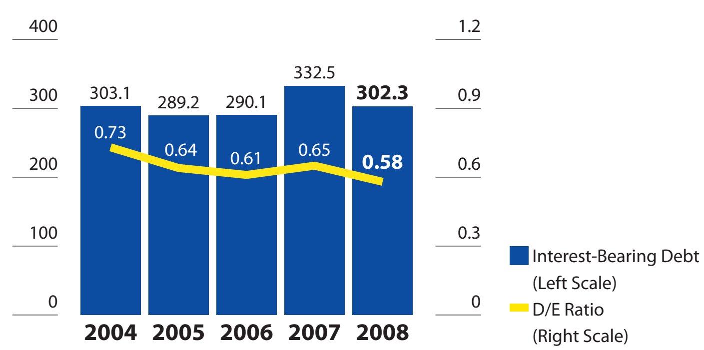
Capital Investments/Depreciation
(¥ billion)



Total Net Assets/ROE
(¥ billion) (%)



Interest-Bearing Debt/D/E Ratio
(¥ billion) (Times)



Japan's alcoholic beverages and food markets are changing rapidly. In this environment, we have raised the Asahi Breweries Group's profile in the business domain of "food and health" by working to rebuild our business structure and expand its underpinnings for growth. This effort began in 2001 with the First Group Medium-Term Management Plan, followed by the Second Group Medium-Term Management Plan in 2004. Now, under the latest Group Medium-Term Management Plan, we are pursuing new strategies guided by our Long-Term Vision of becoming the "leading

Beer

Share of Japan's Beer Market 2008

Source: Brewers Association of Japan

50.5%

Average EPS Growth Rate (2001–2008)

20.0%

Challenges Ahead

1 Strengthening Happoshu and New Genre Beverages*

Share of Japan's Happoshu Market 2008	26.0%
Share of Japan's New Genre Beverages Market 2008	20.9%

Source: Happoshu online website

Happoshu and new genre beverages present growth opportunities for the Asahi Breweries Group.

2 Strengthening Group Businesses

ALCOHOLIC BEVERAGES BUSINESS

Composition of Net Sales by Business Segment (2008)	68.1%
Composition of Operating Income by Business Segment (2008)	96.0%

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

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

company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health." In our alcoholic beverages business, already a proven performer, we are further consolidating operations to generate stable, long-term cash flow. In Group-oriented businesses such as the soft drinks business and overseas operations, we are working to build the foundations for a new trajectory for Group-wide growth.

& Beyond

New Paths to Value Creation

Solutions

1 Develop Products From the Customer's Perspective

2 Strengthening Group Management

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

Alcoholic Beverages Business................P16

Cultivating Brands and Improving the Profit Structure to Strengthen Cash-Flow Generation Ability

Soft Drinks Business.................P22

Expanding the Business Base and Improving Profitability of the Group's Second Core Business

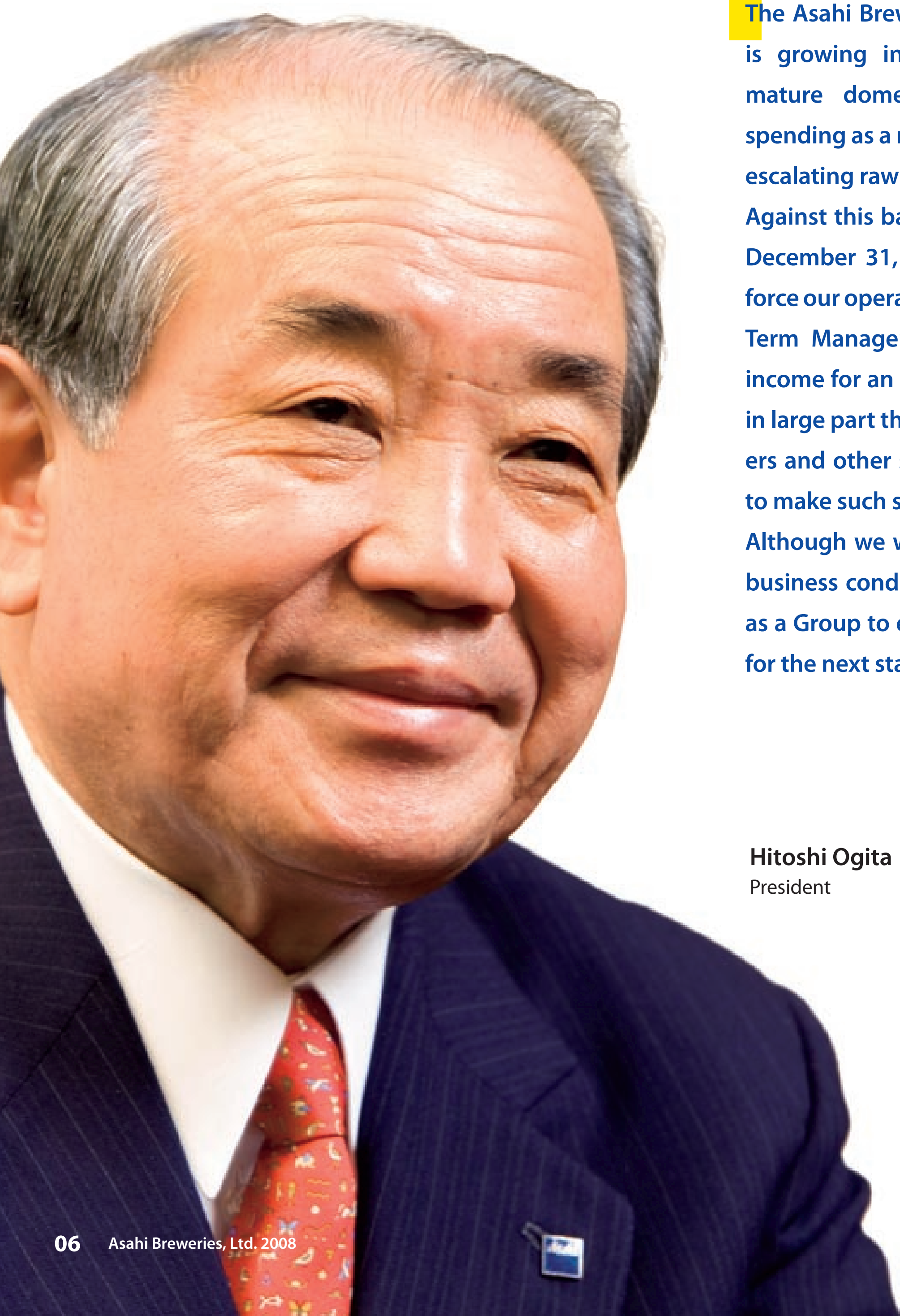
Food and Pharmaceuticals Business.......P26

Taking on Value Creation and Capturing Synergies to Raise Competitiveness

Overseas Operations................P29

Expanding the International Business Base to Establish a New Growth Trajectory

Strengthening the Group's Capability



The Asahi Breweries Group's business environment is growing increasingly challenging due to the mature domestic market, dwindling consumer spending as a result of the economic slowdown, and escalating raw material prices, among other factors. Against this backdrop, during the fiscal year ended December 31, 2008 we enacted measures to reinforce our operations under the Third Group Medium-Term Management Plan, posting record-high net income for an eighth consecutive year. I believe it is in large part thanks to the support of our shareholders and other stakeholders that we have been able to make such steady progress year after year. Although we will no doubt continue to face severe business conditions, we will all be pulling together as a Group to enhance shareholder value as we aim for the next stage of growth.

Hitoshi Ogita
President

Perception of the Management Environment

**Q The fiscal year ended December 31, 2008 (fiscal 2008) brought global economic turmoil and drastic changes to the Asahi Breweries Group's management environment.
President Ogita, what are your thoughts on these changes in the management environment during the year?**

A The adverse management environment is likely to continue for some time, but I believe there is much we should be working on now, precisely because of the times that we face.

When the year started, the Japanese economy was undergoing modest expansion, buoyed by firm exports and production. However, as the global economic crisis unfolded from September, the country's employment picture worsened, as did corporate earnings, and personal consumption came to a standstill.

Ultimately, growth in the overall domestic beer-type beverages* market fell 2.7% year on year. While relatively new genre beverages saw greater-than-expected growth, reflecting a stronger preference for lower-priced beverages among consumers amid the first price hike in 19 years, sales of beer and happoshu were lower. A similar pattern was noted in alcoholic beverage categories other than beer-type beverages, where sales were either flat or modestly lower as the domestic market matured further. Another factor exacerbating the severity of our management environment was sharply higher prices for malt and other raw materials.

Where soft drinks are concerned, the domestic market is thought to have benefitted from the brief hot spell last summer, but we believe sales volume for the overall market declined by around 1%, largely due to belt-tightening in reaction to economic stagnation, which caused consumers to cut back on spending.

Although I think that economic weakness and the freeze in personal consumption are likely to persist for some time, I also think that there is much we should do now precisely because there are tough times ahead. A company's position at the point when the economic climate starts to recover will greatly impact its growth track from that moment forward. So even in a harsh management environment like today's, we believe it is critical to continue proposing new value for both new and existing products, while pressing ahead with the pursuit of measures to reform business structure and enhance cost competitiveness.

Product and Brand Development/Cultivation

Q Products backed by powerful brands are vital for establishing dominance in mature markets. Can you share with us your own views on product and brand development and cultivation?

A We are a company that consistently approaches product development and cultivation with the perspective of our customers in mind.

Just prior to the launch of *Asahi Super Dry* in 1987 was a difficult time for us, one when the Company's continued existence itself was in doubt. Thinking back on it now, the dominant atmosphere at the Asahi Breweries Group, at least where product development was concerned, was one that seemed to prioritize the creator's vision over consideration of what customers really wanted. A major first step in breaking with this atmosphere was the development of *Asahi Super Dry*. To develop this product, we conducted massive consumer surveys and took other steps to once again embed a customer-oriented approach in our thinking. In so doing, we managed to change course and successfully develop a product based on a completely new concept. Since then, we have been a company that learned the hard way that creating products of real value is impossible if you're not in touch with the customer's perspective.

* Refer to page 4 for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

Now let's return to fiscal 2008. In the beer category, Asahi beer has captured a 50.5% share of the market (up 1.1 points year on year), breaking the 50% mark for the first time ever, thanks to the success of our ongoing efforts to enhance the brand value of our mainstay brand *Asahi Super Dry*. The fact that customers continue to love *Asahi Super Dry* more than 20 years after its debut in 1987 marks it as a truly "super" brand. Continuously perfecting a single brand over more than two decades is no easy task. Generally, ensuring that a brand continues to shine requires constantly finding ways to add new value. With respect to *Asahi Super Dry*, we made even more efforts at improving freshness. Products are shipped within three days of manufacture so that customers can enjoy the freshest taste possible. This constant drive to improve is what gives the *Asahi Super Dry* brand its luster. We also consider effective advertising and sales promotion campaigns to be an extremely important means of ensuring that we consistently provide customers with the latest information.

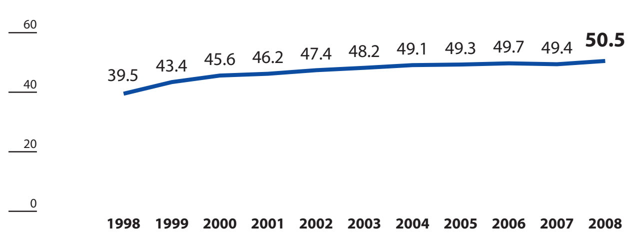
In the happoshu category, *Asahi Style Free* far exceeded targets, selling 11.38 million cases*[1] (up 37.1% year on year). I think the secret to our success was being among the first to pursue product development and cultivate a brand using "zero sugar"*[2] as a clear product concept, after observing the growing health consciousness among our customers.

In the new genre category, sales volume for *Clear Asahi*, a product we launched in March 2008, rose to 14.12 million cases, surpassing initial estimates by 41.2%. Again, the backdrop to this success is as I stated before—our decision to extensively incorporate the customer's perspective in product development.

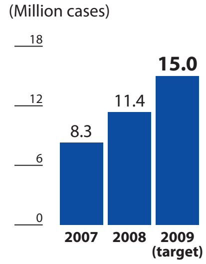
The same can be said for the soft drinks business. For example, with our long-time seller *Mitsuya Cider*, a core brand that has been around for 125 years now, our customers' growing interest in food safety and reliability, as well as healthy living, prompted us to flavor this drink using all-natural ingredients. This is just one example of how we have continued to consistently strengthen the brand from the customer's viewpoint. In the *WONDA* brand too, health was again our keyword in launching *WONDA ZERO MAX* (sugar-free), a "zero sugar" product that has won strong support from customers. As a result, annual sales volume of *WONDA* brand coffee also surpassed the 30 million-case*[3] mark, making it second only to the *Mitsuya* brand in terms of sales volume. Going forward, we will aim for still further growth by taking our years of brand development expertise in the alcoholic beverages and soft drinks businesses and rolling them out across the entire company.

*[1] One case is equivalent to 20 bottles (633ml each).
*[2] Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero sugar content."
*[3] For the purpose of sales volume, a case is calculated as a case of product ready for shipment.

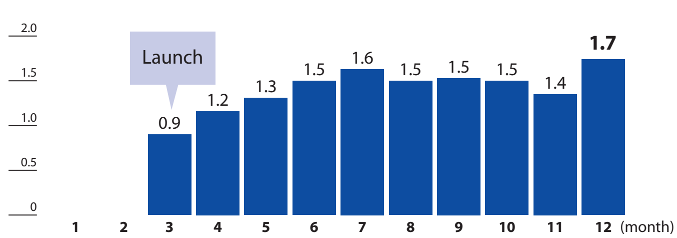
Market Share in Domestic Beer Category
(%)



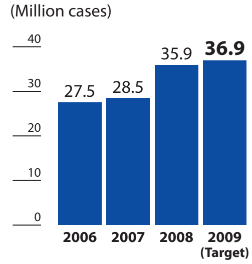
***Asahi Style Free* Sales Volumes**
(Million cases)



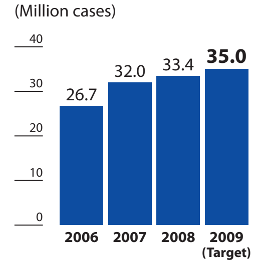
***Clear Asahi* Sales Volumes: 2008**
(Million cases)



***WONDA* Brand Sales Volumes**
(Million cases)



***Mitsuya Cider* Brand Sales Volumes**
(Million cases)



Investments for Dramatic Growth

Q It is clear that the Company is taking an active approach to M&As, and stepping up its initiatives in promising growth markets. How would you rate the investments for dramatic growth that took place during fiscal 2008?

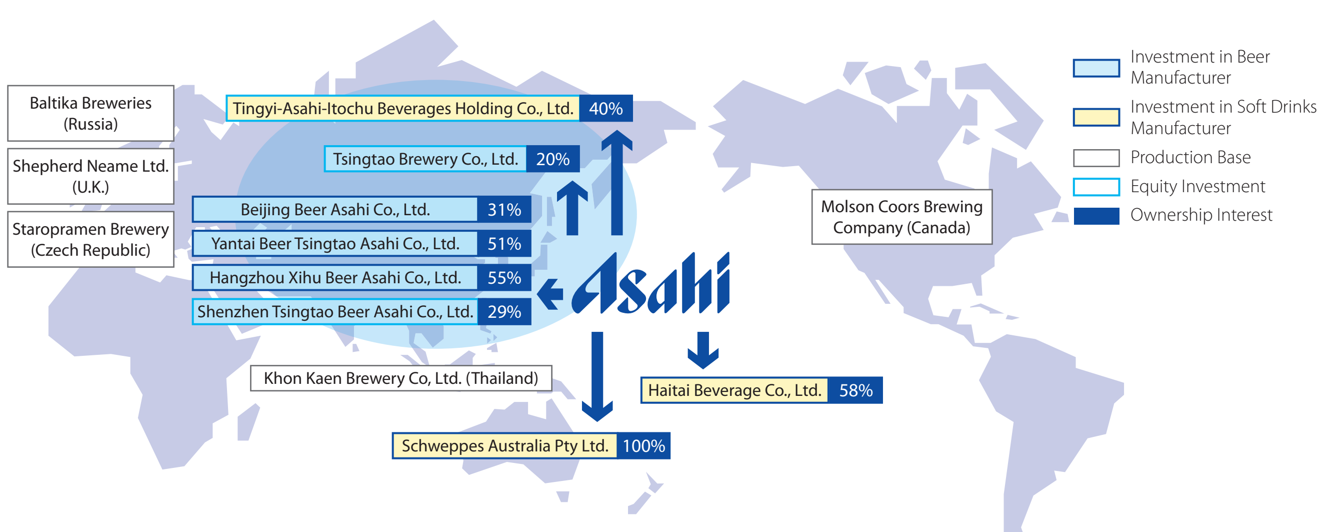
A Our aggressive business development, incorporating strategic investment, in the food and pharmaceuticals business and overseas operations, enabled us to realize a measure of success.

Our Long-Term Vision is to become the "leading company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health." As such, we view strengthening our business base in the food and pharmaceuticals business as a vital issue. In July 2008, we entered a capital and business alliance with Amano Jitsugyo Co., Ltd., a company with one of Japan's highest technological capacities and largest manufacturing scales in soup stock cubes and other freeze-dried foods. I expect this partnership to lead to product development that combines Amano Jitsugyo's technology and expertise with that of Wakodo Co., Ltd. and other existing Group companies, as well as production and marketing-side synergies. We have already set up eight subcommittees to study product development and ways to improve manufacturing technology, and have initiated discussions toward formulating a concrete action plan.

Another point of emphasis is our overseas operations centered in Asia, where we also aggressively developed business in fiscal 2008 through strategic investment and other means. Specifically, in China's beer market we reached a capital alliance agreement with Yantai Beer Asahi Co., Ltd. and Tsingtao Brewery in Yantai in November 2008 (the new company is called Yantai Beer Tsingtao Asahi Co., Ltd.). This was followed by the decision to invest in Tsingtao Brewery in January 2009, as we built a powerful partnership in the promising Chinese market. We hope to use this recent alliance as a springboard to reconfigure and develop this business with an emphasis on swift action. In terms of specific details, we hope to create synergies, for example through SCM that takes advantage of mutual strengths, including in the joint procurement of raw materials.

Meanwhile in Australia in April 2009, we acquired Schweppes Australia which boasts the second largest industry market share in the country. Australia's soft drinks market is dominated by a few large players and continues to grow. As such, we expect to see stable earnings from this market well into the future. Going forward, we will promote joint procurement, R&D, and SCM rationalization for the Group as a whole, which should lead to improved profitability for the entire Group. Additionally, we hope to absorb Schweppes Australia's marketing know-how in the global soft drinks business and utilize it as a base for launching new ventures.

Overseas Business and Capital Alliances (As of April 30, 2009)



Initiatives in Fiscal 2009

Q **Please tell us about your operating targets and the key points of initiatives planned for the fiscal year ending December 31, 2009.**

A **Even in a severe management environment, our goal is to achieve a ninth consecutive year of record-high net income by establishing our next growth and earnings bases, and striving to generate demand by proposing new value.**

In a continuation of fiscal 2008, the management environment is likely to see greater belt-tightening by consumers and lackluster personal consumption, in addition to the slow global economy. In domestic alcoholic beverages, the market's contraction is projected to continue, fueled by a declining drinking-age population, and recently enacted price hikes, among other factors.

Given this exceptionally adverse management environment, the Asahi Breweries Group is targeting consolidated net sales of ¥1,490.0 billion, up 1.9% from fiscal 2008. With the exception of overseas operations, where the impact of exchange rate fluctuations persists, we expect to record increased sales in each segment. As for consolidated operating income, we predict a 2.7% decline year on year to ¥92.0 billion. Although we anticipate earnings improvement in the soft drinks business and overseas operations, our projections indicate lower earnings in the alcoholic beverages business due to revisions to the tax code and other factors that add up to a negative impact on earnings of more than ¥10.0 billion. In terms of net income, we are aiming for a ninth consecutive year of record earnings, which we project will rise 11.1% compared with fiscal 2008 to ¥50.0 billion. This increase will largely come atop extraordinary gains from the sale of equity in Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.

In terms of our direction for the current fiscal year, we are committed to establishing our next growth and earnings bases, and generating demand by proposing new value. The environment that surrounds our businesses will of course be more severe, but I believe that it is in tough environments like this that creating demand by proposing new value is critically important. Fiscal 2009 marks 120 years since the founding of Asahi Breweries' forerunner, and 60 years since Asahi Breweries itself was founded. Given these milestones, we have labeled fiscal 2009 as the year of our "third founding" and a year for reform. In this sense, we intend to

Results for 2008 and Targets for 2009

(¥ billion)	2008 Result	Year-on-year	2009 Target	Year-on-year
Net sales	**1,462.7**	–0.1%	1,490.0	+1.9%
Alcoholic beverages business	**1,019.6**	–1.1%	1,027.0	+0.7%
Soft drinks business	**296.6**	+10.6%	309.8	+4.5%
Food and pharmaceuticals business	**81.7**	+18.1%	96.1	+17.6%
Overseas operations	**43.3**	–21.8%	37.4	–13.6%
Others	**21.5**	–46.9%	19.7	–8.5%
Operating income (EBITDA)	**94.5**	+8.7%	92.0	–2.7%
Alcoholic beverages business	**91.1**	+13.9%	83.0	–8.8%
Soft drinks business	**4.5**	–43.8%	7.3	+60.5%
Food and pharmaceuticals business	**2.0**	+53.8%	2.6	+27.7%
Overseas operations	**–5.8**	—	–2.7	—
Others	**2.8**	–13.8%	1.9	–32.4%
Net income	**45.0**	+0.5%	50.0	+11.1%
ROE	**8.7%**	–0.3 point	—	—
Operating income ratio	**6.5%**	+0.6 point	—	—
(Operating income ratio excluding liquor tax)	**(9.6%)**	0.6 point		

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

contribute to revitalizing Japan's economy by taking up some bold initiatives, and turning the year into a chance for a dramatic leap forward for Asahi Breweries.

In step with this direction, our aim for fiscal 2009 remains to achieve growth by putting initiatives at the business unit level on the right trajectory in each of our strategic domains: the alcoholic beverages, soft drinks, and food and pharmaceuticals businesses, and overseas operations. Managers in the domains will play a key role in these efforts; some of our planned initiatives for each business are detailed below.

First, in alcoholic beverages, we intend to extensively pursue customer-centric marketing and meet the challenges of both raising the value of existing brands and creating demand by proposing new value. With *Asahi Super Dry*, for example, we will develop sales promotion activities closely linked with social contributions across Japan. The overarching theme for these activities will be "The Challenges and Responsibilities of Being No. 1."* Working with customers to promote contributions to society through our products will bring new value to their decision to responsibly enjoy *Asahi Super Dry*. We think that customers today are interested in more than enjoying a delicious and affordably priced product. Their interest also extends to issues like the seller's environmental activities and its contributions to local communities. And since the range of initiatives we intend to pursue through *Asahi Super Dry* fits perfectly with this type of customer interest, we believe it will serve to further enhance brand value. Elsewhere, we will actively launch new brands, including *Asahi Cool Draft* in the happoshu category and *Asahi Off* in the new genre category. Alongside taking steps to establish a strong position for the new brands we unveil, we will also bolster existing brands.

* Based on taxable shipment volume for beer from Asahi Breweries, Ltd. in 2008.

In fiscal 2009, sales volume for beer-type beverages is expected to decline 1 to 2% year on year for the overall market, with the environment predicted to become more severe. This climate notwithstanding, we hope to enhance our presence in the beer-type category, an area that is a core business and also a source of the Group's strength, by moving to cultivate and strengthen core brands in each category.

In the soft drinks business, we plan to further reinforce our brands, as well as boost efficiency by strengthening ties within the Group in areas such as procurement and production, as we groom soft drinks into the Group's second mainstay business. In the food and pharmaceuticals business, we will pursue synergies from ties between new Group addition Amano Jitsugyo Co., Ltd. and

Strategies for the Medium-Term Management Plan

Group Companies

Establish a new growth path for the Group

Alcoholic Beverages Business

Generating stable, long-term cash flow

Operating Cash Flow

(2007–2009 Cumulative Total)

Approx. ¥300 billion

Uses

- Investments to reinforce growth base
- Shareholder returns

existing Group companies. Finally, in overseas operations we will move to reinforce our business base and boost profitability in the Asia and Oceania region, including through a capital alliance with Tsingtao Brewery and the acquisition of Schweppes Australia.

Fiscal 2009 is also the final year of our Third Group Medium-Term Management Plan. At present we are still in the process of preparing to formulate our next medium-term plan. Our first priority, though, is to thoroughly analyze the reasons we were able to meet, or failed to meet, the targets we set for each business in the current medium-term plan. Here, we need to clearly discern whether our management policies and the thinking of our employees were somehow out of synch with one another. Predicting what lies ahead is incredibly challenging given this once-in-a-lifetime global economic crisis confronting us today. Yet it is precisely times like these that require us to rigorously reexamine and reassess fundamentals, since ensuring a firm base and realigning our strengths will allow us to take the steps necessary to usher in our next stage of dramatic growth.

Corporate Social Responsibility

Q Ultimately, 2008 proved to be a year of food company scandals, high-profile bankruptcies, and a string of other incidents that shook stakeholder trust and confidence. President Ogita, what do you perceive to be the Asahi Breweries Group's responsibilities toward society?

A Environmental conservation and food safety and reliability are major themes addressed by the Asahi Breweries Group.

My sense is that people's interest in corporate environmental conservation and community contribution efforts, as well as food safety and reliability, is rapidly growing. Against this backdrop, an incident occurred during the fiscal year under review, whereby illegally sold rice deemed unfit for human consumption was found in *koji** rice used to manufacture some of the Asahi Breweries Group's potato shochu. As soon as we were aware of the situation, we immediately conducted a voluntary recall and suspended sale of potentially affected products. We also took steps to restore customers' trust as soon as possible, reviewing all our operational processes including raw materials procurement, manufacturing, shipping and marketing in order to ensure safety and peace-of-mind for the public. As a result of this process, we have now established a new, improved quality control system (please see page 37 for further details).

In environmental conservation, the entire Group is focused on doing its part to halt the worldwide problem of global warming. In 2008, we successfully developed what we call the "Pre Isomeriser & Evaporator (PIE) method." The new technology is the first of its kind capable of reducing CO_2 emissions from boiling processes by roughly 30% by shortening the boiling times needed for brewing. The full-scale incorporation of this new technology in the production of *Asahi Super Dry* began at the Suita Brewery in September 2008, and was initiated from December at our Ibaraki Brewery. We also promoted a variety of other initiatives during the year, among them our participation in carbon credit trading in Japan, the use during product transport of RFID-equipped "eco-bands" (recyclable packaging materials used to stabilize bottles of wine and spirits during transport), and the introduction of green electricity and solar power generation to improve production (see page 40 for more details).

* *Koji* is the mold used to aid fermentation in shochu and sake production.

Message to Shareholders and Investors

Q Please share with us your thoughts on raising shareholder value.

A We will strive to meet the expectations of our shareholders and investors by deepening our relationship of trust with shareholders through open communication, while maintaining a proper balance between business investment and shareholder returns from a medium to long-term perspective.

