



***INSIGHT,  
ACTION,  
Asahi***

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## Corporate Philosophy

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The Asahi 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.

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## Corporate Brand Statement

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### Share the “Kando”\*

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

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

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### 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, 2009, the Asahi Group drafted its Long-Term Vision 2015 and assembled the Medium-Term Management Plan 2012 as a set of milestones for achieving this vision.

The operating environment during the fiscal year ended December 31, 2010, the first year of the plan, remained severely challenging overall. This difficulty persisted despite improved corporate earnings, a rebound in consumer spending, and other signs of recovery in certain sectors. In this climate, Asahi Breweries moved swiftly to address the top priorities outlined in the Medium-Term Management Plan 2012—boosting profitability in existing businesses and expanding our business base through capital and business alliances in Japan and overseas.

We took a number of steps to improve profitability in existing businesses during the term. In addition to bolstering and developing core brands, we made greater-than-expected strides in efficiency by constructing optimal production and distribution frameworks mainly in the domestic alcoholic beverages business. In overseas operations, we made similar progress by reconfiguring our business models in China and South Korea.

In business and capital alliances, we took steps to strengthen our product portfolio, which included the acquisition of promising new brands in the soft drink business in Japan. Overseas, we signed a share purchase agreement with Australia's third-largest soft drink company and moved to enter a capital and business alliance with one of China's largest food products and distribution groups. Together, these efforts succeeded in expanding our business base for overseas operations.

Under Long-Term Vision 2015, we are striving for transforming the bounty of nature into the “Kando” of food while becoming a trusted company with global quality. This vision embodies our goals for the Asahi Group in 2015: to pursue customer satisfaction by leveraging our strong manufacturing capabilities that utilize natural ingredients, and to earn the trust of customers by striving to upgrade the quality of all products and activities to a world-class level.

In fiscal 2011, we will transition to a pure holding company—a structure that will enable us to promote global management of the Group more fully. This process will clarify authority and accountability for the holding company and operating companies, as we pursue the kind of specialization that will help make our vision a reality. With these changes in mind, we invite you to expect great things from the Asahi Group going forward.

*Hitoshi Ogita*

**Hitoshi Ogita**

Chairman of the Board (Left)

*Naoki Izumiya*

**Naoki Izumiya**

President (Right)



# Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries  
December 31, 2010, 2009 and 2008

	Millions of yen			%	Thousands of U.S. dollars *1
	2010	2009	2008		2010
<b>For the year:</b>					
Net sales	<b>¥1,489,461</b>	¥1,472,469	¥1,462,748	+1.2	<b>\$18,277,838</b>
Alcoholic beverages	<b>935,850</b>	958,156	995,703	-2.3	<b>11,484,231</b>
Soft drinks	<b>391,566</b>	355,162	316,737	+10.2	<b>4,805,080</b>
Food ("Food and pharmaceuticals" in 2008 and 2009)	<b>95,440</b>	92,400	79,203	+3.3	<b>1,171,187</b>
Others	<b>66,605</b>	66,751	71,105	-0.2	<b>817,340</b>
Operating income	<b>95,349</b>	82,777	94,520	+15.2	<b>1,170,070</b>
Alcoholic beverages	<b>84,567</b>	78,879	90,762	+7.2	<b>1,037,759</b>
Soft drinks	<b>4,922</b>	695	616	+608.2	<b>60,400</b>
Food ("Food and pharmaceuticals" in 2008 and 2009)	<b>3,633</b>	2,745	1,944	+32.4	<b>44,582</b>
Others	<b>1,505</b>	889	1,006	+69.3	<b>18,470</b>
Elimination and/or corporate	<b>722</b>	(431)	192	—	<b>8,859</b>
Operating income ratio (%)	<b>6.4</b>	5.6	6.5	+0.8 point	
Net income	<b>53,080</b>	47,645	45,014	+11.4	<b>651,368</b>
Net cash provided by operating activities	<b>125,609</b>	106,358	106,094	+18.1	<b>1,541,404</b>
Capital investments*2	<b>36,738</b>	62,376	36,135	-41.1	<b>450,828</b>
<b>At year-end:</b>					
Total assets	<b>¥1,405,358</b>	¥1,433,653	¥1,299,059	-2.0	<b>\$17,245,772</b>
Interest-bearing debt	<b>311,423</b>	391,875	302,259	-20.5	<b>3,821,610</b>
Total net assets	<b>612,670</b>	577,703	534,628	+6.1	<b>7,518,346</b>
<b>Per share data (in yen and U.S. dollars):</b>					
Net income	<b>¥ 114.10</b>	¥ 102.49	¥ 96.31	+11.3	<b>\$ 1.40</b>
Diluted net income	<b>114.00</b>	102.42	96.14	+11.3	<b>1.40</b>
Cash dividends applicable to the year	<b>23.00</b>	21.00	20.00	+9.5	<b>0.28</b>
Total net assets	<b>1,315.51</b>	1,233.25	1,122.13	+6.7	<b>16.14</b>
<b>Key ratios:</b>					
ROE (%)	<b>9.0</b>	8.7	8.7		
ROA (%)*3	<b>7.1</b>	6.6	7.4		
Total assets turnover (times)	<b>1.1</b>	1.1	1.1		
Equity ratio (%)	<b>43.6</b>	40.0	40.2		
Interest coverage ratio (times)	<b>30.7</b>	23.1	20.4		
Debt-to-equity ratio (times)	<b>0.51</b>	0.68	0.58		

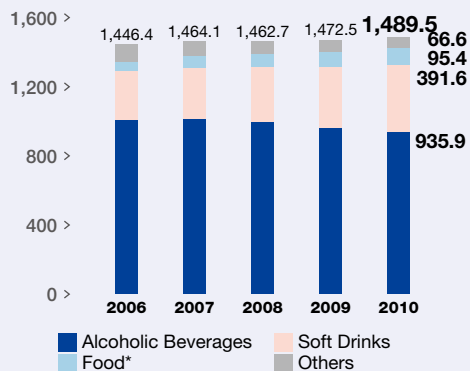
\*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥81.49 to U.S.\$1, using the exchange rate prevailing at December 31, 2010.

\*2 Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

\*3 ROA: Ordinary income to total assets

### Net Sales

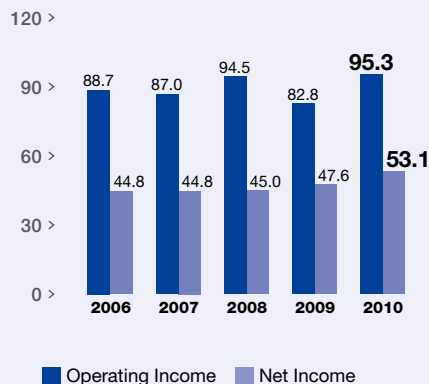
(¥ billion)



\* For years up to and including 2009 this segment was called "Food and pharmaceuticals"

### Operating Income/Net Income

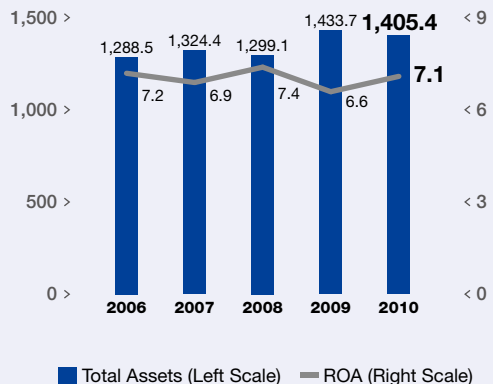
(¥ billion)



### Total Assets/ROA

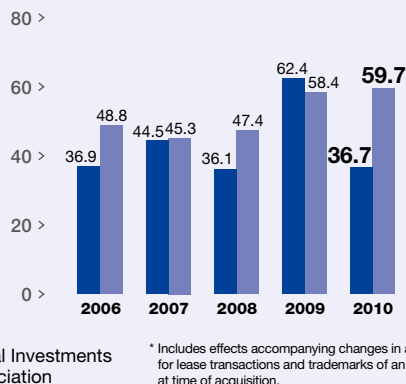
(¥ billion)

(%)



### Capital Investments\*/Depreciation\*

(¥ billion)

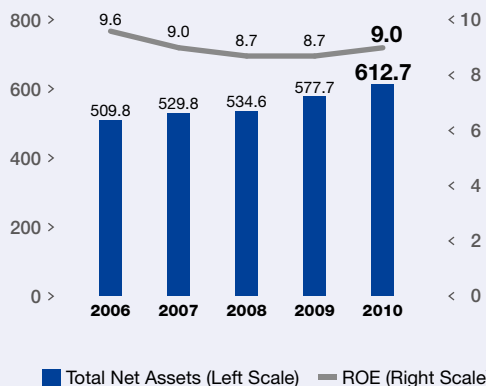


\* Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

### Total Net Assets/ROE

(¥ billion)

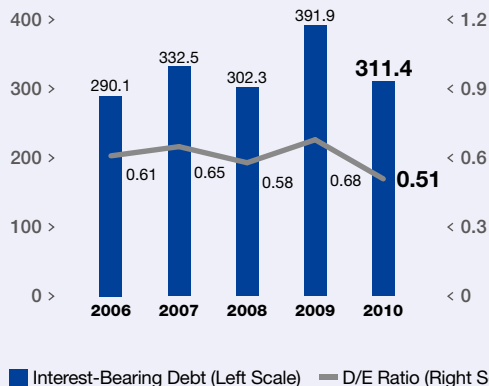
(%)



### Interest-Bearing Debt/D/E Ratio

(¥ billion)

(Times)



Special Feature 1

# INSIGHT, Asahi

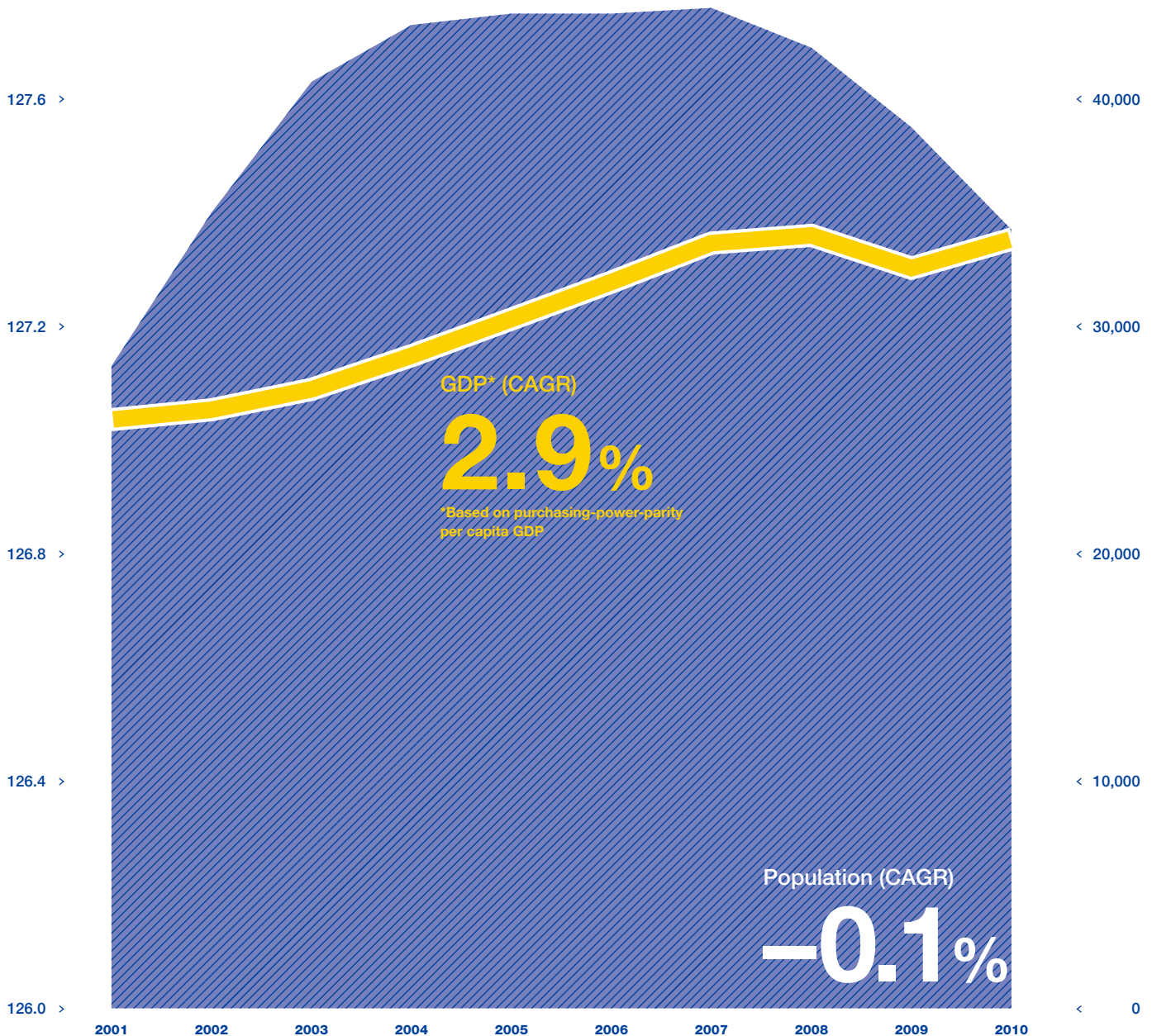
## Asahi's Environment and Position

Changes in population and GDP Domestic

(Million people)  
128.0 >

(US dollars)  
< 50,000

### The Maturing Japanese Market





## Changes in population and GDP Asia and Oceania

(Million people)  
4,000 >

# The Growing Asia and Oceania Market

(US dollars)  
< 12,000

3,700 >

GDP\* (CAGR)

# 5.3%

\*Based on purchasing-power-parity  
per capita GDP

< 10,000

3,400 >

Population (CAGR)

# 1.5%

< 8,000

3,100 >

< 6,000

2,800 >

< 4,000

2,500 >

< 2,000

< 0

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Source: IMF-World Economic Outlook (April 2011)

\*Data taken from countries with populations over 1 million.

# Key Issues for Asahi

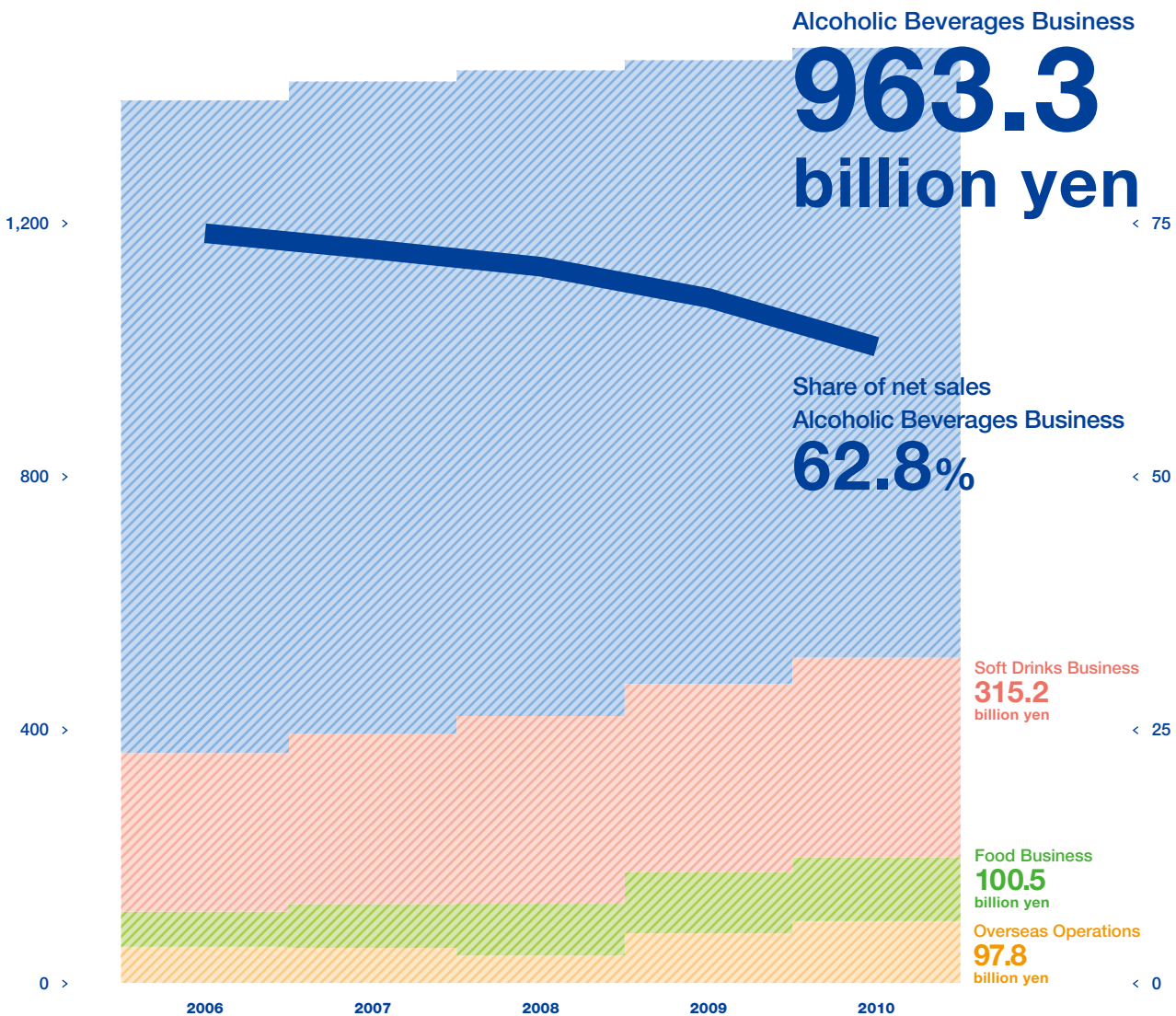


## Net Sales

### Majority of Earnings Generated by Domestic Alcoholic Beverages Business in 2010

(¥ billion)  
1,600 >

(%)  
< 100







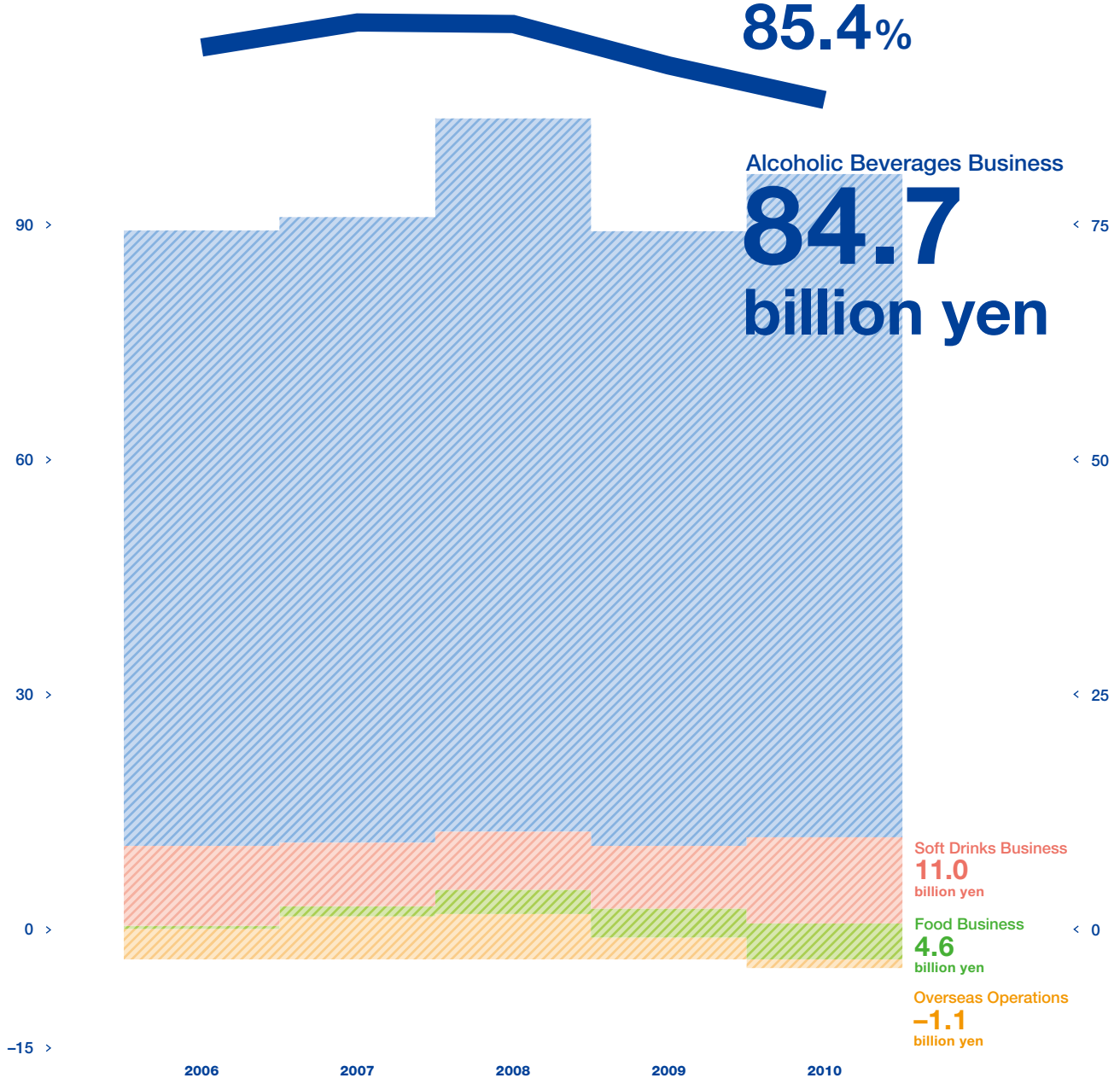
**Strengthen the earnings base from existing businesses, and bolster business portfolio.**

**Operating Income (Loss)**

(¥ billion)  
120 >

Share of operating income  
Alcoholic Beverages Business < 100 (%)

**85.4%**



Alcoholic Beverages Business

**84.7**  
billion yen

Soft Drinks Business  
**11.0**  
billion yen

Food Business  
**4.6**  
billion yen

Overseas Operations  
**-1.1**  
billion yen

## Asahi Strategy

The Asahi Group formulated a new Long-Term Vision 2015 and Medium-Term Management Plan 2012, based on market trends in and outside of Japan and the Group's earnings structure. Both plans began in 2010.