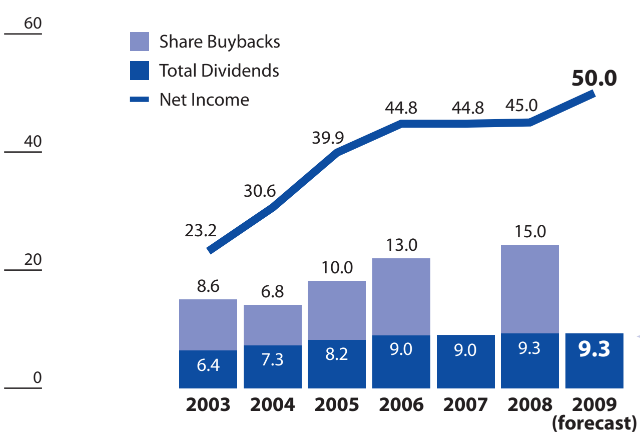
Open communication is the most important component for building relationships of trust with our shareholders and investors. As such, we recognize that investor relations comprises one of the most vital functions that senior management must fulfill. At times, the questions and opinions we hear can be hard-hitting critiques. Nevertheless, we know that they are all meant to raise the Group's corporate value, so we pay close attention to what is said and do our best to answer these remarks in a reasoned and professional manner. I believe that working to deepen the level of trust we enjoy through open communication, and reflecting those remarks in our management to raise corporate value, ultimately has merits for us as well as for our shareholders and investors.

As for shareholder returns, we recognize that the Company has set a certain standard where the return of profits is concerned by steadily increasing the dividend paid and through the purchase of treasury stock. In fiscal 2008, we enacted our highest return of profits ever by raising the dividend by ¥1, with an assumed consolidated payout ratio of 20% or more, and buying ¥15.0 billion in treasury stock. In fiscal 2009, the investments in Schweppes Australia and Tsingtao Brewery will require a total of about ¥130.0 billion in funds, which will likely lead us to postpone any purchases of treasury stock this year since substantial funds are needed for business investment. Rest assured, however, that we are determined to meet the expectations of our shareholders and investors by properly balancing business investment and shareholder returns from a medium to long-term perspective.

Our business environment is changing with unprecedented speed. Nevertheless, I view these tremendous changes as opportunities to continue to reform our profit structure and to strengthen our business base.

Net Income and Total Dividends

(Billions of yen)



	2003	2004	2005	2006	2007	2008	2009
Total returns to shareholders (% of net income)	65%	46%	46%	49%	20%	54%	—
Dividend payout ratio	27.8%	24.0%	20.7%	20.2%	20.0%	20.8%	—
Dividend per share	¥13	¥15	¥17	¥19	¥19	¥20	¥20

2009:

- Aim to increase dividends in line with net income
- Source funds for business investment (around ¥130 billion) with own funds and external borrowings (financial liabilities to increase by ¥85.7 billion)

Returns to shareholders to be decided in light of financing requirements

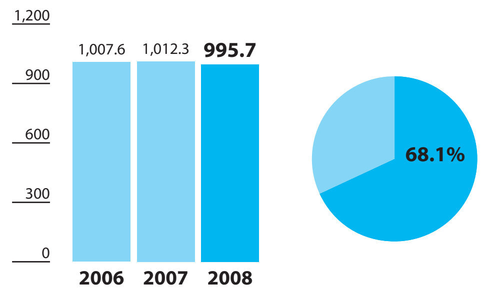
Asahi at a Glance

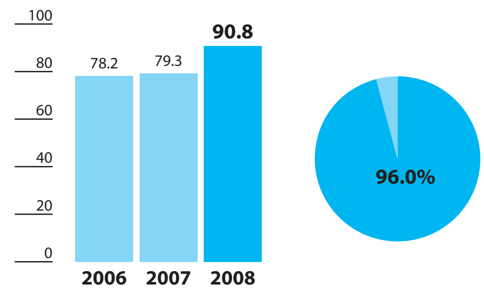
The Asahi Breweries Group's business segments, as represented in consolidated accounting, are alcoholic beverages, soft drinks, food and pharmaceuticals, and other businesses.

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

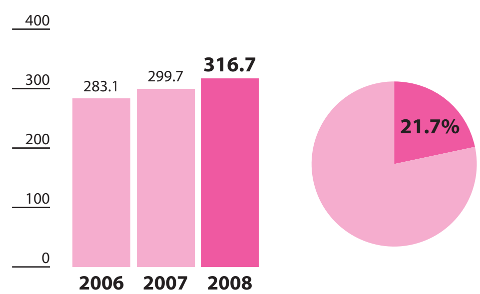
Net Sales (¥ Billion)   Operating Income (¥ Billion)

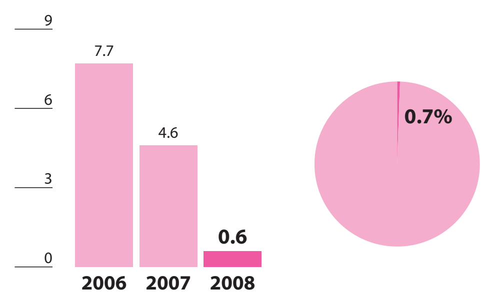
Alcoholic Beverages



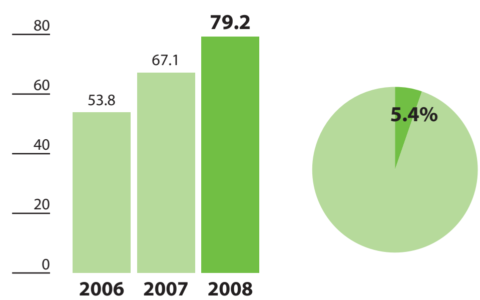


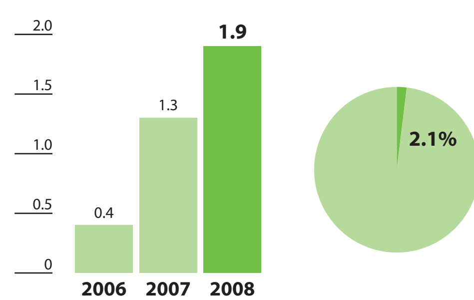
Soft Drinks



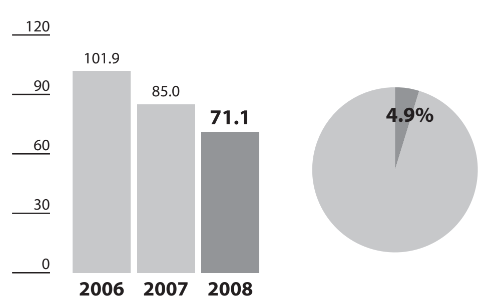


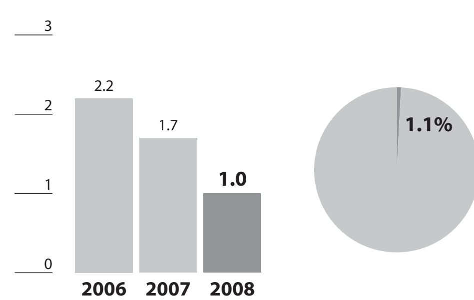
Food and Pharmaceuticals





Others





Major Group Companies	2008 Highlights	Plans for 2009
■ Asahi Breweries, Ltd. ■ The Nikka Whisky Distilling Co., Ltd. ■ Sainte Neige Wine Co., Ltd. ■ Satsumatsukasa Shuzo Co., Ltd. ■ Beijing Beer Asahi Co., Ltd.	■ Share of the domestic beer market*[1] surpassed 50% for the first time ■ *Asahi Style Free* sales volume surpassed initial targets ■ *Clear Asahi*, launched in March 2008, became a driver for growth in the new genre market ■ Concluded a licensing agreement with Baltika Breweries, the largest brewery in Russia, leading to significant expansion in European sales volumes	■ Target sales of ¥1,003.0 billion (up 0.7% year on year) and operating income of ¥81.8 billion (down 9.9%) ■ Further reinforce existing brands including *Asahi Style Free* and *Clear Asahi*, with a focus on the flagship *Asahi Super Dry* brand ■ Respond to diversifying customer needs with *Asahi Off* in the new genre category, and *Asahi Cool Draft* in the happoshu category ■ Further improve profitability at existing businesses and strengthen collaboration with new business partners such as Tsingtao Brewery.
■ Asahi Soft Drinks Co., Ltd. ■ LB, Ltd. (Hasuda, Saitama) ■ LB, Ltd. (Tokai, Aichi) ■ Haitai Beverage Co., Ltd. ■ Tingyi-Asahi-Itochu Beverages Holdings Co., Ltd. (Equity Method Affiliate)	■ Annual sales volume topped 30 million cases*[2] thanks to the success of the *WONDA* and *Mitsuya Cider* brands ■ Asahi Calpis Beverage Co., Ltd., which combines our vending machine business with that of Calpis Co., Ltd., started full-scale operations, contributing to segment sales ■ Signed agreement regarding purchase of Schweppes Australia, which boasts the second-largest industry market share in Australia in terms of sales	■ Aim for sales of ¥323.0 billion (up 2.0%) and operating income of ¥6.8 billion (up by a factor of 11.3) ■ Offer new proposals for brand cultivation in growth fields ■ Seek further synergy effects from the vending machine business and continue to reform profit structure by improving management efficiency
■ Asahi Food & Healthcare Co., Ltd. ■ Wakodo Co., Ltd. ■ Amano Jitsugyo Co., Ltd.	■ Profit growth reported by Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. ■ Concluded a capital and business alliance with Amano Jitsugyo Co., Ltd., a leader in freeze-dried products	■ Strive for sales of ¥93.0 billion (up 17.4%) and operating income of ¥2.7 billion (up 42.1%) ■ Continue to strengthen mainstay brands and achieve synergies with new addition Amano Jitsugyo as soon as possible

In our other businesses, we undertake Group company support operations such as logistics and sales support businesses and operation of restaurants. In 2008, total sales and operating income for other businesses were lower due to the reorganization of our wholesale business and other factors.

*[1] Refer to page 4 for details on beer-type beverage categories (beer, happoshu, and new genre beverages).
*[2] For the purpose of sales volume, a case is calculated as a case of product ready for shipment.

Alcoholic Beverages Business

Refer to pages 29–31 for details of activities in the overseas operations.
Refer to page 4 for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

Toshihiko Nagao
Director and Executive Officer

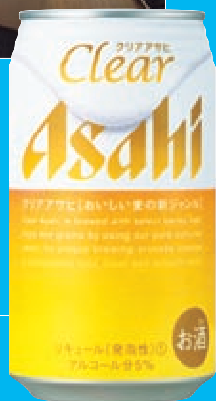
Cultivating Brands and Improving the Profit Structure to Strengthen Cash-Flow Generation Ability

The alcoholic beverages business continues to face challenging conditions amid a maturing domestic market and rising raw material prices. In order for the Group to grow going forward, it must generate stable cash flows over the long run in the mainstay alcoholic beverages area.

To accomplish this, we are further strengthening and cultivating powerful brands such as *Asahi Super Dry* and proposing new value through product development. We are seeing steady results from these efforts in all categories.

In addition, we are working to reinforce our earnings base to make it less vulnerable to changes in the operating environment. Specific measures to this end include increasing marketing spend efficiency and creating optimal production and distribution frameworks throughout the Group.

In 2009, we will continue to improve our profit structure while at the same time using marketing and sales activities that emphasize the customer perspective to cultivate strong brands.



Clear Asahi—A Runaway Success Among Beer-Type Beverages

Launched in March 2008, *Clear Asahi* rapidly developed into a leading brand in the overall new genre category, becoming the largest hit product in Japan's beer-type beverage market in 2008. Ultimately, *Clear Asahi* became the first new product launched in the beer category in two years (2007 and 2008) to sell more than 10 million cases*, recording sales of 14.12 million cases for the year.

Driving the success of *Clear Asahi* was relentless pursuit of the customer's perspective under our new development framework. In developing *Clear Asahi*, team members kept the customer's perspective foremost in mind. In order to enhance quality, we conducted our largest-ever market surveys targeting packaging and beverage content. From the data collected, we moved to a process of repeated trial and error, brewing and re-brewing a number of prototypes. In the end, this process enabled us to create a product of the highest value to customers.

Mizuho Kajiura
Producer,
Product Strategy Department I,
Marketing Headquarters,
Asahi Breweries, Ltd.

These efforts have clearly paid off as *Clear Asahi* has succeeded in winning support from a host of customers since its initial launch. *Clear Asahi* was also honored with the "Top Prize and Nikkei MJ Award" at the 2008 Nikkei Superior Products and Services Awards sponsored by *The Nihon Keizai Shimbun* (Nikkei Inc.). This accolade is another measure of *Clear Asahi*'s vast popularity in the market.

* One case is equivalent to 20 bottles (633ml each).

Two Projects to Further Enhance *Asahi Super Dry* Brand Value

Thanks to loyal customer support, last year *Asahi Super Dry* sold over 100 million cases for a milestone 20th consecutive year. In 2009, Asahi Breweries, Ltd. will express its appreciation for the support customers have shown by taking up the new challenge of making *Asahi Super Dry* taste even better. The company has embarked on two projects to this end.

In the first project, called "Embody Refreshment," Asahi Breweries, Ltd. will offer special merchandise prizes to customers on five occasions over the course of the year. One such item is a unique tumbler that will let customers experience the fresh, bold flavor honed in breweries in their own homes. In the second project, titled "Refreshingly Sustainable," a portion* of *Asahi Super Dry* sales will be used to protect and preserve natural habitats and the environment in local communities. Donation recipients will be chosen after consulting with local governments and other entities in all of Japan's prefectures. This initiative will be enacted in the spring and fall of 2009, and is scheduled to take place in 2010 and future years.

As times change, so do customers' expectations for brands. By accurately grasping these changes, Asahi Breweries, Ltd. aims to enhance brand value now and in the future.

* For the spring campaign, applies to 350ml and 500ml cans of *Asahi Super Dry* produced from late March to late April 2009.

Beer can server*[1]

Reflective tumbler*[1]

Home-use beer mug*[2]

*[1] Prizes from the second part of the "Embody Bold Flavor" project (Mon. March 2 – Tue. May 19, 2009)
*[2] Prize from the third part of the "Embody Bold Flavor" project (Mon. May 11 – Tue. August 4, 2009)

Beer

Asahi Super Dry

Asahi The Master
Launched May 26, 2009

Happoshu

Asahi Cool Draft
Launched March 17, 2009

2008 Business Overview

Market Environment

In addition to a decline in the drinking-age population and changing consumer tastes, Japan's alcoholic beverages industry in 2008 was impacted by sharply higher costs for malt, aluminum and other raw materials triggered by rising demand worldwide for beer-type beverages.

In the market for beer-type beverages, overall taxable shipment volume declined 2.7% year on year, as lower shipment volume for both beer and happoshu (down 6.5% and 7.7% respectively) outweighed growth in taxable shipment volume for relatively inexpensive new genre beverages (up 13.8% year on year). For the year, beer accounted for 53.1%, happoshu for 23.3%, and new genre beverages for 23.7% of the total beer-type beverages market, with new genre beverages surpassing happoshu for the first time ever.

Overall, taxable shipment volumes for alcoholic beverages other than beer-type were also flat or down slightly in every category, signaling that the market matured further during the year.

Initiatives in 2008

The Asahi Breweries Group continued to cultivate and enhance its brands with product proposals and sales promotion activities tailored to customer needs. At the same time, we took steps to establish a profit structure capable of withstanding market volatility. As part of reforming the profit structure, we raised our shipment price for beer-type beverages in March, and introduced an open pricing system for shochu, whisky and spirits, and wine in September. We also conducted a review of fixed costs that included exploring ways to use greater-than-planned advertising and sales promotion expenses more efficiently. These efforts resulted in total sales for the alcoholic beverages business, including overseas operations, of ¥995.7 billion, down 1.6% year on year, with operating income up 14.5% to ¥90.8 billion for the same period.

Beer-type Beverages

The overall beer market saw canned products for the home-consumption sector slump, reflecting the economic slowdown and revision of shipment prices. Similarly, the premium beer category, which recorded year-on-year growth of more than 30% in 2007, ended lower compared to last year. In this climate, the Group took action to enhance the brand value of its core product in the beer category, *Asahi Super Dry*, by striving to improve freshness and touting the refreshing taste of keg draft beer. The result was annual sales volume of over 100 million cases sold for a 20th consecutive year, and a record-high share of over 50%*[1] in Japan's beer market.

In happoshu, amid the launch of new "functional" products boasting "zero sugar content"*[2] by players throughout the industry, customers gave high marks to *Asahi Style Free*, which hit the market ahead of rival products, recording sales that surpassed initial targets. In the overall industry, however, standard-type happoshu (existing products outside of the "functional" products category) struggled, causing taxable shipment volume for happoshu to decline 13.5% year on year.

In new genre beverages, the overall market for malt-type beverages expanded during the year. Taxable shipment volume for *Clear Asahi*, a malt-based beverage launched by the Group in March, was 14.12 million cases. This figure far exceeded upwardly revised sales forecasts and helped solidify our presence in new genre beverages.

*[1] Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.

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

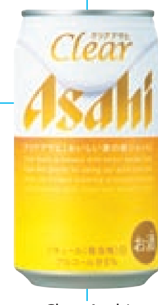
Shochu, RTD Beverages, Whisky and Spirits, Wine

Taxable shipments for steady growing Otsu-type shochu (pot still distilled shochu (spirits)) declined modestly year on year. However, the shochu market as a whole saw total taxable shipments on a par with the previous fiscal year, reflecting increased sales of Ko- and Otsu-type shochu blends, which are more reasonably priced than pure Otsu-type shochu. Sales of Ko-type shochu (continuous distilled shochu (spirits)) were also largely unchanged from the previous year. For its part, the Group channeled management resources into its core brands *Kanoka*, *Satsuma Tsukasa*, and *Daigoro*. To commemorate *Kanoka*'s 15th anniversary, the Group gave special attention to consumer campaigns and other efforts to strengthen the brand during the year.

In RTD beverages, performance was relatively unchanged year on year despite market growth until July spurred mainly by the launch of new "sugar free" and "zero sugar" products by all industry players. The

Asahi Style Free

New genre
(Malt-type)



Clear Asahi

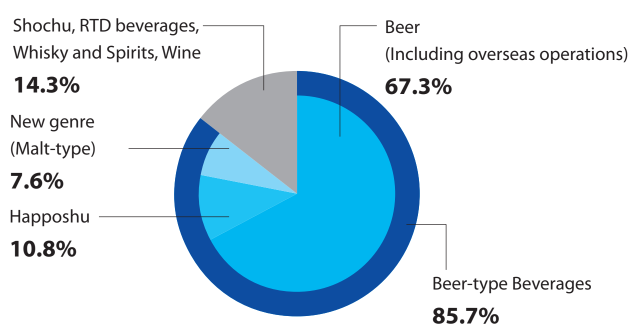
Asahi Off
Launched February 24, 2009

Group worked to expand sales by highlighting the diverse lineup of appealing products that customers have to choose from, centered on *Asahi Cocktail Partner* and *Asahi Shunka Shibori*. Furthermore, we took up the challenge of creating new value and demand by proposing new products such as *Vegete* and *Vegesh*, jointly developed with Kagome Co., Ltd.

In the whisky market, taxable shipment volume was down year on year as the scale of the market continues to contract. Where whisky and spirits are concerned, sales of the Group's core brand—*Black Nikka Clear Blend*—continued to grow strongly, while *Single Malt Yoichi 1987* was honored with the title "World's Best Single Malt Whisky" by the World Whiskies Awards 2008. These and other positive factors further entrenched the presence of the *Nikka* brand.

In wine, the market experienced modest growth overall, reflecting growth in all-natural domestic wines for customers looking for added peace of mind regarding where their wines are produced. Firm growth in imported wines offering strong cost performance also boosted the market as a whole. In this context, we took various actions in domestic wines to nurture the Group's *Sainte Neige* brand, which included a revamp of the *Antioxidant-Free Organic Wine* series. In imported wines, we took advantage of our diverse line of products in an effort to expand sales, particularly for *Baron Philippe*, *Louis Latour*, and other prominent brands.

Share of Sales by Product (2008)



* Excludes sales from real estate and other

Plans and Strategies for 2009

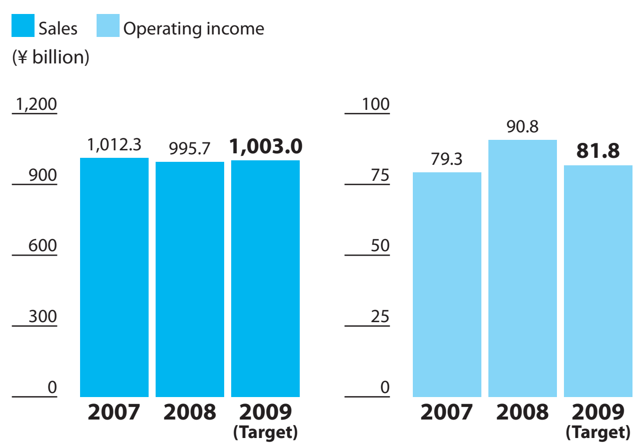
Sales Plans for the Alcoholic Beverages Business in 2009

Faced with a maturing market, Japan's alcoholic beverages industry is likely to continue confronting a severe environment characterized most notably by high raw materials costs. Despite this climate, we will marshal Group management resources in a drive to cultivate and enhance top brands in each category, and by reviewing SCM across the Group, build a profit structure capable of weathering changes in the business environment. Consequently, the Group is targeting sales of ¥1,003 billion (up 0.7% year on year) and operating income of ¥81.8 billion (down 9.9% year on year).

Beer-type Beverages

The market for beer-type beverages in 2009 is predicted to contract between 1 and 2%, with the ongoing shift in demand away from the beer and happoshu categories towards new genre beverages projected to continue this year as well. Today, a clear polarization of consumption trends is occurring in the beer, happoshu and new genre beverages, with markets for low-sugar and other variations on standard beverages. The Group is responding to these market trends, while striving to establish brands in each of these categories. In new genre

Alcoholic Beverages Sales and Operating Income (Incl. overseas operations)



Shochu

Kanoka

Satsuma Tsukasa

RTD beverages

Asahi Cocktail Partner

Asahi Slat
Launched February 3, 2009

beverages we will pursue product and brand development with an exclusive focus on liquor products, given strong customer demand for malt liquors.

All told, in light of our strong brands in each category and solid position in beer-type beverages, we are aiming for total taxable shipment volume of 183 million cases, up 0.8% year on year.

Polarization of Beer-type Beverages

Beer	Regular	*Asahi Super Dry*
	Premium	*Asahi Jukusen*
Happoshu	Standard	*Asahi Cool Draft*
	Low sugar/Zero sugar	*Asahi Style Free*
New Genre beverages	Standard	*Clear Asahi*
	Low sugar/Zero sugar	*Asahi Off*

Beer

In the beer category, the overall market is projected to decline between 4 to 5%, with the home-use sector in particular expected to contract due to the economic slowdown. The premium beer category, which had been steadily growing, is also expected to peak in 2009. In this climate, the Group, under the theme "The Challenges and Responsibilities of Being No. 1,"* will unveil sales promotion measures for *Asahi Super Dry* that emphasize quality consumption at home. We also intend to run sales promotions with links to social contributions and environmental conservation to boost brand value (see page 17 for details).

* Based on taxable shipment volume for beer from Asahi Breweries, Ltd. in 2008.

Happoshu

The overall happoshu market is projected to decline between 7 and 8%, reflecting a shift in demand away from standard-type happoshu towards new genre beverages. In the growing "sugar free" and "zero sugar" category, we will focus on strengthening our *Asahi Style Free* brand. In our more conventional happoshu lines, we sought to expand our share with the launch of *Asahi Cool Draft* in March 2009.

New Genre Beverages

The market for new genre beverages is expected to grow between 8 and 9% overall, with malt-type new genre beverages poised to remain on a growth track. In tandem with further efforts to groom *Clear Asahi* into the "No. 1 malt-based new genre beverage brand," we will work to develop and cultivate functional new genre beverage products. Our focus here will be on the sale of *Asahi Off*, which boasts 85% fewer purines and 70% less sugar than comparable beverages.

Shochu

Growth for the shochu market as a whole is expected to be relatively unchanged in 2009. Flat or slightly lower growth anticipated in Otsu-type shochu, specifically for potato and wheat shochu, will be largely offset by an increase in Ko- and Otsu-type shochu blends and modest growth in sales of Ko-type shochu. In the market for Ko- and Otsu-type shochu blends, we plan to enact spring and fall consumer campaigns targeting *Kanoka*, our mainstay brand that has won strong customer support. An aggressive advertising campaign will accompany our extensive brand development efforts. In the Otsu-type shochu market, we will develop our *Satsuma Tsukasa* brand of potato shochu. In parallel, we will propose products tailored to customer needs through our rich lineup centered on *Ichiban Fuda* wheat shochu, but also including rice, soba, and Awamori (Okinawan) shochu. For the Ko-type shochu market, sales expansion will focus on *Daigoro*, our widely recognized main brand.

RTD Beverages

As market growth becomes more sluggish, the competition among brands is heating up. As a result, the overall market is expected to be flat in 2009. Now that a quarter century has passed since the debut of canned chu-hi liqueurs, customers have begun demanding more value from these products. Against this backdrop, the market for zero-calorie and sugar-free products is set to continue expanding in 2009. The Group, for its part, will prioritize the investment of resources in and strengthening of core brands *Asahi Cocktail Partner* and *Asahi Shunka Shibori* and products developed jointly with Kagome under the "Asahi & Kagome" brand. We also plan to cultivate *Asahi Slat*, our new, very

Whisky and Spirits

Yoichi

Black Nikka Clear Blend

Super Nikka

Wine

Sankaboshizai-Mutenka Wine

Mouton-Cadet

low calorie canned chu-hi brand, as well as *Ocha-Shu*, a chu-hi beverage made from select domestically produced Gyokuro and Uji green tea that boasts an authentic green tea flavor and aroma.

Whisky and Spirits

After peaking in the mid-1980s, the whisky market has experienced a long-term and persistent decline, a trend likely to continue in 2009. Despite this contracting market for whisky and spirits, the Group will take actions in the growing single malt market aimed at cultivating and strengthening its *Yoichi* brand by underscoring the appeal of its Yoichi Distillery*[1]. We also revamped *Super Nikka* for the first time in its 47-year history. Going forward, we will roll out an aroma-based communications campaign to raise our presence in the blended whisky market. In addition, we will strengthen customer communication for *Black Nikka Clear Blend* at storefronts, on television commercials, and in media such as magazines in order to establish a firmer position in the home whisky market.

*[1] http://www.nikka.com/eng/distilleries/index.html

Wine

Overall sales in the market for imported and domestic wines are expected to be on a par with 2008 reflecting growing interest among consumers regarding wine, especially antioxidant and additive-free, organic, and other all-natural wines, and wines produced from 100% domestic grapes. Another contributor will be increased sales volume of imported wines offering strong cost performance. In this area, we will remain focused on cultivating several key products in domestic wines under the *Sainte Neige* brand. These will include the *Antioxidant-Free Organic Wine Monogatari* and *Antioxidant-Free Organic Wine* series of all-natural domestic wines for customers looking for added peace of mind regarding country of origin and *Sainte Neige* wines, including *Sainte Neige Excellante* wine made from 100% domestically produced grapes. In imported wines, we will look to steadily strengthen brands and create more powerful partnerships with French winemakers Baron Philippe de Rothschild S.A. of Bordeaux and Maison Louis Latour of Burgundy, and famed Italian winemaker Marchesi Antinori srl of Tuscany while working to expand sales of the new champagne brand *Lanson*.

Sales Plan and Actual Results by Alcoholic Beverages Category (Asahi Breweries, Ltd.)

	2008				2009		
	Target* (¥ billion)	**Actual sales results (¥ billion)**	Year-on-year	Year-on-year growth of overall market**	**Target (¥ billion)**	Year-on-year	Year-on-year growth of overall market***
Beer-type beverages (total)	877.0	**873.5**	–2.1%	Approx. –3%	**879.1**	+0.6%	–1–2%
Beer	691.0	**685.7**	–2.8%	Approx. –7%	**675.9**	–1.4%	–4–5%
Happoshu	110.0	**110.3**	–11.5%	Approx. –8%	**107.2**	–2.8%	–7–8%
New genre	76.0	**77.5**	+25.5%	Approx. +14%	**96.0**	+23.9%	+8–9%
Beverages other than beer-type beverages (total)	132.3	**129.7**	–4.9%	—	**129.1**	–0.5%	—
Shochu	55.3	**52.7**	–4.0%	Approx. –1%	**52.7**	±0.0%	Approx. ±0%
RTD	30.8	**31.4**	–12.1%	Aprrox. +1%	**31.4**	±0.0%	Approx. ±0%
Whisky and spirits	27.2	**27.5**	+0.7%	Approx. –4%	**26.4**	–4.0%	Approx. –7%
Wine	15.8	**14.8**	–2.8%	Approx. +3%	**15.3**	+3.1%	Approx. –1%
Other	3.2	**3.2**	±0.0%	—	**3.3**	+2.0%	—
Total	1,009.3	**1,003.2**	–2.4%	—	**1,008.2**	+0.5%	—

Announced Feb. 2009
Excludes sales from real estate and other businesses
* Announced Aug. 2008 ** Company estimates (Volume basis) *** Company projection

Review of Operations

Soft Drinks Business

Refer to pages 29–31 for details of activities in the overseas operations.

Kazuo Motoyama
Senior Managing Director and
Senior Managing Executive Officer

Expanding the Business Base and Improving Profitability of the Group's Second Core Business

The domestic soft drinks industry is growing increasingly competitive amid steeply rising raw material prices. However, core company Asahi Soft Drinks Co., Ltd. is seeing growth in *WONDA* canned coffee and *Mitsuya Cider* brand carbonated beverages. Moreover, thanks to benefits stemming from the integration of our automatic vending machine business with Calpis Co., Ltd., we achieved growth significantly above the industry average in 2008.

In terms of improving our profit structure, we are rebuilding production and logistics frameworks in collaboration with other Group companies, and have already enhanced quality and strengthened competitiveness.

We believe that the soft drinks business still has high growth potential. As we strive to expand the business base to make it the Asahi Breweries Group's second core business, we will continue with reforms aimed at boosting profitability.

The *WONDA* Brand Tops 30 Million Cases, Joins *Mitsuya Cider*

Syuji Komatsu
Senior Manager,
Marketing Department,
Asahi Soft Drinks Co., Ltd.

Last year, the *WONDA* brand topped the 30-million case mark in annual sales volume. In the soft drink industry, this figure is considered a benchmark for an established brand. *WONDA*'s achievement thus marks the birth of the Asahi Breweries Group's second major soft-drink brand, following the *Mitsuya Cider* brand.

Besides *WONDA Morning Shot*, a signature canned coffee for the morning, two new canned coffee products launched last year helped *WONDA* achieve its new lofty industry status: the premium-type, low-sugar *WONDA Kinnobitou* (low-sugar) and the sugar-free *WONDA ZERO MAX* (sugar-free).

The canned coffee market is seeing increased health awareness spur sales of no-sugar and low-sugar-type products, which now account for 40% of total sales. We expect further growth in this field going forward.

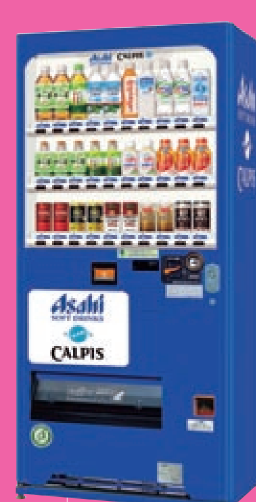
WONDA Kinnobitou is one of the first products to offer a rich coffee flavor using high-quality beans but little sugar. The response has been very positive, with approximately 9 million cases sold in the first year, far exceeding the initial target of 1 million.

Meanwhile, *WONDA ZERO MAX*, not to be outdone by the conventional blend-type coffees, delivers a solid, slightly sweet flavor through the addition of milk, but without using sugar. As the first canned coffee of its type, it has earned strong customer support, outstripping the initial annual sales target of 3 million cases to sell approximately 5 million cases in its first year.

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

Asahi Calpis Beverage Enters Full-Fledged Operations

Asahi Calpis Beverage Co., Ltd. is a vending machine operating company established in December 2007 through joint investment by Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. The company played a major part in boosting soft drink unit sales in 2008. In 2009, Asahi Calpis Beverage will work to strengthen the profitability of the vending machine business. This will be achieved in two main ways. One is by enhancing customer satisfaction by offering both Asahi Soft Drinks and Calpis products to boost per-machine sales. The other is by improving the efficiency of route sales activities through better inventory management. To this end, we will introduce the React vending machine management system.



This vending machine offers both Asahi and Calpis products

The React vending machine management system

Asahi Soft Drinks Co., Ltd.

Tea-based drinks

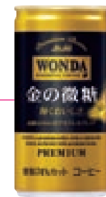
Asahi Juroku-cha

Ibuki
Launched February 10, 2009

Asahi Soft Drinks Co., Ltd.

Coffee

WONDA Morning Shot



WONDA Kinnobitou (low-sugar)

WANDA Zero Max (sugar-free)

Asahi Soft Drinks Co., Ltd.

Carbonated beverages

Mitsuya Cider

2008 Business Overview

Market Environment

Despite benefiting from high summer temperatures in July, Japan's soft drinks market in 2008 saw sales volume just slightly below that of the previous year. Among other factors, this decrease stemmed from more cautious consumer spending due to household budgetary concerns, reflecting the impact of sharply higher gasoline prices and successive increases in the price of food, particularly in the first half of the year. By category, carbonated beverages experienced growth in sales volume during the year.

Initiatives in 2008

Sales, including for the overseas operations, rose 5.7% year on year to ¥316.7 billion. Operating income, however, declined 86.6% to ¥0.6 billion, due to sharply higher prices for raw materials, and steeper competition, both in Japan and overseas.

In soft drink operations in Japan, core operating company Asahi Soft Drinks Co., Ltd. enacted initiatives designed to stimulate dramatic growth through a basic policy addressing three key issues: growth strategies, structural reform, and "taking on challenges in new areas." With respect to the product-related measures at the heart of the growth strategies, we channeled management resources into the company's core brands *WONDA*, *Mitsuya Cider*, and *Asahi Juroku-cha* to build these products into strong "pillar brands." These efforts were rewarded with annual sales volume surpassing 30 million cases each for both the *WONDA* and *Mitsuya Cider* brands, an accomplishment that enhanced their presence as powerful brands in Japan's soft drinks market. We also took steps to continuously reinforce and nurture existing brands such as *Asahi Fujisan no Vanadium Tennensui* mineral water, and aggressively presented new products that meet the diversifying needs of our customers.

In vending machines, an important sales channel in the soft drinks industry, we launched full-scale operations at Asahi Calpis Beverage Co., Ltd. in a bid to strengthen and enhance the efficiency of this business. The move contributed substantially to sales. As a result, Asahi Soft Drinks sales rose 11% year on year, climbing to a record high for a third consecutive term.

Where structural reform is concerned, we took steps to cut costs by striving to reduce prices for raw materials and through operation of the new plastic bottle line at Asahi Breweries Ltd.'s Ibaraki Brewery. These actions were both part of our redoubled efforts to reform the profit structure. In "taking on challenges in new areas," we sought to establish growth foundations in new domains within products and retail sales channels.

In the chilled beverages business, LB, Ltd. (Hasuda, Saitama) established an integrated nationwide sales framework by resuming the sales operations previously entrusted to Asahi Soft Drinks in certain areas. As part of our product strategy, we promoted high-value-added products and moved to upgrade and expand *Clear Fruits* and other Asahi brand product lines in this business. At LB, Ltd. (Tokai, Aichi), meanwhile, in addition to developing new business pillars, benefits are gradually emerging from our efforts to develop new sales channels using wholesalers of snacks and confectionary, blood donation centers, and other routes. Furthermore, we initiated our "Quality First Home Delivery" service, whereby we purchase and sell premium select food products from across Japan, with the aim of developing into a "comprehensive product delivery support company" able to propose a wide range of farm-direct and Group products to retailers.

Mitsuya Cider All Zero
Lauched May 26, 2009

Asahi Soft Drinks Co., Ltd.
Water

Asahi Fujisan no Vanadium Tennensui

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

Ocha

Ichinichibun no Ca & Fe

Plans and Strategies for 2009

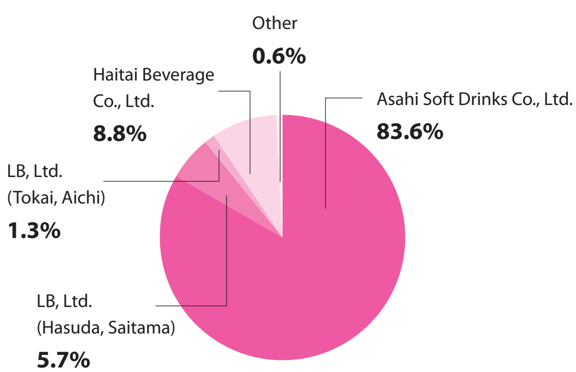
In 2009, Japan's soft drinks market is likely to see growth slightly below the previous year, with the competition to survive in this market expected to become more intense. In this climate, the Asahi Breweries Group will continue to prioritize the nurturing and strengthening of its brands, while moving to manage sales costs throughout its operations and make production and logistics operations more efficient. These actions, we contend, will enable us to maintain and expand profitability. By pursuing these measures, we are targeting sales of ¥323.0 billion (up 2.0% year on year) and operating income of ¥6.8 billion (up by a factor of 11.3).

At Asahi Soft Drinks Co., Ltd., we will continue to channel investments into our three core brands—*WONDA*, *Mitsuya Cider*, and *Juroku-Cha*—as well as the green tea, functional, and water categories, in order to enhance our market presence. Particularly for our *WONDA* and *Mitsuya Cider* brands, we are setting 40 million cases as our sales volume target, and will propose new value to customers in the drive to boost sales. In the vending machine business, under Asahi Calpis Beverage, we intend to make the most of synergies possible through scale expansion, for example through improvements in sales per machine, realignment of sales bases and routes, and improvements in operational efficiency due to the adoption of new systems.

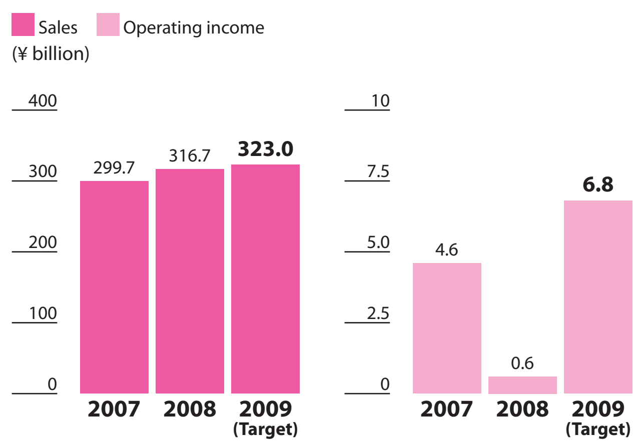
In terms of profit, despite the challenging operating environment, including volatile prices for raw materials and increasing competition, we are looking to boost earnings both through higher sales and by increasing the ratio of production performed in-house to scale back costs. We also intend to lower costs by using advertising and sales promotion expenses more efficiently.

Strengthening the soft drinks business is the Group's top priority. Along with encouraging further growth at Asahi Soft Drinks on an individual basis, we hope to further reinforce our business base by bolstering the chilled beverages business and accelerating the pace of business alliances with outside companies.

Share of Sales by Group Company (2008)



Soft Drinks Sales and Operating Income (Incl. overseas operations)



Food and Pharmaceuticals Business

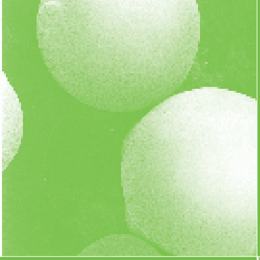
Naoki Izumiya
Senior Managing Director and
Senior Managing Executive Officer

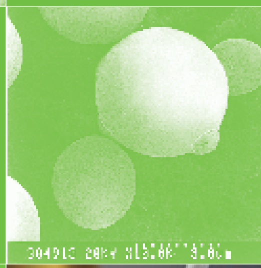
Taking on Value Creation and Capturing Synergies to Raise Competitiveness

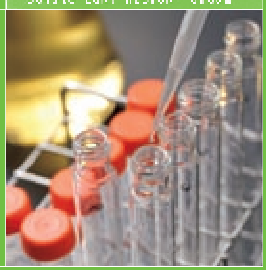
The food and pharmaceuticals business began with health and functional food products made from brewer's yeast. Today, at Asahi Food & Healthcare Co., Ltd., we also produce and sell breath mint tablets and diet support food products.

In 2006, we added leading baby food manufacturer Wakodo Co., Ltd. to the Group and in 2008 entered a capital and business alliance with Amano Jitsugyo Co., Ltd., one of Japan's top manufacturers of freeze-dried food products. We are working to expand in both of these business domains.

Looking ahead, each Group company will develop brands in their respective market segments, and rise to the challenge of creating new value. In tandem, we will harness Group synergies throughout the world to strengthen product development capabilities and improve the competitiveness of the entire business in other ways.







Set to expand our business domain using yeast constituents discovered in a worldwide-first

In February 2009, we established a joint venture called Advanced Yeast Technologies Japan, Ltd. with Mitsui & Co., Ltd. This company will manufacture and sell yeast extract as a natural seasoning, aiming to launch products worldwide from late 2009.

Advanced Yeast Technologies Japan's products are high-value-added natural yeast extract seasonings. The four strains of yeast used in the products contain high concentrations of certain constituents first discovered by the Asahi Breweries Group, including glutamic acid, which adds greater depth of flavor to the yeast.

Advanced Yeast Technologies Japan will outsource the yeast extract manufacture to a Serbian subsidiary of U.S. company Alltech, the world's largest manufacturer of yeast products for animal feed. The Asahi Breweries Group will also allow Alltech to use its proprietary yeast strains and cultivation technology. We will also provide to Alltech the extract manufacturing technology and expertise in blending and formulation amassed by our subsidiary Asahi Food & Healthcare Co., Ltd.

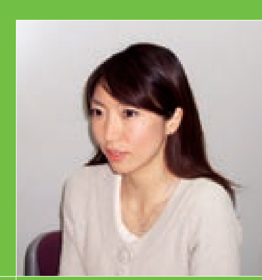
The yeast extract products will be marketed outside Japan through the Mitsui Group's overseas sales network, while Asahi Food & Healthcare's existing sales network will handle sales for the Japanese market.

Developed nations are leading an ongoing global trend toward health consciousness and preference for additive-free food. In this context, the global market for yeast extracts as a natural food ingredient has reached approximately 100,000 tons, with 4 to 5% growth expected every year. By maximizing synergies with other companies both inside and outside the Group, Advanced Yeast Technologies Japan will raise its profile in the promising yeast extract market and play an important role in bolstering the competitiveness of the food and pharmaceuticals business.

Building Brands That Fully Meet Our Customers' Changing Needs

In September 2008, Wakodo Co., Ltd. revamped its Goo-Goo Kitchen brand for the strong retort-pouch baby food market, which has since achieved steadily rising sales. The driving force behind this brand's success is its careful attention to changing customer needs.

Specifically, the products offer an easy-to-eat texture and an easy-to-chew consistency in order to address the issue of children refusing to eat or swallowing food without chewing it, a common concern for mothers whose babies have just stopped breastfeeding. Thanks to a manufacturing process that mixes air into the ingredients, the products have a light and juicy texture, and the consistency is carefully calibrated for babies at various stages of development to help them practice chewing. We have also responded to mothers' comments that toddler portions are too small by adding larger product sizes, as well as moving to using 100% domestically grown vegetables.



Mitsuko Murakami
Marketing Department
Manager
Wakodo Co., Ltd.

Going forward, Wakodo will continue to reflect customer opinions and desires in its products in order to establish strong brands in the baby products market.

Asahi Food & Healthcare Co., Ltd.

BALANCEUP

MINTIA

Wakodo Co., Ltd.

Infant formula Lebens Milk Hai Hai

Goo-Goo Kitchen

Amano Jitsugyo Co., Ltd.

Miso Soup

2008 BUSINESS OVERVIEW

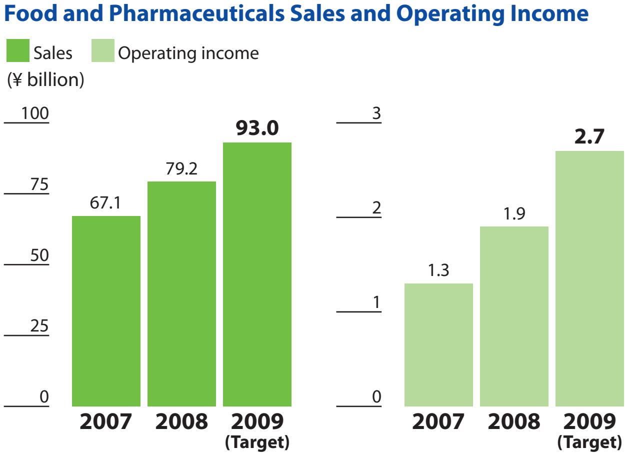
Sales in the food and pharmaceuticals business rose 18.1% year on year to ¥79.2 billion, with operating income climbing 44.6% to ¥1.9 billion. Despite rising costs for raw materials, overall results at each Group company in this segment improved atop healthy performance from mainstay products, extensive cost management efforts, and strong business results from newly consolidated subsidiaries.

Asahi Food & Healthcare Co., Ltd. promoted business development and expansion and reinforced its business base, guided by a strategy focused on growth, structural reform, and "ensuring safety and reliability." Mainstay product performance was firm, notably for *MINTIA* breath mint tablets and *BALANCEUP* nutritionally balanced snack bars, reflecting aggressive sales promotions and the release of revamped products.

Wakodo Co., Ltd., following a policy of "overcoming the challenges to growth," also worked to expand business scope and reinforce its base. In September, the company launched its *Goo-Goo Kitchen* baby food brand, leveraging expertise in "infant-safe quality" honed in baby products over the years. Wakodo also moved to reinforce its core brands, which included the revamp of powdered infant formula brands *Hai Hai* and *Gun Gun* in October. These combined efforts resulted in steady sales growth.

In freeze-dried products, processed seasonings and retort-packaged foods, we made significant strides in strengthening the business base through a capital and business alliance with Amano Jitsugyo Co., Ltd., which boasts some of Japan's most extensive technological capabilities and manufacturing capacities in these fields.

Food and Pharmaceuticals Sales and Operating Income

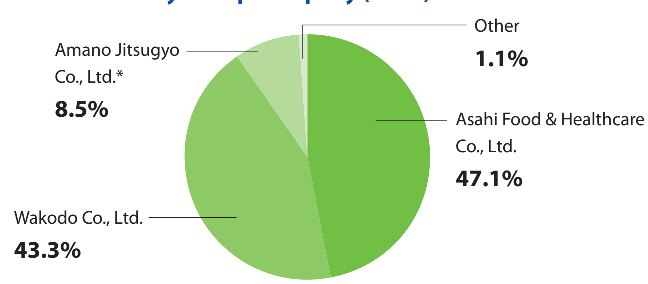


PLANS AND STRATEGIES FOR 2009

In 2009, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and new Group company Amano Jitsugyo Co., Ltd. will take the lead in efforts to establish brands that will support the Group's growth and create both internal and external synergies. We will also pursue initiatives for growth in the food and pharmaceuticals business, including possible new business alliances. With these measures, we aim to achieve sales of ¥93 billion (up 17.4% year on year) and operating income of ¥2.7 billion (up 42.1%) in this business in 2009.

Asahi Food & Healthcare Co., Ltd. is targeting sales of ¥43.4 billion (up 11.8%) and operating income of ¥1.3 billion (down 0.5%). The company will focus on brand enhancement for core products such as *MINTIA* and on nurturing the next generation of core products. Complementing this will be efforts to develop the core fields of the future, such as the health food sector. Wakodo Co., Ltd., meanwhile, will further accelerate steps to overcome the challenges to growth, positioning 2009, the third year of our 3rd Medium-Term Management Plan, as a stage for quickening its growth pace. The company will tout "infant-safe quality" as the centerpiece of its brands, developing products that offer new value. Through these initiatives, Wakodo will reinforce its existing baby product and food businesses, while embarking on the full-scale development of baby food with the aim of extending its overall business base. Consequently, the company is targeting sales of ¥38.0 billion (up 10.6%) and operating income of ¥2.1 billion (up 23.1%) for 2009. New Group company Amano Jitsugyo Co., Ltd. is seeking sales of ¥1.5 billion (up 90.6%*) and operating income of ¥0.2 billion (up 52.1%*) for the year, to be achieved through collaborations with Group companies at every stage of its value chain. Efforts here will include utilizing Group resources to develop new materials and products, joint logistics and raw materials procurement, and joint sales activities.

Share of Sales by Group Company (2008)



* Amano Jitsugyo Co., Ltd.'s results for 2008 only cover the July to December period.

Overseas Operations

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

Masahiko Osawa
Senior Managing Director and
Senior Managing Executive Officer

Expanding the International Business Base to Establish a New Growth Trajectory

As the Japanese market matures, strengthening the overseas operations base to establish a new growth trajectory for the Group has become a pressing task.

Up to now, we have expanded our overseas operations by investing in local alcoholic beverage and soft drink companies primarily in the fast-growing Asian region; licensing *Asahi Super Dry* in major world markets; and contracting production.

In 2009, we have further enhanced our business base in the Asia and Oceania region. One move was to acquire Schweppes Australia Pty Ltd., Australia's second-largest soft drinks company. We also agreed to invest in Tsingtao Brewery Co., Ltd., China's second-largest beer company.

Going forward, we will strengthen our existing businesses and capture synergies within and outside the Group to enhance the profitability of the overseas operations as a whole.

China—Beer Business in China

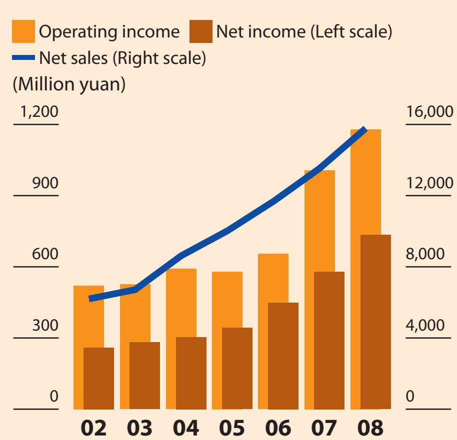
Rebuilding Business Under a Strong Partnership

China is now the world's largest beer consumer, surpassing the United States. In 2007, overall national consumption was 5.5 times as high as in 1990 and per-capita consumption rose approximately 4.7 times over the same period to about 29 liters per year, above the world average of 25 liters. In light of this market expansion, the world's most powerful beer companies are actively joining the action, fanning fierce competition.

Our Chinese beer business began in 1994 when we invested in Hangzhou Xihu Beer Asahi Co., Ltd. As of December 31, 2008, we had equity interests in three companies, and operated one joint venture. However, competition is escalating amid industry consolidation centered on the major players.

Therefore, in January 2009, the Asahi Breweries Group decided to invest in Tsingtao Brewery, which boasts extremely high production and sales volumes in China, and with which the Asahi Breweries Group has an existing alliance. This new capital tie-up will take maximum advantage of the strengths of both companies. Tsingtao Brewery has a solid business base and brand power established over many years in the Chinese beer market. The Asahi Breweries Group, meanwhile, is strong in production and quality assurance, skills developed in the Japanese market. Drawing on these strengths should boost competitiveness and improve business profitability.

Tsingtao Brewery Results



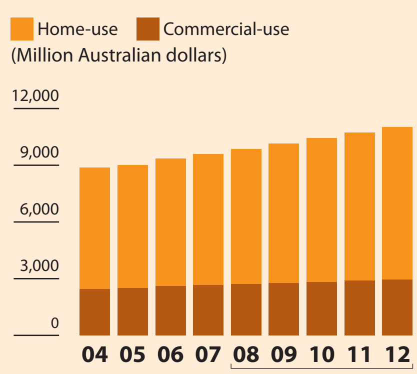
Australia—Soft Drinks Business in Australia

Creating a New Business Base in the Oceania Region

In April 2009, the Asahi Breweries Group acquired Schweppes Australia, which commands the second-largest share in Australia's soft drinks market with powerful brands such as Schweppes, Pepsi, and Sunkist.

As Australia's soft drinks market has continued to grow, the major players have grabbed larger market shares. Going forward, this market is expected to generate steady earnings. Through the acquisition of Schweppes Australia, the Asahi Breweries Group has secured a foothold in the Oceania region in addition to Asia. In the future, the Asahi Breweries Group intends to further expand Schweppes Australia's business and enhance its earnings power by sharing Japanese product development expertise and high-quality, low-cost production technology. The Asahi Breweries Group also intends to absorb marketing know-how from Schweppes Australia and put it to good use in developing a global soft drinks business. Using these tangible and intangible assets, we will turn this recent acquisition into an opportunity for Group growth.

Australian Soft Drinks Market



Beer Business (Excluding China)

In 2008, unit sales volumes (including exports) were strong, with steady growth in North America, Asia and Oceania, and much higher sales in Europe. As a result, the overall overseas beer business grew year on year.

In order to expand sales in Russia, where beer consumption is increasing, in March 2008 the Asahi Breweries Group concluded a licensing contract with Baltika Breweries, the country's largest beer company, to produce, sell, and market beer on a contract basis. As a result of marketing activities, mainly in beer-loving St. Petersburg and Moscow, unit sales volume in Russia grew more than 200% year on year.

In Europe, sales volume grew by double digits year on year due to stronger ties with wholesalers and retailers in major countries such as France, Italy, Spain and Germany.

In Asia and Oceania, aggressive marketing activities by Lotte Asahi Liquor Co., Ltd. in South Korea also led to double-digit growth. In Taiwan, in a bid to further raise sales volume, in September 2008 the Asahi Breweries Group established a joint venture with general trading company MERCURIES AND ASSOCIATES, LTD. for the sale of alcoholic beverages, soft drinks and food.