### LONG-TERM VISION

# 2015

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

#### Long-Term Vision 2015: Quantitative Targets

Net Sales

**¥2–2.5** trillion

EBITDA\*/Net sales ratio

**12% or higher**

Overseas Sales Contribution

**20–30%**

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

### MEDIUM-TERM MANAGEMENT PLAN

# 2012

A Milestone for Achieving the Long-Term Vision.

#### Alcoholic Beverages Business:

Strengthening and cultivating core brands while striving for world-class profitability

#### Soft Drinks Business:

Cultivating strong brands and raising profitability to become a pillar of the industry realignment

#### Food Business:

Reinforcing brands and seeking group synergies in areas of strength

#### Overseas Operations:

Raising profitability in China by alliance with Tsingtao Brewery and expanding our presence in Asia and Oceania

## Strategies for achieving the Long-Term Vision:

- Improve profitability at existing businesses
- Promote capital and business alliances in and outside of Japan

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

- Aim for operating income ratio of **10%** or higher for alcoholic beverages business (excl. alcohol tax, **18%**).
- Aim for operating income ratio of **5%** or higher for soft drinks business, food business, and overseas operations.

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

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

Aim for net income of **¥65.0** billion  
(Around **¥75.0** billion before goodwill and other depreciation costs)

## Strategy Execution in 2010

The fiscal year ended December 31, 2010 was the first for the Medium-Term Management Plan 2012. During the year we accelerated our progress on a variety of initiatives towards the plan's completion. Our efforts centered on improving profitability in existing businesses and promoting capital and business alliances in Japan and overseas.

### April Acquisition of the Rokko no Oishii Mizu Brand

Asahi Soft Drinks Co., Ltd. acquired the *Rokko no Oishii Mizu* brand, which has a 7% share of Japan's mineral water market (2009 data) and is widely known to many customers in Japan as a daily drinking water product. By adding *Rokko no Oishii Mizu* to its existing high-added-value bottled water brand *Asahi Fujisan no Vanadium Tennensui*, Asahi Soft Drinks aims to expand its presence in Japan's growing mineral water market.



JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

### January Stronger Alliance with the Carlsberg Group

In the global beer business, we reinforced our alliance with the Carlsberg Group in a move to bolster sales of *Asahi Super Dry* outside of Japan.

January marked the full-scale launch of sales of *Asahi Super Dry* by Carlsberg Hong Kong. The result was double-digit growth in sales year on year in Hong Kong in 2010. In July, Carlsberg Malaysia also began selling *Asahi Super Dry*, lifting sales there by 40% year on year.

### May Limited-time Opening of Asahi Super Dry Extra Cold Bar

Asahi Breweries, Ltd. opened the *Asahi Super Dry Extra Cold Bar* for a limited time in Tokyo's Ginza district. "Extra cold" is a new proposal for enjoying *Asahi Super Dry* that has won support from a broad spectrum of customers and contributed



greatly to revitalizing the *Asahi Super Dry* brand.

### March Formulation of the Asahi Group Environmental Vision 2020

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

→ P.55



October  
**Integration of LB Co., Ltd. (Tokyo)  
and LB Co., Ltd. (Nagoya)**

Asahi Breweries, Ltd. converted LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya) into wholly owned subsidiaries. On January 1, 2011, both companies were merged and their respective management resources integrated. This move opens the way for Asahi Breweries to develop growth strategies in the chilled beverages business domain that were not feasible when the subsidiaries were separate, and to boost profitability.

August  
**Transition to a Holding Company  
Structure**

The Asahi Group announced a scheduled transition to a holding company structure on July 1, 2011. This move will enhance Group governance functions, develop manufacturing skills across the entire Group, and strengthen management infrastructure.

→ P.15,16

November  
**Investment and Subsequent  
Business Alliance with a Major  
Food and Distribution Company  
in China**

The Asahi Group, in collaboration with ITOCHU Corporation, invested in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., the holding company for the Ting Hsin Group, a major food and distribution company in China. In addition to the soft drinks business in China, a basic agreement was reached to pursue a business alliance in the food business in China and Taiwan.

→ P.23

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

September  
**New Production Framework in  
Beer-type Beverages Ahead of  
Profit Structure Reform**

To boost profitability, Asahi Breweries, Ltd. opted to integrate production functions for beer-type beverages and move to a structure in Japan consisting of eight breweries. This decision is expected to greatly enhance production efficiency in the Company's domestic brewery network. The likely result is profit structure reform that will greatly surpass targets set in Medium-Term Management Plan 2012. Cost reduction benefits after shifting to the new production framework are expected to be around ¥4.5 billion annually.

December  
**Acquisition of Rokujo Mugicha**

An agreement was concluded with Kagome Co., Ltd. to transfer the *Rokujo Mugicha* brand to Asahi Soft Drinks.

Plans are to revitalize the brand and swiftly capture a 10% share in the domestic soft drinks market by leveraging Asahi Soft Drinks' advantages as the core company for the Asahi Group's soft drinks business in Japan.

\* Product launched on May 31, 2011



# ACTION, Asahi

***We firmly executed our strategy in 2010 in line with Medium-Term Management Plan 2012.***

## STRATEGY EXECUTION 2010

- 
- ✓ In fiscal 2010, the first year of Medium-Term Management Plan 2012, we took assertive action to improve the profitability of existing businesses and enhance business and capital alliances in Japan and overseas. These efforts resulted in greater-than-expected growth in sales and earnings for the year.
  - ✓ We promoted efficiency enhancements in all divisions across the Asahi Group, most notably in the alcoholic beverages business, reforming our profit structure to meet profit targets.
  - ✓ By aggressively pursuing business and capital alliances in Japan and overseas, we ultimately gained new business bases in every business.
  - ✓ To make global management a reality, we adopted a human resource development program for executives and all other employees.



**Naoki Izumiya**  
President





The year ended December 2010 was also the first year of Asahi Breweries' Medium-Term Management Plan 2012. Can you give an overview of performance for the term?



We forged ahead with initiatives in alcoholic beverages, soft drinks, food and overseas operations designed to enhance growth and profitability.

Under Long-Term Vision 2015, the Asahi Group is striving for transforming the bounty of nature into the “Kando” of food while becoming a trusted company with global quality. Our Medium-Term Management Plan 2012 (the “2012 Plan”) sets out milestones for realizing this vision. Our top priority under the 2012 Plan is to improve the profitability of existing businesses by seeking, for example, to raise our consolidated operating income ratio to around 8%.

The business environment this term, the first for our 2012 Plan, remained a severe one in Japan. It was notably impacted by low economic growth, but also by aging demographics and long-term population decline. On a more positive note, I feel that signs of change have begun emerging in overall consumer spending. Despite tough times, consumers are devising ways to get more enjoyment out of life. These trends suggest to me that Japanese society as a whole is transitioning into a state of maturity, rather than one of simple low growth. Outside of Japan, growth in developed nations remains persistently low, while emerging markets, especially in Asia, continue to show dramatic economic and consumer growth.

In this climate, the Asahi Group used the year to move toward reform. The Group worked quickly to make existing businesses more profitable, and pursue business and capital alliances in Japan and around the world.

### 1. Making Existing Businesses More Profitable

We recognize that having a stronger brand and proposing new products that capture changes in overall consumption are vital first steps to improving profitability. With overall consumption

levels in decline, the advantages that products backed by strong brand power offer are more important than ever. For this reason, we prioritized our core brands in each business when allocating management resources and took steps to enhance and cultivate brand power.

A case in point is *Asahi Super Dry*, our beer category entry with annual sales of over 100 million cases\*. Here, we pushed the full-scale promotion of a new way to enjoy this product called ‘Extra Cold,’ where *Asahi Super Dry* is chilled to  $-2^{\circ}\text{C}$ . We also promoted the Refreshingly Sustainable project, in which a portion of sales was donated to local governments and other organizations in all areas of Japan. These were just two ways in which we continued to breathe new life into the brand, and refresh it.

To help with proposing new products that capture changes in overall consumption, we established the Kotomono Laboratory in September 2010 to support these activities at an organizational level. The aim of the laboratory is to propose options to consumers that create new value, both in terms of tangible product innovation and intangible innovations that motivate consumers to buy and enjoy our products. We also set up a team dedicated to creating a new category that bridges alcoholic beverages and soft drinks.

In establishing the laboratory and the team, we are focusing fully on our customers and building a framework for proposing new value that will create demand.

In the domestic alcoholic beverages business, we improved efficiency around any costs above those planned for overall manufacturing and fixed costs. We also sought to further boost productivity, part of which was the decision to reorganize our production framework for beer-type beverages in the Kansai area.

## Long-Term Vision 2015

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

- The Group aims to increase its sales to ¥2–2.5 trillion and join the ranks of the top global food companies by size.
- The Group aims to increase its EBITDA margin to 12% or more.

# ACTION, Asahi

Turning to overseas operations, we reconfigured our business base for improved profitability. Specifically, we sold off our underperforming soft drinks business in South Korea, while in our beer business in China, we started contract production of Tsingtao Brewery Co., Ltd. (Tsingtao Brewery) core brands at every production base.

## 2. Business and Capital Alliances in Japan and Around the World

In our soft drinks business in Japan, we sought to enhance our business base with an upgraded product lineup, acquiring new



brands such as *Rokko no Oishii Mizu* from House Foods Corp. and *Rokujo Mugicha* from Kagome Co., Ltd.

Outside of Japan, we signed a share purchase agreement with P&N BEVERAGES AUSTRALIA PTY. LIMITED, which boasts the third-largest sales volume share in the Australian soft drinks market, where stable growth is expected. Through this move, we aim to accelerate growth of the Australian soft drinks business and expand our business base further.

Turning to China, where substantial growth is on the horizon, we acquired shares in food product and distribution giant TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and entered a capital and business alliance with them. This move has gained us a new business base in the Chinese market for food products, to add to our existing businesses in alcoholic beverages and soft drinks.

As these efforts show, we have made definite progress during the December 2010 term at developing our growth bases and boosting profitability in our business domains. As a result, we managed to clear our performance targets for the year. Net sales rose 1.2% from the previous fiscal year to ¥1,489,461 million, while operating income climbed 15.2% to ¥95,349 million and net income increased 11.4% to ¥53,080 million.

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

## Medium-Term Management Plan 2012

### Net Sales (Existing Businesses)

(¥ billion)

	2009 Results	2012 (Guidelines)	Compound Annual Growth Rate
Alcoholic beverages business	985.5	975.0	±0% level
Soft drinks business	296.9	335.0	4% level
Food business	96.3	115.0	6% level
Overseas operations	78.5	105.0	10% level
<b>Total Sales</b>	<b>1,472.5</b>	<b>1,560.0</b>	<b>2% level</b>
Sales excl. alcohol tax	1,020.2	1,130.0	2% level

### Operating Income (Loss) (Existing Businesses) (¥ billion)

	2009 Results	2012 (Guidelines)	Operating Income Ratio Target
Alcoholic beverages business	78.5	100.0	10% or higher
Soft drinks business	8.0	17.0	5% or higher
Food business	3.7	6.0	5% or higher
Overseas operations	(2.8)	6.0	5% or higher
(Goodwill and other depreciation costs)	(7.1)	(7.7)	—
<b>Total operating income (excl. alcohol tax)</b>	<b>82.8</b>	<b>123.0</b>	<b>8% level</b>
			12% level
	2009 Results	2012 (Guidelines)	Compound Annual Growth Rate
Equity method income	9.9	16.0	15% or higher
Ordinary income	90.5	131.0	—
Net income	47.6	65.0	—



**You mentioned that the December 2010 term was a successful one for moves towards reform. How will you leverage these accomplishments to fulfill your Long-Term Vision 2015 and the 2012 Plan? Can you focus your discussion on initiatives scheduled for the fiscal year ending December 2011?**



**The year will be a time for delivering definite results and shifting completely into a more outwardly active posture. We will use our transition to a pure holding company as an opportunity to accelerate Group global management.**

This year, we took major steps towards reform that included lifting the profitability of our businesses, making business and capital alliances in and outside of Japan, and human resource development. In light of our successes, we have set the fiscal year ending December 2011 as a time for delivering definite results and shifting completely to an outwardly active posture as we accelerate Group global management.

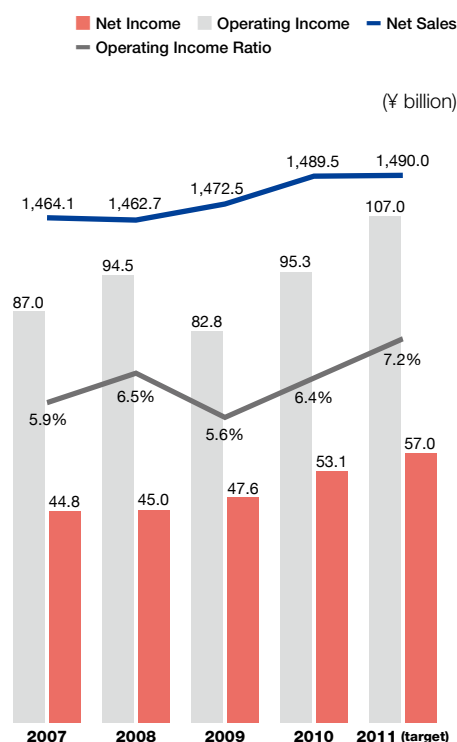
Let me now turn to specific business strategies for the upcoming fiscal year.

In the domestic alcoholic beverages business our goal is to maximize cash generation to support Group growth strategies. To achieve this, we will step up our development of a business structure with high earnings potential. For example, we will concentrate on investing management resources in priority brands such as *Asahi Super Dry*, *Clear Asahi* and *Asahi Style Free* to raise our profile in each beverage category.

We will also move to boost productivity across the entire segment. Among other steps, this will include our transition to a new

## Qualitative Targets for Fiscal 2011

	2010 Results	YoY	2011 Target	YoY
(¥ billion)				
Alcoholic beverages business	963.3	-2%	957.5	-1%
Soft drinks business	315.2	+6%	327.8	+4%
Food business	100.5	+4%	107.6	+7%
Overseas operations	97.8	+25%	86.4	-12%
Other	12.7	-17%	10.7	-16%
<b>Total Sales</b>	<b>1,489.5</b>	<b>+1%</b>	<b>1,490.0</b>	<b>+0%</b>
Sales excl. alcohol tax	1,055.6	+3%	1,065.2	+0%
Alcoholic beverages business	84.7	+8%	90.0	+6%
Soft drinks business	11.0	+39%	13.2	+19%
Food business	4.6	+26%	5.0	+8%
Overseas operations	(1.1)	—	4.4	—
Other	(4.0)	—	(5.6)	—
(Goodwill and other depreciation costs)	(7.7)	—	(7.2)	—
<b>Total operating income</b>	<b>95.3</b>	<b>+15%</b>	<b>107.0</b>	<b>+12%</b>
Equity method income	9.8	+16%	9.4	-4%
<b>Ordinary income</b>	<b>101.1</b>	<b>+12%</b>	<b>112.0</b>	<b>+11%</b>
Extraordinary profit (loss)	(8.7)	—	(8.0)	—
<b>Net income</b>	<b>53.1</b>	<b>+11%</b>	<b>57.0</b>	<b>+7%</b>



# ACTION, Asahi

production framework in beer-type beverages in Japan, scheduled for September 2011.

In the domestic soft drinks business, we will focus on developing *Rokko no Oishii Mizu*, *Rokujo Mugicha* and other newly acquired brands along with building a firmer growth base for existing core brands like *Mitsuya Cider*.

We also intend to continue making lighter PET bottles and other cost-cutting efforts as part of profit structure reforms.

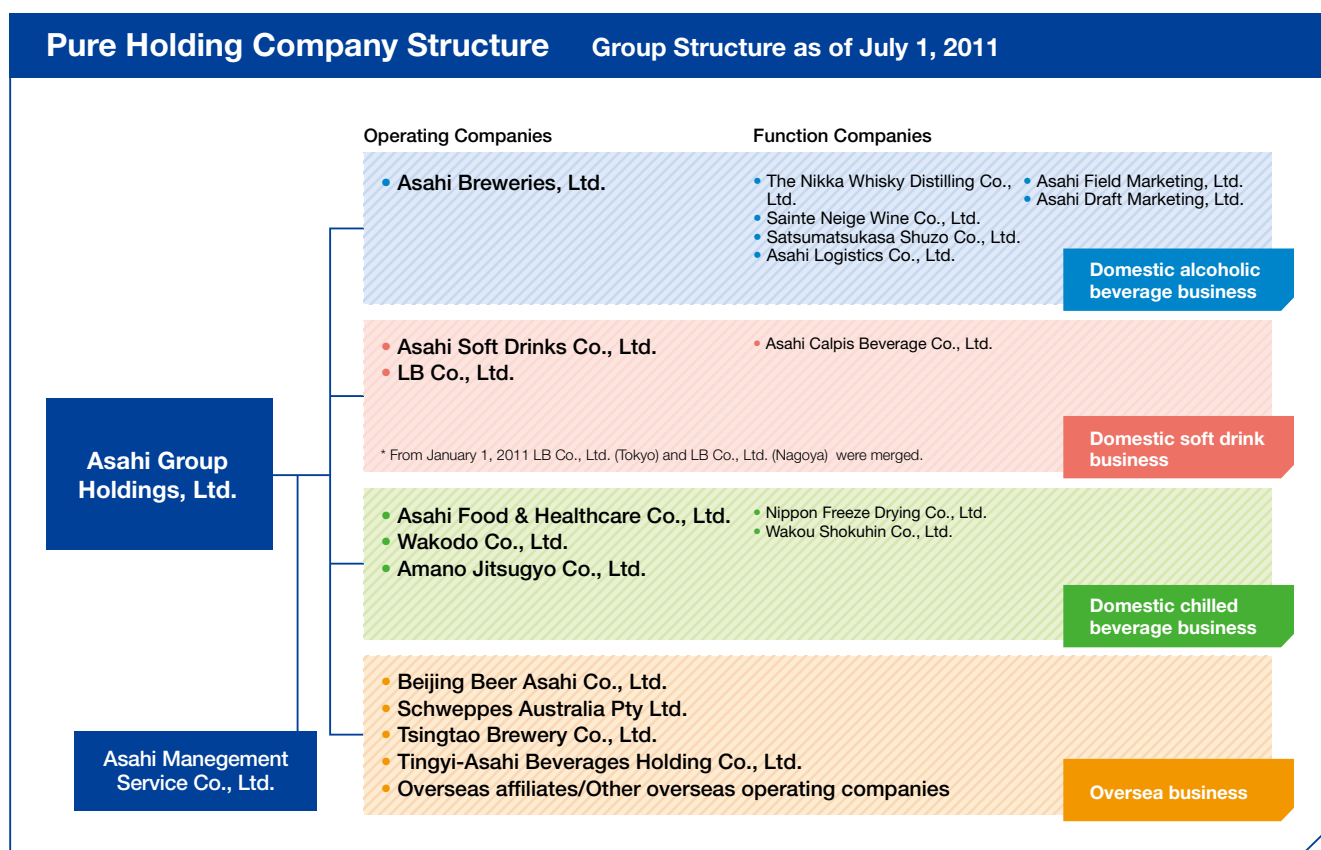
Moreover, we integrated management of the two LB companies in January 2011 in a bid to realize synergies in the chilled beverages business, as we look to reinforce the earnings base for the entire soft drinks business.

In the food business, together with bolstering each company's core brands, we plan to build up the high-value-added yeast extract and natural seasonings business, where future growth is anticipated, and expand our overseas business base. At the same time, we will view the food business as a single value chain and pursue synergies to boost the profitability of the entire business.

In overseas operations, we are eyeing new business investments and alliances to achieve an overseas sales contribution of 20% to 30%. We will reinforce the growth bases we have developed in our beer business in China and soft drinks business in Australia, and promote greater profitability.

To steadily execute initiatives of this kind and fully engage in Group global management, we plan to move to a pure holding company structure in July 2011. The new organizational format will reinforce our business bases by strengthening our governance structure, clarifying authority and accountability, and pursuing specialization in every business segment. At the same time, we plan to use the change to promote greater expansion of our global business network.

The holding company's specific role will be to optimally manage resource allocation and formulate new business investment strategies. Operating companies, meanwhile, will aim for growth by working to boost the competitiveness of their respective operations through relatively autonomous business development.





**President Izumiya, you place strong emphasis on human resource development. What are your motivations and objectives in this area, and what are some specific development measures?**



**To achieve our global expansion ambitions, we adopted a human resource development program targeting all employees, particularly executives.**



I consider human resource development to be one of the most critical issues we need to address during the 2012 Plan.

Right now, the Asahi Group's business is using the maturing Japanese market as a platform from which to ramp up expansion in global markets with high growth potential. Going forward, we will need to keep new Group companies and alliance partners on track with a common vision while bolstering ties and bringing synergies to the fore. Developing human resources capable of promoting diverse businesses and holding organizations together will be essential in this regard.

To offer specifics, we opened an in-house university for our

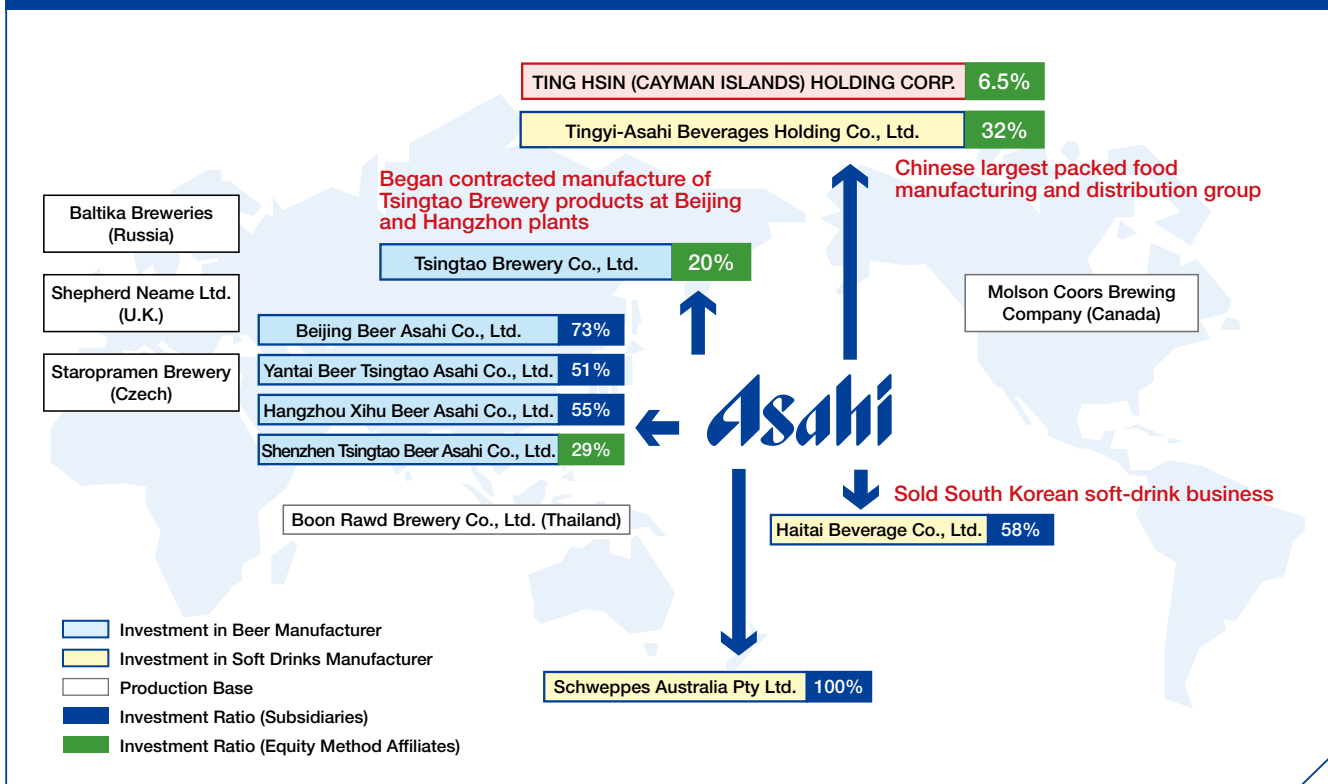
executive and director class. The Asahi Executive Institute, as

it is called, will foster

our next generation of managers. We also introduced a Global Challengers Program, for all employees, to develop our pool of globally viable personnel. (See page 24 for more details.)

Through these initiatives, we hope to gradually enhance our HR capabilities and organizational strength to become the trusted company with global quality that we are striving to be under our Long-Term Vision 2015.

## 2010 Overseas Business



# ACTION, Asahi



**You are very active in making business investments at present; can you describe for us the Asahi Group's approach in this area? And in light of this, what is your approach to financial soundness, profitability and shareholder returns?**



**We will continue making business investments at home and abroad to fuel expansion in the Group's growth bases. At the same time, we are mindful of balancing profitability with financial soundness, and plan to continue paying a stable dividend to meet our shareholders' expectations.**

Under the 2012 Plan, we anticipate generating over ¥360.0 billion in cash flows through a combination of operating cash flows and asset liquidation. Our top priority is to allocate the cash flows gained to business investment to stimulate growth.

In business investment outside of Japan, we will look to expand our network of partners with powerful business bases in the alcoholic beverages and soft drinks businesses, especially in markets across Asia and Oceania where high growth rates are expected.

In our investments in Japan, meanwhile, we are seeking alliances capable of producing synergies, particularly by complementing our brands and sales channels.

Although we are expanding business investment, we are also paying close attention to maintaining financial soundness. Within the Group, we have set a D/E ratio of around 0.7 as our metric for

maintaining a sound financial position. Going forward, however, it is possible that we may have to relax this to around 1.0 to cope with temporary fund demand stemming from large-scale investment projects.

In terms of ROE, while remaining mindful of balancing financial soundness with efforts to boost profitability, we plan to maintain our current ROE level of around 9% as a necessary preparation for business investment under the 2012 Plan.

Regarding shareholder returns, as in the past, we remain committed to the payment of a stable dividend, with a consolidated payout ratio of 20% or more. Meanwhile, during the 2012 Plan we plan to prioritize business investment for stimulating growth, using the subsequent improvement in operating performance as another tool for meeting our shareholders' expectations.

## Financial and Cash Flow Policies

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

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

**Investments to strengthen the base for growth**

**Capital investments to strengthen the base for growth and enhance efficiency: approx. ¥100.0 billion**

- Investments for constructing optimal production and distribution frameworks and increasing efficiencies in the soft drinks and food businesses
- Environmental investments for a low-carbon society

**Aggressively promote capital and business alliances**

- Make use of financial debt for capital demands in excess of internal funds  
(The Asahi Group considers an appropriate D/E ratio level to be about 0.7, with temporary increases acceptable)

**Shareholder returns**

**Consolidated payout ratio: Continue payment of stable dividends with a consolidated payout ratio of 20% or more**

**Purchase of treasury stock: Consider purchase of treasury stock as capital demands and financial soundness permit**

- Prioritize business investment and aim for shareholder returns through higher share prices

**ROE target: Maintain current level of around 9%**





**Addressing corporate governance and building good relationships with diverse stakeholders will become increasingly important because of your efforts to accelerate Group global management. What measures will the Asahi Group take in this regard?**



**We will listen to input from our many stakeholders, and apply what we learn in our approach to management. In this way we will channel stakeholder input into dramatic growth.**

Earning the trust of our many stakeholders is critical to realizing Long-Term Vision 2015, completing the 2012 Plan, and achieving sustainable growth. The foundation of this trust is our efforts to strengthen highly transparent governance, proper information disclosure and compliance.

Moreover, on top of this firm corporate base Group executives and employees will actively build further trust by tackling individually important themes, such as contributing to local culture. As president, I will be out in front promoting these measures in an effort to enhance corporate value.

During the December 2010 term, one such measure was the formulation of our Environmental Vision 2020 to strengthen environmental conservation activities across the Group, and the Statement on Biodiversity to give substance to steps to conserve biodiversity. We also took active part in projects related to COP10, the 10th meeting of the Conference of Parties to the Convention

on Biological Diversity, which was hosted in Nagoya, Japan.

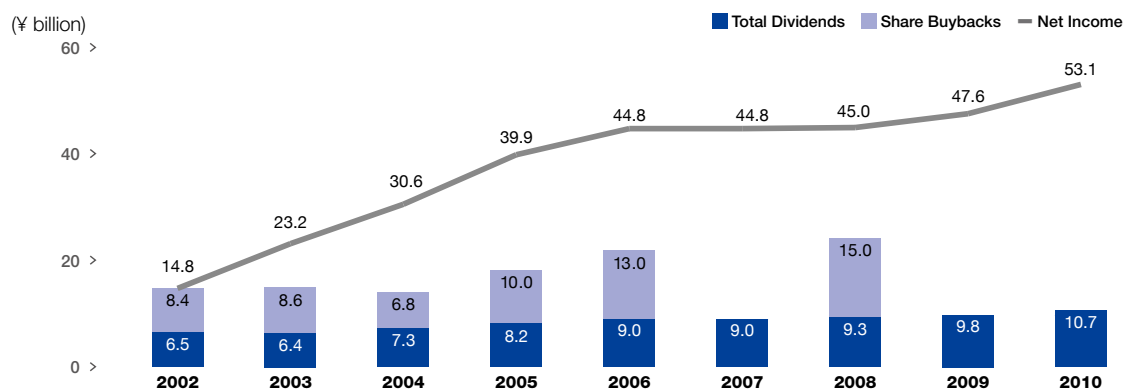
In fiscal 2011, we will concentrate on making our Environmental Vision 2020 a more concrete reality, reinforcing activities for protecting biodiversity. Another focus will be publicizing the 70th anniversary of Asahi Forest, which coincides with recognition of 2011 as the "International Year of Forests."\* (See p. 55 for more details.)

The business climate surrounding the Asahi Group is always rapidly changing. We must grasp these changes accurately and link them to Group growth. I am sure that listening to input from our shareholders, investors and many other stakeholders as part of our process will enable us to utilize their insights to engender real growth.

I invite all of you to share your opinions and suggestions with us.

\*Created by resolution of the UN General Assembly, the International Year of Forests is an attempt to raise awareness of efforts to enhance the sustainable management, preservation and development of all types of forests at every level to ensure they are enjoyed by current and future generations.

## Net Income and Total Dividends



EPS	¥28.9	¥46.8	¥62.5	¥82.2	¥94.0	¥94.9	¥96.3	¥102.5	¥114.1
Dividend per share	¥13.0	¥13.0	¥15.0	¥17.0	¥19.0	¥19.0	¥20.0	¥21.0	¥23.0
Dividend payout ratio	45.0%	27.8%	24.0%	20.7%	20.2%	20.0%	20.8%	20.5%	20.2%

## Special Feature 2

# ACTION, Asahi

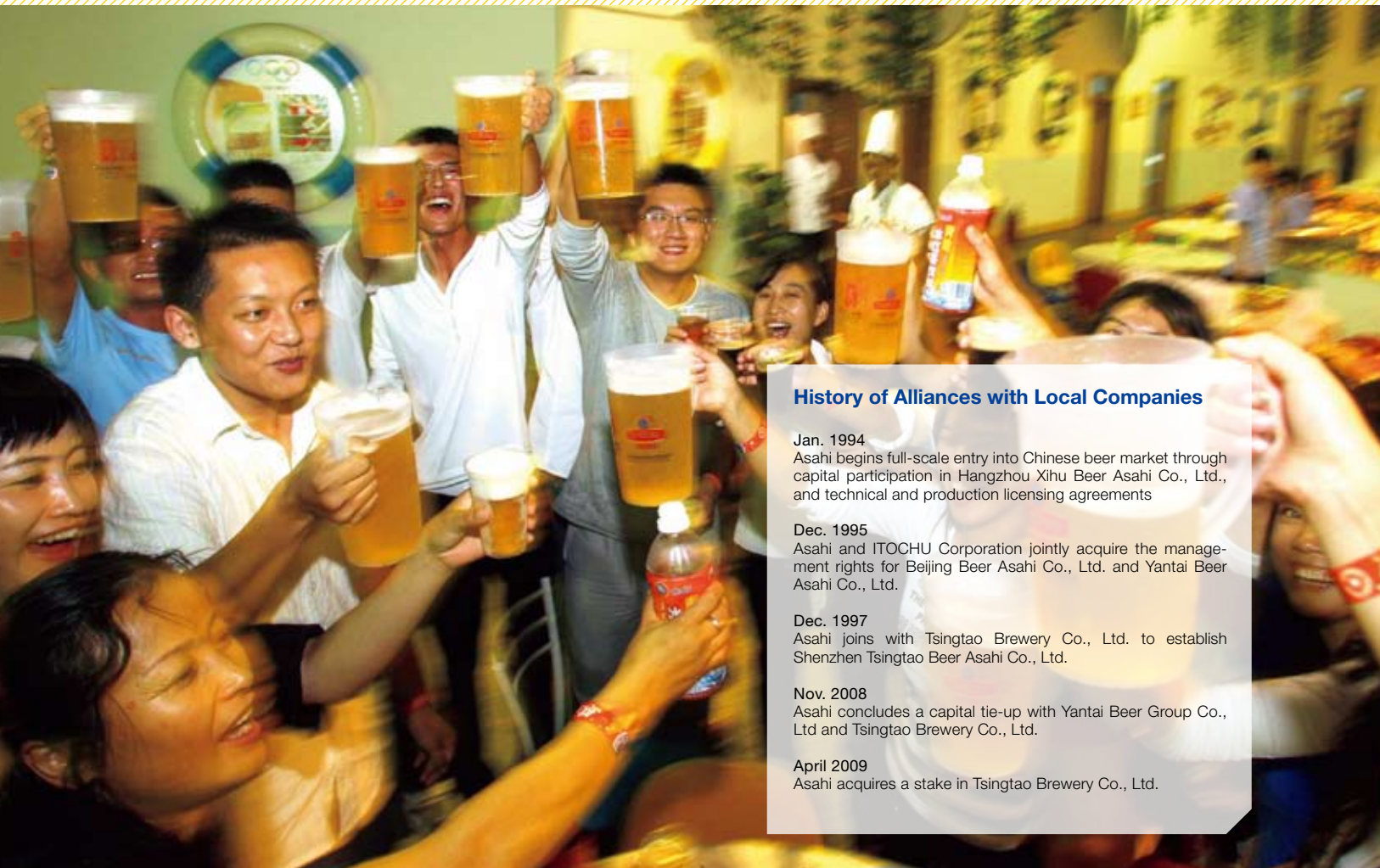
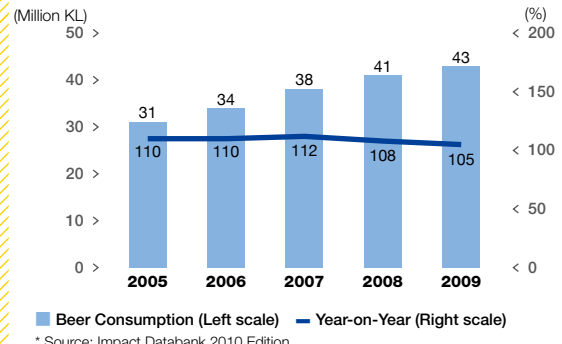
# Firming Foundations in Overseas Operations While

## Beer Business in China: Alliance with Tsingtao Brewery

China is home to the world's largest population, and its economy continues to expand. In 2010, China's gross domestic product (GDP) was second in the world, with further growth projected going forward. Against this backdrop, beer consumption in China is also expanding. In fact, the total volume of beer consumed in 2009 was roughly six times the figure in 1990\*, making it the world's No. 1 beer consumer.

\* Impact Databank 2010 Edition

### Beer Consumption in China



### History of Alliances with Local Companies

Jan. 1994

Asahi begins full-scale entry into Chinese beer market through capital participation in Hangzhou Xihu Beer Asahi Co., Ltd., and technical and production licensing agreements

Dec. 1995

Asahi and ITOCHU Corporation jointly acquire the management rights for Beijing Beer Asahi Co., Ltd. and Yantai Beer Asahi Co., Ltd.

Dec. 1997

Asahi joins with Tsingtao Brewery Co., Ltd. to establish Shenzhen Tsingtao Beer Asahi Co., Ltd.

Nov. 2008

Asahi concludes a capital tie-up with Yantai Beer Group Co., Ltd and Tsingtao Brewery Co., Ltd.

April 2009

Asahi acquires a stake in Tsingtao Brewery Co., Ltd.

# Eyeing Dramatic Growth

## History of the Asahi Group's Beer Business in China

The Asahi Group was among the first to focus on the high growth potential of China's beer market. We began investing in local companies there in 1994 to develop our beer business.

However, maintaining profitability proved a persistent and significant challenge, as fierce competition from prominent rival beer makers resulted in a scramble for top position.

In this climate, the Asahi Group in April 2009 acquired shares in Tsingtao Brewery Co., Ltd. (Tsingtao Brewery), a brewery with unrivaled brand power in China. Later in August of the same year, the two companies agreed to a strategic alliance, marking the formation of a powerful partnership. This alliance has been a lever for us to swiftly rebuild our beer business base in China, as we take steady strides towards improved profitability. Efforts thus far include contracted production of the Tsingtao Beer brand products at the Group's existing investee breweries.

## Future Initiatives with Tsingtao Brewery

Since September 2009, the Asahi Group and Tsingtao Brewery have jointly established subcommittees in divisions dealing with production technology, product development, distribution, and procurement, among others. The subcommittees are working to create synergies between both companies, primarily through efforts by the Asahi Group to support Tsingtao Brewery's growth.

The Subcommittee on Production Technology, for example, is focusing primarily on examining technology support measures that will improve Tsingtao Brewery's production efficiency and beer quality. At present, Tsingtao Brewery is identifying its technology issues, while the Asahi Group is analyzing the current status and causal factors of the issues. Based on the results, we will set specific targets and translate them into actionable projects at the production-floor level.

As we search for potential initiatives in other divisions, our aim is to expand the presence of the Asahi Group in China through a more robust relationship with Tsingtao Brewery.



Chairman  
Jin Zhi Guo

The Asahi Group is a strategic alliance partner of Tsingtao Brewery Co., Ltd. A modern beer brewer with a global outlook and advanced management standards, the Asahi Group is guided by uncompromising management values. It pursues quality relentlessly, and has a commitment to corporate social responsibility and the environment as a major global corporation.

For many years now, Tsingtao Brewery and the Asahi Group have dealt sincerely with one another as they developed a deep, cooperative relationship based on mutual trust and profit. Through an exchange of best practices, both companies today are learning from one another and sharing beneficial experiences, a step that has further strengthened their allied competitiveness.

Moving ahead, Tsingtao Brewery and the Asahi Group will follow their commitment to mutual trust and profit to a deeper level of interaction and partnership in an even wider range of fields. The global beer market as a whole is headed towards a period of integration that will transcend organizational and supply chain frameworks. This will require that we also act together, cooperate with one another, and develop a more tightly knit partnership. Armed with the brand strength, technology and superior management of both companies, we are working quickly to make our competitive resources more liquid and mutually complementary. We hope to further hone the competitive edge that our alliance represents in the global beer market.

With the new year now firmly upon us, I offer the Asahi Group my best wishes for successfully meeting its latest objectives and reaching new heights of growth.





# ACTION, Asahi

## Soft Drinks Business in Australia: Creating Synergies with Schweppes Australia

The Australian soft drinks market has an annual value of roughly ¥450 billion, and has a stable growth rate of 3 to 4% a year. In terms of market share, a small number of prominent companies share about 70% of the market.

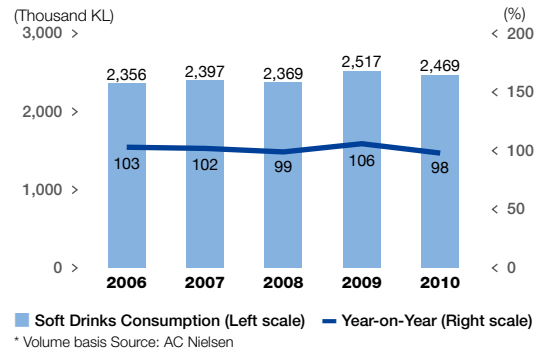
### Schweppes Australia's Market Share in Australia's Soft Drinks Market

■ Coca-Cola	44.2%	■ Heinz	3.6%
■ Schweppes Australia	19.1%	■ Frucor	1.9%
■ P&N	9.7%	■ Redbull	0.9%
■ PB	8.9%	■ Others	6.2%
■ National Foods	5.5%		



\* Source: AC Nielsen

### The Australian Soft Drinks Market



### Creating Synergies with Schweppes

Attracted by the stable growth projected for Australia's soft drinks market, the Asahi Group acquired the Australian soft drinks business of U.K.-based Cadbury Group in April 2009.

In business for 160 years now, Schweppes Australia is a brand well loved by local customers and today holds the market's second largest share. The company's product roster includes its own brands, such as *Schweppes* and *Solo*, as well as franchised

brand products like *Pepsi*.

Furthermore, Schweppes Australia, has an established system for efficiently producing and delivering high-quality products through eight production sites and eleven delivery centers. The company is leveraging this highly reliable base to expand sales in new channels, including on-premise use, and at regular retail outlets and convenience stores.



Managing Director  
**David Bequely**

The origins of the Schweppes brand date back to 1783 when Jacob Schuppe invented the process of capturing bubbles and bottling them as mineral water. The Schweppes company came to Australia in 1850, opening its first factories in Sydney in 1877 and Melbourne in 1885.

Today, Schweppes Australia employs about 1,500 people across Australia, with manufacturing and distribution facilities spread across the mainland states, supporting a strong sales force with an enviable route to market.