In 2009, the Asahi Breweries Group will further strengthen its alliance with Baltika Breweries in Russia to expand sales volume in Russia and will look at the possibility of exporting to the CIS countries*. In other regions, the Group is eyeing new business investments and alliances, particularly in the Asia and Oceania region. By also enhancing alliances with existing local partners we will seek to expand sales as we strengthen existing business bases.

* CIS: Commonwealth of Independent Nations, a regional organization of the former Soviet republics.

Soft Drinks Business

China: Tingyi-Asahi-Itochu Beverages

Even amid concerns that the global economic crisis will dampen economic growth, Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. is growing steadily. Since the Asahi Breweries Group invested in the company in 2004, it has been providing expertise on production technology and quality assurance technology to support Tingyi-Asahi-Itochu Beverages' aggressive growth strategy. In 2008, Tingyi-Asahi-Itochu Beverages rolled out a new wholesaling system and succeeded in maintaining above-market growth in sales volume.

In 2009, competition is expected to intensify as a result of the economic slowdown. The Asahi Breweries Group will provide stronger support than ever in marketing, logistics management and other areas. It will also make use of brand capabilities and sales channels built up in tea beverages and mineral water to increase market share in the Chinese fruit juice market.

The overriding goal is to raise Tingyi-Asahi-Itochu Beverages' presence in the Chinese soft drinks market.

South Korea: Haitai Beverage

With competition intensifying in the South Korean soft drinks market, Haitai Beverage Co., Ltd. has formulated a three-year, medium-term management plan for 2009–2011 based on three key initiatives: strengthening its major brands, boosting its handling volume by restructuring sales, and radically reforming its profit structure. In 2008, ahead of the plan's implementation, all divisions took steps toward structural reforms, including restructuring sales activities, integrating and eliminating production and sales bases, and reducing fixed costs through outsourcing. These efforts resulted in a narrower operating loss.

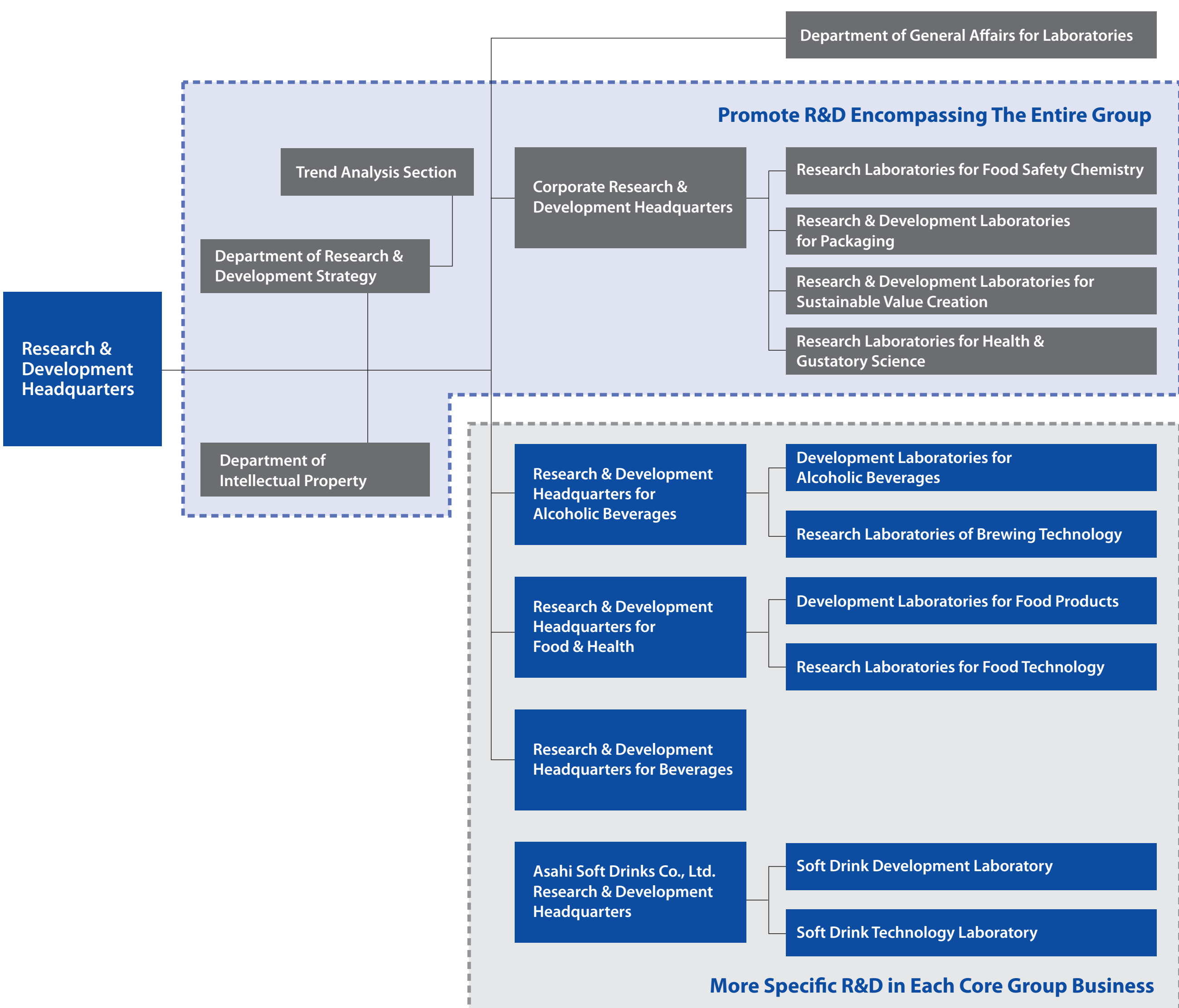
In 2009, the company will steadily execute its medium-term plan with a view to achieving profitability in 2011.

Research and Development

The Asahi Breweries Group is striving to become the "leading company" with high growth potential by continuously offering "lifelong enjoyment and excitement" to customers, especially in Asia, in the business domain of "food and health." Guided by this Long-Term Vision, our R&D organization has structures specific to each of the Group's core businesses—alcoholic beverages, food and soft drinks—that develop applicable products and technologies. Our Corporate Research & Development Headquarters, meanwhile, promotes technological developments and R&D leading to the creation of new businesses across the entire Group.

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

Research and Development Structure



Alcoholic Beverages

For *Clear Asahi*, which launched in March 2008, we sought ways to blend the happoshu base of the beverage with additional ingredients to achieve the refreshing and satisfying taste that customers want. We also adopted a new production method in which we set two different temperatures during fermentation, using the temperature differential to promote the fermentation process. Raising the temperature in the latter stages of fermentation invigorates the action of the yeast; the result is a beverage that preserves the rich boldness gained from the malt and additional ingredients, while reducing the remaining sugar to leave a pleasant aftertaste.

Soft Drinks

For *Mitsuya Cider*, a brand that has been around for more than 125 years, in May 2008 we released *Mitsuya Cider Nihonhinshitsu Kishu Nanko Bai**, a plum-flavored beverage that is first in our line of fruit juice-infused carbonated drinks, and that was first in the industry to use the "Fresh Quality Production Method."

The Fresh Quality Production Method used in the manufacture of carbonated fruit juice beverages involves keeping the pasteurized liquid and the containers (bottles and caps) in an environment with strictly controlled hygienic conditions when bottling. The advantage of this method is that the heat treatment process required after conventional bottling and capping can be skipped. Introducing this method has resulted in improved taste and lower environmental impact, as well as reduced cost.

* Mitsuya Cider made with Kishu Nanko Ume Plum, Japan's leading plum brand

Food and Pharmaceuticals

In March 2008, we launched a product in the *Slim Up Slim Precious Shake* meal replacement line of diet support foods that contains a protein that makes people feel full longer. This ingredient was discovered by the Research Laboratories for Health & Gustatory Science. Because it is made from plant sources, people can safely consume this protein indefinitely as part of their diet.

New Businesses

Since 2002, the Asahi Breweries Group has conducted joint research on the manufacture and popularization of sugarcane-based biomass ethanol with the National Agricultural Research Center for Kyushu Okinawa Region in Iejima, Okinawa. In February 2008, the *E3 Gasoline* created via this collaboration was provided for the guide car used in the Okinawa Marathon.

Corporate Governance

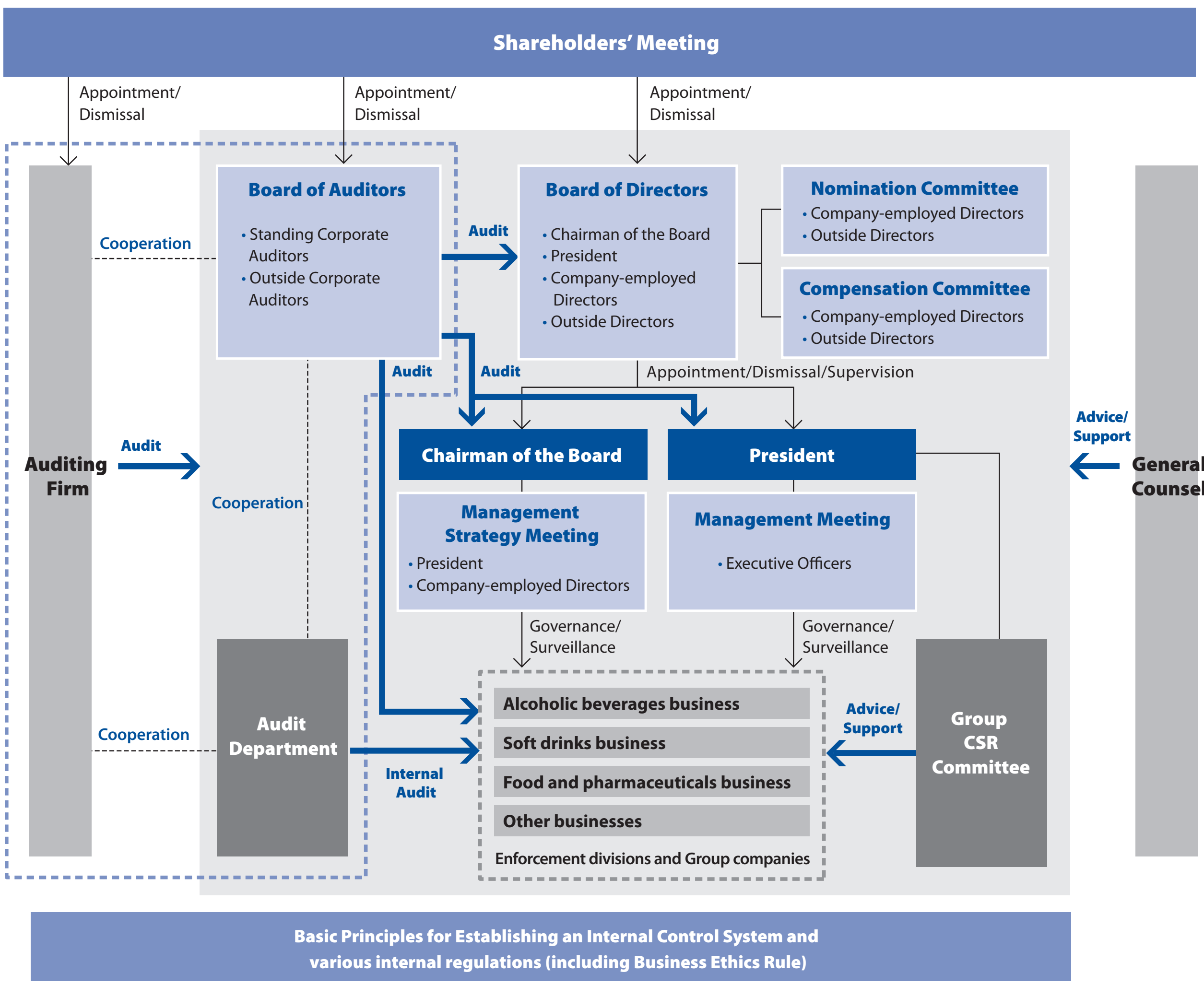
Basic Policy

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

Characteristic Features of Our Corporate Governance Structure

Asahi Breweries, Ltd. is a company with auditors as defined under Japan's Corporate Law. As such, it has developed its corporate governance structure based on a Shareholders' Meeting at which important

Corporate Governance Structure



management issues are decided, a Board of Directors that supervises the execution of operations by executive directors, and a Board of Auditors that monitors and audits the implementation of responsibilities by the directors.

In order to secure and enhance corporate value and, by extension, common shareholder interests, in 2007 Asahi Breweries, Ltd. introduced takeover defense measures to prevent acquisition of large volumes of the Company's shares by undesirable parties.

Board of Directors

The Board of Directors consists of 13 directors, including 3 outside directors (as of March 31, 2009). In 2000, Asahi Breweries, Ltd. reduced the number of directors from 40 to 10 in the interest of more timely decision-making and action, and to promote shareholder-oriented management.

The wealth of experience and keen insight of our current outside directors, whose backgrounds include experience as a top executive, an advisory government committee member and an educator, are reflected in the Board's effective decision-making and management oversight. These outside directors are free of any vested interest in Asahi Breweries, Ltd. and carry out their duties from an independent standpoint.

In 2008, the Board of Directors held 12 regular meetings and one extraordinary meeting with full attendance by all outside directors.

Nomination and Compensation Committees

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

The Nomination Committee recommends candidates for directors, executive officers and auditors to the Board of Directors. In 2008, the Committee met three times with an average attendance of 91.7%. The Compensation Committee makes proposals to the Board of Directors regarding the compensation structure for directors and executive officers. In 2008, the Committee met five times with an average attendance of 90.0%.

Executive Officer System

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

Management Strategy Meeting and Management Meeting

Two high-level meetings share the responsibility of quickly executing decisions made by the Board of Directors. The Management Strategy Meeting, chaired by the chairman and representative director, deliberates extremely important matters, while the Management Meeting, chaired by the president and representative director, deliberates the operations of the entire Group. These meetings maintain the accountability of directors for the entire Group and the responsibility of the president and representative director and executive officers for the alcoholic beverages business, thereby clarifying responsibilities and accelerating decision-making. To maximize operational efficiency, at each meeting progress is controlled and assessed based on an objective and rational management index. In order to ensure that the most appropriate decision-making method is employed for major issues and to further enhance compliance management, each meeting is attended by at least one standing corporate auditor.

Auditors, Internal Audit Department and Accounting Auditor

The Board of Auditors is responsible for supervising and auditing the management of the company and the performance of duties by directors. The Board of Auditors consists of five auditors, including three outside auditors. The experience and insight gained from the varying backgrounds of the outside auditors, a former top executive, a lawyer and a university professor, is evident as they audit the management of Asahi Breweries, Ltd. from multiple perspectives. In 2008, the Board of Auditors held seven meetings, of which Mr. Sakurai attended five, Mr. Nakamura attended six, and Mr. Ishizaki attended seven.

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

With respect to internal control, in order to enhance corporate value the 11-member Audit Department, which reports directly to the President, has been established as the internal organ responsible for conducting audits based on Group-wide auditing standards and our annual plan to ensure the proper and effective operation of the entire Group.

Twice a year general reviews of the audits are submitted to the Management Strategy Meeting to be used as the basis for new policies.

The auditors, Internal Audit Department and accounting auditor work in concert by exchanging information through briefings and by transmitting copies of auditing reports periodically, and as needed. In 2008, the Board of Auditors held five briefings with the accounting auditor and three briefings with the Internal Audit Department, respectively.

Compensation for Senior Officers and Auditors

With respect to compensation for senior officers, the Compensation Committee makes proposals to the Board of Directors regarding the compensation system and compensation for directors and executive officers. Information on compensation paid to directors and auditors in 2008 is provided as follows:

Compensation for Directors and Auditors (FY2008)

(¥ million)	Salary	Bonus	Total
Company-employed Directors (Total: 9)	362.9	98.3	461.2
Outside Directors (Total: 2)	21.6	6.7	28.3
Corporate Auditors (Total: 2)	61.8	2.3	64.1
Outside Auditors (Total: 3)	30.6	1.5	32.1

Asahi Breweries, Ltd. decided at a meeting of the Board of Directors held on February 6, 2007, to abolish the system of retirement benefits for directors and auditors and to include the relevant amount in their annual salaries. Retirement benefits were traditionally paid as compensation to directors and auditors at a future date, and the decision to include compensation equivalent to retirement benefits in the annual salary was made in response to the adoption of a one-year term of office. At the same February 6 meeting, the Board of Directors also decided to make no new allotments to the stock option system that had been implemented as part of the compensation system for directors, auditors and executive officers, on the grounds that even if they were able to execute their rights under insider trading regulations, it would be difficult to sell the rights at a later date, so that their function as an incentive was unsustainable.

Accounting Auditor Compensation

In fiscal 2008, audit fees payable to the accounting auditor amounted to ¥97 million for an attestation agreement and ¥38 million in other compensation.

Internal Control System

Internal Control System Development

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

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

Asahi Breweries, Ltd. established a project team that made preparations for ensuring compliance with Japan's Financial Products Transaction Law (Japanese SOX Act). In the preparation period through fiscal 2008, we drafted a document titled "Internal Control for Financial Reporting" for all major Group companies, confirmed in advance the preparation and implementation, and worked to make necessary revisions and improvements.

We also made preparations for 2009, when the law would come into force, by formulating "Basic Regulations for Evaluation and Reporting of Internal Control for Financial Reporting" and establishing the Internal Control Evaluation Office as an organization to conduct independent evaluation of managers.

Development of Internal Control System Based on the Corporate Law

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

Based on these Basic Principles, we are presently developing an internal control system that will encompass the entire Asahi Breweries Group. With respect to both risk management and compliance, we are establishing systems and guidelines that reflect the Basic Principles as we conduct control activities (see p. 38 for more details). All major Group companies, specifically Asahi Soft Drinks Co., Ltd., Wakodo Co., Ltd., The Nikka Whisky Distilling Co., Ltd., and Asahi Food & Healthcare Co., Ltd., have also drafted their own basic principles in this area.

In 2008, we embedded PDCA (Plan-Do-Check-Act) cycles based on the regulations and organizations already in place. In September, however, illegally sold rice deemed unfit for human consumption was found in *koji** rice used to manufacture some of the Asahi Breweries Group's potato shochu, and the Group conducted a voluntary recall. Despite successful management cooperation with the farms that produce the potatoes also used in producing shochu, it was undeniable that there were a number of issues requiring attention in the management of the rice used in making the malt. In light of this incident, we established a new quality control system (see the information box on this page), reviewing all processes in the supply chain from the standpoint of ensuring safety and peace-of-mind for the public. Under this new system, we will further enhance quality control.

While forging an extensive internal control system applicable to the entire Group, including companies newly acquired through M&A activities, we will maintain an ongoing awareness of regulatory reforms and social trends to support a proactive stance on risk management.

* *Koji* is the mold used to aid fermentation in shochu and sake production.

New Quality Control System and Resumption of Potato Shochu Sales

- Ingredient procurement: For *koji* rice, we will exclusively use rice grown in Japan that has a clear distribution route.
- Inspection system: We will enhance inspection systems at every stage, from ingredients to products.
- Quality audits: Staff responsible for quality audits will conduct careful audits on a regular basis.
- Labeling to indicate use of Japanese rice: From now on, as we use exclusively Japanese produced rice in potato shochu, packages will be labeled "Made with 100% Japanese *koji*."

Risk Management

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

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

In 2008, the committee discussed and decided on a basic policy for Group-wide measures to address new strains of influenza. Based on this, the Group formulated the Guidelines for Response to New Strains of Influenza, and gradually prepared specific measures and business continuity planning for each division and Group company.

Risk Management Promotion System

Compliance

Asahi Breweries, Ltd. promotes compliance throughout the Group under the leadership of the Asahi Breweries Group Corporate Ethics Committee—comprising directors, executive officers and legal advisors—by appointing trained compliance promotion staff in each place of business and Group company, providing thorough training on the Business Ethics Rule and enhancing awareness of compliance among employees.

The Group has appointed Legal Promoters (LPs), Senior Legal Promoters (SLPs), and Legal Promoters for Governmental Regulations (GLPs) to further strengthen our compliance structure. Appointees to each of these positions are selected from among the Group's regular employees. As of the end of 2008, approximately 150 LPs, 29 SLPs and 29 GLPs have been assigned. Together with efforts to upgrade and enhance training and seminars, questionnaires and other activities, we are taking steps to further embed the Group's in-depth approach to compliance. Through compliance training targeting LPs in particular, we were able to create deeper understanding of the most up-to-date know-how relating to compliance initiatives targeting the environment, business partners, employees, and other stakeholders.

Compliance Promotion System

Board of Directors, Auditors and Executive Officers (As of March 26, 2009)

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

Board of Directors

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

Auditors

Standing Corporate Auditors

Yoshihiro Goto
Yoshifumi Nishino

Outside Auditors

Takahide Sakurai
Naoto Nakamura
Tadashi Ishizaki

Executive Officers

Managing Executive Officers

Yuji Ninomiya
Akira Matsunobu
Seikou Takahashi
Fumio Yamasaki
Kenji Taniguchi
Katsuyuki Kawatsura
Masafumi Tanino
Takayoshi Kanaya

Executive Officers

Makoto Sugiura
Yoshihisa Kitagawa
Norio Naito
Toshio Mori
Hideaki Takemoto
Shoji Tsumura
Takami Maruyama
Toshio Kodato
Katsutoshi Takahashi
Shinichi Hirano
Seiichi Ishikawa
Kenkichi Aoki
Hirohisa Shibuya
Masaru Nohara
Hiroshi Katagiri
Kazunori Shibata
Shiro Ikeda

Corporate Social Responsibility (CSR)

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

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

Today, these diverse customers expect more from us than just providing quality products at an appropriate price; they expect us to fulfill our social responsibilities such as environmental conservation in every aspect of our business activities. By living up to these customer expectations, we aim to foster relationships of trust and to develop sustainably, side by side with society.

Initiatives to Curb CO_2 Emissions

Reducing CO_2 emissions associated with global warming is a goal that is shared by all humankind and a concern that requires worldwide cooperation. The Asahi Breweries Group releases CO_2 in the course of consuming energy at our many production sites, and we recognize that cutting back these emissions is a critical social responsibility.

Asahi Breweries Group CSR Policy (Formulated in February 2007)

The Asahi Breweries Group responds to customer expectations as a corporate group that contributes to people and society through the food and health businesses by fulfilling corporate responsibility to the environment and society in order to promote a sustainable society. We will pursue efforts in cooperation with our business partners considering both the entire supply chain and a global perspective.

Based on this commitment, we have set the Group* target of reducing CO_2 emissions by 15% against 1990 levels by fiscal 2010, going beyond Japan's commitment in the Kyoto Protocol of 6% against 1990 levels. All our business operations, particularly manufacturing operations, are vigorously working to reduce CO_2 emissions and meet this target.

The following are some concrete examples of our initiatives.

* Applies to Group alcoholic beverage manufacturing divisions.

New Manufacturing Method: Reducing CO_2 Emissions From the Boiling Process—The PIE Method

The boiling process is a crucial stage of brewing beer, extracting unwanted flavors and aromas from the hops and malt. However, boiling uses a large amount of energy, 25% of the total energy used during the entire brewing process.

Asahi Breweries, Ltd. was the first in the world to develop the Pre Isomeriser & Evaporator (PIE) method, which reduces the amount of energy needed for boiling by boiling the hops and the wort separately, taking advantage of the fact that the boiling point for hops is higher than for the wort. The result has been a roughly 30% decrease in CO_2 emissions volumes. Moreover, this method extends the length of time that the beverage can hold its carbonation without impairing the flavor. The new technology was recognized with the 2008 Environment Minister's Award for Global Warming Prevention Activities.

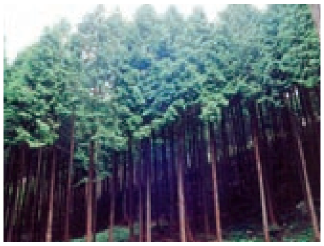
An Industry First: Logistics Divisions Use RFID to Reduce CO_2 Emissions

Asahi Breweries, Ltd. is making active efforts to reduce the environmental burden of its transportation activities through effective introduction of cutting-edge technologies. In February 2007, the company began using RFID (Radio Frequency Identification) eco-bands for transportation of products between Tokyo and Nagoya. An eco-band is a re-useable shipping tool used to stabilize cases of alcoholic beverages during shipping. This system has now been expanded to Fukushima, Ibaraki, and Kanagawa areas.

Furthermore, in December 2008 Asahi Breweries strengthened its asset tracking management by introducing RFID tagging to manage the carbon dioxide gas canisters used for beer. Using these tags, the company carried out tests to determine whether RFID can be used to enable canisters to be sent directly from the carbon dioxide filler to wholesalers and liquor retailers without needing to pass through the beer manufacturer. According to Asahi Breweries' estimates, this new method can reduce the distance the canisters travel during transport by two-thirds, and cut CO_2 emissions by roughly 70%. It also makes it possible to reduce the amount of clerical work required and achieve proper inventory levels of canisters.

Other Initiatives to Reduce CO_2 Emissions

The Asahi Breweries Group has undertaken a range of initiatives to prevent global warming, including introduction of energy-efficient equipment at manufacturing locations and the conversion of fuel sources. The Group approaches the issue of CO_2 proactively, from two directions. Asahi Breweries, Ltd. take steps not only to curb emissions, as with the measures described above, through green energy certification systems or through introduction of photovoltaic generators, but it also works to absorb CO_2. One example of the absorption approach is the corporate-owned Asahi Forest, which was the first in Japan to receive third-party certification of its CO_2 absorption volume. In addition, from the perspective of the effective use of resources, the company has seen results from its efforts to improve the shape of beer cans to reduce the amount of aluminum used.



Group Management

Promoting Moderate and Responsible Drinking

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

The Asahi Breweries Group believes it is our serious responsibility as an alcoholic beverage maker to lead the way in solving these problems, and we are directing significant energy across the Group into educational activities that promote moderate and responsible drinking in line with The Asahi Breweries Group's Basic Philosophy for Promotion of Moderate & Responsible Drinking, complied in 2004.

We will take steps to prevent problems associated with improper drinking habits such as underage drinking, drunk driving, drinking during pregnancy or while breastfeeding, and binge drinking, in addition to cooperating with and assisting social movements against improper drinking.

In 2008, Asahi continued its participation in the "STOP! Underage Drinking" campaign run by the Brewers Association of Japan, promoting awareness among both adults and minors. In addition, Asahi Breweries' has created an educational tool for primary school students entitled, "What would you do? What could happen?—Learn about alcoholic beverages." The tool won the Outstanding Performance Award in the Printed Material Division of the 6th Consumer Education Material Recognition held by the National Institute on Consumer Education.

Contributing to Society By Supporting Artistic Activities

The Asahi Breweries Group believes that it should support artistic activities and efforts to contribute to creating an affluent society, under the watchword "Quality and Challenge." Activities are carried out throughout the Group in two major areas. First, underpinned by the key words of "the future, citizens, and communities," the Group makes the most of its resources to support artistic and cultural activities. Second, it aims to contribute to the realization of a healthy and affluent society and shared trust and emotion. In 2008, the Group held the Asahi Eco Art Series based on the theme of the Asahi Forest.