Schweppes Australia is the country's second largest non-alcoholic beverage manufacturer, with an exciting portfolio of much-loved brands, such as *Schweppes*, *Cottee's*, *Solo*, *Spring Valley* and *Cool Ridge*. *Sunkist*, *Pepsi* and *Gatorade* are manufactured and distributed under licence. In addition, Schweppes distributes *Monster Energy* drinks in Australia and manufactures a range of ready-to-drink alcoholic beverages under contract for third parties.

On April 3, 2009, Schweppes Australia joined the Asahi group of companies with a unified passion for success and an ambition to be the best. Its aim is to inspire and excite customers by being courageous, delivering tomorrow's beverages today, while enhancing the communities and minimising the impact on the environment in which we live.

Schweppes Australia is committed to contributing to the success of the Asahi Group.





# ACTION, Asahi

## **Building a Base to Support Global Growth: Human Resource Development in the Group**

Business expansion within the Group is proceeding rapidly in Japan and overseas in a push to meet the objectives of Long-Term Vision 2015 and the Medium-Term Management Plan 2012. Training human resources able to act on a global stage is essential to building ties with new Group companies and alliance partners, and to realizing Group-wide growth.

With this in mind, the Group launched a variety of human resource development programs in 2010.

### **(Main Program Menu)**

#### **Asahi Executive Institute**

Serving as an in-house university, this program offered courses designed to nurture the next generation of management to 26 selected officers and directors. Course content consisted mainly of lectures to sharpen management knowledge considered standard for corporate management, as well as sessions to help participants gain a better global viewpoint and stronger international awareness.

#### **Global Challengers Program**

Participants in this program, selected from employees who respond to an internal call for applicants, are deployed to countries and regions where Asahi Breweries has overseas bases for a period of about six months to one year. In parallel with language training, participants learn about food culture and business customs so they can make better proposals for businesses. 122 employees applied for the program in 2010 and 10 participants were deployed in seven countries.

#### **International Cram School (Europe and U.S.)**

Here, international employees teach courses on culture, business customs, tricks to effective communication, and English conversation at business sites that request them. The courses are held across 63 departments at Asahi Breweries, Ltd. and have been attended by more than 1,100 people thus far (as of November 30, 2010).



General Manager, Human Resources Division  
**Takami Maruyama**

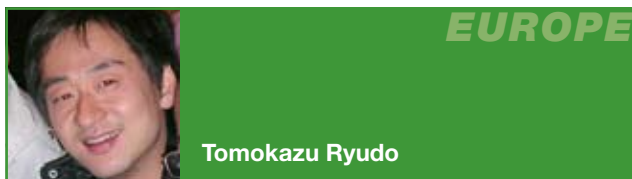
Like the rest of Asahi Breweries, the Human Resources Division is channeling all of its energies into supporting the realization of Long-Term Vision 2015 for achieving the Group's growth on a global scale. Along with our longstanding efforts to create working environments valued by our employees, as well as reinforcing on-the-job training, we are taking the following specific measures:

- Formulating personnel systems that support employees in firmly honing their individual strengths (specialization)
  - Recruiting employees with traits applicable to a variety of fields, namely flexibility and adaptability, unique strengths and characteristics, and an international perspective
  - Promoting creative HR development projects such as Asahi Executive Institute and the Global Challengers Program
- Particularly through the latter, we are determined to proactively groom human resources that will contribute to the Group's competitive strength.





## Comments from Personnel in Charge of Human Resources and Program Participants



EUROPE

Tomokazu Ryudo

In traveling around the area overseen by the Europe Branch, I visited local markets and partners to gain a firsthand understanding of how these differ from Japan.

My focus was on building interpersonal connections locally and getting accustomed to local life, which I hoped to link to business in the future. My overall goal was to boost our product share across this sales area.



ASIA

Satoru Okada

I spent time training in Shanghai. As China's largest commercial city, Shanghai is constantly developing and the way of life here is changing rapidly. Many of the residents are foreign nationals, so the influence of different cultures is fusing with the traditional way of life to create a new lifestyle and culture. Young people will become the key trendsetters here, and my sense is that this will lead to a lifestyle and culture that is distinctive even within China.



NORTH AMERICA

Kenji Watanabe

The U.S. is a country where people from many different races and cultures live together under the same laws. Against this backdrop, the dominant culture is one where people tend to be very self-assertive, and those who are assertive are respected.

While the Japanese community is shrinking in the U.S., the presence of the Chinese and Korean communities is becoming more pronounced. During the program I felt that Japanese people here must put aside their restraint, in the most positive sense, and be equally determined to make their own presence in America felt.



ASIA

Masashi Hakuda

With "Share the Kando" as my own personal theme, my focus was on creating as many individual Asahi fans as I can in inland China. Of course, communicating was not always easy in this part of the country, where cultures and values often vary between provinces and cities. What I tried to do, first and foremost, was remove my own personal barriers, allowing me to make contact with as many people as possible. My everyday activities then focused on discovering any clues I could find that might lead to future business opportunities.



## Review of Operations Asahi at a Glance

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



Major Group Companies (including affiliates)	2010 Highlights	Plans for 2011
<ul style="list-style-type: none"> <li>■ Asahi Breweries, Ltd.</li> <li>■ The Nikka Whisky Distilling Co., Ltd.</li> <li>■ Sainte Neige Wine Co., Ltd.</li> <li>■ Satsumatsukasa Shuzo Co., Ltd.</li> <li>■ Beijing Beer Asahi Co., Ltd.</li> <li>■ Tsingtao Brewery Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Met annual sales target for the domestic beer market.</li> <li>■ Expanded market share in the new genre category by introducing <i>Asahi Strong Off</i> and <i>Asahi Kutsurogi-Jikomi &lt;4VG&gt;</i>, in addition to <i>Clear Asahi</i>.</li> <li>■ Promoted major market expansion in the highball category via launch of <i>Black Nikka Clear Highball</i> and <i>Taketsuru Premium Highball</i>.</li> <li>■ Recorded significantly higher sales volume year on year in the non-alcoholic brews category, mainly from beer-taste beverage sales.</li> <li>■ Commenced contract production of Tsingtao Beer brand, forging a stronger relationship with Tsingtao Brewery Co., Ltd.</li> <li>■ Realized lower production costs and greater efficiency in fixed costs through profit structure reform.</li> </ul>	<ul style="list-style-type: none"> <li>■ Aim for net sales of ¥934.0 billion (down 0.2% year on year) and operating income of ¥90.5 billion (up 7.0% year on year).</li> <li>■ For <i>Asahi Super Dry</i>, target further penetration and profile of the “Extra Cold” value proposition to improve brand value.</li> <li>■ For <i>Asahi Off</i>, take steps to attract existing and trial users.</li> <li>■ In the non-alcoholic brew market, focus on brand development for <i>Double Zero</i> and <i>Double Zero Cocktail</i>.</li> <li>■ Integrate production functions for beer-type beverages by transitioning to a new production structure of eight breweries in Japan.</li> </ul>
<ul style="list-style-type: none"> <li>■ Asahi Soft Drinks Co., Ltd.</li> <li>■ LB Co., Ltd.</li> <li>■ Schweppes Australia Pty Ltd.</li> <li>■ Tingyi-Asahi Beverages Holding Co., Ltd. (Equity Method Affiliate)</li> </ul>	<ul style="list-style-type: none"> <li>■ <i>Mitsuya Cider</i> brand sales volume rose for a seventh consecutive year.</li> <li>■ <i>Asahi Juroku-cha</i> sales volume surpassed the previous year with annual sales volume topping 16 million cases.</li> <li>■ Reinforced existing brands and expanded sales channels at Schweppes Australia Pty Ltd.</li> <li>■ In the Chinese soft drinks business, Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages) achieved significant growth.</li> </ul>	<ul style="list-style-type: none"> <li>■ Aim for net sales of ¥389.0 billion (down 0.7% year on year) and operating income of ¥10.5 billion (up 113.3% year on year).</li> <li>■ Build a stronger foundation for growth by bolstering core brands <i>Mitsuya Cider</i>, <i>WONDA</i>, and <i>Asahi Juroku-cha</i>.</li> <li>■ Cultivate the next crop of brands, such as <i>Asahi TeaO</i>, <i>Asahi Rokko no Oishii Mizu</i> mineral water, and <i>Asahi Rokujo Mugicha</i>.</li> <li>■ Establish a growth and earnings base for LB post-merger to achieve Medium-Term Management Plan 2012 targets.</li> <li>■ At Schweppes Australia, target further growth through aggressive investment in core product brands and growth fields.</li> <li>■ At Tingyi-Asahi Beverages in China, continue to support human resource development, sharing of marketing and other expertise, and assistance for quality assurance and production technology.</li> </ul>
<ul style="list-style-type: none"> <li>■ Asahi Food &amp; Healthcare Co., Ltd.</li> <li>■ Wakodo Co., Ltd.</li> <li>■ Amano Jitsugyo Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Business base expansion and steady growth in core brands at Asahi Food &amp; Healthcare Co., Ltd.</li> <li>■ Firm sales of baby food maintain top market share at Wakodo Co., Ltd.</li> <li>■ Posted record sales at Amano Jitsugyo Co., Ltd. for a second consecutive year and reinforced production capabilities.</li> <li>■ Overseas, joined forces with ITOCHU Corporation to acquire some shares in TING HSIN (CAYMAN ISLANDS) HOLDING CORP.</li> </ul>	<ul style="list-style-type: none"> <li>■ Aim for net sales of ¥102.0 billion (up 6.9% year on year) and operating income of ¥5.0 billion (up 38.9% year on year).</li> <li>■ Further strengthen core brands and synergies between operating companies.</li> <li>■ Pursue greater efficiency in total SCM across the entire business.</li> <li>■ Strive via alliance with TING HSIN (CAYMAN ISLANDS) HOLDING CORP in China to develop and expand food business in the Chinese and Taiwanese markets.</li> </ul>
<p>In our other businesses, we undertake Group company support operations, such as logistics and sales support businesses, and operation of restaurants. In 2010, sales declined but operating income was higher, primarily from expansion in the logistics and restaurant businesses.</p>		

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

# Alcoholic Beverages






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

The alcoholic beverages business in Japan continues to face a severe market climate. Fewer births and an aging population are spurring a gradual decline in alcoholic beverage consumption, while more stringent belt-tightening amid poor economic conditions is driving a preference for low-priced products. In this environment, the alcoholic beverages business has an important role to play in generating the cash flows needed to support the growth of the entire Group.

In 2011, we will leverage customer trust and cultivate a sense of familiarity to improve brand value, and make new value propositions that offer new discoveries and enjoyment to consumers in order to grow overall demand. In the beer-type beverages business—the Group's greatest strength—we plan to further enhance the development of our pivotal brands by category, with *Asahi Super Dry* and *Clear Asahi* set as core brands. In alcoholic beverages other than beer-type beverages, we will review terms of trade and take other steps to boost profitability, while also developing and reinforcing core brands in each category. Where profit structure reform is concerned, we are transitioning to a new production structure of eight breweries in Japan as part of our determination to sharply raise production efficiency.

### Sales Plan and Actual Results for 2010

Sales Volumes by Brand		(Million cases)	
		Plan	Results
	Asahi Super Dry	112.00	112.65
	Asahi Style Free	11.70	11.45
	Clear Asahi	21.50	21.43

### Accomplishments and Topics for 2010

#### Accomplishments

##### Beer-type Beverages

- Achieved annual sales plan in beer category due to aggressive marketing of *Asahi Super Dry*
- Expanded market share in the new-genre beverages category mainly due to introducing new products in addition to growth of existing core brands

##### Shochu, RTD Beverages, Whisky and Spirits, Wine

- Increased sales mainly due to substantial growth in the highball market and the launch of a beer-taste beverage
- Achieved operating income increase of 7% by streamlining manufacturing and sales costs, and improving the category mix

##### Profit Structure Reform

- Reduced personnel and other expenses, as well as manufacturing costs, including raw materials, and depreciation expenses

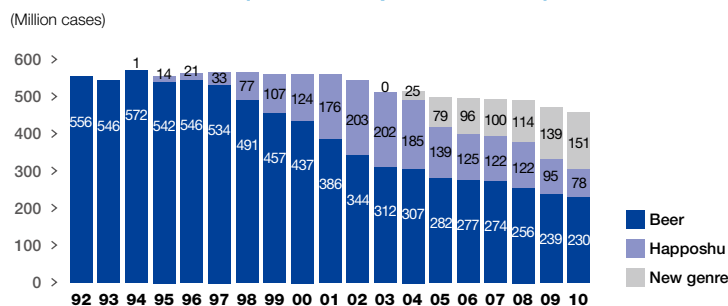
##### Future Topics

- Marketing power to create new value and new demand
- Implement structural reform of entire SCM process from development to sales

### Business Environment

- Preference for low-priced products growing amid deterioration in the economic environment
- ⇒ Growth in new-genre beverages, increasing prominence of private brands
- Diversifying preferences due to changing consumer needs and values
- Rising health consciousness
- Increasing focus on lifestyle security among consumers

### Size of Beer Market (Taxable Shipment Volume)



### 2011: Targets and Strategies

#### Beer-type Beverages

- Build a product portfolio to generate sustained profits
- Develop products that create demand and create new categories

#### Shochu, RTD Beverages, Whisky and Spirits, Wine

- Improve profitability by strengthening core brands
- Nurture the brand power of the non-alcoholic beverage category

#### Profit Structure Reform

- Move to a new system of 8 domestic plants accompanying the realignment of the production system in the Kansai region
- Reduce the costs of manufacturing and fixed costs, and increase efficiency in advertising costs



## Market Environment

Japan's alcoholic beverages industry continued to face persistent market changes in 2010. In addition to a decline in the drinking-age population and changing consumer tastes, the industry dealt with an ongoing shift towards inexpensively-priced products, driven by belt-tightening on the part of consumers. While these and similar factors spurred growth in new genre beverages (up 8.7% year on year), shipment volumes for beer and happoshu were down 3.6% and 17.7%, respectively. Consequently, overall taxable shipment volume for beer-type beverages declined 2.8% from the previous year. By category, beer was 50.2%, happoshu 17.0%, and new genre beverages 32.8% of the beer-type beverages market. Of these figures, in the beer category, initiatives launched by all major brewers, including Asahi Breweries' promotion of "Extra cold" *Asahi Super Dry*, successfully halted the declining share of beer in the beer-type beverages market. Market share for happoshu, however, was substantially lower, and the growth momentum in new genre beverages was also more subdued.

Shipment volume in alcoholic beverages other than beer-type was largely unchanged for the year, despite revitalized growth in the whisky and spirits market atop a resurgence in popularity of Whisky Highball beverages among Japanese consumers. Non-alcoholic beer-taste beverages, meanwhile, grew sharply, climbing around 90% year on year on a sales volume basis.

## Initiatives in 2010

The Asahi Group worked to cultivate and enhance its brands with product proposals and sales promotion activities tailored to customer needs. At the same time, we took steps to establish a profit structure capable of withstanding market volatility. Efforts included reductions in costs for raw materials and other variable costs, reductions in depreciation costs, and more efficient use of personnel and other costs. As a result, total sales for the alcoholic beverages business, including overseas operations, were ¥935.9 billion, down 2.3% year on year; however, operating income increased 7.2% to ¥84.6 billion for the same period.

## Beer-type Beverages

In the beer category, we continued to focus on enhancing the brand value of our core product *Asahi Super Dry*. Specifically, from March we unveiled a new promotional and advertising campaign featuring celebrities Masaharu Fukuyama and Hugh Jackman. We also implemented the third and fourth installments of "Refreshingly Sustainable," a campaign in which a portion of sales was used for the protection and preservation of natural environments and cultural treasures across Japan's 47 prefectures. As another promotional effort, we developed "Extra cold" proposing a new way to enjoy *Asahi Super Dry* in servings chilled below the freezing point. Additionally, we launched sales of *Asahi Gold Fukkukuban* in June and *Asahi Sekai beer kikou—German Marzen Style* in September, as part of a drive to revitalize the beer market. As a result, although taxable shipment volume fell 3.6% year on year, we met our targets for the year. Furthermore, our share of Japan's beer market increased steadily to 50.6%<sup>\*1</sup>, giving Asahi Breweries the No. 1<sup>\*2</sup> position in beer sales in Japan for a thirteenth consecutive year.

In happoshu, we sought to improve the quality of *Asahi Style Free*, now entering its fourth year of sales. Actions also included a closed campaign for consumers, as part of initiatives to boost the value of the brand as a pioneer in "zero-carbohydrate"<sup>\*\*3</sup> happoshu. As a result, while sales volume declined 2.3% year on year, the brand's presence grew larger in a sharply contracting market. Our happoshu market share, however, fell to 24.0%, with taxable shipment volume down by 25.8% year on year. This outcome primarily reflected flagging sales of *Asahi Cool Draft*.

In new genre beverages, we moved to improve the taste and packaging quality of *Clear Asahi* and *Asahi Off*, and launched sales of *Clear Asahi* in 10-liter and 19-liter kegs, as part of a concerted push to establish a solid position for new-genre (malt-type), a growing new genre beverage category. Accordingly, we vigorously proposed products tailored to customers' diverse needs around new genre beverages, among them *Asahi Strong Off* released in March and *Asahi Kutsurogi-Jikomi <4VG>* launched in September. The result was steady growth in this category, with

## Beer

Asahi Super Dry



Asahi The Master



Asahi Style Free



## Happoshu

taxable shipment volume up 18.9% year on year, while our market share increased to 24.4%.

\*1 Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.  
 \*2 Based on taxable shipment volume for beer from Asahi Breweries, Ltd. in 2010.  
 \*3 Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero carbohydrate."

### Shochu, RTD Beverages, Whisky and Spirits, Wine

Sales of shochu, RTD beverages, whisky and spirits, and wine as a group rose by 4.3% year on year in 2010, reflecting ongoing initiatives to cultivate and enhance our core brands.

In shochu, we conducted aggressive sales promotion activities designed to reinforce the *Kanoka* brand. These included the revamp and re-launch of *Imo-Jochu Kanoka Kurokoji-Jikomi* in March, as well as a large-scale sampling program. These successful efforts culminated in year-on-year growth for *Kanoka* on a sales volume basis for a seventeenth consecutive year. Elsewhere, in Ko-type shochu, we proposed products sensitive to customers' wide-ranging needs. This included the new launch of *Daigoro Strong 35 Proof* in March, followed by sales of *Satsuma Koku-Murasaki* in May. These actions notwithstanding, a weak market environment and other factors caused overall sales in the shochu category to decline by 4.0% from the previous year on a monetary basis.

In RTD beverages, core product *Asahi Slat* proved a hit for its juicy taste with real fruit pulp while remaining a very low-calorie beverage<sup>4</sup>, with performance up significantly from the previous year. We also launched several new products in this category. One such product was *Asahi Chu-hi Kajitsu-no-shunkan*, a new brand sold in March made from domestically produced fruit juice and targeting younger consumers. July saw the debut of *Asahi Sparx*, a new brand with 9% alcohol content aimed at more seasoned drinkers. As a result, sales of RTD beverages rose a strong 2.1% on a monetary basis year on year.

In whisky and spirits, sales of core brand *Black Nikka Clear Blend* remained brisk, lifting sales of domestic whisky (excluding canned Highball liqueur) by 20% over the previous year on a monetary basis. The quality of the *Nikka* brand, moreover, was recognized on the

### New genre (Malt-type)

Clear Asahi



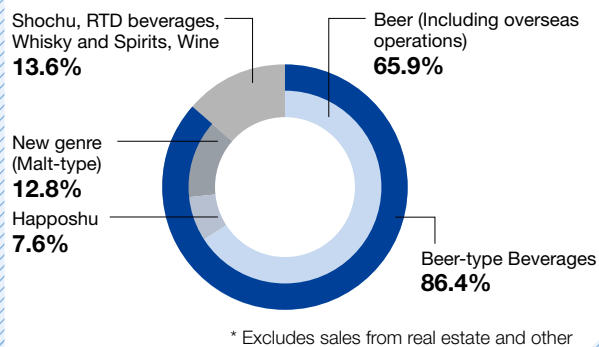
Asahi Off



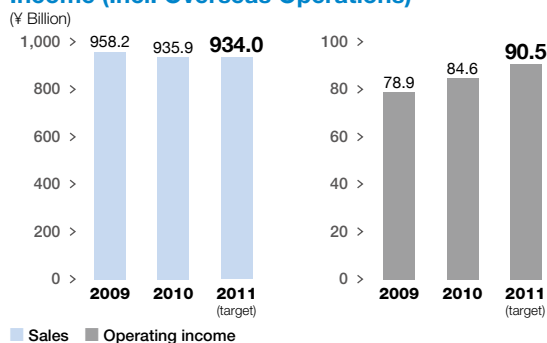
Asahi Ichiban Mugi



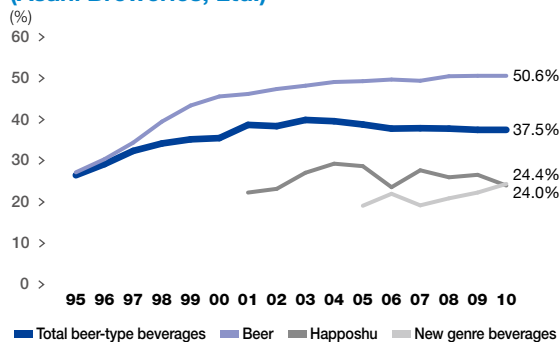
### Share of Sales by Product (2010)



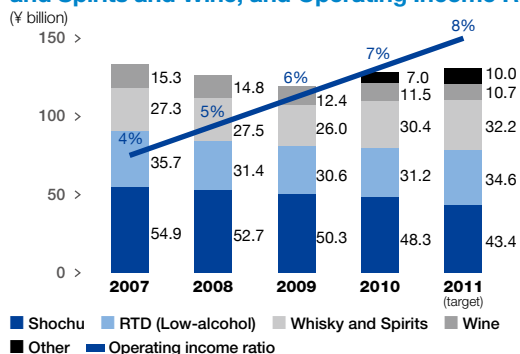
### Alcoholic Beverages Sales and Operating Income (Incl. Overseas Operations)



### Share by Beer-Type Beverage Category (Asahi Breweries, Ltd.)



### Net Sales for Shochu, RTD Beverages, Whisky and Spirits and Wine, and Operating Income Ratio



world stage when *Taketsuru 21 Years Old* was named “World’s Best Blended Malt Whisky” at the World Whiskies Awards\*<sup>5</sup> in February 2010 (see p. 47 for more details). In the Highball category, a market that has undergone significant expansion, we launched new products *Black Nikka Clear Highball* in May and *Taketsuru Pure Malt Highball* in November, with both products selling briskly. Overall, sales on a monetary basis in this category rose by 16.9% year on year.