Financial Section

44 11-Year Summary
46 Management's Discussion and Analysis
56 Consolidated Balance Sheets
58 Consolidated Statements of Income
59 Consolidated Statements of Changes in Net Assets
60 Consolidated Statements of Cash Flows
61 Notes to Consolidated Financial Statements
78 Independent Auditors' Report

Eleven-Year Summary

Years ended December 31

	Millions of yen				
	2008	2007	2006	2005	2004
For the year:					
Net sales	¥1,462,748	¥1,464,072	¥1,446,385	¥1,430,027	¥1,444,226
Operating income	94,520	86,956	88,713	90,249	101,273
Income before income taxes and minority interests	82,938	81,741	81,165	75,725	58,369
Net income (loss)	45,014	44,798	44,775	39,870	30,596
Capital investments	36,135	44,481	36,894	43,941	40,134
Depreciation	47,353	45,250	48,793	50,028	51,339
<Segment information>					
Sales:					
Alcoholic beverages	—	—	—	—	—
Soft drinks and food	—	—	—	—	—
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	—
Others	—	—	—	—	—
Sales: (New Segments)					
Alcoholic beverages	995,703	1,012,256	1,007,558	1,025,447	1,078,931
Soft drinks	316,737	299,663	283,121	267,003	217,380
Food and pharmaceuticals	79,203	67,089	53,792	25,286	22,163
Others	71,105	85,064	101,914	112,291	125,752
Operating income:					
Alcoholic beverages	—	—	—	—	—
Soft drinks and food	—	—	—	—	—
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	—
Others	—	—	—	—	—
Operating income: (New Segments)					
Alcoholic beverages	90,762	79,285	78,186	78,089	90,872
Soft drinks	616	4,593	7,746	8,632	8,114
Food and pharmaceuticals	1,944	1,344	445	805	(599)
Others	1,006	1,724	2,173	2,559	2,935
Financial position:					
Total assets	1,299,059	1,324,392	1,288,501	1,218,227	1,250,818
Interest-bearing debt	302,259	332,458	290,101	289,202	303,089
Total net assets*2	534,628	529,782	509,775	454,892	417,828
	Yen				
Per share data:					
Net income	¥ 96.31	¥ 94.94	¥ 94.02	¥ 82.22	¥ 62.52
Diluted net income	96.14	94.74	93.85	80.98	60.64
Cash dividends applicable to the year	20.00	19.00	19.00	17.00	15.00
Total net assets	1,122.13	1,089.33	1,012.77	951.12	860.66
	%				
Ratios:					
ROE	8.7	9.0	9.6	9.1	7.5
Operating income ratio	6.5	5.9	6.1	6.3	7.0
Operating income ratio (exclusive of alcohol tax)	9.6	9.0	9.4	9.8	11.4
Equity ratio	40.2	38.9	37.0	37.3	33.4

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥91.03 to U.S.$1, the exchange rate prevailing at December 31, 2008.
*2 Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.
*3 Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.
*4 In case of net loss, disclosure of fully diluted per share data is not required.

Millions of yen						Thousands of U.S. dollars*[1]
2003	2002	2001	2000	1999	1998	2008
¥1,400,302	¥1,375,267	¥1,433,364	¥1,399,108	¥1,396,898	¥1,357,217	$16,068,856
78,984	69,341	77,777	76,550	80,122	91,893	1,038,339
48,681	32,483	18,611	(18,116)	15,038	23,273	911,106
23,210	14,754	13,617	(15,707)	4,082	579	494,496
38,184	41,257	64,829	66,518	63,149	103,449	396,946
53,101	51,546	52,901	51,790	43,840	39,656	520,191
—	—	1,179,412	1,127,737	1,114,441	1,068,908	—
—	—	201,772	216,191	229,704	234,729	—
—	—	—	—	—	—	—
—	—	3,058	4,194	3,897	4,921	—
—	—	49,122	50,986	48,856	48,659	—
1,067,136	1,057,029	1,101,620				10,938,185
185,738	173,773	192,526				3,479,479
21,547	14,232	14,561				870,076
125,881	130,233	124,657				781,116
—	—	92,635	86,774	86,037	92,583	—
—	—	(1,485)	2,009	6,972	7,641	—
—	—	—	—	—	—	—
—	—	1,833	2,717	1,623	3,060	—
—	—	(816)	(758)	94	950	—
72,452	69,145	76,809				997,056
2,645	(4,086)	(2,079)				6,767
169	8	406				21,356
3,399	3,855	2,476				11,051
1,244,410	1,294,738	1,341,103	1,389,827	1,405,507	1,519,014	14,270,669
336,285	402,206	417,167	503,371	502,327	613,194	3,320,432
398,153	387,539	385,965	356,009	383,474	383,089	5,873,097
Yen						U.S. dollars
¥ 46.80	¥ 28.90	¥ 27.00	¥ (31.54)	¥ 8.20	¥ 1.19	$ 1.06
44.58	27.46	25.25	—[*4]	8.11	—[*3]	1.06
13.00	13.00	13.00	12.00	12.00	12.00	0.22
810.19	770.86	752.25	715.04	777.04	777.6	12.3
%						
5.9	3.8	3.7	(4.2)	1.1	0.2	
5.6	5.0	5.4	5.5	5.7	6.8	
9.2	8.3	9.0	9.2	9.7	11.5	
32.0	29.9	28.8	25.6	27.3	25.5	

Management's Discussion and Analysis

Overview

Market Trends

In the fiscal year ended December 31, 2008, Japan's economy initially showed signs of modest expansion supported by robust exports and production. This positive movement, however, rapidly took a recessionary turn as the economy continued to be buffeted by escalating prices for raw materials, falling corporate earnings, a worsening employment picture and a near freeze in consumer spending triggered by the global financial crisis that began from September.

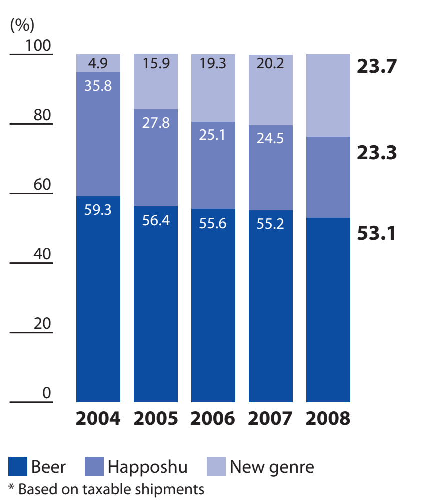
In the alcoholic beverages industry, while upward price revisions enacted by producers of beer-type beverages* stimulated sales growth for relatively low-priced new genre beverages, sales of beer and happoshu faltered on this move, causing sales in the overall market for beer-type beverages to end lower year on year. A similar trend of flat to declining overall growth was evident in each category in alcoholic beverages other than beer-type beverages as market maturation advanced.

In the soft drinks industry, overall industry sales volume is estimated to have declined by around 1% despite a streak of unusually hot weather during the summer. This downturn mainly reflected fewer purchases due to consumer belt-tightening in response to weak economic conditions.

In this climate, the Asahi Breweries Group worked during the second year of its Third Group Medium-Term Management Plan to promote Group management around the three key issues—"Brand cultivation and reinforcement," "Profit structure reform," and "Investment for dramatic growth."

* Refer to page 4 for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

Product Share in the Beer-Type Beverages Market by Genre



* Based on taxable shipments

Net Sales

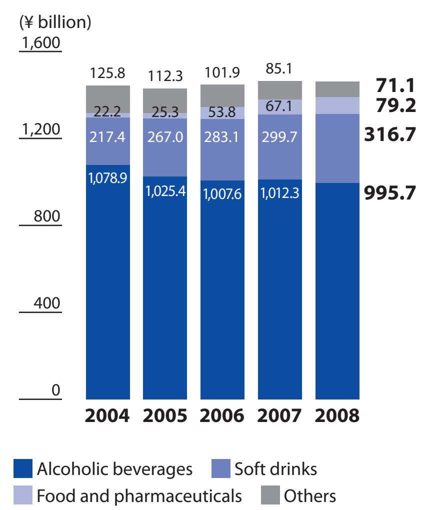
In fiscal 2008, net sales for the Asahi Breweries Group decreased ¥1.3 billion, or 0.1%, year on year, to ¥1,462.7 billion ($16,068.9 million).

Sales in the alcoholic beverages business declined ¥16.6 billion, or 1.6% year on year, to ¥995.7 billion, largely reflecting stagnation across the entire market for beer-type beverages. In the soft drinks business, sales rose ¥17.0 billion, or 5.7%, to ¥316.7 billion, while sales in the food and pharmaceuticals business increased ¥12.1 billion, or 18.1%, to ¥79.2 billion.

In sales composition by segment, the alcoholic beverages business saw its share decrease from 69.1% in the previous fiscal year to 68.1%, while the soft drinks business' share increased from 20.5% to 21.7%, and the food and pharmaceuticals business' share increased from 4.6% to 5.4%.

Sales from the alcoholic beverages business and the soft drinks business include net sales from the Group's overseas business. Overseas sales decreased 21.8% year on year to ¥43.3 billion.

Net Sales by Segment



Operating Income

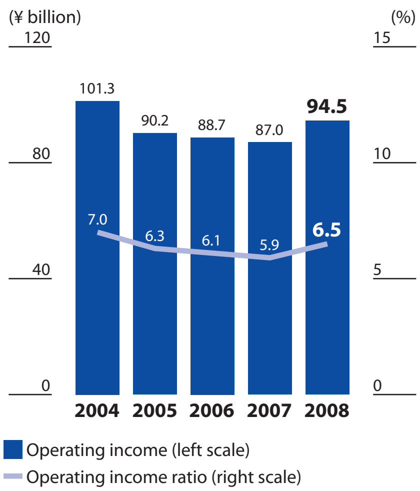
The cost of sales increased ¥13.4 billion, or 2.9% year on year, to ¥480.0 billion, compared to ¥466.6 billion in the previous year. This increase came despite cost reductions stemming from Group-wide progress in developing an optimal production system, which were outweighed the continued impact of prices for malt, juice, aluminum cans, and other raw materials. Meanwhile, alcohol tax payments declined ¥21.1 billion, or 4.3% from the previous year, from ¥494.6 billion to ¥473.5 billion.

Amid declining sales for beer and happoshu, and a projected continuation in high prices for raw materials, we plan to maintain efforts to reduce the costs of production and fixed costs going forward.

Selling, general and administrative expenses decreased ¥1.2 billion, or 0.3%, to ¥414.7 billion, from ¥415.9 billion in the previous fiscal year. This was primarily due to a reduction of ¥4.6 billion in sales promotion incentives and commissions, and a decrease of ¥3.7 billion in advertising expenses, as Asahi Breweries, Ltd. made more efficient use of advertising and sales promotion expenses. R&D expenses were ¥9.1 billion.

As a result, operating income increased ¥7.6 billion, or 8.7%, year on year, to ¥94.5 billion, compared with ¥87.0 billion in the previous fiscal year. The operating income ratio climbed from 5.9% last year to 6.5%.

Operating Income/ Operating Income Ratio



Other Income and Expenses

Other expenses increased ¥6.4 billion to ¥11.6 billion, representing a 2.2-fold increase year on year. Other expenses rose largely atop an increase in interest expenses of ¥0.2 billion, a ¥3.3 billion increase in the loss on devaluation of investment securities, a loss on foreign currency exchange of ¥1.2 billion, and prior year sales promotion expenses of ¥3.1 billion from the previous fiscal year. These factors were offset in part by an increase of ¥ 0.1 billion in equity in net income of unconsolidated subsidiaries and affiliated companies accompanying improved performance at a joint venture company operated in conjunction with Tingyi Holding Corporation, China's largest general food manufacturer, as well as a year-on-year decrease of ¥1.2 billion in the loss on sale and disposal of property, plant and equipment-net.

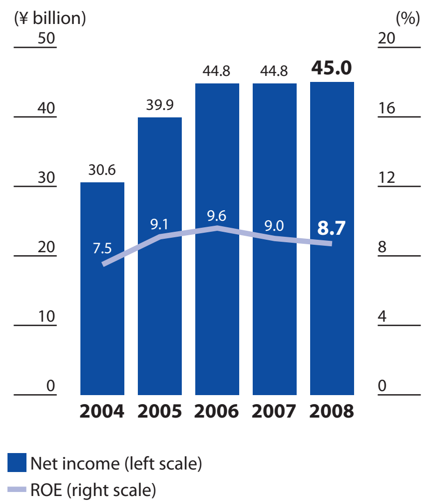
Income Taxes

The actual effective tax rate, including the corporate tax for fiscal 2008, increased to 49.6% from 45.0% in the previous fiscal year. The difference between the actual effective tax rate of 40.0% and the statutory tax rate of 40.4% was primarily caused by the positive effects of 6.3% in valuation allowances and 2.0% in non-deductible expenses, and the negative effect of 4.4% in equity and net income of unconsolidated subsidiaries and affiliated companies. The major factor behind the increase in the actual effective tax rate was the increase to 6.3% in valuation allowances.

Net Income

Net income rose 0.5%, or ¥0.2 billion year on year, to ¥45.0 billion ($495.5 million). The net income ratio was 3.1%, the same as in the previous fiscal year. ROE declined from 9.0% in fiscal 2007 to 8.7%. Net income per share (diluted) increased from ¥94.74 to ¥96.14.

Net Income/ROE

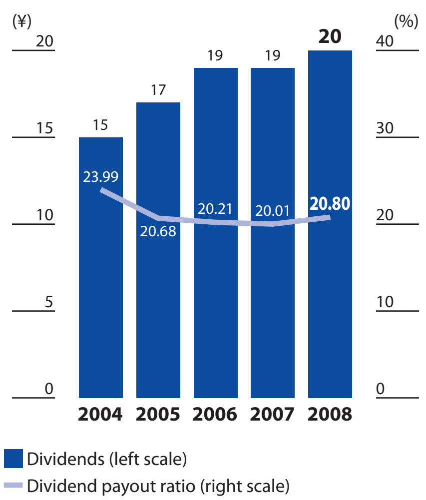


Dividends

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

Based on this policy, we paid an ordinary full-year dividend of ¥20.0 per share, which included a year-end dividend of ¥10.5 per share and an interim dividend of ¥9.5 per share. In fiscal 2009, ending December 31, 2009, we plan to pay an interim and year-end dividend of ¥10.0 per share, for a full-year dividend of ¥20.0 per share.

Dividends/Dividend Payout Ratio



Review of Operations by Segment

Sales and Operating Income by Segment (2008/2007)

	Millions of yen		
	2008	2007	Percent change
Sales			
Alcoholic beverages	**¥995,703**	¥1,012,256	(1.6)
Soft drinks	**316,737**	299,663	5.7
Food and pharmaceuticals	**79,203**	67,089	18.1
Others	**71,105**	85,064	(16.4)
Operating income			
Alcoholic beverages	**90,762**	79,285	14.5
Soft drinks	**616**	4,593	(86.6)
Food and pharmaceuticals	**1,944**	1,344	44.6
Others	**1,006**	1,724	(41.6)

Alcoholic Beverages Business

The domestic alcoholic beverages business is being affected by a decline in the drinking-age population and more consumers, particularly younger consumers, showing preference for beverages other than beer. In this climate, we proposed products designed to meet customer needs and took steps to cultivate and reinforce our brands through sales promotion activities and other means. At the same time, we pursued initiatives for establishing a profit structure capable of weathering changes in the business environment. Meanwhile in March 2008, we upwardly revised our shipment price for beer-type beverages in response to soaring prices for raw materials and energy. This was followed in September by the adoption of an open pricing system for shochu, whisky and spirits, and wine to facilitate proper pricing reflective of cost and profit at each stage in the distribution of these products.

While these initiatives spurred significant sales growth in the relatively low-priced new genre beverages category, the result was a slight dip in sales in the beer category and a sharp drop in happoshu sales. Combined with the downward trend across alcoholic beverages in general, overall sales in the alcoholic beverages segment edged 1.6% lower year on year, to ¥995.7 billion. In contrast, operating income climbed ¥11.5 billion, or 14.5% year on year, to ¥90.8 billion, the result of our ongoing pursuit of greater efficiency in production, distribution, and advertising and promotional activities.

Asahi Breweries, Ltd.

Beer-type beverages

In the domestic beer market, we took action to enhance the brand value of our core product in the beer category, *Asahi Super Dry*, by striving to improve freshness and promoting the refreshing taste of keg draft beer. The result was annual sales volume of over 100 million cases*[1] for a 20th consecutive year, and a record-high share of 50.5%*[2] of Japan's beer market, up 1.1 percentage points from the previous year. This achievement notwithstanding, beer sales volume decreased 4.2% year on year to 129 million cases, with beer sales declining ¥19.8 billion, or 2.8%, to ¥685.7 billion.

In happoshu, amid the launch by key players throughout the industry of new products featuring "zero sugar content,"*[3] customers gave high marks to *Asahi Style Free*, which hit the market ahead of rival products and recorded sales volume that surpassed initial targets. In happoshu overall, however, our standard-type *Honnama* brand struggled, causing happoshu sales volume to decline 13.5% year on year. As a result, Asahi Breweries, Ltd.'s share of the domestic happoshu market declined 1.7 percentage points to 26.0%. Sales of happoshu decreased ¥14.4 billion, or 11.5%, to ¥110.3 billion.

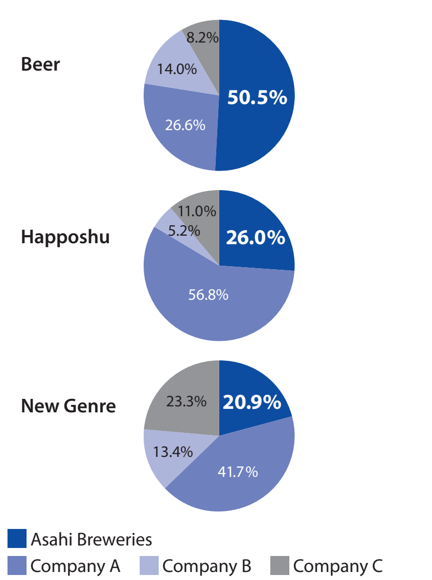
In new genre beverages, market growth was led during the year by malt liquors. One such product, *Clear Asahi*, launched by the Group in March 2008, sold more than 14 million cases. This product was significant in revitalizing the market, which saw sales volume jump 23.0% from the previous year. Consequently, Asahi Breweries, Ltd.'s share of the domestic market for new genre beverages rose 1.7 percentage points to 20.9%. Sales in this category increased ¥15.8 billion, or 25.6%, to ¥77.5 billion.

*[1] A case is equivalent to a case of 20 large bottles (663ml each).
*[2] Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.
*[3] Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero sugar content."

Taxable shipments for domestic-beer type beverages from Asahi Breweries, Ltd. declined 3.2% year on year to 182.3 million cases. The company's share of the overall domestic beer-type beverages market, however, was 37.8%, as it retained a leading share for an eighth consecutive year.

As a result, sales of beer-type beverages declined ¥18.4 billion, or 2.1% from the previous year, to ¥873.5 billion.

Beer-Type Beverages by Share (2008)



Alcoholic beverages other than beer-type beverages

Overall sales of other alcoholic beverages—shochu, RTD beverages, whisky and spirits, and wine—decreased ¥6.7 billion, or 4.9%, to ¥129.7 billion. As customer needs in this area diversify, we worked to cultivate uniquely advantaged leading brands while making progress on profit structure reform, which focused largely on striving to use advertising and sales promotion expenses more efficiently. As a result of these efforts, we met the target operating income ratio of 5% stipulated in the medium-term management plan.

Shochu

For shochu, we channeled management resources into core brands *Kanoka*, *Satsuma Tsukasa*, and *Daigoro*. To commemorate *Kanoka*'s 15th anniversary, we gave special attention to consumer campaigns and other efforts to strengthen the brand during the year. Despite these efforts, however, sales declined 4.0% year on year to ¥52.7 billion.

In September 2008, we voluntarily recalled potato shochu products made from non-pasteurized sake containing rice that had been illegally resold. Going forward, we are establishing a new quality assurance system for potato shochu as part of our commitment to provide safer and more reliable products.

Ready-to-Drink (RTD) beverages

In Ready-to-Drink (RTD) beverages, we worked to expand sales by highlighting our diverse selection of appealing products, focusing on *Asahi Cocktail Partner* and *Asahi Shunka Shibori*. Furthermore, we took up the challenge of creating new value and demand by proposing new products such as *Vegete* and *Vegesh*, jointly developed with Kagome Co., Ltd. Nevertheless, sales fell 12.1% year on year to ¥31.4 billion.

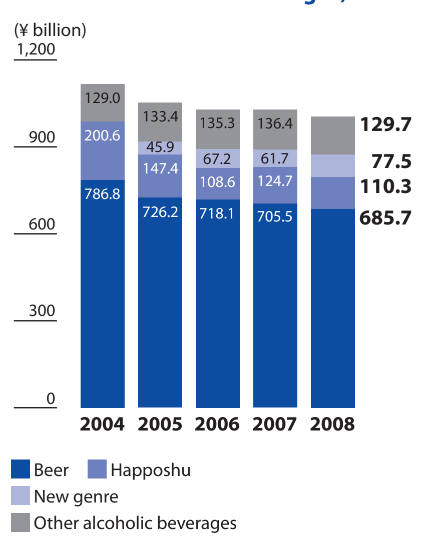
Whisky and Spirits

In the area of whisky and spirits, sales of our core brand—*Black Nikka Clear Blend*—continued to grow strongly, while *Single Malt Yoichi 1987* was proudly awarded the title "World's Best Single Malt Whisky" by the "World Whiskies" Awards 2008. These and other positive factors further reinforced the presence of the *Nikka* brand. As a result, sales increased 0.7% from the previous year to ¥27.5 billion.

Wine

In wine, we took steps in domestic wines to nurture the Group's *Sainte Neige* brand, which included a revamp of the *Antioxidant-Free Organic Wine Monogatari* label. In imported wines, we made use of our diverse product lineup to expand sales, particularly for *Baron Philippe*, *Louis Latour*, and other prominent brands. However, sales declined 2.8% to ¥14.8 billion.

Sales by Category (Beer, Happoshu, New Genre, and Other Alcoholic Beverages)



Overseas Alcoholic Beverages Business

In the overseas alcoholic beverages business, we expanded sales volume in Europe significantly by signing a licensing agreement entrusting production, sales and marketing to Russia's largest domestic beer company, Baltika Breweries. In the Asian market, most notably China, our efforts to expand sales scope included the establishment of a joint venture in the sale of alcoholic beverages, soft drinks and food with

Financial Section

Mercuries and Associates, Ltd. of Taiwan. As for beer companies in China in which we have previously invested, while sales were short of targets due to fiercer competition from national brands, efforts to promote efficiency led to improved profits compared to the previous year.

As a result, sales from the overseas business, including the overseas soft drinks business, declined ¥12.1 billion, or 20%, to ¥44.3 billion. The operating loss associated with the overseas business increased by ¥0.3 billion year on year to ¥5.8 billion.

Soft Drinks Business

In the domestic soft drinks business, we enacted initiatives designed to stimulate dramatic growth through Asahi Soft Drinks Co., Ltd.'s fundamental strategies of "Growth Strategies," "Structural Reform," and "Taking on Challenges in New Areas." As a result, sales in the soft drinks business rose 5.7% year on year to ¥316.7 billion. Operating income, however, fell 86.6% to ¥0.6 billion, reflecting sharply higher prices for raw materials worldwide and proactive investment in sales promotion activities. These factors outweighed progress on cost reductions through various other means, including efforts to build an optimal production system and other actions.

Asahi Soft Drinks Co., Ltd.

In the domestic soft drinks market, at Asahi Soft Drinks Co., Ltd. we channeled management resources into the core brands *WONDA*, *Mitsuya Cider*, and *Asahi Juroku-Cha* to build these products into strong "pillar brands." These efforts were rewarded with annual sales volume surpassing 30 million cases each for both the *WONDA* and *Mitsuya Cider* brands, enhancing their presence as powerful brands in Japan's soft drinks market. We also took steps to continuously reinforce and nurture existing brands such as *Asahi Fujisan no Vanadium Tennensui* mineral water, and aggressively presented new products to meet the diversifying needs of our customers.

In the area of structural reform, we took steps to enhance quality and reduce costs by striving to keep prices low for raw materials and through operation of a new plastic bottle line at Asahi Breweries Ltd.'s Ibaraki Brewery. These actions were part of our redoubled efforts to reform the profit structure. In addition to these measures, in vending machines, an important sales channel in the soft drinks industry, we launched full-scale operations at Asahi Calpis Beverage Co., Ltd. in a bid to strengthen and enhance the efficiency of this business—a move that contributed substantially to sales.

*4 For the purpose of sales volume, a case is calculated as a case of product ready for shipment. Sales of 30 million cases are indicative of a "mega brand" in the domestic soft drinks market.

Carbonated beverages

For our mainstay *Mitsuya Cider* brand, alongside an aggressive advertisement campaign and sales promotion activities, we worked to strengthen the *Mitsuya Cider* brand in various ways. These included the first adoption in Japan of a new industry technology and production method, the "Fresh Quality Production Method," for the *Mitsuya Cider Japan Quality* series of juice-infused carbonated beverages. These actions led to an annual sales volume of 33.4 million cases for *Mitsuya Cider* brand beverages. This figure represented an increase of 5% from the previous year, and a second consecutive year of sales of more than 30 million cases for the brand. As a result, the total sales for carbonated beverages increased 5.5% year on year to 36 million cases.

Coffee

Sales of the core brand *WONDA* surged past the 30 million case mark for the first time since the brand launched in 1997, boosted by robust performance from *WONDA Kinnobitou* (low-sugar) and *WONDA ZERO MAX* (Sugar-free), two new products for the low-sugar and sugar-free market developed with growing health consciousness in mind. This strong showing has cemented *WONDA*'s presence as a top-selling brand, and overall sales volume for coffee rose 25.9% year on year to 35.9 million cases.

Tea-based drinks

For core brand *Asahi Juroku-Cha*, we sought to enhance the entire *Asahi Juroku-cha* brand by highlighting its health value, and by spreading information on the brand throughout the year. We also recorded growth in the *Asahi Wakamusha* brand, which helped lift overall sales volume for tea-based beverages 0.3% year on year to 34.7 million cases.

Fruit and vegetable drinks

With an emphasis on products, we boldly enacted measures designed to reinvigorate the *Bireley's* brand through the development of our "New Taste Sensation Juice" series of products—which offer a new way to enjoy fruit juice—among other initiatives. Despite these efforts, performance from 100% juice beverages languished during the year. As a result, total sales volume for fruit and vegetable drinks fell 21.2% year on year to 11.2 million cases.

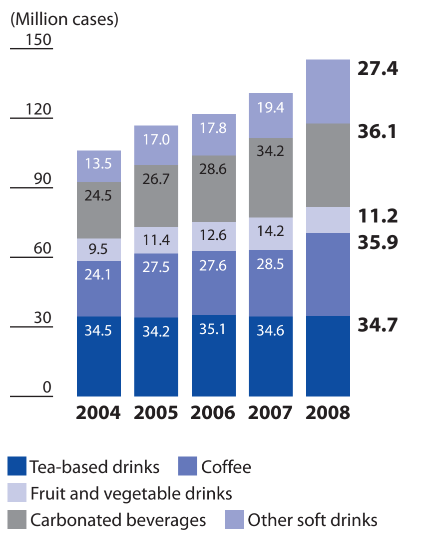
Health and functional drinks

Total sales volume for health and functional drinks fell 26.8% year on year to 7.9 million cases as sales of *Asahi Super* H_2O struggled.