In wine, we revamped our Antioxidant-Free Organic Wine series of domestic wines in April and September to further groom the *Sainte Neige* brand. For imported wines, along with solid sales volume for Italian wine *Zonin* and Chilean wine *Santa Helena*, our efforts to tie commercial-use California wine *Almaden* to draft beer sellers resulted in healthy growth. However, overall sales in this category declined by 7.0% year on year on a monetary basis.

Turning to non-alcoholic brews, prompted by rising demand in this category, in August we debuted *Double Zero*, a beer-taste beverage developed on the concept of 0.00% alcohol and zero calories. In September, we launched *Double Zero Cocktail*, a cocktail-taste beverage built on the same concept. Our achievement of a non-alcoholic, zero calorie beverage that delivers a genuine alcoholic beverage taste earned strong support from customers, with *Double Zero* and *Double Zero Cocktail* selling 890,000 cases and 540,000 cases, respectively. Sales of beer-taste beverages overall rose 0.9% year on year on a shipment volume basis.

\*<sup>4</sup> Based on comparison with products sold in the can chu-hi market as of December 2010.  
 \*<sup>5</sup> An international competition focused exclusively on whisky, chiefly sponsored by U.K.-based *Whisky Magazine*.

### Plans and Strategies for 2011

In a maturing market, no major changes in the severe market climate are forthcoming for the alcoholic beverages business, as consumption volume continues to decline from a diminishing drinking-age population, and consumer preferences shift to inexpensively-priced products to save money. In this context, the Asahi Group will take steps to stimulate expansion in overall demand by breeding customer trust and a sense of familiarity to improve brand value, and by proposing new value that will please and excite customers. Consequently, the

Group is targeting sales of ¥934.0 billion (down 0.2% year on year) and operating income of ¥90.5 billion (up 7.0% year on year).

### Beer-type Beverages

The market for beer-type beverages in 2011 is predicted to contract between 2 and 3%. Meanwhile, the ongoing shift in demand away from the beer and happoshu categories towards new genre beverages is projected to continue, despite signs that the decline in beer market share has leveled off.

In this climate, the Group will further enhance the value of its core brands *Asahi Super Dry* and *Clear Asahi*. Initiatives will also be taken to extensively align our focus with consumers’ needs and to propose new value that will stimulate demand. To this end, the Group is targeting total sales volume of 170 million cases, down 0.7% year on year.

#### Beer

In the beer category, while signs emerged that the downturn in demand has leveled off somewhat, the overall market is expected to decline between 3 to 4%. In this climate, the Asahi Group will focus on uncovering potential beer demand mainly among younger customers and women, in addition to existing main customers, in order to bolster the brand value of *Asahi Super Dry*. Celebrity Masaharu Fukuyama will be at the center of advertising in 2011, with all sales promotion measures tied to advertisement content in a bid to strengthen information publicized to consumers. Our well-received “Extra cold” campaign from 2010 will be extended to both the on-premise and off-premise markets, with the goal of boosting name recognition, product penetration and embedment among a wider range of consumers.

#### Happoshu

The overall happoshu market is projected to decline by between 12 and 13%, reflecting a continued shift in demand towards new genre beverages. For *Asahi Style Free*, the core brand that successfully expanded its presence in this category in 2010, Group efforts will focus on quality improvements in taste, and on raising brand strength

#### Shochu

Imo-Jochu Kanoka



Honkaku Imo-Jochu  
Satsuma Koku-Murasaki



#### RTD beverages

Asahi Slat



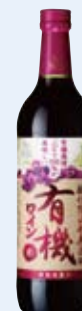
#### Whisky and Spirits

Taketsuru Black  
Nikka Clear Blend



#### Wine

Sankaboshizai-Mutenka



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

(¥ billion)

	2010	2009	Year-on-year	% of Total	2011 Target	Year-on-year	% of Total
<b>Beer-type beverages (total)</b>	812.5	844.3	-3.8	86.4%	804.0	-1.0%	86.0%
Beer	620.4	646.5	-4.0	65.9%	607.5	-2.1%	65.0%
Happoshu	71.5	96.2	-25.7	7.6%	55.8	-22.0%	6.0%
New genre	120.6	101.6	+18.8	12.8%	140.7	+16.6%	15.0%
<b>Beverages other than beer-type beverages (total)</b>	128.4	123.1	+4.3	13.6%	130.9	+1.9%	14.0%
Shochu	48.3	50.3	-4.0	5.1%	43.4	-10.1%	4.6%
RTD	31.2	30.6	+2.1	3.3%	34.6	+10.9%	3.7%
Whisky and spirits	30.4	26.0	+16.9	3.2%	32.2	+5.9%	3.4%
Wine	11.5	12.4	-7.0	1.2%	10.7	-7.3%	1.1%
Other	7.0	3.9	+79.8	0.7%	10.0	+43.4%	1.1%
<b>Total</b>	940.9	967.5	-2.7	100.0%	934.9	-0.6%	100.0%

Excludes sales from real estate and other businesses

through vigorous advertising and sales promotion measures.

### New Genre Beverages

The market for new genre beverages is expected to grow between 5 and 6% overall. Given this outlook, the Group will reinforce its brand power by honing TV commercial content, promoting consumer campaigns, and pursuing other aggressive advertising and sales promotion measures to stake out a solid market position in malt-type new genre beverages, where *Clear Asahi* is the Company's core product.

For *Asahi Off*, along with quality improvements in taste and packaging, the Group will conduct consumer campaigns that better highlight two distinct properties of the beverage—85% fewer purines and 70% fewer carbohydrates\*<sup>6</sup>—to expand consumption among existing customers and attract potential customers willing to try the product.

In March, the Group will respond to diversifying customer preferences and needs by proposing new value to the new genre beverages market with the sale of *Asahi Ichiban Mugi*\*<sup>7</sup>. Despite being a new genre beverage, this product, made from 100% malt, will offer a full-bodied and hearty drinking experience.

\*<sup>6</sup> Comparison with the Company's malt liquors based on happoshu.

\*<sup>7</sup> (1) Ingredients are happoshu with a malt content of less than 50% and wheat-based spirits. The name *Ichiban mugi* comes from using only the best wort as an ingredient.

(2) Uses malt, wheat and spirits (wheat-based), excludes hop usage volume of less than 5%.

### Shochu, RTD Beverages, Whisky and Spirits, and Wine

Steps will be taken in 2011 to boost profitability across shochu, RTD beverages, whisky and spirits, and wine. Efforts will focus on enhancing cost competitiveness, as we concentrate resources on cultivating core brands in each category to raise the Group's profile in each market. The Group will also focus going forward on grooming the brand power of its entries in the non-alcoholic beverages category—the beer-taste beverage *Double Zero* and cocktail-taste beverage *Double Zero Cocktail*. With these moves, the Group aims to bolster its presence in this growing market.

### Profit Structure Reform

Improving the profitability of existing businesses is the top priority issue of the Group's Medium-Term Management Plan 2012 announced in 2010.

In terms of profit structure reform for the domestic alcoholic beverages business, our policy is to gain efficiencies totaling ¥25 to ¥30 billion between 2010 to 2012, and raise the operating income ratio excluding the liquor tax in the alcoholic beverages business to 18% or more. In the second year, 2011, our goal is to see dramatic improvements in production efficiency, mainly by integrating the Nishinomiya Brewery's beer-type beverage production functions into the Suita Brewery, as we transition to a new production framework of eight breweries in Japan.

The Group, furthermore, will move steadily to meet medium-term plan targets through various initiatives, among them reductions in the costs of raw materials, improvements in the marginal profit ratio, reductions in fixed costs, and more efficient use of advertising and sales promotion expenses.

## Non-alcoholic beverages

Double Zero



Double Zero Cocktail



# Soft Drinks



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

The environment surrounding the soft drinks business remains harsh amid contraction caused by economic weakness and an increasingly competitive market. Given these conditions, we will pursue growth and profitability in order to transform the soft drinks business into a future key earnings generator for the Group.

In 2011, pivotal company Asahi Soft Drinks Co., Ltd. will seek to further build up core brands *Mitsuya Cider*, *WONDA*, and *Asahi Juroku-cha* and groom new ones, with the goal of quickly realizing a 10% market share. Elsewhere, Asahi Soft Drinks will strengthen the automatic vending machine business and make PET bottles lighter as ways to enhance profitability. In the chilled beverages business, meanwhile, LB Co., Ltd., formed from the merger of LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya), will develop new growth strategies and work to boost its own profitability.



## Sales Plan and Actual Results for 2010

Sales Volumes by Category	(Million cases)	
	Plan	Results
Carbonated beverages	42.00	43.23
Coffee	36.30	35.66
Tea-based drinks	34.80	35.61

## Accomplishments and Topics for 2010

### Accomplishments

#### Asahi Soft Drinks Co., Ltd.

- Thanks to the launch of *Asahi TeaO* and the acquisition of *Asahi Rokko no Oishii Mizu* mineral water, as well as firm growth in the core brands of *Mitsuya Cider* and *Asahi Juroku-cha*, the total sales volume for Asahi Soft Drinks recorded an eighth consecutive year of growth and set an all-time high.

#### LB Co., Ltd.

- Achieved favorable sales of new products and healthy sales in new channels

### Profit Structure Reform

- Reduced costs by about ¥5.0 billion by building optimized production operations and reducing costs of raw materials

### Future Topics

- Form partnerships and realign domestic soft drinks

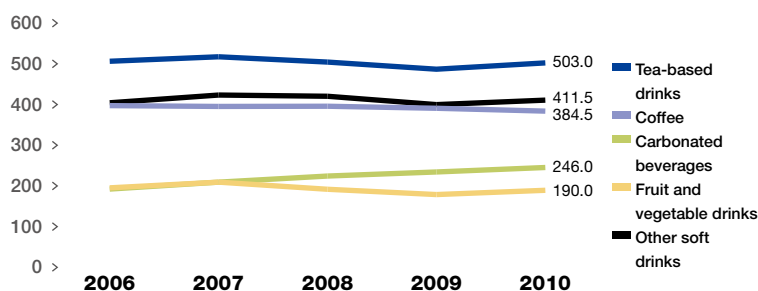
## Business Environment

- Business prospered with sales volumes increasing industry-wide due to record summer temperatures
- The automatic vending machine business is expected to face increased difficulties as per-machine revenues\* decline, and the number of low-priced vending machines increase

\* Indicates net sales per machine.

## Sales in Domestic Soft Drinks Market, by Category

(Million cases)



## 2011: Targets and Strategies

### Asahi Soft Drinks Co., Ltd.

- Aim for 10% market share in domestic soft drinks market
- Strengthen the three key brands of *Mitsuya Cider*, *WONDA* and *Asahi Juroku-cha*
- Nurture the next-generation of brands such as *Asahi TeaO*, *Asahi Rokko no Oishii Mizu* and *Asahi Rokujo Mugicha*

### LB Co., Ltd.

- Build a new product portfolio in the chilled beverages business
- Eliminate functional overlap to boost profitability

### Profit Structure Reform:

- Aim for efficiency gains by measures such as internal PET bottle production and reducing PET bottle weight
- Achieve foremost cost competitiveness in the industry

### Market Environment

In 2010, sales volume in the Japanese soft drinks industry is estimated to have grown by around 3% overall as a result of record summer temperatures from July. By category, sales volume was firm for carbonated beverages and mineral water, with sales in other categories also generally higher year on year.

### 2010 Business Overview

Sales for the soft drinks business, including for overseas operations, were ¥391.6 billion, up 10.2% year on year, with operating income up 609.2% to ¥4.9 billion.

#### Asahi Soft Drinks Co., Ltd.

In soft drink operations in Japan, core operating company Asahi Soft Drinks Co., Ltd. enacted initiatives based on fundamental strategies for growth and structural reform designed to achieve dramatic growth.

For product strategies, which ultimately underpin growth strategies, we concentrated marketing investment on the core brands *Mitsuya Cider* and *Asahi Juroku-cha*, working continuously to cultivate and strengthen these brands. The result was a seventh consecutive year of sales volume growth for the *Mitsuya Cider* brand. *Asahi Juroku-cha* sales volume was also strong, climbing 111% to end at over 16 million cases. We also launched the sale in May of tea brand *Asahi TeaO*, and of *Asahi Rokko no Oishii Mizu* mineral water in July, both of which sold well. These actions resulted in record overall sales volume for Asahi Soft Drinks for an eighth consecutive year.

As a result, Asahi Soft Drinks sales rose 6% year on year to ¥291.6 billion.

Meanwhile, to boost profitability, we promoted optimization of production and distribution systems in our quest to achieve industry-leading cost competitiveness. Greater efficiency gained from internal production of PET bottles and other efforts to lower costs for raw materials, also contributed strongly to performance.

#### LB Co., Ltd.

In the chilled beverages business, LB Co., Ltd. (Tokyo) saw sales in its mainstay tea-based drinks category improve on brisk sales of new products. This growth came despite weak sales of its private brand products to major convenience store chains and delays in promoting sales area expansion.

At LB Co., Ltd. (Nagoya), earnings growth was mainly attributable to firm sales growth in new channels, and enhanced sales promotion activities in the home delivery business.

### Plans and Strategies for 2011

The soft drinks market in Japan is expected to remain in severe straits in 2011, with performance either slightly lower or on a par with 2010. Under these stringent conditions, the Asahi Group is targeting sales of ¥389.0 billion (down 0.7% year on year) and operating income of ¥10.5 billion (up 113.3% year on year).

#### Asahi Soft Drinks Co., Ltd.

At Asahi Soft Drinks Co., Ltd., we will continue to pursue growth and improved profitability, with a target of boosting sales volume 6% to 168.5 million cases.

With respect to growth strategies, we will continue to build a strong growth base by reinforcing core brands *Mitsuya Cider*, *WONDA*, and *Asahi Juroku-cha*. In parallel, we will work to cultivate *Asahi TeaO* and *Asahi Rokko no Oishii Mizu* mineral water as our next generation of core brands. As for *Asahi Rokujo Mugicha*, a beverage brand we began selling in May 2011, we plan to continue the same quality and concepts that Kagome Co., Ltd. has carefully cultivated over the years, while bringing Asahi Soft Drinks' advantages as a comprehensive soft drinks manufacturer to bear in revitalizing the brand to further accelerate growth.

In the vending machine business, as before, we will strengthen initiatives for increasing the number of vending machines, even as we aim for more efficient operations.

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

Asahi Juroku-cha      Asahi TeaO



Asahi Soft Drinks Co., Ltd.  
Coffee

WONDA Morning Shot      WONDA Kinnobitou (low-sugar)      WONDA Zero Max (sugar-free)

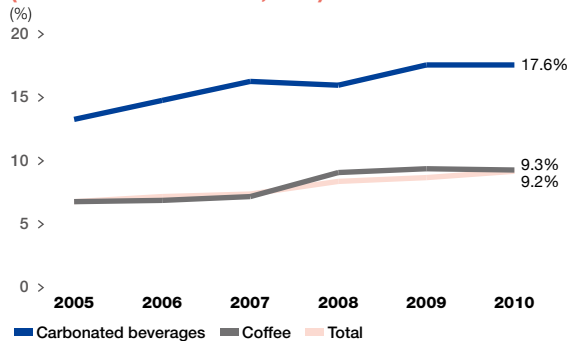


In terms of improving profitability, along with making further progress in optimizing our production and distribution frameworks, as well as maintaining the highest standards of quality, our aim is to achieve the industry's highest class of cost competitiveness.

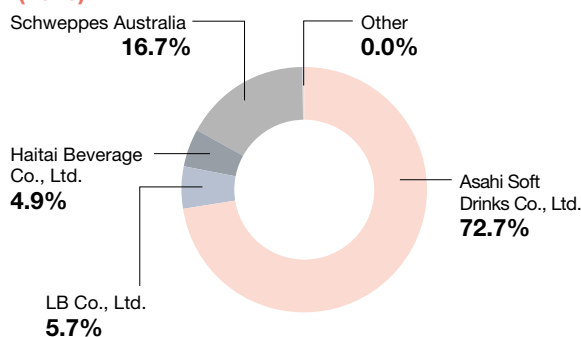
**LB Co., Ltd.**

In the chilled beverages business, with the integration of LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya) on January 1, 2011, we see this as the year for a "reborn" LB to establish the growth and earnings base necessary for completing the objectives of Medium-Term Management Plan 2012. Specifically, we will focus on leveraging both companies' sales channels and cross-selling of products to expand business scale. Another focus will be cultivation of new markets by developing new core products and services. We will create a base for generating synergies from the integration, in our organization and business processes, and in system development and other areas. On the profit side, we will promote bold changes to improve cost efficiency, principally by reallocating human resources to points of contact with customers, and reviewing redundant functions in back-office divisions.

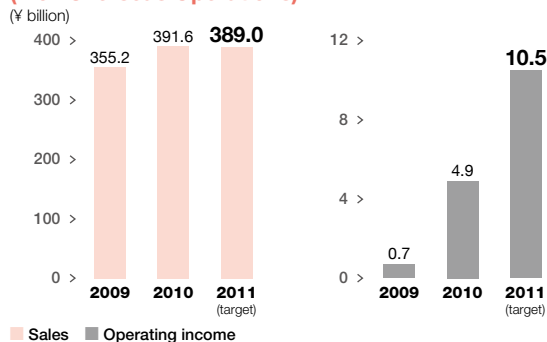
**Share by Category (Asahi Soft Drinks Co., Ltd.)**



**Soft Drinks Sales Composition by Company (2010)**



**Sales and Operating Income in Soft Drinks Business (Incl. Overseas Operations)**



Asahi Soft Drinks Co., Ltd.  
Carbonated beverages



Asahi Soft Drinks Co., Ltd.  
Water



LB Co., Ltd.  
Chilled beverages



# Food Business



## *Reinforcing Brands and Seeking Group Synergies in Areas of Strength*

The food business market includes business fields and products that have the potential to grow despite the long-term downtrend in the Japanese population. With consumer preferences and lifestyles growing increasingly diverse, obtaining an accurate understanding of these changing needs will allow us to tap into this potential. In this climate, we will push ahead with solidifying the base necessary for the food business to fulfill its role as the Group's next growth driver.

In 2011, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd., and Amano Jitsugyo Co., Ltd. will continue to take action to strengthen brands, while pursuing synergies with the Asahi Group to realize growth in the food business overall.

## Sales Plan and Actual Results for 2010

### Plan and Results of Food Sales/ Operating Income by Company

(¥ billion)

	Sales		Operating income	
	Plan	Results	Plan	Results
Asahi Food & Healthcare Co., Ltd.	47.0	47.1	1.9	2.1
Wakodo Co., Ltd.	37.5	36.6	2.4	2.1
Amano Jitsugyo	16.6	16.7	0.6	0.5

## Business Environment

- Long-term decline in population of Japan
- Diversification of consumer preferences
- Changes in consumer lifestyles
- Distribution-side changes such as increasing prominence of Internet supermarkets and realignment of distribution system

## Accomplishments and Topics for 2010

### Accomplishments

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

- Expanded business foundation and realized steady growth of key brands such as *MINTIA*
- Achieved efficiency gains in production costs, etc. by improving plant operation rates

#### Wakodo Co., Ltd.

- Achieved firm growth of the baby food business with core brands such as *Goo-Goo Kitchen* gaining a firm foothold in the market
- Expanded sales through aggressive action in new businesses

#### Amano Jitsugyo Co., Ltd.

- Achieved record-high sales for the second consecutive year by expanding the distribution and mail-order businesses
- Increased efficiency through focus on variable costs such as raw materials and logistics

### Future Topics

- Develop strategy in line with characteristics of each company

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

- Upgraded business base in preparation for establishing new business

#### Wakodo Co., Ltd.

- Expansion of new businesses in the overseas and senior markets

#### Amano Jitsugyo Co., Ltd.

- Expansion of business base in growth businesses, and overhaul of earnings structure

### Synergy Creation Through In-Group Collaboration

- Expansion of sales channels and business domains
- Increase SCM total profitability

## 2011: Targets and Strategies

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

- Aggressive investment to strengthen existing businesses
- Nurture new businesses such as the yeast extract business

### Wakodo Co., Ltd.

- Strengthen the brand for existing key products
- Enhance foundation for new business fields by nurturing new businesses

### Amano Jitsugyo Co., Ltd.

- Further expand growth businesses by acquiring new sales channels and new customers
- Promote production efficiency to improve profitability



## 2010 Business Overview

Sales in the food business rose 3.3% year on year to ¥95.4 billion, with operating income climbing 32.4% to ¥3.6 billion. This steady improvement reflected the rollout of strategies tailored to characteristics unique to each Group company, which culminated in sales expansion in mainstay products.

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

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.” Specifically, the processed foods business, which accounts for 55% of sales, saw sales steadily increase 4% year on year on a monetary basis. This improvement was mainly due to double-digit growth in mainstay product *MINTIA* breath mint tablets. In the health and beauty business, sales rose a substantial 19% year on year on a monetary basis. The result came on double-digit growth in mainstay products *Dear-Natura* brand supplements and the *Slim Up Slim* line of diet support food. The direct marketing business and the food seasonings business rose year on year, the latter reflecting expanded business with major food product manufacturers and efforts to develop new corporate clients in the home meal replacement and restaurant sectors through an alliance with Asahi Breweries. Consequently, sales at Asahi Food & Healthcare rose to a record high for a seventh consecutive year.

Profit, meanwhile, was up for the year, and attributable mainly to higher income from sales growth, lower costs due to improved capacity utilization rates at production sites, and a reduction in personnel and other fixed costs.

### Wakodo Co., Ltd.

Wakodo Co., Ltd. followed a management policy of accelerating growth further, taking steps to strengthen and expand its business base in a severe market environment characterized by the launch of new products and low-pricing strategies by competitors. Specifically, the company based its activities on “infant-safe quality” honed over the years, launching new products, and revamping existing ones to bolster its brands.

In the infant family business, powdered infant formula sales

declined year on year in a soft Japanese market. However, sales rose 4.3% year on year in baby food, which was buoyed by customer support of the added value offered by the use of 100% domestically produced vegetables, including for mainstay product *Goo-Goo Kitchen* and the revamped *Tezukuri Ouen* line.

In the medical care business, sales improved 7.4% from the previous year on stronger efforts to take on new businesses. These included the launch of new products in food and care products for the elderly. In the overseas business, where Wakodo Co., Ltd. today is exporting products to more than a dozen countries, performance improved over the previous year on firm sales of baby food, skincare, and powdered infant formula to South Korea, Hong Kong, Vietnam and other existing markets, as well as by expanding the number of countries where Wakodo products are sold.

In terms of profit, although the company sought to reduce the cost of raw materials, aggressive investment in advertising and sales promotion expenses to cultivate and enhance brands caused income to decline from the previous year.

### Amano Jitsugyo Co., Ltd.

Elsewhere, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan’s freeze-dried food market. Specifically, the company recorded healthy sales of its mainstay freeze-dried miso soup products in the commercial-use sales business, primarily by extending sales channels to include cooperatives, department stores, and general supermarkets in the Tokyo and Osaka areas. Meanwhile, the total number of customers in the direct marketing business increased thanks to the vigorous launch of new products and a successful mixed-media publicity strategy utilizing TV commercials and newspaper inserts. Efforts were made to propose products matching customer needs to grow business. These and other initiatives culminated in record sales for a second consecutive year.

Turning to profit, earnings for Amano Jitsugyo remained largely unchanged from the previous year despite fixed costs and other cost-increase factors. Along with greater efficiency in the cost of raw materials, utilities, and distribution costs, the company benefited from more robust cooperation with Asahi Group companies, most notably from lower unit prices for raw materials enabled by Group joint procurement.

## Asahi Food & Healthcare Co., Ltd.



Dear-Natura



### Plans and Strategies for 2011

Beyond strengthening core brands in 2011, we will propose high-added-value products for a wide range of ages by promoting further synergies among operating companies. Similarly, we will move quickly to meet our target operating income ratio of 5% for 2012 outlined in the Medium-Term Management Plan 2012 by managing our supply chains more efficiently for the business as a whole. We are aiming for sales of ¥102.0 billion (up 6.9% year on year) and operating income of ¥5.0 billion (up 38.9%) for this business in 2011.

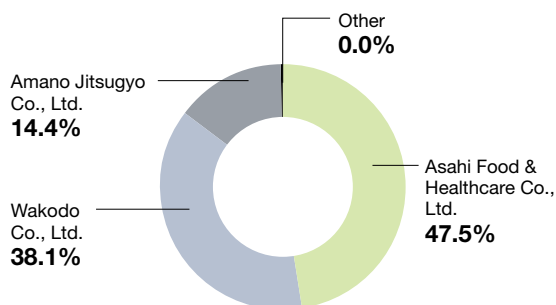
#### Asahi Food & Healthcare Co., Ltd.

In its three core businesses—processed foods, health and beauty, and food seasonings—Asahi Food & Healthcare Co., Ltd. will further strengthen existing brands such as *MINTIA*, *BALANCEUP*, and *Dear-Natura*, as well as focus on its capacity to develop new products. In parallel, the company will build a stronger business base by enhancing its sales structure. Another aim is to develop a growth base for future business in both the dramatically growing direct marketing business and the food seasonings business. Efforts in the former will focus on attracting new customers, while the focus in the latter will be on achieving sales expansion for high-value-added yeast extract. Based on these initiatives, the company is targeting sales of ¥50.0 billion (up 6.1%) and operating income of ¥2.2 billion (up 5.7%).

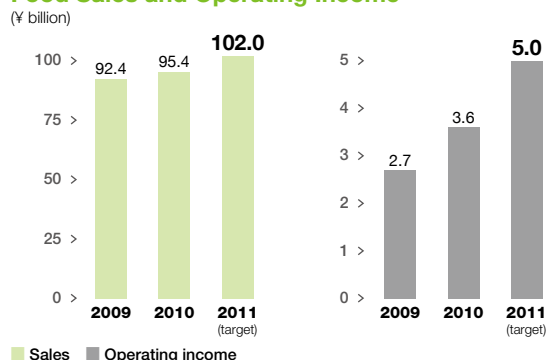
#### Wakodo Co., Ltd.

The market environment surrounding Wakodo Co., Ltd. is likely to remain challenging. Nevertheless, the company will aggressively invest in bolstering the brand strength of *Hai Hai* and *Gun Gun* in its mainstay powdered infant formula category, highlighting the “infant-safe quality” of its products founded on a fundamental commitment to food safety and reliability. In the retort pouch category, which is growing briskly in the baby food market, Wakodo will enhance its *Goo-Goo Kitchen* lineup, with the goal of staking out a solid market position. Another priority for the company will be overseas business and new businesses targeting the elderly and other demographics. The company will boost production volume, mainly of powdered infant formula and OEM products, in line with the operation of new production equipment at the company’s production plant in Tochigi Prefecture. Through these

### Food Sales Composition by Company (2010)



### Food Sales and Operating Income



actions, the company is aiming for sales of ¥40.0 billion (up 9.3% year on year) and operating income of ¥2.2 billion (up 4.6%).

#### Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. is planning to grow its direct marketing business by adding new channels, expanding sales channels on the regional level, and through aggressive advertising campaigns. Furthermore, new manufacturing and packaging equipment for freeze-dried products is scheduled to begin operating from August 2011. The company will also increase sales for its mainstay miso soup products and work on improving quality. Through these strategies, Amano Jitsugyo is targeting sales of ¥17.6 billion (up 5.1% year on year) and operating income of ¥0.6 billion (up 29.1%).

#### Wakodo Co., Ltd.

Infant formula Lebens Milk  
*Hai Hai*



Goo-Goo Kitchen



Smile Pocket



#### Amano Jitsugyo Co., Ltd.

Nasu no Miso Shiru



Nyumen Sumashi  
Yuzu



# Overseas Operations



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

Although Japan's market is maturing, markets overseas are continuing to expand, especially in emerging economies. In this context, we will move in overseas operations to take on new business investments and alliances, while promoting efforts to reinforce our business base developed to date and raise profitability.

In 2011, the alcoholic beverages business will first see the Group bolster its partnership with Tsingtao Brewery Co., Ltd. (Tsingtao Brewery) in China, and bring operations into the black. In parallel, we will build stronger alliances with influential partners throughout Asia, with sights set on making *Asahi Super Dry* Asia's No. 1 premium beer brand.

In the soft drinks business, Schweppes Australia is strengthening and developing its brands to embed its position as the second-leading name in Australia's soft drinks market. The aim will be to spur further growth in Australia's soft drinks market by bringing synergies between both companies to the fore. In China, we will continue to support growth strategies and increase equity in net income from Tingyi-Asahi Beverages Holding Co., Ltd., as it seeks to become No. 1 in China's soft drinks market. More concrete measures with business investee TING HSIN (CAYMAN ISLANDS) HOLDING CORP. are also on tap, as we work to expand the food business in China and Taiwan.

## Sales Plan and Actual Results for 2010

### Plan and Results of Net Sales/Operating Income (Loss) by Business/Company

(¥ billion)

	Sales		Operating income (loss)	
	Plan	Results	Plan	Results
Chinese Beer Business	11.2	11.2	-1.5	-1.9
Schweppes Australia	68.1	65.6	4.4	3.8

### Results of Income from Equity-method Affiliates

(\$ million)

	Net sales		Operating income	
	Results	Change from previous year	Results	Change from previous year
TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Beverages business segment)	3,532	+39%	326	+13%

(RMB millions)

	Net sales		Net income	
	Results	Change from previous year	Results	Change from previous year
Tsingtao Brewery	19,898	+10%	1,936	+22%

## Business Environment

### Alcoholic Beverages Business:

- Growing profit opportunities in Asian markets, where incomes are markedly rising

### Soft Drinks Business:

- Growing profit opportunities in Asia, Russia, South America and other markets

## Accomplishments and Topics for 2010

### Accomplishments

#### Alcoholic Beverages Business: China

- Improved profitability by such measures as expanding the Asahi brand and expanding contracted production of Tsingtao brand products

#### Countries and Regions (excluding China)

- Enhanced our local sales network through Lotte Asahi Liquor Co., Ltd.

#### Soft Drinks:

##### Schweppes Australia

- Developed business through such measures as expansion of convenience stores, retail and others sales channels, and increase of ordinary sales

##### Tingyi-Asahi Beverages

- Substantial growth in tea and fruit juice reflect the impact of promotional campaigns

##### South Korea

- Sold South Korean beverage business Haitai Beverage Co., Ltd.

#### Food Business:

- Invested in the major TING HSIN (CAYMAN ISLANDS) HOLDING CORP. to handle food and distribution in China together with ITOCHU Corporation

### Future Topics

- Improve profitability in Chinese beer business
- Expand business foundation to achieve global growth

## 2011: Targets and Strategies

### Alcoholic Beverages Business:

#### China

- Achieve positive operating income by such measures as expanding sales of the Asahi brand and contracted production of Tsingtao brand products

#### Countries and Regions (excluding China)

- Develop business by forming alliances with powerful local partners and by marketing activities that match the various markets' characteristics

### Soft Drinks:

#### Schweppes Australia

- Vigorous investment in key brands and growth fields
- Continue to improve efficiency across the entire SCM process

#### Tingyi-Asahi Beverages

- Implement aggressive sales strategies with the aim of achieving the No. 1 market share of the Chinese soft drinks market

### Food Business:

- Aim to develop and expand the food business in the Chinese and Taiwanese markets

## Alcoholic Beverages

### China

In the rapidly growing Chinese market, we strengthened measures for improving profitability, which included boosting capacity utilization rates at the breweries. Specifically, in addition to promoting sales expansion for each brewery's own products, we began contract production of Tsingtao Beer brand products in May 2009 at Yantai Beer Tsingtao Asahi Co., Ltd. (Yantai Beer), and at Beijing Beer Asahi Co., Ltd. (Beijing Beer) and Hangzhou Xihu Beer Asahi Co., Ltd. (Hangzhou Beer) from August 2010.

In 2011, we plan to bolster our alliance relationship with Tsingtao Brewery and expand each brewery's own brands, while enjoying maximum benefit from the contract production of the Tsingtao Beer brand. Our objective is to improve earnings and return these operations to profitability.

### Countries and Regions (excluding China)

The Asahi Group is aggressively expanding the presence of *Asahi Super Dry* through stronger alliance relationships with local partners.

In South Korea, we continued to enhance our local sales network through Lotte Asahi Liquor Co., Ltd., our joint venture with the Lotte Group, becoming the No. 1 imported beer brand by sales volume in July, August, October and November 2010. We remain committed to enhancing our brand and grooming *Asahi Super Dry* into the undisputed No. 1 imported beer brand in South Korea. We also formed alliances with local subsidiaries of the Carlsberg Group in January 2010 in Hong Kong, and again in April 2010 in Malaysia. Access to the sales networks of these companies has enabled us to fully launch *Asahi Super Dry* in these markets, where the product is performing well. Turning to Thailand, where we concluded production and sales licensing agreements with the Boon Rawd Group, sales volume has risen 68% over the previous fiscal year. These various initiatives are steadily raising the profile and presence of *Asahi Super Dry* across Asia.

In the U.S. market, we worked hard to reinforce the base of the market for Japanese restaurants and similar facilities and to raise brand recognition in local markets in a bid for further growth. From January 2010, we began offering *Asahi Super Dry* in kegs in the U.S. market in a full-fledged push to establish a foothold in the on-premise market. Similarly in the U.K., where the Group has production and sales licensing agreements with Shepherd Neame Ltd., we are building further name recognition for the *Asahi Super Dry* brand through more vigorous marketing activities centered on the on-premise market.

Looking ahead, we will continue working to develop a more robust presence for the *Asahi Super Dry* brand through alliances with influential local partners and marketing activities that directly reflect local market characteristics.

## Soft Drinks

### Australia: Schweppes Australia

Growth in Australia's soft drinks market is expected to continue to be stable. Schweppes Australia took steps to expand the presence of its core products in the market, investing heavily in marketing around its own core brands *Schweppes* and *Solo*, as well as franchised brand *Pepsi* and other beverages. In strategy by sales channel, the company stepped up efforts to increase points of contact between consumers and Schweppes products, bolstering its sales framework for the mass-retail outlet supermarket, where the bulk of sales are made, as well as regular retail stores, convenience stores and on-premise channels.

In August 2010, we signed an agreement to purchase shares of P&N Beverages, the No.3 company in terms of sales volume in the Australian soft drinks market. Looking ahead, we will reinforce the base for our soft drinks business in Australia as we aim to realize additional growth for this business.

China



U.S.



Europe





### South Korea: Haitai Beverage

In January 2011 we transferred Haitai Beverage in South Korea to LG Household & Health Care Ltd., in line with the policies and objectives of our Long-Term Vision 2015 and Medium-Term Management Plan 2012.

### China: Tingyi-Asahi Beverages

In China's soft drinks market, where annual growth of around 15% is anticipated, Asahi Group investee Tingyi-Asahi Beverages defied a rigorous competitive environment to post steady sales growth, up 39% from the previous year.

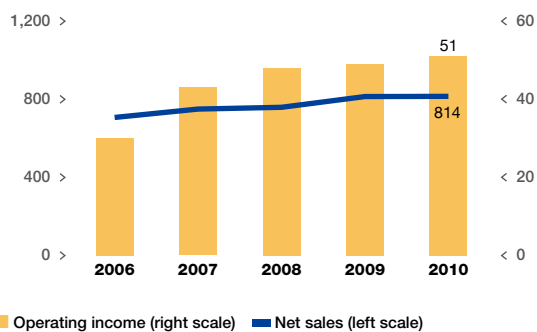
2010 saw sales rise sharply, especially for tea-based drinks and fruit and vegetable drinks, reflecting consumer campaigns targeting these categories launched in February. Profit-side growth was also evident as we boosted cost competitiveness with greater production efficiency accompanying sales volume growth, the use of lighter PET bottles, and other steps to heighten our competitive advantage. Going forward in our alliance, we will continue to support Tingyi-Asahi Beverages' quality assurance and production technology, while also extending support to encompass human resource development and greater sharing of marketing and other expertise. In this way we will help to drive Tingyi-Asahi Beverages' growth strategies forward.

### Food Business

In November 2010, the Asahi Group acquired a portion of shares in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major packaged food and distributor in China. The aim of this move is to develop and expand our food business in the mainland Chinese and Taiwanese markets by taking advantage of the strengths of both companies. Notable strengths include Asahi Group technology, and the sales capabilities and expertise in the Chinese market of TINGYI (CAYMAN ISLANDS) HOLDING CORP., a subsidiary of TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

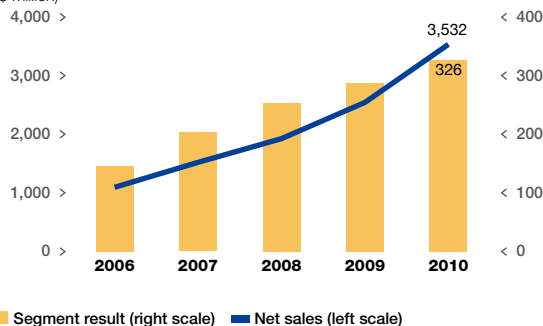
### Performance of Schweppes Australia

(Million Australian dollars)



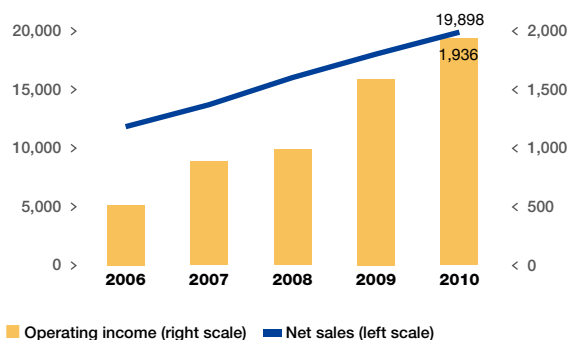
### Performance of TINGYI (CAYMAN ISLANDS) (Soft Drinks Business)

(\$ million)



### Performance of Tsingtao Brewery

(Million yuan)



### Schweppes Australia



### Tingyi-Asahi Beverages (Equity Method Affiliates)



### Tsingtao Brewery (Equity Method Affiliates)



# Research and Development

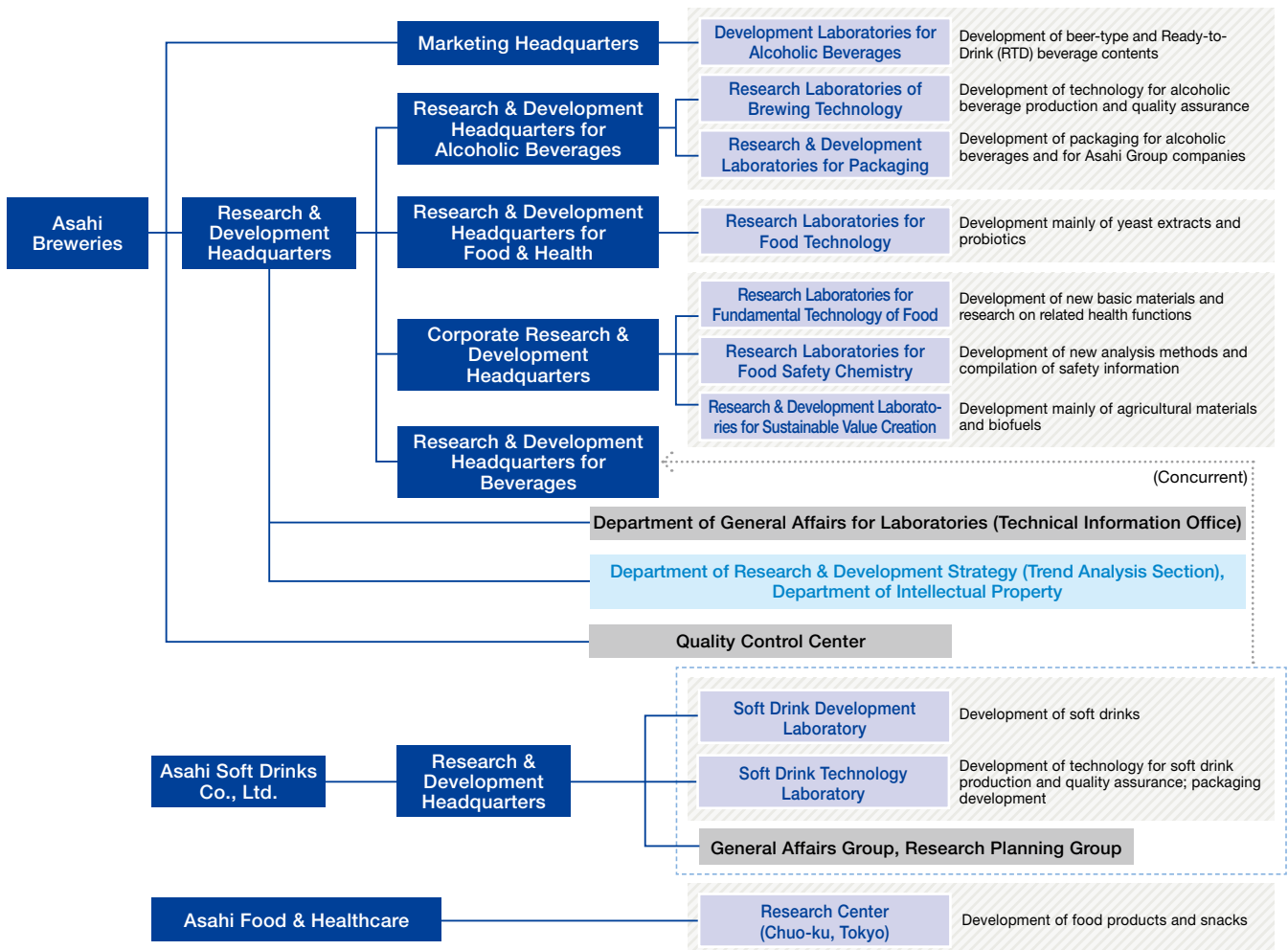
Research and development at the Asahi Group is guided by the Group’s Long-Term Vision 2015 of striving to transform the bounty of nature into the “Kando” of food while becoming a trusted company with global quality.