Other soft drinks

In other soft drinks, sales of *Asahi Fujisan no Vanadium Tennensui* mineral water increased 11.5%, helping to lift total sales volume for other soft drinks 41.2% year on year to 27.4 million cases.

Sales by Category (Carbonated Beverages, Coffee, Tea-based Drinks, Fruit and Vegetable Drinks and Other Soft Drinks)



Overseas Soft Drinks Business

In the overseas soft drinks business, we provided management support to China-based Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., which continued to record sales growth. We also took steps to reform the profit structure at Haitai Beverage Co., Ltd. in South Korea as part of measures enacted to develop existing business bases. Other actions included the April 2009 acquisition of the Cadbury Group's soft drinks business in Australia, as we looked to establish a business base in the Oceania region.

Food and Pharmaceuticals Business

In the food and pharmaceuticals business, Asahi Food & Healthcare Co., Ltd. strove to expand its business and strengthen its business foundation by upholding the basic strategies of growth, structural reform and assurance of safety and quality. Aggressive sales promotions and the successive launch of revamped products prompted brisk performance in our core products—*MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bars, *Dear-Natura* brand supplements, and quasi-drug product *EBIOS*, a pure brewer's yeast preparation tablet. Similarly, we took steps to expand sales channels and promote operational efficiency in the direct marketing business, resulting in substantial sales growth during the year.

Wakodo Co., Ltd., meanwhile, pursued initiatives designed to expand business and reinforce its business base, guided by a basic policy of bolstering the foundations for improved profitability and growth. In September, the company launched its *Goo-Goo Kitchen* baby food brand, taking advantage of its expertise in "infant-safe quality" honed in baby products over the years. Wakodo also moved to reinforce its core brands, which included the revamp of powdered infant formula brands *Hai-Hai* and *Gun-Gun* in October. These combined efforts resulted in steady sales growth.

In freeze-dried products, we made significant strides in strengthening the business base in processed seasonings and retort-packaged foods through a capital and business alliance with Amano Jitsugyo Co., Ltd., which boasts outstanding food manufacturing capabilities.

As a result of the above actions, and with the inclusion of operating results from newly consolidated subsidiaries and growth in sales of core products, sales in the food and pharmaceuticals business climbed 18.1% year on year to ¥79.2 billion. Operating income rose 44.6% year on year to ¥1.9 billion.

Other Businesses

In other businesses, sales declined mainly due to the reorganization of our wholesale business. As a result, total sales for other businesses decreased 16.4% year on year to ¥71.1 billion and operating income fell 41.6% year on year to ¥1.0 billion.

Outlook for Fiscal 2009

Building on our successes during the first two years of the Third Group Medium-Term Management Plan, in the fiscal year ending December 31, 2009 we will continue to address the challenge of establishing the Group's future growth and earnings bases.

In the domestic alcoholic beverages business, in addition to concentrating management resources in the cultivation and reinforcement of top brands, our goal is to further strengthen the profit structure to make it capable of weathering change in the business environment. In the domestic soft drinks and food and pharmaceuticals businesses, we will strengthen the growth bases in these businesses by bolstering efforts to create an optimal production system not hampered by the conventional business framework, in addition to pursuing further synergies within and outside of the Group.

In overseas business, as business base expansion in the Oceania region and other opportunities for new business investment and alliances come into view, we are committed to reinforcing our business base in ways that will transform our overseas operations into an earnings pillar for the Group.

In light of these factors, we are forecasting net sales of ¥1,490 billion (up 1.9% year on year), operating income of ¥92.0 billion (down 2.7%) and net income of ¥50 billion (up 11.1%) for the fiscal year ending December 31, 2009.

Liquidity and Capital Resources

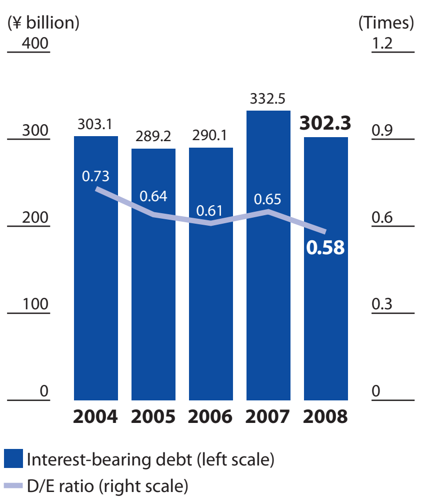
Asahi Breweries, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds, and as a management policy regards the reduction of interest-bearing debt as a priority issue. However, we make flexible use of our financial liabilities according to the need for capital resources to invest. Potential investments include capital expenditure to enhance the management base and increase efficiency, and strategic investments such as M&As. When financing needs arise, we respond with due consideration to procurement methods that will result in the lowest possible interest cost. Daily financing needs are, in principle, met through short-term loans and the issuance of commercial paper.

The Asahi Breweries Group has also introduced a cash management service (or CMS) that channels excess funds of each Group company to Asahi Breweries, Ltd., where these funds are centrally managed. This service enables the Company to take steps aimed at both improving capital efficiency and minimizing financing costs.

As a result, the outstanding balance of interest-bearing debt amounted to ¥302.3 billion as of the end of 2008, down ¥30.2 billion from the previous fiscal year-end. This balance primarily reflected an increase in cash flows from operating activities and a decrease in cash used in investing activities. The outstanding balance was approximately one-fourth of its all-time peak of ¥1,411.1 billion in fiscal 1992. In addition, during the year under review the debt-equity ratio fell to 0.6, compared to 4.9 in fiscal 1992.

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

Interest-Bearing Debt and D/E Ratio



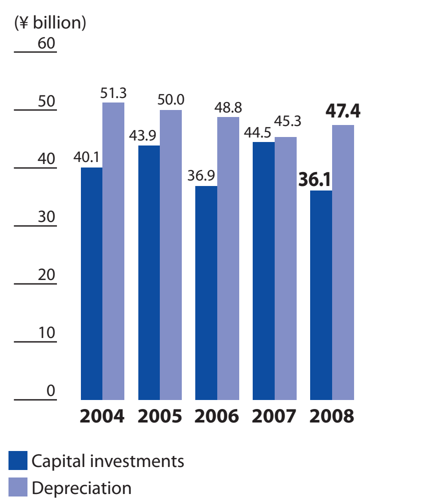
Capital Investments

Capital investments decreased ¥8.3 billion from ¥44.5 billion in the previous fiscal year to ¥36.1 billion.

As part of its efforts to optimize production and logistics within the Group's soft drinks business, Asahi Breweries, Ltd. continued to invest in soft drink facilities at the Ibaraki Brewery. It also made investments in a new production line at Asahi Soft Drinks Co., Ltd. with the aim of improving production efficiency.

Consolidated depreciation costs totaled ¥47.4 billion, including ¥33.3 billion for Asahi Breweries, Ltd., and capital investments were undertaken within the limits of depreciation.

Capital Investments and Depreciation



Assets, Liabilities and Net Assets

Consolidated total assets as of the end of fiscal 2008 decreased by ¥25.3 billion, or 1.9% compared with the previous fiscal year-end, to ¥1,299.1 billion ($14,270.7 million), primarily due to depreciation of property, plant and equipment and declines in investment securities due to poor stock market conditions. Return on assets (ROA) edged up 0.5 points to 7.4%.

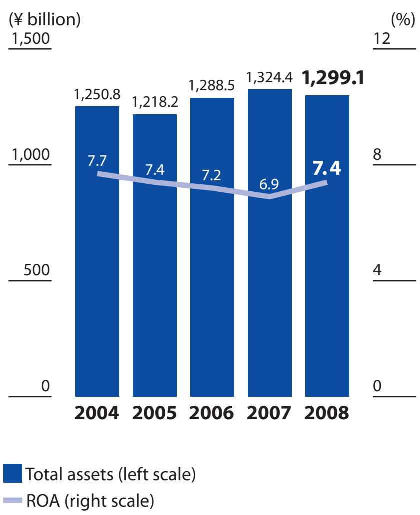
Current assets increased ¥1.1 billion, or 0.3%, year on year, to ¥412.3 billion. This was mainly due to an increase in inventories and deferred income tax assets, which offset a 4.7% year-on-year decline in notes and accounts receivable. Trade receivable turnover was 5.4 times, compared to 5.3 times in the previous fiscal year. Inventories turnover was 15.6 times, a decline of 0.4 percentage points from 16.0 times recorded for the previous year due to an increase in inventories. Property, plant and equipment decreased ¥15.9 billion, or 2.6%, year on year, to ¥606.8 billion as a result of an increase in accumulated depreciation, despite increases in land and construction in progress. Investments and other assets decreased ¥10.5 billion, or 3.6% year on year, to

¥279.9 billion as a result of a ¥4.7 billion, or 7.1% decline in goodwill, a ¥15.8 billion, or 15.2%, decline in investment securities, which offset an increase of ¥5.2 billion in deferred income tax assets.

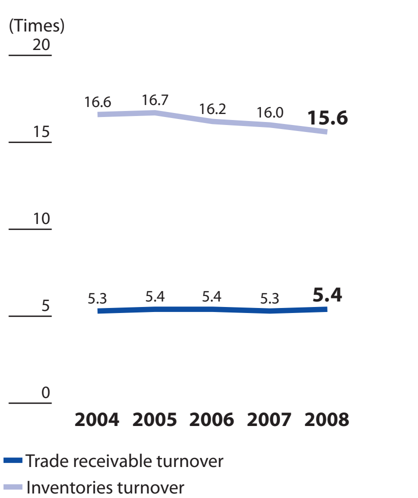
Total liabilities decreased ¥30.2 billion to ¥764.4 billion. Current liabilities decreased ¥80.7 billion, or 13.5% year on year, to ¥516.1 billion. This reflected a 26.1% decline in bank loans, a 17.7% decrease in long-term debt due within one year, and an 86.5% decline in commercial paper. Long-term liabilities rose ¥50.6 billion, or 25.6%, to ¥248.4 billion, primarily due to an increase of 38.8% in long-term debt.

Total net assets increased ¥4.8 billion to ¥534.6 billion. While accumulated gains from revaluation and translation declined due to purchase of treasury stock and poor stock market performance, retained earnings rose, reflecting the increase in consolidated net income. As a result, the equity ratio increased from 38.9% at the previous fiscal year-end to 40.2%.

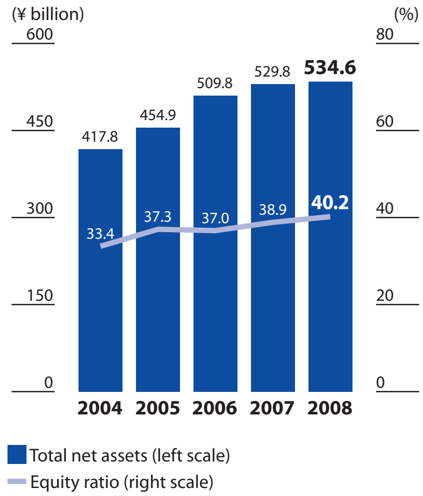
Total Assets and ROA



Trade Receivable Turnover and Inventories Turnover



Total Net Assets and Equity Ratio

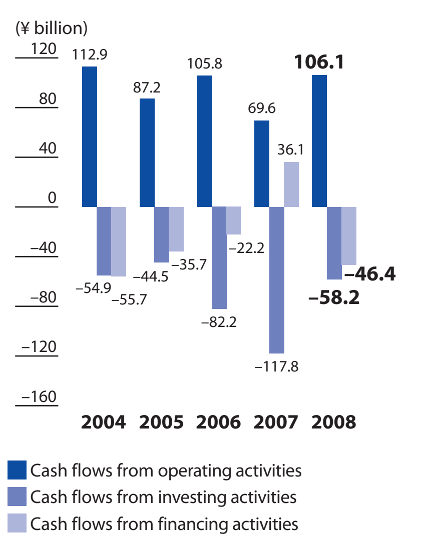


Cash Flows

Net cash provided by operating activities increased ¥36.5 billion year on year to ¥106.1 billion, due in large part to reduced corporate tax payments and an increase in operating capital resulting from a decrease in operating receivables.

Net cash used in investing activities went primarily toward acquiring shares of Amano Jitsugyo Co., Ltd. and purchasing additional shares of Asahi Soft Drinks Co., Ltd. in order to make it a wholly owned subsidiary. However, outflows for investing activities decreased ¥59.6 billion from the previous year to ¥58.2 billion. This was because the previous year's outflows had been inflated by the tender offer for shares of Asahi Soft Drinks Co., Ltd., and the purchase of shares related to a capital tie-up with Kagome Co., Ltd.

Cash Flows



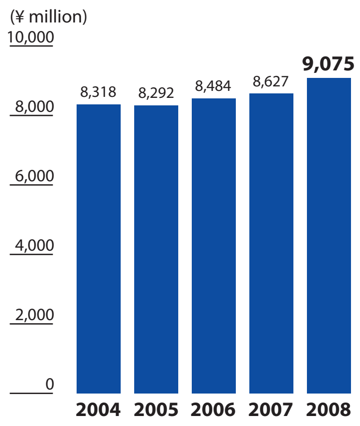
Net cash used in financing activities increased ¥82.5 billion year on year to ¥46.4 billion. This was due to the acquisition of treasury stock using increased capital generated by higher inflows from operating activities and lower outflows from investing activities, and the use of surplus funds to settle financial obligations.

As a result, cash and cash equivalents at the fiscal year-end increased ¥1.0 billion to ¥12.7 billion.

Research and Development

R&D expenses for the year under review were ¥9.1 billion, representing an increase of 5.2% year on year.

R&D Expenses



Business Risk

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

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

2. Higher liquor tax rates

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

3. Dependence on a specific product

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

4. Food safety

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

5. Fluctuations in material prices

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

6. Effects of weather conditions, natural disasters and others

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

7. Risks related to information systems

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

8. Risks related to overseas operations

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

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

9. Risks related to the environment

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

10. Risks related to changes in laws and regulations

In pursuing its businesses in Japan, the Asahi Breweries Group is placed under the regulatory control of various laws, including the Liquor Tax Law, the Food Sanitation Law and the Product Liability Law.

The Group also operates under the control of laws and regulations in other countries in which it operates. Changes in such laws and regulations, or the unexpected introduction of new laws and regulations may affect the business performance and financial condition of the Asahi Breweries Group.

11. Trends in the control of alcoholic beverages

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

12. Risks related to litigation

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

13. Fluctuations in value of owned assets

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

14. Retirement benefits

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

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
Assets	**2008**	2007	2006	**2008**
Current assets:				
Cash and time deposits (Notes 3 and 8)	¥ 12,772	¥ 11,628	¥ 15,873	$ 140,305
Notes and accounts receivable:				
Trade	265,048	278,239	278,140	2,911,656
Other	18,019	13,209	10,983	197,946
Allowance for doubtful accounts	(6,045)	(6,576)	(9,099)	(66,407)
Securities (Note 5)	302	52	5,321	3,318
Inventories (Note 4)	97,040	90,436	92,344	1,066,022
Deferred income tax assets (Note 10)	9,009	6,931	9,688	98,967
Other current assets (Note 3)	16,199	17,293	25,702	177,952
Total current assets	412,344	411,212	428,952	4,529,759
Property, plant and equipment (Notes 8 and 13)**:**				
Land	185,202	180,760	185,101	2,034,516
Buildings and structures	413,984	413,711	407,627	4,547,776
Machinery and equipment	633,995	632,142	616,016	6,964,682
Construction in progress	6,090	3,447	8,427	66,901
	1,239,271	1,230,060	1,217,171	13,613,875
Less accumulated depreciation	(632,479)	(607,341)	(582,154)	(6,948,028)
Net property, plant and equipment	606,792	622,719	635,017	6,665,847
Investments and other assets:				
Goodwill (Note 13)	60,676	65,326	32,635	666,549
Investment securities (Notes 5 and 8)	88,237	104,067	78,671	969,318
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	58,402	56,575	51,526	641,569
Long-term loans receivable	6,034	5,759	3,402	66,286
Deferred income tax assets (Note 10)	24,212	18,983	19,857	265,978
Other non-current assets	42,362	39,751	38,441	465,363
Total investments and other assets	279,923	290,461	224,532	3,075,063
	¥1,299,059	¥1,324,392	¥1,288,501	$14,270,669

See accompanying notes.

Liabilities and net assets	Millions of yen 2008	2007	2006	Thousands of U.S. dollars (Note 1) 2008
Current liabilities:				
Bank loans (Note 8)	¥ 76,828	¥ 103,909	¥ 88,329	$ 843,985
Commercial paper (Note 8)	7,000	52,000	3,000	76,898
Long-term debt due within one year (Note 8)	38,728	47,072	54,330	425,441
Notes and accounts payable:				
Trade	99,146	100,420	106,331	1,089,157
Other (mainly construction)	53,891	57,496	49,732	592,014
Alcohol tax and consumption taxes payable	137,016	142,711	140,892	1,505,174
Deposits received	22,863	25,662	37,627	251,159
Income taxes payable (Note 10)	22,653	14,004	28,797	248,852
Accrued liabilities	51,824	48,025	47,791	569,307
Other current liabilities	6,112	5,497	4,090	67,143
Total current liabilities	516,061	596,796	560,919	5,669,130
Long-term debt (Note 8)	179,703	129,477	144,443	1,974,107
Employees' severance and retirement benefits (Note 9)	23,516	23,820	26,973	258,332
Allowance for retirement benefits for directors and corporate auditors	634	450	844	6,965
Deferred income tax liabilities (Note 10)	6,112	5,019	5,167	67,143
Long-term deposits received	36,088	35,130	36,939	396,441
Other long-term liabilities	2,317	3,918	3,441	25,454
Commitments and contingent liabilities (Note 12)				
Net assets (Note 11)				
Shareholders' equity (Note 16)				
Common stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	182,531	182,531	182,531	2,005,174
Capital surplus	151,148	151,260	150,505	1,660,420
Retained earnings	214,189	178,079	142,330	2,352,950
Treasury stock, at cost	(29,579)	(14,674)	(16,947)	(324,937)
Total Shareholders' equity	518,289	497,196	458,419	5,693,607
Accumulated gains (losses) from revaluation and translation adjustments				
Unrealized gains on available-for-sale securities, net of taxes	1,112	13,037	14,563	12,216
Revaluation surplus (Note 2)	1,751	—	—	19,236
Unrealized losses on hedging derivatives, net of taxes	(3)	(44)	(28)	(33)
Foreign currency translation adjustments	446	4,478	3,754	4,899
Total accumulated gains (losses) from revaluation and translation	3,306	17,471	18,289	36,318
Minority interests	13,033	15,115	33,067	143,172
Total net assets	534,628	529,782	509,775	5,873,097
	¥1,299,059	¥1,324,392	¥1,288,501	$14,270,669

Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
Net sales (Note 18)	¥1,462,748	¥1,464,072	¥1,446,385	$16,068,856
Costs and expenses (Note 18):				
Cost of sales	479,999	466,592	452,561	5,272,976
Alcohol tax	473,487	494,589	497,583	5,201,439
Selling, general and administrative expenses	414,742	415,935	407,528	4,556,102
	1,368,228	1,377,116	1,357,672	15,030,517
Operating income (Note 18)	94,520	86,956	88,713	1,038,339
Other income (expenses):				
Interest and dividend income	1,798	2,048	1,533	19,752
Interest expenses	(5,194)	(5,021)	(4,407)	(57,058)
Equity in net income of unconsolidated subsidiaries and affiliated companies	9,106	9,011	6,367	100,033
Compensation for transfer of business plant	—	—	290	—
Gain (loss) on sale of securities—net	32	(701)	(111)	352
Loss on sale and disposal of property, plant and equipment—net	(4,213)	(5,441)	(4,093)	(46,282)
Loss on foreign currency exchange	(1,245)	—	—	(13,677)
Loss on devaluation of investment securities	(3,598)	(344)	(506)	(39,525)
Restructuring charges	—	—	(1,777)	—
Prior year sales promotion expenses (Note 14)	(3,114)	—	—	(34,209)
Loss on adjustment to estimated usage ratio of gift coupons (Note 2)	—	(1,545)	—	—
Loss on impairment of fixed assets (Notes 13 and 18)	(2,197)	(1,388)	(3,905)	(24,135)
Other—net	(2,957)	(1,834)	(939)	(32,484)
	(11,582)	(5,215)	(7,548)	(127,233)
Income before income taxes and minority interests	82,938	81,741	81,165	911,106
Income taxes (Note 10):				
Current	39,574	31,227	36,862	434,736
Deferred	1,548	5,543	(1,538)	17,005
	41,122	36,770	35,324	451,741
Income before minority interests	41,816	44,971	45,841	459,365
Minority interests in net gain of consolidated subsidiaries	3,198	(173)	(1,066)	35,131
Net income	¥ 45,014	¥ 44,798	¥ 44,775	$ 494,496

	Yen			U.S. dollars (Note 1)
	2008	2007	2006	2008
Amounts per share of common stock:				
Net income	¥96.31	¥94.94	¥94.02	$1.06
Diluted net income	96.14	94.74	93.85	1.06
Cash dividends applicable to the year	20.00	19.00	19.00	0.22

See accompanying notes.

Consolidated Statements of Changes in Net Assets (Note 16)

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Years ended December 31, 2008, 2007 and 2006

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Revaluation surplus	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
Balance at December 31, 2005	¥ 182,531	¥ 163,709	¥ 106,426	¥ (17,317)	¥ 16,585	—	—	¥ 2,958	¥ 26,976
Net income			44,775						
Cash dividends paid			(8,607)						
Bonuses to directors and corporate auditors			(146)						
Decrease resulting from increase in consolidated subsidiaries			(118)						
Purchases of treasury stock				(13,068)					
Retirement of treasury stock		(13,147)		13,147					
Disposal of treasury stock		(57)		291					
Decrease due to changes in fair market values of available-for-sale securities					(2,022)				
Decrease due to changes in fair market values of hedging derivatives							(28)		
Adjustments from translation of foreign currency financial statements								796	
Increase in minority interests									6,091
Balance at December 31, 2006	182,531	150,505	142,330	(16,947)	14,563	—	(28)	3,754	33,067
Net income			44,798						
Cash dividends paid			(9,428)						
Purchases of treasury stock				(230)					
Disposal of treasury stock		755		2,503					
Increase resulting from increase in consolidated subsidiaries			231						
Increase resulting from decrease in consolidated subsidiaries			148						
Net changes of items in accumulated gains (losses) from revaluation and translation					(1,526)		(16)	724	
Decrease in minority interests									(17,952)
Balance at December 31, 2007	182,531	151,260	178,079	(14,674)	13,037	—	(44)	4,478	15,115
Net income			**45,014**						
Cash dividends paid			**(8,904)**						
Purchases of treasury stock				**(15,349)**					
Disposal of treasury stock		**(112)**		**444**					
Net changes of items in accumulated gains (losses) from revaluation and translation					**(11,925)**	**1,751**	**41**	**(4,032)**	
Decrease in minority interests									**(2,082)**
Balance at December 31, 2008	**¥182,531**	**¥151,148**	**¥214,189**	**¥(29,579)**	**¥ 1,112**	**¥1,751**	**¥ (3)**	**¥ 446**	**¥13,033**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Revaluation surplus	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
Balance at December 31, 2007	$ 2,005,174	$ 1,661,650	$ 1,956,267	$ (161,200)	$ 143,217	—	$(483)	$ 49,193	$ 166,044
Net income			**494,496**						
Cash dividends paid			**(97,813)**						
Purchases of treasury stock				**(168,615)**					
Disposal of treasury stock		**(1,230)**		**4,878**					
Net changes of items in accumulated gains (losses) from revaluation and translation					**(131,001)**	**19,236**	**450**	**(44,294)**	
Decrease in minority interests									**(22,872)**
Balance at December 31, 2008	**$2,005,174**	**$1,660,420**	**$2,352,950**	**$(324,937)**	**$ 12,216**	**$19,236**	**$ (33)**	**$ 4,899**	**$143,172**

See accompanying notes.

Financial Section

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2008, 2007and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 82,938**	¥ 81,741	¥ 81,165	**$ 911,106**
Depreciation	**47,353**	45,250	48,793	**520,191**
Loss on impairment of fixed assets	**2,197**	1,388	3,905	**24,135**
Decrease in provision for employees' severance and retirement benefits	**(3,272)**	(3,908)	(3,322)	**(35,944)**
Decrease in allowance for doubtful accounts	**(530)**	(3,481)	(2,801)	**(5,822)**
Interest and dividend income	**(1,798)**	(2,048)	(1,533)	**(19,752)**
Interest expenses	**5,194**	5,021	4,407	**57,058**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(9,105)**	(9,011)	(6,367)	**(100,022)**
Loss (gain) on sale of securities—net	**(32)**	701	111	**(352)**
Loss on devaluation of investment securities	**3,598**	344	506	**39,526**
Loss on adjustment to estimated usage ratio of gift coupons	**—**	1,545	—	**—**
Loss on sale and disposal of property, plant and equipment—net	**4,213**	5,441	4,093	**46,281**
Decrease (increase) in notes and accounts receivable	**15,576**	(2,049)	(16,335)	**171,108**
Decrease (increase) in inventories	**(6,956)**	1,344	(1,911)	**(76,414)**
Increase (decrease) in notes and accounts payable (excluding construction)	**(4,105)**	(2,716)	7,702	**(45,095)**
Increase (decrease) in accrued alcohol tax payable	**(5,971)**	1,833	(622)	**(65,594)**
Increase (decrease) in accrued consumption taxes payable	**422**	(132)	1,196	**4,636**
Bonuses paid to directors and corporate auditors	**(279)**	(150)	(189)	**(3,065)**
Other	**12,315**	(6,299)	1,324	**135,285**
Subtotal	**141,758**	114,814	120,122	**1,557,267**
Interest and dividends received	**2,067**	6,479	4,285	**22,707**
Interest paid	**(5,192)**	(5,200)	(4,439)	**(57,036)**
Income taxes paid	**(32,539)**	(46,520)	(14,125)	**(357,454)**
Net cash provided by operating activities	**106,094**	69,573	105,843	**1,165,484**
Cash flows from investing activities:				
Payments for time deposits	**(651)**	(715)	(883)	**(7,151)**
Proceeds from time deposits	**1,296**	35	590	**14,237**
Proceeds from sales of securities	**4**	5,120	5	**44**
Payments for purchases of property, plant and equipment	**(36,193)**	(35,435)	(33,299)	**(397,594)**
Proceeds from sale of property, plant and equipment	**743**	2,909	2,396	**8,162**
Payments for purchases of intangible assets	**(4,524)**	(5,969)	(4,520)	**(49,698)**
Proceeds from sales of intangible assets	**1**	126	64	**11**
Payments for purchases of investment securities	**(8,560)**	(28,649)	(7,259)	**(94,035)**
Proceeds from sale of investment securities	**1,167**	333	1,403	**12,820**
Purchase of investments in subsidiaries	**(2,928)**	(52,091)	—	**(32,165)**
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	**(5,420)**	—	(39,271)	**(59,541)**
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	**(174)**	(850)	(97)	**(1,911)**
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	**2,154**	—	—	**23,662**
Payments for loans receivable	**(3,234)**	(3,209)	(772)	**(35,527)**
Proceeds from collections of loans receivable	**3,585**	2,924	1,813	**39,383**
Other	**(5,501)**	(2,357)	(2,419)	**(60,431)**
Net cash used in investing activities	**(58,235)**	(117,828)	(82,249)	**(639,734)**
Cash flows from financing activities:				
Increase (decrease) in bank loans	**(72,095)**	66,104	21,143	**(791,991)**
Proceeds from long-term debt	**24,148**	18,210	3,664	**265,275**
Repayments of long-term debt	**(34,377)**	(24,773)	(2,532)	**(377,645)**
Proceeds from bonds and convertible debentures issued	**70,175**	25,000	25,000	**770,900**
Redemption of bonds	**(10,000)**	(40,000)	(50,000)	**(109,854)**
Payments for purchases of treasury stock	**(15,349)**	(231)	(13,068)	**(168,615)**
Cash dividends paid	**(8,904)**	(9,428)	(8,607)	**(97,814)**
Cash dividends paid to minority interest in consolidated subsidiaries	**(98)**	(435)	(675)	**(1,077)**
Contribution from minority interest in consolidated subsidiaries	**—**	321	3,062	**—**
Other	**135**	1,358	(233)	**1,483**
Net cash provided by (used in) financing activities	**(46,365)**	36,126	(22,246)	**(509,338)**
Effect of exchange rate change on cash and cash equivalents	**(537)**	(182)	223	**(5,899)**
Net increase (decrease) in cash and cash equivalents	**957**	(12,311)	1,571	**10,513**
Cash and cash equivalents at beginning of year	**11,741**	23,778	21,309	**128,979**
Increase in cash and cash equivalents due to change in scope of consolidation	**—**	274	898	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 12,698**	¥ 11,741	¥ 23,778	**$ 139,492**

See accompanying notes.