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

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

## Asahi Group R&D Structure

In fiscal 2009, we sought to enhance product development efficiency by moving functions to the Development Laboratories for Alcoholic Beverages. As a follow up, in September 2010, we took steps to do the same in the food business by transferring the functions of the Development Laboratories for Food Products to the Research & Development Headquarters under Asahi Food & Healthcare Co., Ltd.



## Recent Topics

### Nikka Whisky *Taketsuru 21 Years Old* Wins Third Title—Named World’s Best for Second Consecutive Year

*Taketsuru 21 Years Old*, a Nikka brand whisky produced by Asahi Group company The Nikka Whisky Distilling Co., Ltd., was recognized as the “World’s Best Blended Malt Whisky” at the World Whiskies Awards (WWA) 2010, an internationally recognized whisky competition.

*Taketsuru 21 Years Old* was similarly recognized as the world’s best whisky in its category in 2007 and 2009, winning the coveted title three times and twice consecutively. This feat marks the first time in WWA history that the same product has been recognized as the world’s best on three separate occasions.

These multiple wins, based on judgment by an international panel of experts, are raising appreciation of the high quality of *Taketsuru 21 Years Old* overseas, and export volumes continue to grow year by year.



The Nikka Whisky Distilling Co., Ltd.  
Chief Blender  
Tetsuji Hisamitsu

In a repeat of 2009, *Taketsuru 21 Years Old* was named the world’s best blended malt whisky. As someone intimately involved in its creation, I am

delighted and greatly encouraged by this tremendous honor. This award would not have been possible without all of those who have worked hard to preserve the *Taketsuru* spirit and maintain and improve the quality. I am also extremely grateful for the support that so many others have given. Above all else, I hope that everyone who loves and supports Nikka will share in the satisfaction of this recognition.

### Development of Process for Combined Production of Sugar and Ethanol

Asahi Breweries, Ltd. and KONARC (National Agricultural Research Center for Kyushu Okinawa Region) have developed a new process for combined production of sugar and ethanol that will enable the low-cost production of large volumes of ethanol while maintaining adequate sugar production. The key process is the use of high-yielding sugarcane, new sugarcane with roughly 1.5 times the biomass compared to the conventional variety.

Field experiments were carried out at a pilot plant in Ie Island, Okinawa (Japan). The new process showed that bagasse residue obtained after crushing cane can be used to supply all of the energy needed for every aspect of production, resulting in a carbon neutral process.

The achievements were selected as Japan’s MAFF “10 Major Topics in Agriculture, Forestry and Fisheries Research in 2010.” Our promising process is highly expected to help reduce greenhouse gas emissions.



### Development of Eco-Conscious Universal Design Bottle

In packaging technologies, Asahi Soft Drinks Co., Ltd. has developed an eco-conscious universal design bottle. Using 24% fewer resources and weighing less than conventional products, the bottle also features an easier-to-twist cap and a shape designed to enhance stability when drinking. In this way, the bottle reduces environmental impact and is more consumer friendly. Plans call for a successive roll out of the new bottle for *Asahi Juroku-cha* and other tea beverages in fiscal 2011, helping to reduce both raw materials used in packaging and CO<sub>2</sub> emissions.



# Group Management

## Corporate Governance

### 1. Basic Policy

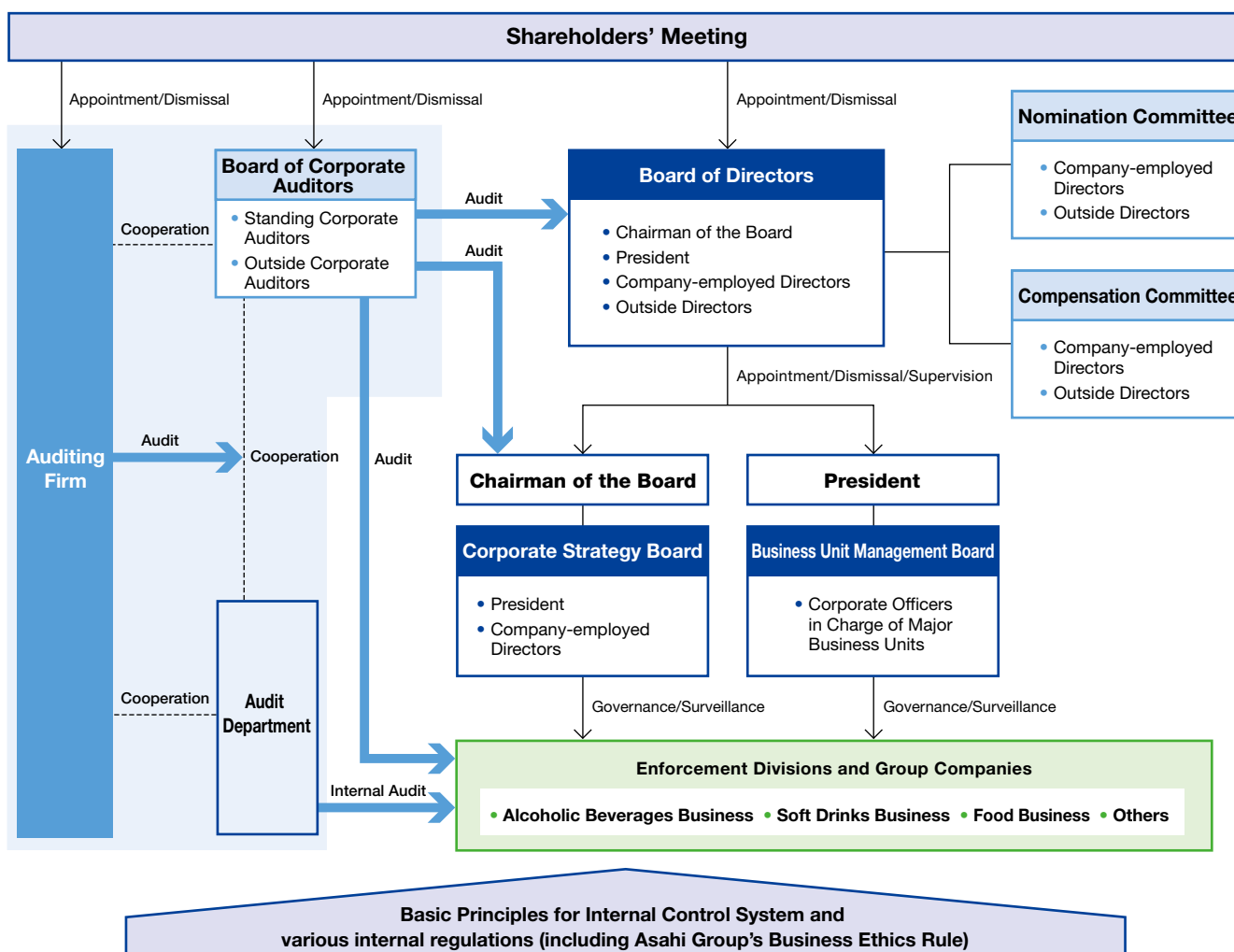
The Asahi Group recognizes all our stakeholders as “customers” who provide us with support, starting with the consumers of our products and also including shareholders, investors, suppliers, employees and local communities.

To ensure our corporate activities satisfy all these “customers” and to quickly adapt to an ever-evolving business environment, we have identified corporate governance as a priority for management. We are therefore striving to strengthen Group management, reinforce our relationship of trust with society and enhance our social responsibility and management transparency.

### 2. Characteristic Features of Our Corporate Governance Structure

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

### Corporate Governance Structure



### Board of Directors

The Board of Directors consists of 11 directors, including 3 outside directors (as of March 31, 2011). Outside directors are chosen from a pool of exceptional external candidates who qualify as independent directors. Outside directors have varied career backgrounds, with some having served as corporate executives, educators, and as advisory government committee members prior to their appointments. The wealth of experience and keen insight of our current outside directors are reflected in the continued transparency of the Board's decision-making processes and management oversight.

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

In 2010, the Board of Directors held 11 regular meetings, with outside directors Mr. Yamaguchi, Ms. Bando, and Mr. Tanaka attending 6, 11 and 11 meetings, respectively. (Due to Mr. Yamaguchi's unfortunate passing away on September 14, the number of meetings attended differs from that of the other 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 serve as advisory bodies to the Board of Directors. Outside directors are present among the directors that comprise the membership of each committee.

The Nomination Committee consists of a total of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by a Company-employed director, and is responsible for recommending candidates for director, corporate officer or auditor to the Board of Directors. The committee met once in 2010.

The Compensation Committee is also comprised of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by an outside director, and is responsible for proposing compensation systems and packages for directors and corporate officers to the Board of Directors. The committee met three times in 2010, and mainly forwarded proposals regarding the amount of bonuses for senior officers.

### Board of Corporate Auditors

The Board of Corporate Auditors is responsible for supervising and auditing the management of the Company and the performance of duties by directors. The Board of Corporate Auditors consists of five auditors, including three outside auditors. Selected from a pool of exceptional candidates who qualify as independent auditors, the experience and insight gained from the varying backgrounds of the outside auditors, a former top executive, a lawyer and a university professor, is evident as they audit the management of Asahi Breweries, Ltd. from multiple perspectives. In 2010, the Board of Corporate Auditors held seven meetings, all of which were attended by Mr. Sakurai, Mr. Nakamura, and Mr. Ishizaki.

## 3. Corporate Officer System

### Introduction of a Corporate Officer System

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



### Corporate Strategy Board and Business Unit Management Board

Two high-level meetings share the responsibility of quickly executing decisions made by the Board of Directors. The Corporate Strategy Board deliberates matters pertaining to the direction of the entire Group. The Business Unit Management Board, meanwhile, is charged with deciding specific matters concerning business execution. The Corporate Strategy Board is chaired by the chairman and representative director, while the Business Unit Management Board is chaired by the president and representative director. These meetings maintain the accountability of directors for the entire Group and the responsibility of the president and representative director and corporate officers for the alcoholic beverages business, thereby clarifying responsibilities and accelerating decision-making. To maximize operational efficiency, at each meeting progress is controlled and assessed based on an objective and rational management index. In order to ensure the legality of the decision-making process employed for major issues and to further enhance compliance management, each meeting is attended by at least one standing corporate auditor.

In 2010, as the first year of Medium-Term Management Plan 2012, the themes deliberated at the meetings were growth strategies for completing the medium-term plan, including capital and business alliances overseas, the new management structure following a transition to a holding company system, profit structure reform, Group company realignment, and Group policy and business plans for 2011.

### Internal Audits and Accounting Audits

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

With respect to internal audits, the 11-member Internal Audit Department, under the direct control of the president, has been established as the internal organ responsible for conducting audits based on Group-wide auditing standards and our annual audit plan to ensure proper and effective business execution across the entire Group. In addition to reports individually filed with each audit, twice a year, general reviews of the audits are submitted to the Corporate Strategy Board 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 2010, the Board of Corporate Auditors held five briefings with the accounting auditor and 3 briefings with the Internal Audit Department, respectively. The Internal Audit Department held 4 meetings with the accounting auditor.

### 4. Compensation for Directors and Auditors

Resolutions regarding compensation for senior officers become agenda items for the Board of Directors following deliberations that take into account the compensation systems and packages for directors and corporate officers proposed by the Compensation Committee. In 2010, fixed salaries comprised around 80% of compensation for directors, with the performance-based portion roughly accounting for another 20%. (Note: 100% of performance-based compensation was short term, none was long term). For auditors, compensation consisted entirely of fixed salaries (monthly compensation), reflecting the abolishment of the Company's system of benefits from April 2009. (Refer below.)

#### Compensation for Directors and Auditors (FY2010)

(¥ million)	Salary	Bonus	Total
Company-employed Directors (Total: 14)	427.9	124.1	552.0
Outside Directors (Total: 3)	29.4	8.5	37.9
Corporate Auditors (Total: 2)	63.6	—	63.6
Outside Auditors (Total: 3)	32.4	—	32.4

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 2010, audit fees payable to the accounting auditor amounted to ¥189 million for an attestation agreement and ¥128 million in other compensation.

## 5. Internal Control System

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

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

Based on evaluation results for 2010, the Company has determined that, as of December 31, 2010, it has an effective internal control system with respect to financial reporting. This assessment was corroborated by an audit of the internal control system performed by the outside auditors.

### Development of Internal Control System Based on the Corporate Law

Pursuant to Japan’s Corporate Law, in 2006, Asahi Breweries, Ltd. established the Basic Principles for Establishing an Internal Control System. In drafting these Basic Principles, we analyzed and evaluated the current system at Asahi Breweries, Ltd. and the Asahi 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 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. 52 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.

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

## 6. Renewal of Takeover Defense Measures

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

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

## Risk Management

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

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

In 2010, committee efforts focused mainly on the development of an overall plan for establishing business continuity management (BCM).

### Risk Management Promotion System



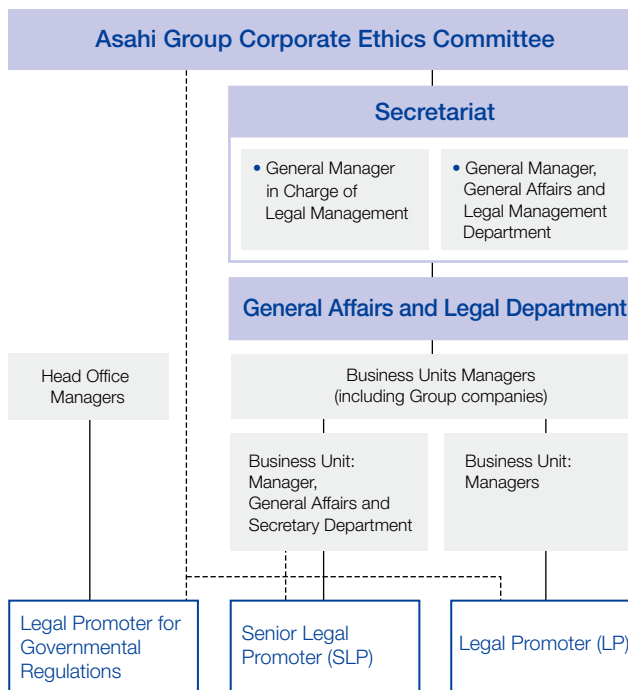
## Compliance

Asahi Breweries, Ltd. promotes compliance throughout the Group under the leadership of the Asahi 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 2010, approximately 130 LPs, 29 SLPs and 30 GLPs have been assigned.

In conjunction with these assignments, the Group is moving to expand and strengthen education and training to achieve more deeply embedded compliance. In 2010, steps taken by the Group to enhance systems for preventing risks associated with major legal violations centered on training activities where individual employees participate proactively. These efforts included the incorporation of a debate-style format for compliance training based on case studies at business sites and Group companies.

### Compliance Promotion System



## Board of Directors, Auditors and Corporate Officers (As of March 25, 2011)



1	2	
3	4	5
6	7	8
9	10	11

**Board of Directors**

1. **Hitoshi Ogita**  
Chairman of the Board
2. **Naoki Izumiya**  
President
3. **Kazuo Motoyama**  
Executive Vice President
4. **Akiyoshi Koji**  
Managing Director and Managing Corporate Officer
5. **Katsuyuki Kawatsura**  
Managing Director and Managing Corporate Officer
6. **Toshihiko Nagao**  
Managing Director and Managing Corporate Officer
7. **Toshio Kodato**  
Director and Corporate Officer
8. **Yoshihiro Tonzuka**  
Director and Corporate Officer
9. **Mariko Bando**  
Outside Director
10. **Naoki Tanaka**  
Outside Director
11. **Ichiro Ito**  
Outside Director

**Auditors****Standing Corporate Auditors**

Yoshifumi Nishino  
Yukio Kakegai

**Corporate Auditors**

Takahide Sakurai  
Naoto Nakamura  
Tadashi Ishizaki

**Corporate Officers****Managing Corporate Officers**

Akira Matsunobu  
Fumio Yamasaki  
Kenji Taniguchi  
Takayoshi Kanaya  
Hideaki Takemoto

**Corporate Officers**

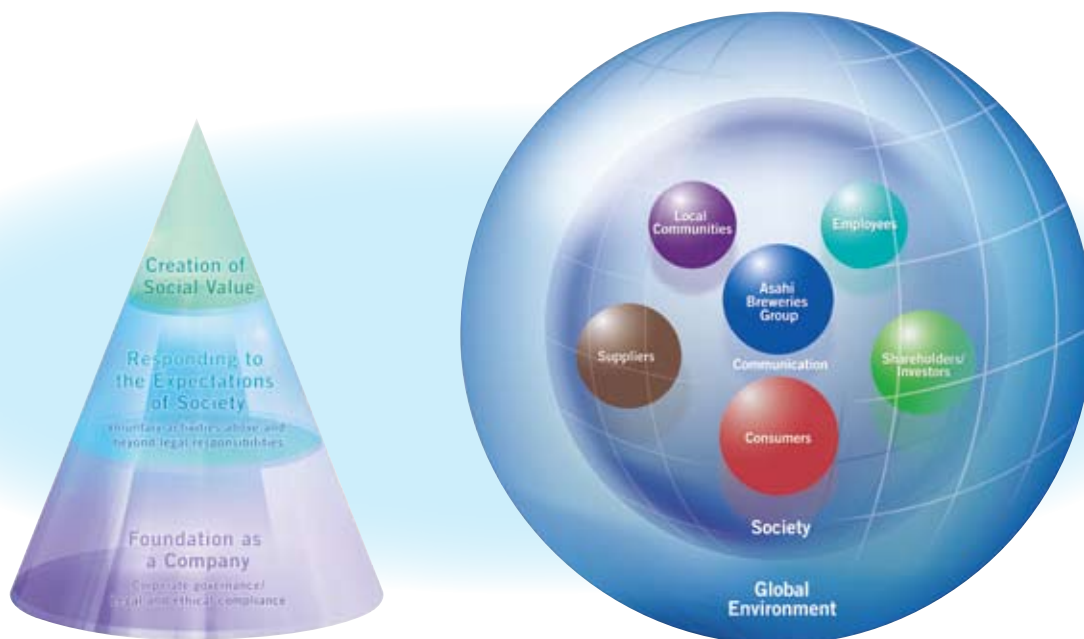
Takami Maruyama  
Katsutoshi Takahashi  
Shinichi Hirano  
Kenkichi Aoki  
Hirohisa Shibuya  
Masaru Nohara  
Hiroshi Katagiri  
Kazunori Shibata  
Shiro Shibata  
Kiminari Maruta

Yukihiro Shiraishi  
Kazuya Arakeda  
Shinichi Kawashita  
Yoshihide Okuda  
Katsuo Shoyama  
Yasutaka Sugiura  
Tetsuo Tsunoda  
Hiroyasu Inayama  
Kenichi Shiozawa

## Corporate Social Responsibility (CSR)

### The Asahi Group and CSR

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



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

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

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

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

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



## Formulation of the Asahi Group Environmental Vision 2020

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

**Asahi Group  
Environmental Vision 2020**

### Bringing the Best of Nature to Tomorrow

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

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

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



**Protect the Bounties of Nature**  
Preserve biodiversity



**Recycle Resources**  
Build a recycling-oriented society

Four Themes

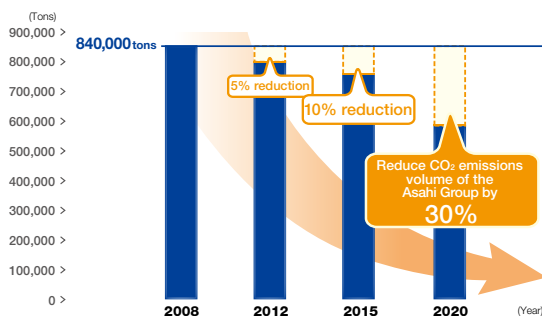


**Reduce CO<sub>2</sub>**  
Build a low-carbon society



**Communicate the Importance of Nature**  
Raise awareness of the bounties of nature

## Asahi Group CO<sub>2</sub> Emissions



## Environmental Policies Guiding Activities in 2011

The Asahi Group's environmental preservation activities in 2011 are centered around the following three policies:

- Promote concrete activities under the Asahi Group Environmental Vision 2020
- Strengthen efforts to preserve biodiversity
- Publicize the 70th anniversary of the Asahi Forest during the "International Year of Forests" in 2011.

### Promote Concrete Activities under the Asahi Group Environmental Vision 2020

Under its Environmental Vision 2020, the Group aims to reduce CO<sub>2</sub> emissions by 30% compared to 2008 at all business locations by 2020. In line with this target, we will continue our efforts to reduce CO<sub>2</sub> emissions at all divisions Group-wide.

### Strengthen Efforts to Preserve Biodiversity

The Asahi Group is working together to develop products created with biodiversity expressly in mind, such as Organic Premium (see next page).