1. Basis of Presenting Consolidated Financial Statements

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

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

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, 2008, which was ¥91.03 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the Companies) (39 domestic and 11 overseas subsidiaries for 2008, 40 domestic and 11 overseas subsidiaries for 2007, and 41 domestic and 12 overseas subsidiaries for 2006). All significant intercompany transactions and account balances are eliminated in consolidation.

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

GOODWILL

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

EQUITY METHOD

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

SECURITIES

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

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

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

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Effective January 1, 2008, due to the revision of the Corporate Tax Law, the allowable depreciation limits of the assets acquired before March 31, 2007 are depreciated evenly over 5 years from the following year when it would be depreciated up to an allowable limit for depreciation. As a consequence, operating income and income before income taxes and minority interests have decreased by ¥1,978 million ($21,729 thousand), respectively. The effects of this accounting change on segment information are disclosed in Note 18.

INCOME TAXES

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

EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Companies' basic severance and retirement benefits consist of two types of plans; a defined benefit pension plan and an unfunded lump-sum payment plan. In addition, the Company has a defined contribution pension plan and an advance payment system for the employees' retirement plan.

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

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

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

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

ALLOWANCE FOR RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

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

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

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS AND FINANCIAL STATEMENTS

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

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

While the Company had previously translated revenue and expense accounts of foreign subsidiaries and affiliated companies into Japanese yen at the exchange rates prevailing on the balance sheet dates of the Company, it has translated them using the average exchange rates effective for the year ended December 31, 2007.

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

This change increased consolidated net sales by ¥1,714 million, decreased operating income by ¥84 million, and increased income before income taxes and minority interests by ¥236 million for the year ended December 31, 2007. The effects of this accounting change on segment information are disclosed in Note 18.

DERIVATIVE FINANCIAL INSTRUMENTS

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

AMOUNTS PER SHARE OF COMMON STOCK

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

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

IMPAIRMENT OF FIXED ASSETS

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

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

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

LOSS ON ADJUSTMENT TO ESTIMATED USAGE RATIO OF GIFT COUPONS

Previously, the Company has reversed to income certain portion of deposits for beer gift coupons in accordance with Corporation Tax Law. In the year ended December 31, 2007, the Company has set up deposits received for future usage of beer gift coupons in accordance with the "Auditing Treatment concerning Reserve under the Special Taxation Measures Laws, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

As a result of this change, ¥1,545 million was recorded in other expenses, and income before income taxes and minority interests decreased by the same amount for the year ended December 31, 2007.

REVALUATION SURPLUS

Due to the change of the accounting standard in a foreign country, an overseas subsidiary revaluated its lands based on the results of real-estate appraisals as of December 31, 2008. As a result of this change, "revaluation surplus" is recorded in net assets. The amount of revaluation surplus, net of taxes, is ¥1,751 million ($19,236 thousand) as of December 31, 2008.

BUSINESS COMBINATIONS

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

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

3. Cash Flow Information

A. Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Cash and time deposits	**¥12,772**	¥11,628	¥15,873	**$140,305**
Less: Time deposits with maturities exceeding three months	**(376)**	(1,130)	(440)	**(4,131)**
Securities	**302**	45	146	**3,318**
Other current assets (short-term loans receivable)	**0**	1,198	8,199	**0**
Cash and cash equivalents	**¥12,698**	¥11,741	¥23,778	**$139,492**

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

Assets and liabilities of Wakodo Co., Ltd. and its subsidiaries and relationship with the acquisition cost and net cash outflow of such acquisition, which are included in "Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation" for the year ended December 31, 2006, are as follows:

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

4. Inventories

Inventories at December 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Finished goods	**¥19,491**	¥20,621	¥19,799	**$214,116**
Work in process	**38,200**	38,350	39,399	**419,642**
Raw materials	**23,957**	19,159	20,037	**263,177**
Supplies	**6,818**	5,959	5,974	**74,898**
Merchandise	**8,574**	6,347	7,135	**94,189**
Total	**¥97,040**	¥90,436	¥92,344	**$1,066,022**

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, 2008, 2007 and 2006:

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

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

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

Type	Thousands of U.S. dollars 2008 Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	$—	$—	$—
	—	—	—
Securities with fair values not exceeding book values:			
Foreign securities	—	—	—
	—	—	—
Total	$—	$—	$—

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2008, 2007 and 2006:

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

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

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

Type	Thousands of U.S. dollars 2008 Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$216,951	$330,924	$113,973
	216,951	330,924	113,973
Securities with book values not exceeding acquisition costs:			
Equity securities	496,012	418,071	(77,941)
Corporate bonds	11	11	(0)
Others	1,571	1,296	(275)
	497,594	419,378	(78,216)
Total	$714,545	$750,302	$ 35,757

C. Total sales of available-for-sale securities in the years ended December 31, 2008, 2007 and 2006 amounted to ¥1,175 million ($12,908 thousand), ¥333 million and ¥1,394 million, and the related gains amounted to ¥70 million ($769 thousand), ¥103 million and ¥79 million and the related losses amounted to ¥3 million ($33 thousand), ¥39 million and ¥107 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2008, 2007 and 2006:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
(a) Held-to-maturity debt securities				
Type				
Non-listed foreign debt securities	**¥ 300**	¥ —	¥ 5,163	**$ 3,296**
(b) Available-for-sale securities				
Type				
Non-listed equity securities	**¥ 8,457**	¥ 8,808	¥ 8,920	**$ 92,903**
Preference shares	**10,000**	10,000	10,000	**109,854**
Others	**1,482**	1,997	977	**16,280**
(c) Investments in unconsolidated subsidiaries and affiliated companies	**¥54,495**	¥53,971	¥48,125	**$598,649**

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2008, 2007 and 2006 were as follows:

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

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

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

	Thousands of U.S. dollars				
	2008				
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	**$1,066**	**$ 878**	**$5,493**	**$—**	**$ 7,437**
Others	**—**	**—**	**549**	**—**	**549**
Held-to-maturity debt securities:					
Foreign securities	**—**	**3,296**	**—**	**—**	**3,296**
Total	**$1,066**	**$4,174**	**$6,042**	**$—**	**$11,282**

F. Total sales of held-to-maturity debt securities sold at December 31, 2008, and related loss, amounted to ¥40 million ($439 thousand) and ¥5 million ($55 thousand), respectively, so as to streamline the assets held by overseas subsidiary.

6. Research and Development Expenses

Research and development expenses are expensed when incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥9,075 million ($99,692 thousand), ¥8,627 million and ¥8,484 million for the years ended December 31, 2008, 2007 and 2006, respectively.

7. Derivative Financial Instruments

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

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

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

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

Hedging instruments:
- Forward currency exchange contracts
- Currency swap contracts
- Interest rate swap contracts

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

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

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

		Thousands of U.S. dollars			
		2008			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Unrealized gain
Forward currency exchange contracts					
	Short (sell) (U.S. dollar)	$35,329	—	$33,077	$2,252
	Total	$35,329	—	$33,077	$2,252

The fair market value of forward currency exchange contract is evaluated by forward currency exchange rate. Derivative financial instruments that qualify as a hedge and are accounted for using the deferred hedge accounting method are not disclosed in the above table.

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

Bank loans at December 31, 2008, 2007 and 2006 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.93% per annum for 2008, 1.41% per annum for 2007 and 1.24% per annum for 2006.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($2,197,078 thousand). There were an outstanding balances of ¥7,000 million ($76,898 thousand), ¥52,000 million and ¥3,000 million at December 31, 2008, 2007 and 2006, respectively.

Long-term debt at December 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Domestic debentures:				
0.45% debentures due in 2007	**¥ —**	¥ —	¥ 10,000	**$ —**
0.55% debentures due in 2007	**—**	—	30,000	**—**
0.61% debentures due in 2008	**—**	10,000	10,000	**—**
0.84% debentures due in 2009	**20,000**	20,000	20,000	**219,708**
1.34% debentures due in 2010	**15,000**	15,000	15,000	**164,781**
1.55% debentures due in 2011	**15,000**	15,000	—	**164,781**
1.72% debentures due in 2012	**10,000**	10,000	10,000	**109,854**
1.88% debentures due in 2014	**10,000**	10,000	—	**109,854**
Zero coupon convertible bonds due in 2023	**35,168**	—	—	**386,334**
Zero coupon convertible bonds due in 2028	**35,000**	—	—	**384,489**
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2014 at interest rates of mainly 1.15% to 8.76%	**9,507**	10,659	14,122	**104,438**
Unsecured loans due through 2013 at interest rates of mainly 0.70% to 5.59%	**68,756**	85,890	89,651	**755,311**
	218,431	176,549	198,773	**2,399,550**
Amount due within one year	**(38,728)**	(47,072)	(54,330)	**(425,443)**
	¥179,703	¥129,477	¥144,443	**$1,974,107**

Assets, at book value, pledged as collateral for loans totaling ¥9,907 million ($108,832 thousand), ¥12,469 million and ¥14,122 million, respectively, at December 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Deposit	**¥ —**	¥ 101	¥ —	**$ —**
Land	**29,888**	27,162	27,179	**328,331**
Buildings and structures	**8,171**	9,045	9,907	**89,762**
Machinery and equipment	**1,291**	2,900	3,777	**14,182**
Investment securities	**—**	—	633	**—**
	¥39,350	¥39,208	¥41,496	**$432,275**

The aggregate annual maturities of long-term debt at December 31, 2008 were as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2009	**¥ 38,728**	**$ 425,442**
2010	**41,108**	**451,588**
2011	**23,059**	**253,312**
2012	**14,220**	**156,212**
2013	**15,141**	**166,330**
2014 and thereafter	**86,175**	**946,666**
	¥218,431	**$2,399,550**

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, 2008, 2007 and 2006 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Projected benefit obligation	**¥ 87,251**	¥ 86,265	¥ 84,666	**$ 958,486**
Less fair value of pension assets	**(36,687)**	(42,652)	(42,078)	**(403,021)**
Less fair value of employees' retirement benefit trust	**(14,904)**	(21,338)	(24,668)	**(163,726)**
Unrecognized actuarial differences	**(18,857)**	(2,407)	5,509	**(207,151)**
Unrecognized prior service cost	**2,640**	3,091	3,543	**29,001**
Prepaid pension cost	**4,073**	861	1	**44,743**
Employees' severance and retirement benefits	**¥ 23,516**	¥ 23,820	¥ 26,973	**$ 258,332**

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2008, 2007 and 2006, respectively.

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

Included in the consolidated statements of income for the years ended December 31, 2008, 2007 and 2006 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Service costs—benefits earned during the year	**¥4,842**	¥4,415	¥4,672	**$ 53,191**
Interest cost on projected benefit obligation	**1,696**	1,648	1,593	**18,631**
Expected return on plan assets	**(2,386)**	(2,483)	(2,129)	**(26,211)**
Amortization of actuarial differences	**538**	(219)	(378)	**5,910**
Amortization of prior service cost	**(452)**	(452)	(438)	**(4,965)**
Others	**717**	721	740	**7,877**
Severance and retirement benefit expenses	**¥4,955**	¥3,630	¥4,060	**$ 54,433**

The rates of expected return on plan assets used by the Companies are mainly 4.0% for the years ended December 31, 2008 and 2007 and 3.5% for the year ended December 31, 2006. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized as expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period. Prior service costs are recognized as expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years.

10. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 40.4% for the years ended December 31, 2008, 2007 and 2006.

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

	2008	2007	2006
Statutory tax rate	**40.4%**	40.4%	40.4%
Non-deductible expenses	**2.0%**	1.9%	2.2%
Non-taxable dividend income	**(0.3%)**	(0.4%)	(0.3%)
Per capita inhabitants' taxes	**0.4%**	0.4%	0.4%
Valuation allowance	**6.3%**	5.4%	4.7%
Reversal of valuation allowance	**(1.5%)**	(1.7%)	(2.4%)
Amortization of goodwill	**1.9%**	1.2%	1.1%
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(4.4%)**	(4.5%)	(3.2%)
Undistributed earnings of affiliated companies	**1.0%**	1.3%	—
Others	**3.8%**	1.0%	0.6%
Effective tax rate	**49.6%**	45.0%	43.5%

Significant components of deferred income tax assets and liabilities as of December 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Deferred income tax assets:				
Allowance for doubtful accounts	**¥ 4,054**	¥ 4,211	¥ 4,935	**$ 44,535**
Employees' severance and retirement benefits	**15,582**	15,491	16,585	**171,174**
Accrued enterprise taxes	**1,799**	1,158	2,255	**19,763**
Depreciation	**357**	441	476	**3,922**
Temporary difference for investment in subsidiaries	**—**	1,083	1,083	**—**
Loss on impairment of fixed assets	**1,507**	1,565	1,572	**16,555**
Loss on devaluation of investment securities	**5,669**	4,390	4,361	**62,276**
Loss on securities contributed to employees' retirement benefit trust	**1,470**	1,470	1,470	**16,148**
Net operating loss carryforwards	**10,066**	12,432	11,780	**110,579**
Unrealized gain on sale of non-current assets eliminated on consolidation	**7,162**	7,169	7,163	**78,677**
Accrued expenses	**1,657**	1,687	1,918	**18,203**
Others	**7,185**	5,937	7,078	**78,930**
	56,508	57,034	60,676	**620,762**
Valuation allowance	**(18,280)**	(19,577)	(18,963)	**(200,813)**
Total deferred income tax assets	**38,228**	37,457	41,713	**419,949**
Deferred income tax liabilities:				
Reserve deductible for Japanese tax purposes	**(1,085)**	(1,206)	(1,315)	**(11,919)**
Unrealized gains on available-for-sale securities	**(1,319)**	(9,332)	(10,379)	**(14,490)**
Land revaluation gain	**(5,750)**	(5,614)	(5,614)	**(63,166)**
Undistributed earnings of affiliated companies	**(1,831)**	(1,034)	—	**(20,114)**
Prepaid pension cost	**(1,631)**	(340)	—	**(17,917)**
Others	**(1,321)**	(21)	(26)	**(14,512)**
Total deferred income tax liabilities	**(12,937)**	(17,547)	(17,334)	**(142,118)**
Net deferred income tax assets	**¥ 25,291**	¥ 19,910	¥ 24,379	**$ 277,831**

The net deferred tax assets as of December 31, 2008 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥9,009 million ($98,967 thousand) and ¥24,212 million ($265,978 thousand), respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥1,818 million ($19,971 thousand) and ¥6,112 million ($67,143 thousand), respectively.

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

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

11. Net Assets

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

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

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

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

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

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

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

At the annual shareholders’ meeting held on March 26, 2009, the shareholders resolved cash dividends amounting to ¥4,881 million ($53,620 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2008, and are recognized in the period in which they were resolved.

12. Commitments and Contingent Liabilities

The Companies were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, affiliated companies, employees and others, including letters of awareness and keep-well agreements, in the amount of ¥2,036 million ($22,366 thousand) as of December 31, 2008.

13. Impairment of Fixed Assets

As discussed in Note 2 “Impairment of fixed assets”, the Company and its domestic consolidated subsidiaries have applied the accounting standard for impairment of fixed assets.

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

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

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

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

Carrying amounts of certain assets used for logistics business were devalued to their recoverable amounts, since they were considered not to be recoverable under the changed business circumstances. Carrying amounts of certain idle properties, as a result of shutdown of the business office were devalued to their recoverable amounts, due to substantial decline in the fair market value. The goodwill of soft drink business was devaluated to their recoverable amount, since the expected future revenue at the time of initial acquisition was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥2,197 million ($24,135 thousand), which consisted of buildings and structures of ¥315 million ($3,460 thousand) and goodwill of ¥1,882 million ($20,675 thousand).

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

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

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

Carrying amounts of certain assets used for Foods Business were devalued to their recoverable amounts by the decision of their sale in the year ended December 31, 2007. The goodwill of Foods and Pharmaceutical Business was devaluated to their recoverable amount, since the expected future revenue at the time of initial acquisition was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥1,388 million, which consisted of buildings and structures of ¥99 million and goodwill of ¥1,289 million.

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

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

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

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

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

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

14. Prior Year Sales Promotion Expenses

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

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

15. Information for Certain Leases

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, 2008, 2007 and 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
	Machinery, furniture and fixtures and others			
Acquisition cost	**¥67,714**	¥74,118	¥72,188	**$743,865**
Accumulated depreciation	**33,881**	38,753	37,035	**372,196**
Net book value	**33,833**	35,365	35,153	**371,669**

Future lease payments as of December 31, 2008, 2007 and 2006, net of interest, under such leases were summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Due within one year	**¥12,564**	¥12,399	¥13,888	**$138,020**
Due after one year	**22,751**	24,125	24,992	**249,929**
	¥35,315	¥36,524	¥38,880	**$387,949**

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, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Lease payments	**¥16,005**	¥15,362	¥16,474	**$175,821**
Depreciation equivalents	**14,281**	13,788	14,960	**156,882**
Amounts representing interest	**1,531**	1,466	1,466	**16,819**

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

16. Shareholders' Equity

Changes in number of shares issued and outstanding during the year ended December 31, 2008, 2007 and 2006 are as follows:

Common stock outstanding

	2008	2007	2006
Balance at beginning of year	**483,585,862**	483,585,862	493,585,862
Decrease due to retirement of treasury stocks	**—**	—	(10,000,000)
Balance at end of year	**483,585,862**	483,585,862	483,585,862

Treasury stock outstanding

	2008	2007	2006
Balance at beginning of year	**11,124,073**	12,888,400	15,494,757
Increase due to purchase of odd stock	**186,391**	57,027	41,604
Increase due to purchase of treasury stock based on article 797 paragraph 1 of the corporate law	**—**	51,500	—
Increase due to purchase of treasury stock (Purchased by subsidiaries)	**—**	20,300	—
Increase due to purchase of treasury stock based on resolution of the board of directors	**7,759,900**	—	7,604,500
Decrease due to exercise of stock options	**(291,900)**	(316,000)	(249,900)
Decrease due to stock exchanges	**—**	(1,361,915)	—
Decrease due to retirement of treasury stocks	**—**	—	(10,000,000)
Decrease due to sales of treasury stock (Sold by subsidiaries)	**—**	(212,654)	—
Decrease for other reasons	**(16,301)**	(2,585)	(2,561)
Balance at end of year	**18,762,163**	11,124,073	12,888,400

17. Stock Option Plans

The following tables summarize contents of stock options as of December 31, 2008, 2007 and 2006.

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

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

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

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

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

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

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

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

Non-exercisable stock options

Company name	Asahi Breweries, Limited						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2008	—	—	—	—	—	—	620,000
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	620,000
Stock options outstanding at December 31, 2008	—	—	—	—	—	—	—

Exercisable stock options

Company name	Asahi Breweries, Limited						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2008	58,000	276,500	518,600	260,000	567,000	600,000	—
Conversion from non-exercisable stock options	—	—	—	—	—	—	620,000
Stock options exercised	23,000	34,000	108,300	94,000	30,600	2,000	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2008	35,000	242,500	410,300	166,000	536,400	598,000	620,000

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

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Exercise price	1,115	1,185	1,090	830	1,205	1,374	1,688
Average market price of the stock at the time of exercise	1,851	1,854	1,856	1,882	1,918	1,923	—

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

Non-exercisable stock options

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

Exercisable stock options

Company name	Asahi Breweries, Limited						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2007	72,000	326,000	576,100	437,000	585,000	—	—
Conversion from non-exercisable stock options	—	—	—	—	—	600,000	—
Stock options exercised	14,000	49,500	57,500	177,000	18,000	—	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2007	58,000	276,500	518,600	260,000	567,000	600,000	—

The following table summarizes price information of stock options as of December 31, 2007.

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

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

Non-exercisable stock options

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

Exercisable stock options

Company name	Asahi Breweries, Limited						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2006	96,000	344,000	610,000	611,000	—	—	—
Conversion from non-exercisable stock options	—	—	—	—	585,000	—	—
Stock options exercised	24,000	18,000	33,900	174,000	—	—	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2006	72,000	326,000	576,100	437,000	585,000	—	—

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

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

18. Segment Information

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

Business segment information for the years ended December 31, 2008, 2007 and 2006 was as follows:

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

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

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

	Thousands of U.S. dollars					
Year ended December 31, 2008	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	$10,938,185	$3,479,479	$ 870,076	$ 781,116	$ —	$16,068,856
Intersegment	236,010	37,482	16,039	590,190	(879,721)	—
Total sales	11,174,195	3,516,961	886,115	1,371,306	(879,721)	16,068,856
Operating expenses	10,177,139	3,510,194	864,759	1,360,255	(881,830)	15,030,517
Operating income	$ 997,056	$ 6,767	$ 21,356	$ 11,051	$ 2,109	$ 1,038,339
Identifiable assets	$ 8,569,472	$2,503,427	$1,003,515	$ 839,361	$1,354,894	$14,270,669
Depreciation	390,926	83,160	25,277	20,806	22	520,191
Loss on impairment of fixed assets	—	23,904	—	231	—	24,135
Capital investments	185,016	179,930	23,366	8,646	—	396,958

Corporate assets in the Elimination and/or corporate column in 2008, 2007 and 2006, amounted to ¥138,625 million ($1,522,850 thousand), ¥145,176 million and ¥133,819 million, which are mainly the financial assets of the Company and subsidiaries related to group finance.

As discussed in Note 2 "Translation of foreign currency accounts and financial statements", the Company has translated, from the beginning of the fiscal year, statements of income of foreign subsidiaries using the average exchange rates during the fiscal year. As a result, sales to outside customers of alcoholic beverages decreased by ¥54 million, and sales to outside customers of soft drinks and others increased by ¥1,745 million and ¥23 million for the year ended December 31, 2007, respectively. Operating income of alcoholic beverages increased by ¥26 million, and operating income of soft drinks and others decreased by ¥110 million and ¥0 million, for the year ended December 31, 2007, respectively.

As discussed in Note 2 "Property, plant and equipment", the allowable depreciation limits of the assets acquired before March 31, 2007 are depreciated evenly over 5 years from the following year when they would be depreciated up to the allowable limit for depreciation. As a consequence, operating income of alcoholic beverages, soft drinks, food and pharmaceuticals business and others decreased by ¥1,901 million ($20,883 thousand), ¥29 million ($319 thousand), ¥48 million ($527 thousand) and ¥0 million ($0 thousand), respectively.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2008, 2007 and 2006. Therefore, geographical segment information and overseas sales information are not disclosed.

19. Business Combinations

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

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of combined entity

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

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

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

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

(b) Form of business combination

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

(c) Name of the entity after the reorganization

Asahi Soft Drinks Co., Ltd.

Asahi Calpis Beverage Co., Ltd.

(d) Outline and purpose of the transaction

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

(2) ACCOUNTING METHOD

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

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

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of combined entity

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

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

(b) Form of business combination

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

(c) Name of the entity after the reorganization

Wakodo Co., Ltd.

(d) Outline and purpose of the transaction

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

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

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

(2) ACCOUNTING METHOD

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

(3) ADDITIONAL ACQUISITION OF SHARES OF THE SUBSIDIARY

(a) Acquisition cost

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

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

(i) Type of shares and share exchange ratio

Common shares

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

(ii) Basis for determination of share exchange ratio

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

(iii) Number of shares delivered and values

1,554,269 shares

¥2,917 million

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

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

(i) Amount of goodwill

¥863 million

(ii) Reason for recognizing goodwill

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

(iii) Method and term to amortize goodwill

Straight-line method over 20 years

20. Subsequent Events

A. Appropriations of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2008, were approved at a general meeting of the shareholders of the Company held on March 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10.5 per share)	¥4,881	$53,620

B. Acquisition of shares of Tsingtao

The Company agreed with Anheuser-Busch InBev SA ("ABI") on the acquisition of the shares of Tsingtao Brewery Company Limited (Tsingtao), held by ABI and signed the acquisition contract on January 23, 2009. The Company will acquire 261,577,836 shares within March 2009, representing approximately 19.99% of outstanding shares of Tsingtao, whose shares are listed on Hong Kong Exchanges and Clearing. The amount of acquisition price has been estimated to be approximately U.S.$667 million.

The appropriate approval and authorization from supervisory authorities such as the Ministry of Commerce of the People's Republic of China is required in order for this contract to become effective.

Funds required for acquiring the shares will be provided by the Company's cash on hand and borrowing from banks.

Effects on the Company's consolidated results of operations for fiscal 2009 is not determinable.

C. Final agreement to acquire Australian soft drink business owned by Cadbury group

On March 12, 2009, the Company entered into final agreement with the Cadbury group (Cadbury plc, London; CEO Todd Stizer) to acquire the Australian soft drink business owned by the Cadbury group ("Schweppes Australia").

Based on the agreement, the Company's subsidiary, Asahi Holding (Australia) Pty Ltd will acquire all of outstanding 6,008,240 shares of Schweppes Australia's holding company, Schweppes Holding Pty Ltd ("SHPL") by the end of April 2009. As a result, Schweppes Australia will become a Company subsidiary. The acquisition price has been estimated to be approximately 920 million Australian dollars. The Foreign Investment Review Board in Australia has already authorized this acquisition.

Through this acquisition the Company is to obtain an operating base not only in Asia but also in Oceania; in addition, it is the Company's policy to strengthen its overseas operating bases and accelerate its further growth by realizing group synergies.

SHPL and its subsidiaries mainly produce and sell soft drinks. The amount of sales related to soft drinks business for the year ended December 31, 2007 and total assets as of December 31, 2007 are 749 million Australian dollars and 636 million Australian dollars, respectively.

In addition, the Company is supposed to pay 265 million Australian dollars mainly for trademark rights.

Funds required for the acquisition will be provided by the Company's cash on hand and borrowing from banks.

Independent Auditors' Report

To the Board of Directors of
Asahi Breweries, Ltd.

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) and consolidated subsidiaries as of December 31, 2008, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended December 31, 2008, 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, 2008, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion , such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
March 26, 2009

Global beer market

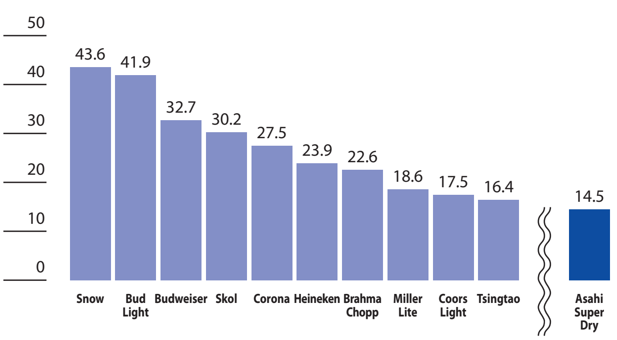
01 Beer consumption—top 10 countries*[1]

(Millions of barrels)

	1995	2001	2002	2003	2004	2005	2006	2007
China	132.4	193.8	203.2	211.2	240.6	263.6	288.9	324.8
United States	185.9	196.3	198.1	198.1	199.7	200.0	202.7	205.1
Russia	16.8	52.0	57.2	63.1	70.1	74.3	81.8	93.8
Brazil	68.2	71.5	73.9	72.4	74.4	77.9	81.3	87.1
Germany	94.6	86.0	85.5	82.8	81.5	81.0	82.2	79.3
Japan*[2]	**60.8**	**60.7**	**59.1**	**56.1**	**56.4**	**53.9**	**54.0**	**53.4**
Mexico	34.8	43.6	43.6	45.1	46.4	47.9	50.5	52.6
United Kingdom	50.4	49.6	50.6	51.4	50.4	48.1	47.4	45.3
Spain	23.0	26.5	26.2	28.5	29.4	29.5	29.8	30.4
Poland	12.9	20.7	22.8	24.2	24.9	26.2	27.7	29.7

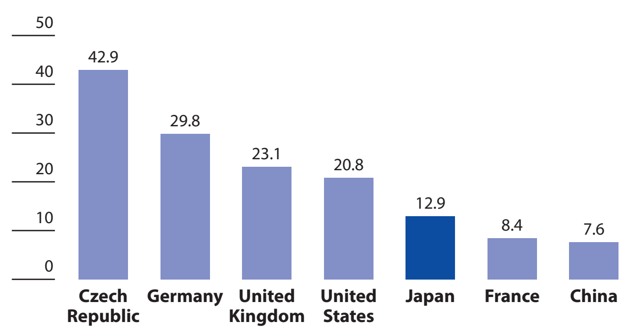
*[1] Excludes non-alcoholic brews.
*[2] Includes happoshu and new genre.
Source: Impact Databank 2008 Edition

02 World's top 10 beer brands*[1] in 2007



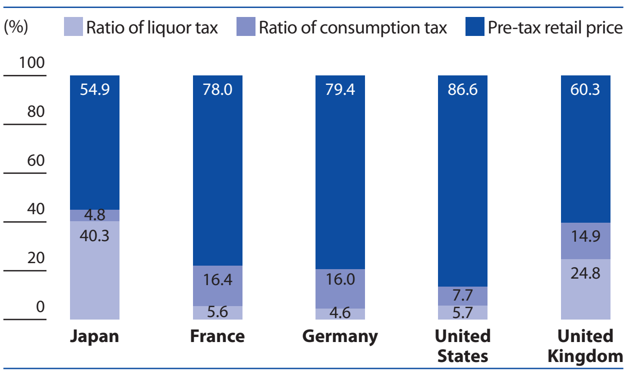
*[1] Includes exports and license volume.
*[2] One U.S. barrel = 1.173477653 hectoliters.
Source: Impact Databank 2008 Edition

03 Per capita beer consumption in major nations in 2007

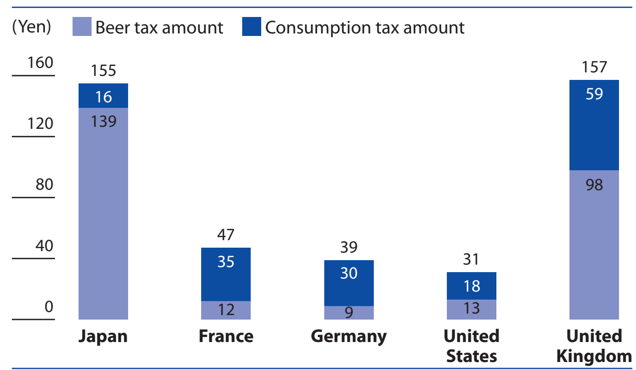


* Based on total population. One U.S. gallon = 3.785 liters.
Source: Impact Databank 2008 Edition

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



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

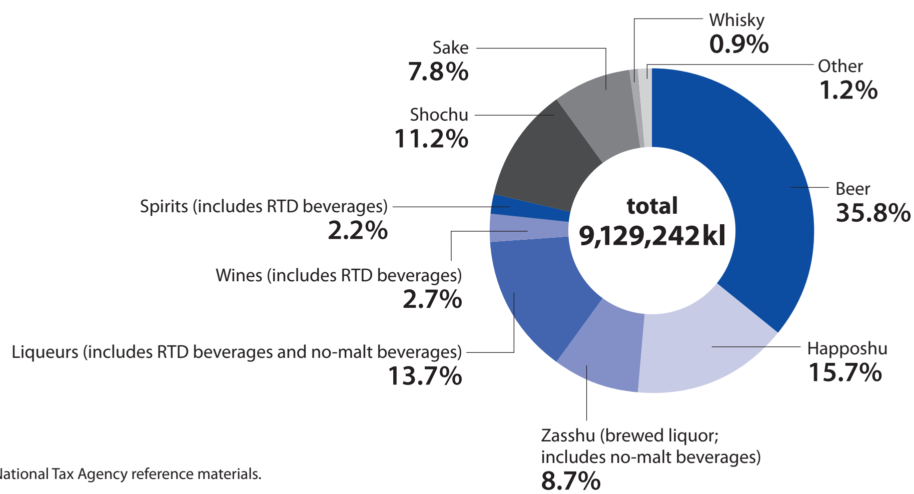


*[1] Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
*[2] Cash values (liquor tax, consumption taxes) shown in yen per 633 milliliters.
*[3] Foreign exchange rates were: €1 = ¥168.07; U.S.$1 = ¥106.42; £1 = ¥212.35 (based on TTM rate as of June 2008).
*[4] Figures for the U.S. based on survey conducted in New York City.
Source: Brewers Association of Japan (June 2008)

Japan's alcoholic beverages market

Refer to page 4 for details on beer-type beverage categories (beer, happoshu, and new genre beverages).

06 Taxable shipment volume in Japan in 2008



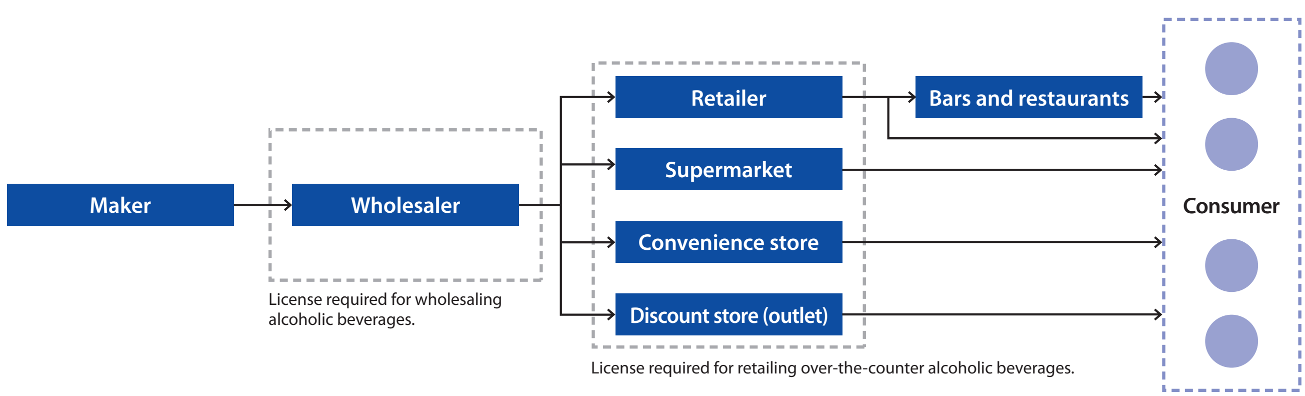
Compiled from National Tax Agency reference materials.

07 Comparison of liquor taxes per 350 milliliters

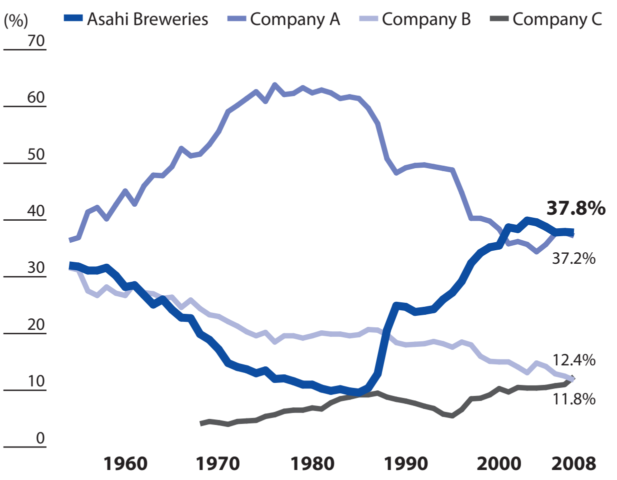
Alcoholic beverages	Malt component ratio	Alcohol content	Tax amount (Yen)
Beer*	67% and above	5.0%	77.0
Happoshu*	Below 25%	5.5%	47.0
Liqueurs*	0%	5.0%	28.0
Zasshu*	0%	5.0%	28.0
Liqueurs (canned chu-hi)	—	7.0%	28.0
Sparkling Wine (low-alcohol)	—	8.0%	28.0
Wines	—	12.0%	28.0

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

08 Distribution route of Japan's alcoholic beverages industry



09 Beer, happoshu and new genre: market share in Japan by major company (1954–2008)



Source: Asahi Breweries, Ltd.

10 Beer, happoshu and new genre: shipment volume in Japan (January–December 2008)

ASAHI BREWERIES

(Million cases)

	Volume	Year-on-year change (%)		Market share (Increase/Decrease)	
Beer	129.27	−6.0	(−4.4%)	50.5%	(+1.1)
Happoshu (low-malt beer)	29.18	−4.5	(−13.5%)	26.0%	(−1.7)
New genre (no-malt beer)	23.86	+4.6	(+24.0%)	20.9%	(+1.7)
Total	**182.31**	**−5.9**	**(−3.2%)**	**37.8%**	(−0.1)

INDUSTRY OVERALL

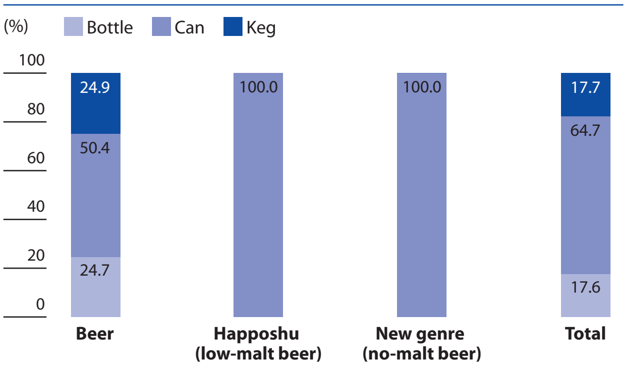
(Million cases)

	Volume	Year-on-year change (%)		Breakdown (Increase/Decrease)	
Beer	256.12	−17.9	(−6.5%)	53.1%	(−2.1)
Happoshu (low-malt beer)	112.36	−9.3	(−7.7%)	23.3%	(−1.2)
New genre (no-malt beer)	114.20	+13.8	(+13.8%)	23.7%	(+3.5)
Total	**482.68**	**−13.4**	**(−2.7%)**	**100.0%**	**(—)**

Sources: Brewers Association of Japan and Happoshu online website

Asahi Breweries beer and happoshu sales

11 Sales composition by container type in 2008



YEAR-ON-YEAR SALES RATIO, BY CONTAINER TYPE (2008/2007)

	Bottle	Can	Keg	Total
Beer	−6.3%	−4.7%	−1.0%	−4.4%
Happoshu (low-malt beer)	−1.1%	−13.7%	—	−13.5%
New genre (no-malt beer)	—	+24.0%	—	+24.0%
Total	**−6.3%**	**−2.8%**	**−1.0%**	**−3.2%**

12 Sales composition by marketing channel

	2007 results			2008 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	8.6%	14.4%	10.2%	8.3%	13.6%	9.9%
Supermarkets	16.4%	39.9%	23.0%	17.0%	40.7%	23.8%
Discount stores (outlets)	18.0%	23.4%	19.5%	16.3%	22.5%	18.1%
Mass-retail outlets total	43.0%	77.7%	52.7%	41.6%	76.8%	51.8%
Commercial-use liquor retailers	34.6%	3.4%	25.9%	35.7%	3.7%	26.5%
General liquor shops, etc.	22.3%	18.9%	21.4%	22.6%	19.5%	21.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

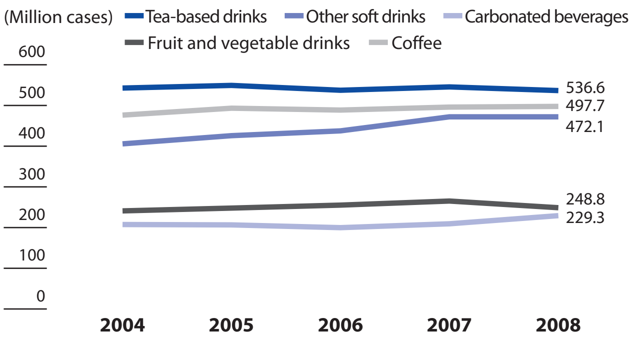
* Composition of commercial-use liquor retailers does not equal the consumption rate for commercial-use liquor.
Source: Asahi Breweries, Ltd.

Japan's soft drinks market and Asahi Soft Drinks sales

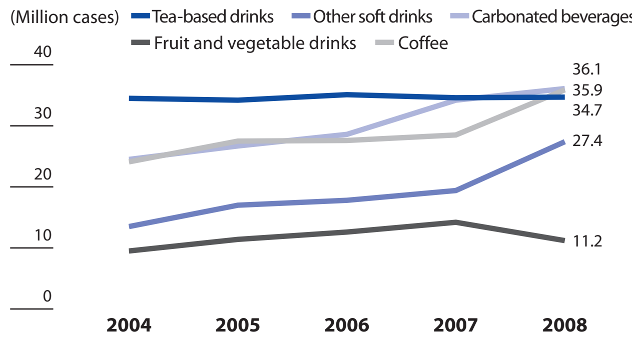
Source: Asahi Soft Drinks, Co., Ltd.

13 Sales in domestic soft drinks market, by category

INDUSTRY OVERALL



ASAHI SOFT DRINKS



INDUSTRY OVERALL (Million cases)

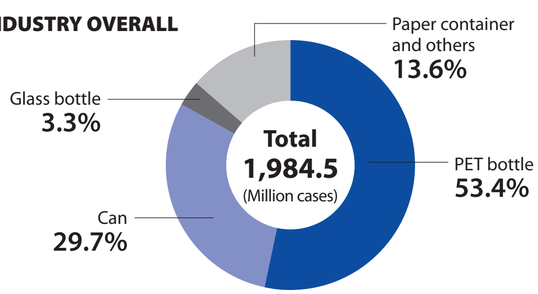
	2004	2005	2006	2007	2008
Tea-based drinks	542.8	549.3	537.4	536.6	536.6
Coffee	476.3	493.3	488.7	495.0	497.7
Fruit and vegetable drinks	241.0	247.9	255.2	272.9	248.8
Carbonated beverages	207.5	206.6	199.8	218.0	229.3
Other soft drinks	405.7	425.8	437.6	474.8	472.1
Total	**1,873.3**	**1,922.9**	**1,918.7**	**1,997.3**	**1,984.5**

ASAHI SOFT DRINKS (Million cases)

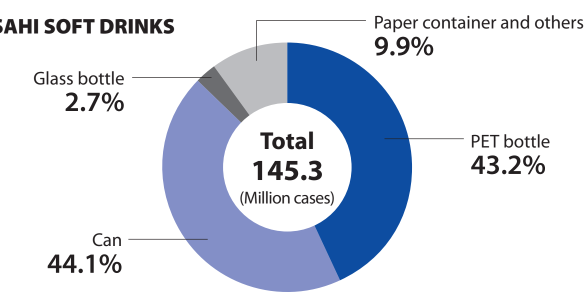
	2004	2005	2006	2007	2008
Tea-based drinks	34.5	34.2	35.1	34.6	34.7
Coffee	24.1	27.5	27.6	28.5	35.9
Fruit and vegetable drinks	9.5	11.4	12.6	14.2	11.2
Carbonated beverages	24.5	26.7	28.6	34.2	36.1
Other soft drinks	13.5	17.0	17.8	19.4	27.4
Total	**106.0**	**116.8**	**121.7**	**130.9**	**145.3**

14 Sales in domestic soft drinks market, by container type in 2008

INDUSTRY OVERALL

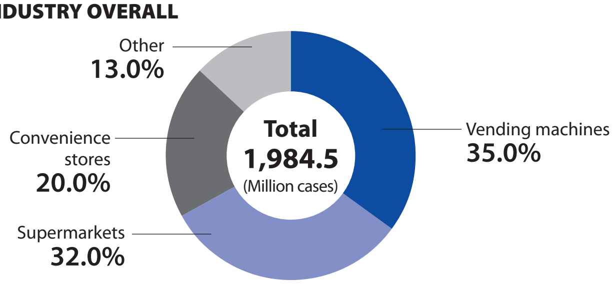


ASAHI SOFT DRINKS

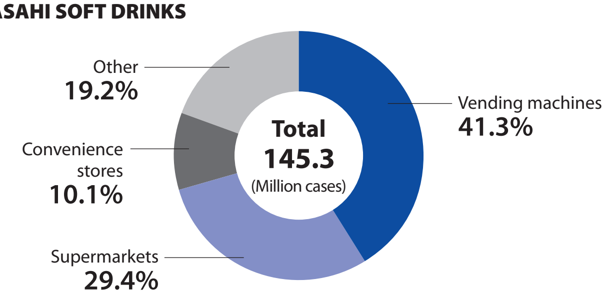


15 Sales composition in domestic soft drinks market, by marketing channel in 2008

INDUSTRY OVERALL



ASAHI SOFT DRINKS



Major Group companies (domestic)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2008 (¥ billion)
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	97.4%	246.4
LB, Ltd. (Hasuda, Saitama)	0.5	67.9%	16.9
LB, Ltd. (Tokai, Aichi)	0.1	97.0%	4.9
Domestic food and pharmaceuticals business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	35.4
Wakodo Co., Ltd.	2.9	100.0%	32.4
Amano Jitsugyo Co., Ltd.	0.1	80.0%	7.7

Plants and manufacturing bases (domestic)

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

Sales and marketing bases (overseas)

Branch / Office	Principal business	Locations
Europe		
Asahi Breweries, Ltd. Europe Branch	Sales and marketing of beer	17 Connaught Place, London W2 2EL, U.K. Tel: (44) 20-7706-8330 Fax: (44) 20-7706-4220
Asia		
Asahi Breweries, Ltd. Bangkok Office	Sales and marketing of beer (Other than Thailand)	12th Floor, Room No. 1213, Qhouse Asoke Building, 66 Sukhumvit, Bangkok, Thailand Tel: (66)-2664-3348 Fax: (66)-2664-3349

Major Group companies (overseas)

Company	Capital	Percentage of voting rights	Principal business	Locations
United States				
Asahi Beer U.S.A., Inc.	US$32 million	99.2%	Sales and marketing of beer	**Headquarters & Los Angeles Branch:** **3625 Del Amo Blvd., Suite 250, Torrance, CA 90503, U.S.A.** Tel: (1) 310-214-9051 Fax: (1) 310-542-5108 **New York Branch:** **300 Hamilton Ave., Suite 209, White Plains, NY 10606** Tel: (1) 914-288-0788 Fax: (1) 914-288-0744
Europe				
Buckinghamshire Golf Company Limited	£24.5 million	100.0%	Ownership and management of a golf club	**Denham Court Drive, Denham Buckinghamshire UB9 5BG, U.K.** Tel: (44) 1895-835-777 Fax: (44) 1895-835-210
Asia				
Hangzhou Xihu Beer Asahi Co., Ltd.	RMB276 million	55.0%	Production and sales of beer	**545 Xixi Road, Hangzhou, Zhejiang, China** Tel: (86) 571-8502-1919 Fax: (86) 571-8512-2654
Yantai Beer Tsingtao Asahi Co., Ltd.	RMB219 million	51.0%	Production and sales of beer	**100 Huanshan Road Yantai, Shandong, China** Tel: (86) 535-608-2283 Fax: (86) 535-608-6279
Beijing Beer Asahi Co., Ltd.	RMB375 million	31.0%	Production and sales of beer	**North 1 Yanqi Road, Yanqi Industrial Development Zone, Huairou District, Beijing, China** Tel: (86) 10-6567-7001 Fax: (86) 10-6566-6885
Shenzhen Tsingtao Beer Asahi Co., Ltd.	RMB249 million	29.0%	Production and sales of beer	**Hongqiaotou Village, Songgang Town Baoan District, Shenzhen, P.R. China** Tel: (86) 755-2705-8200 Fax: (86) 755-2705-7146
Asahi Beer (Shanghai) Product Services Co., Ltd.	RMB345 million	100.0%	Sales of beer and soft drinks	**No. 1205, 12th Floor, Westgate Mall 1038 Nanjing Rd. (w), Shanghai, China** Tel: (86) 21-6267-2052 Fax: (86) 21-6267-2082
Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd.	RMB110 million	60.0%	Production and sales of soft drinks	**97 Laoshan Road, Qingdao, Shandong, China** Tel: (86) 532-8880-7400 Fax: (86) 532-8880-7401
Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.	US$10 thousand	50.0%	Production and sales of soft drinks	**No. 15, 3rd Avenue, T.E.D.A, Tianjin, China** Tel: (86) 22-6529-8888 Fax: (86) 22-6529-8877
Haitai Beverage Co., Ltd.	KRW100,000 million	58.0%	Production and sales of soft drinks	**17th Floor, CBS Bldg., 917-1, Mok-Dong, Yangchon-Gu, Seoul, 158-050 Korea** Tel: (82) 2-3219-7114 Fax: (82) 2-2651-9084
Asahi & Mercuries Co., Ltd.	TWD5.4 billion	50.0%	Sales of alcoholic beverages, soft drinks and food	**4F, 140, Chung-Ching N. RD., SEC. 4 Taipei, Taiwan, R.O.C.** TEL: 886-2-2816-6768 FAX: 886-2-2816-0833

Investor Information (As of December 31, 2008)

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

DATE OF ESTABLISHMENT
September 1, 1949

MAJOR DOMESTIC OFFICES AND BREWERIES
Regional Headquarters and Branches: 10
Breweries: 9
Laboratories: 8

NUMBER OF OVERSEAS OFFICES
Business Offices: 3

NUMBER OF EMPLOYEES
Consolidated: 16,357
Non-consolidated: 3,713

FISCAL YEAR-END DATE
December 31, on an annual basis

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

PAID-IN CAPITAL
¥182,531 million

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

NUMBER OF SHAREHOLDERS
115,450 (138 less than last fiscal year)

ORDINARY GENERAL MEETING OF SHAREHOLDERS
The ordinary general meeting of shareholders of the Company is normally held in March each year in Tokyo, Japan. In addition, the Company may hold an extraordinary meeting of shareholders as necessary, giving at least two weeks prior notice to shareholders.

COMPOSITION OF SHAREHOLDERS

	(%)
Financial institutions	39.8
Overseas corporations, etc.	25.6
Individuals, other	16.8
Other corporations	16.5
Securities companies	1.4

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

MAJOR SHAREHOLDERS

Shareholder Name	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.0%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	4.6%
Asahi Kasei Corporation	3.9%
The Dai-ichi Mutual Life Insurance Company	3.7%
Fukoku Mutual Life Insurance Company	3.5%
Sumitomo Mitsui Banking Corporation	1.9%
The Sumitomo Trust & Banking Co., Ltd.	1.7%
Sumitomo Life Insurance Company	1.5%
Mizuho Corporate Bank, Ltd.	1.2%

* While Asahi Breweries, Ltd. owns 18,762,000 shares of treasury stock, it is not included with the major shareholders listed above.

STOCK EXCHANGE LISTINGS
Tokyo Stock Exchange, Osaka Securities Exchange

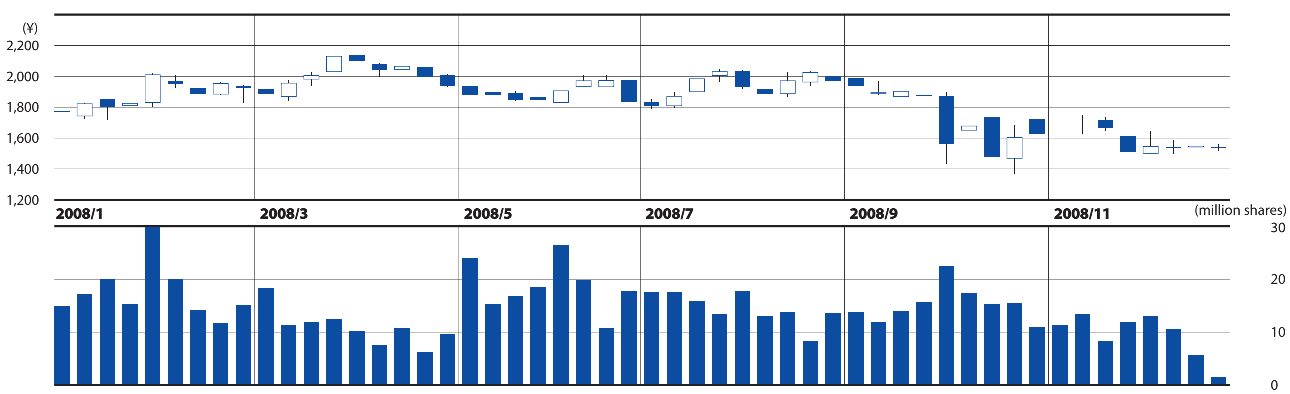
NEWSPAPER FOR OFFICIAL NOTICE
Nihon Keizai Shimbun

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

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

AUDITOR
KPMG AZSA & Co.

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



ASAHI BREWERIES, LTD.

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

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

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

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SA-COC-001196
© 1996 Forest Stewardship Council

Waterless Printing Naturally

PRINTED WITH SOY INK
Trademark of American Soybean Association