### Publicize the 70th Anniversary of Asahi Forest

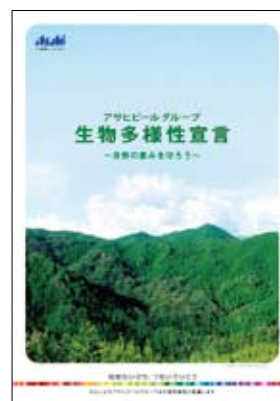
The United Nations has designated 2011 as the "International Year of Forests." The year also coincides with the 70th anniversary of one of the Group's treasured environmental assets, the Asahi Forest. In this commemorative year, we will pursue new environmental education and awareness-raising activities that revolve around Asahi Forest. From summer holiday season in 2011, Asahi will commence an environmental education program in the forest for parents and children, the "Asahi Forest Nature School."

## Initiatives for Protection of Biodiversity

In its business activities, the Asahi Group makes use of water, grains, and other natural resources. As such, we have formulated the Statement on Biodiversity,\* designed to respect biodiversity and protect the bounties of nature so that we can pass them on to the next generation. This statement contains three core policies: protecting the natural environments where plants and animals live, valuing the bounties of nature, and working together with people around the world.

Going forward, the Asahi Group will continue to promote sharing of specific biodiversity-conscious business activities throughout the entire Group.

\* For details, refer to the pamphlet "The Asahi Group Statement on Biodiversity."



## Examples of Key Initiatives

### September

#### Launch of Organic Premium

The Group began sales by mail order only of *Organic Premium*, a line of products made exclusively from organically grown malt and hops, selling a total of 8,000 sets.



### October

#### Exhibit in the Interactive Fair for Biodiversity

Held in conjunction with COP 10, the Interactive Fair for Biodiversity is an international exhibition on the theme of biodiversity. The Group participated in the fair, and offered special limited sales of *Organic Premium* products at food and drink booths at the site.



### December

#### Exhibit at Eco-Products 2010

The Group hosted an exhibit at Eco-Products 2010, Japan's largest environmental exhibition. The exhibit booth introduced visitors to biodiversity initiatives taken by Group companies, as well as to uses for wood produced from our Asahi Forest.



### Others

#### Initiatives with the COP 10 CBD Promotion Committee

As part of the "Refreshingly Sustainable" project\* in Nagoya, Aichi Prefecture, the Group presented donations to the COP 10 CBD Promotion Committee and other entities. The funds are used to help promote deeper understanding of biodiversity. In total more than ¥38 million has been donated over the first three iterations of the project.

\* Promoted in each of Japan's 47 prefectures, the project donates ¥1 for each eligible *Asahi Super Dry* brand product sold in each prefecture to the protection and preservation of the local environment and cultural treasures.

#### Sponsorship of Special Symposium "Saving the Bounties of Nature for Tomorrow"

To commemorate the International Year for Biodiversity designated by the United Nations, the Group held an environmental culture lecture in the form of a special symposium called, "Saving the Bounties of Nature for Tomorrow." The symposium was held in April and July, 2010, in Kyoto and Tokyo respectively. Both events hosted invited experts who spoke on biodiversity, and included various lectures and panel discussions.

# Financial Section

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# Eleven-Year Summary

Years ended December 31

	Millions of yen				
	2010	2009	2008	2007	2006
<b>For the year:</b>					
Net sales	¥1,489,461	¥1,472,469	¥1,462,748	¥1,464,072	¥1,446,385
Operating income	95,349	82,777	94,520	86,956	88,713
Income (loss) before income taxes and minority interests	92,465	88,078	82,938	81,741	81,165
Net income (loss)	53,080	47,645	45,014	44,798	44,775
Capital investments*2	36,738	62,376	36,135	44,481	36,894
Depreciation*2	59,710	58,372	47,353	45,250	48,793
<Segment information>					
Sales:					
Alcoholic beverages	—	—	—	—	—
Soft drinks and food	—	—	—	—	—
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	—
Others	—	—	—	—	—
Sales: (New Segments)					
Alcoholic beverages	935,850	958,156	995,703	1,012,256	1,007,558
Soft drinks	391,566	355,162	316,737	299,663	283,121
Food	95,440	92,400	79,203	67,089	53,792
Others	66,605	66,751	71,105	85,064	101,914
Operating income (loss):					
Alcoholic beverages	—	—	—	—	—
Soft drinks and food	—	—	—	—	—
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	—
Others	—	—	—	—	—
Operating income (loss): (New Segments)					
Alcoholic beverages	84,567	78,879	90,762	79,285	78,186
Soft drinks	4,922	695	616	4,593	7,746
Food	3,633	2,745	1,944	1,344	445
Others	1,505	889	1,006	1,724	2,173
<b>Financial position:</b>					
Total assets	1,405,358	1,433,653	1,299,059	1,324,392	1,288,501
Interest-bearing debt	311,423	391,875	302,259	332,458	290,101
Total net assets*3	612,670	577,703	534,628	529,782	509,775
Yen					
<b>Per share data:</b>					
Net income	¥ 114.10	¥ 102.49	¥ 96.31	¥ 94.94	¥ 94.02
Diluted net income	114.00	102.42	96.14	94.74	93.85
Cash dividends applicable to the year	23.00	21.00	20.00	19.00	19.00
Total net assets	1,315.51	1,233.25	1,122.13	1,089.33	1,012.77
%					
<b>Ratios:</b>					
ROE	9.0	8.7	8.7	9.0	9.6
Operating income ratio	6.4	5.6	6.5	5.9	6.1
Operating income ratio (exclusive of alcohol tax)	9.0	8.1	9.6	9.0	9.4
Equity ratio	43.6	40.0	40.2	38.9	37.0

\*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥81.49 to U.S.\$1, the exchange rate prevailing at December 31, 2010.

\*2 Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

\*3 Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.

\*4 In case of net loss, disclosure of fully diluted per share data is not required.

Millions of yen						Thousands of U.S. dollars*1
2005	2004	2003	2002	2001	2000	2010
¥1,430,027	¥1,444,226	¥1,400,302	¥1,375,267	¥1,433,364	¥1,399,108	<b>\$18,277,838</b>
90,249	101,273	78,984	69,341	77,777	76,550	<b>1,170,070</b>
75,725	58,369	48,681	32,483	18,611	(18,116)	<b>1,134,679</b>
39,870	30,596	23,210	14,754	13,617	(15,707)	<b>651,368</b>
43,941	40,134	38,184	41,257	64,829	66,518	<b>450,828</b>
50,028	51,339	53,101	51,546	52,901	51,790	<b>732,728</b>
—	—	—	—	1,179,412	1,127,737	—
—	—	—	—	201,772	216,191	—
—	—	—	—	—	—	—
—	—	—	—	3,058	4,194	—
—	—	—	—	49,122	50,986	—
1,025,447	1,078,931	1,067,136	1,057,029	1,101,620		<b>11,484,231</b>
267,003	217,380	185,738	173,773	192,526		<b>4,805,080</b>
25,286	22,163	21,547	14,232	14,561		<b>1,171,187</b>
112,291	125,752	125,881	130,233	124,657		<b>817,340</b>
—	—	—	—	92,635	86,774	—
—	—	—	—	(1,485)	2,009	—
—	—	—	—	—	—	—
—	—	—	—	1,833	2,717	—
—	—	—	—	(816)	(758)	—
78,089	90,872	72,452	69,145	76,809		<b>1,037,759</b>
8,632	8,114	2,645	(4,086)	(2,079)		<b>60,400</b>
805	(599)	169	8	406		<b>44,582</b>
2,559	2,935	3,399	3,855	2,476		<b>18,470</b>
1,218,227	1,250,818	1,244,410	1,294,738	1,341,103	1,389,827	<b>17,245,772</b>
289,202	303,089	336,285	402,206	417,167	503,371	<b>3,821,610</b>
454,892	417,828	398,153	387,539	385,965	356,009	<b>7,518,346</b>
Yen						U.S. dollars
¥ 82.22	¥ 62.52	¥ 46.80	¥ 28.90	¥ 27.00	¥ (31.54)	<b>\$ 1.40</b>
80.98	60.64	44.58	27.46	25.25	—*4	<b>1.40</b>
17.00	15.00	13.00	13.00	13.00	12.00	<b>0.28</b>
951.12	860.66	810.19	770.86	752.25	715.04	<b>16.14</b>
%						
9.1	7.5	5.9	3.8	3.7	(4.2)	
6.3	7.0	5.6	5.0	5.4	5.5	
9.8	11.4	9.2	8.3	9.0	9.2	
37.3	33.4	32.0	29.9	28.8	25.6	



# Management's Discussion and Analysis

## Overview

### Market Trends

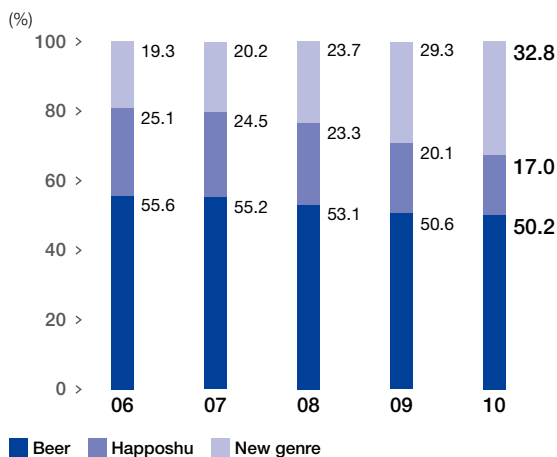
In the fiscal year ended December 31, 2010, Japan's economy continued to face harsh conditions, marked by the effect of rapid yen appreciation, steady deterioration in the employment environment and lackluster consumer spending. The trajectory of these metrics remained largely unchanged despite signs that the economy is headed toward recovery thanks to government-backed economic stimulus measures and a rebound in economies overseas.

In the alcoholic beverages industry, while sales of new genre beverages rose substantially, reflecting more conservative consumer spending habits due to weak economic conditions, sales of beer and happoshu faltered. As a result, sales in the overall market for beer-type beverages ended 2.8% lower year on year on a taxable shipment volume basis. Sales in alcoholic beverages other than beer-type beverages were flat overall, despite healthy performance in the markets for ready-to-drink (RTD) beverages and whisky and spirits.

In the soft drinks industry, overall industry sales volume is estimated to have climbed by around 3%, mainly due to unusually hot weather during the summer.

In this climate during the first year of Medium-Term Management Plan 2012, the Asahi Group worked to enhance profitability in several ways. In addition to channeling management resources into core products in each segment, the Group continued to reinforce cost competitiveness, keeping its sights set on its Long-Term Vision 2015.

### Product Share in the Beer-Type Beverages Market by Genre



### Net Sales

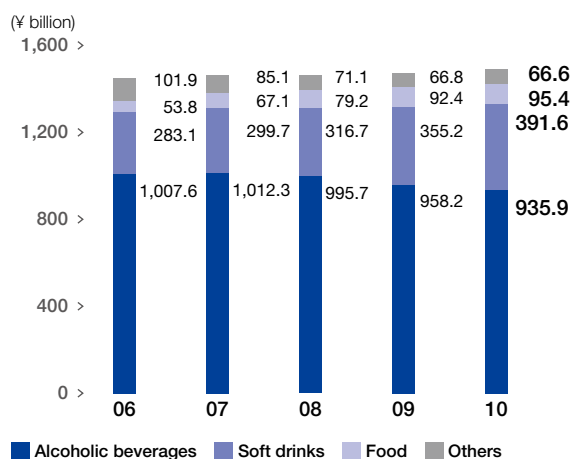
In fiscal 2010, net sales for the Asahi Group increased ¥17.0 billion, or 1.2%, year on year, to ¥1,489.5 billion.

Sales in the alcoholic beverages business declined ¥22.3 billion, or 2.3% year on year, to ¥935.9 billion, largely reflecting lower sales for beer-type beverages. In the soft drinks business, sales rose ¥36.4 billion, or 10.2%, to ¥391.6 billion, while sales in the food business increased ¥3.0 billion, or 3.3%, to ¥95.4 billion.

In sales composition by segment, the alcoholic beverages business share decreased from 65.1% in the previous fiscal year to 62.8%, while the soft drinks business' share increased from 24.1% to 26.3%, and the food business' share increased from 6.3% to 6.4%.

Sales from the alcoholic beverages business and the soft drinks business include net sales from the Group's overseas business. Overseas sales increased ¥19.3 billion, or 24.6%, year on year, to ¥97.8 billion, primarily due to the inclusion of sales from Schweppes Australia for January to March.

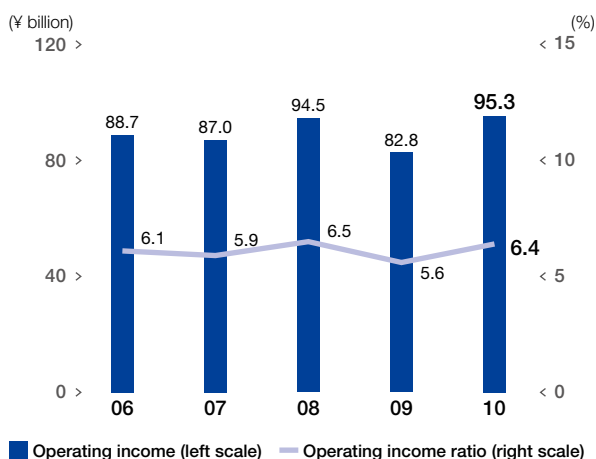
### Net Sales by Segment



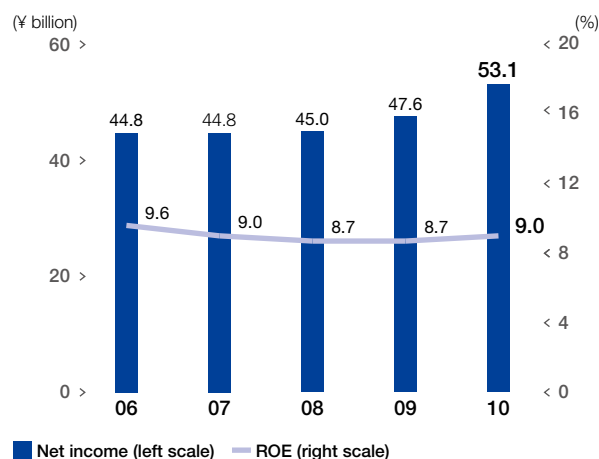
### Operating Income

For the consolidated fiscal year, operating income increased ¥12.6 billion, or 15.2%, year on year, to ¥95.3 billion. This result owed to cost reduction efforts in the alcoholic beverages business such as curbing the cost of raw materials, and improved contribution from the soft drinks business as Asahi Soft Drinks Co., Ltd. saw higher sales volume in Japan and benefits from a revised profit structure. Meanwhile, in the food business, Asahi Food & Healthcare Co., Ltd expanded its sales and improved production efficiency, while logistics operations in other businesses also saw improved profits.

### Operating Income/Operating Income Ratio



### Net Income/ROE



### Other Income and Expenses

Other loss of ¥2.9 billion was recorded, a turnaround of ¥8.2 billion reversing income posted in the previous year. Other loss was largely attributed to loss on factory restructurings of ¥19.8 billion associated with the reconfiguration of the Group's breweries. In other expenses, the Group recorded an impairment loss of ¥13.6 billion on certain assets held for leasing purposes in Japan and on a part of goodwill, coupled with a loss on liquidation of subsidiaries and affiliates of ¥1.3 billion associated with the sale of overseas subsidiaries. Positive factors include a gain on sales of subsidiaries and affiliated companies of ¥32.3 billion, as well as a decline of ¥3.8 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 2010, decreased from 47.1% in the previous fiscal year to 44.3%. The difference between the actual effective tax rate of 44.3% and the statutory tax rate of 40.4% was primarily caused by the positive effects of 7.9% in amortization of goodwill (including impairment loss), and 1.9% in non-deductible expenses, and the negative effects of 4.3% in equity in net income of unconsolidated subsidiaries and affiliated companies, as well as 2.4% in temporary differences on investment in affiliated companies. The major factor behind the decrease in the actual effective tax rate was the decline in valuation reserves of 7.2%, despite an increase of 5.5% in amortization of goodwill.

### Net Income

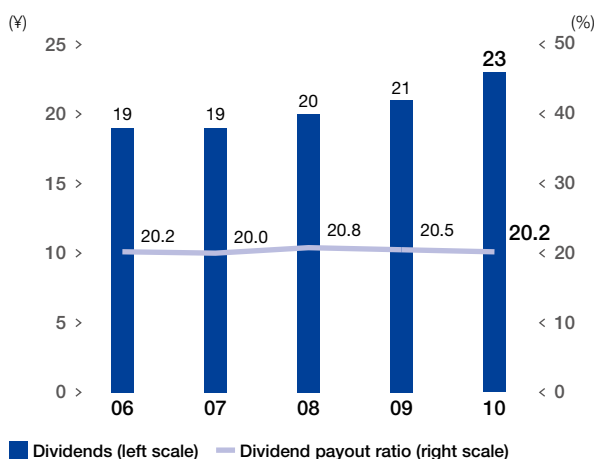
Net income rose 11.4%, or ¥5.4 billion year on year, to ¥53.1 billion. The net income ratio was 3.6%, up 0.3 percentage points from the previous fiscal year. ROE was up 0.3 percentage points year on year, at 9.0%. Net income per share (diluted) increased from ¥102.42 to ¥114.00.

### Dividends

Asahi Breweries, Ltd. places priority on returning profit to shareholders. The Company's basic policy when providing shareholder returns is to take business performance and a range of other factors into account, seeking to enhance profitability and ensure a stronger financial position. We strive to make 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 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 ¥23.0 per share, which included a ¥1.5 increase in the year-end dividend to ¥12.5 per share, and an interim dividend of ¥10.5 per share. In fiscal 2011, ending December 31, 2011, we plan to pay an interim dividend of ¥11.5 and a year-end dividend of ¥11.5 per share, for a full-year dividend of ¥23.0 per share.

### Dividends/Dividend Payout Ratio



## Review of Operations by Segment

### Sales and Operating Income by Segment (2010/2009)

	Millions of yen		
	2010	2009	Percent change
<b>Sales</b>			
Alcoholic beverages	¥935,850	¥958,156	(2.3)
Soft drinks	391,566	355,162	10.2
Food	95,440	92,400	3.3
Others	66,605	66,751	(0.2)
<b>Operating income</b>			
Alcoholic beverages	84,567	78,879	7.2
Soft drinks	4,922	695	608.2
Food	3,633	2,745	32.4
Others	1,505	889	69.3

### Alcoholic Beverages Business (Related information on page 28)

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, guided by the slogan, "Move to Embrace Change," we took steps to reinforce our core brands *Asahi Super Dry* and *Clear Asahi*. At the same time, we promoted profit structure reforms that included reducing the cost of raw materials and integrating breweries with the view to raising production efficiency.

These initiatives spurred sales growth in the new genre beverages category and in the shochu, RTD beverages, whisky and spirits, and wine category, reflecting more conservative spending habits among consumers given the weak economic conditions. The result, however, was a slight dip in sales in the beer category and a sharp drop in happoshu sales. Consequently, overall sales in the alcoholic

beverages segment declined 2.3% year on year, to ¥935.9 billion. Operating income was up ¥5.7 billion, or 7.2% year on year, to ¥84.6 billion, with growth spurred by benefits from efforts to curb prices for raw materials and other cost-cutting measures.

### Asahi Breweries, Ltd.

#### Beer-type beverages

In the domestic beer market, we took action to broaden the appeal of our core product in the beer category, *Asahi Super Dry*, among more customers by developing "Extra cold" (−2°C to 0°C) as a new value proposition for enjoying the product. In generating information and developing sales promotion activities to highlight the product we initiated a project called "Refreshingly Sustainable." Promoted in each of Japan's 47 prefectures, the project donates a portion of proceeds from sales of *Asahi Super Dry* to the protection and preservation of the natural environment and important cultural treasures in each region.

The result was annual sales volume of over 100 million cases\*<sup>1</sup> for a 22nd consecutive year, retaining the 50.6%\*<sup>2</sup> of Japan's beer market achieved in the previous year. This achievement notwithstanding, beer sales volume decreased 4.2% year on year to 11.6 million cases, with beer sales declining ¥26.2 billion, or 4.0%, to ¥620.4 billion.

In happoshu, we revitalized the market through quality improvements to *Asahi Style Free*, a pioneering product in the "zero carbohydrates"\*<sup>3</sup> category, and via consumer campaigns. Despite these efforts, however, happoshu sales volume declined 25.8% year on year. As a result, sales of happoshu decreased ¥24.7 billion, or 25.7%, to ¥71.5 billion. Asahi Breweries, Ltd.'s share of the domestic happoshu market also decreased 2.6 percentage points to 24.0%.

In new genre beverages, we channeled management resources primarily into *Clear Asahi* and *Asahi Off*, with the intent of establishing a solid position in the growing malt liquor\*<sup>4</sup> market. Actions here included the launch in March of *Clear Asahi* in kegs for the commercial-use sector. We also proposed products tailored to customers' diverse needs around new genre beverages, among them *Asahi Strong Off* released in March and *Asahi Kutsurogi-Jikomi <AVG>* sold in September. From these initiatives, sales volume rose 18.9% from the previous year and Asahi Breweries, Ltd.'s share of the domestic market for new genre beverages rose 2.1 percentage points to 24.4%. Sales in this category increased ¥19.0 billion, or 18.8%, to ¥120.6 billion.

Taxable shipment volume for domestic beer-type beverages from Asahi Breweries, Ltd. declined 2.8% year on year to 172.2 million cases. The company's share of the overall domestic beer-type beverages market was 37.5%, unchanged from the previous fiscal year.

As a result, sales of beer-type beverages declined ¥31.8 billion, or 3.8% from the previous year, to ¥812.5 billion.

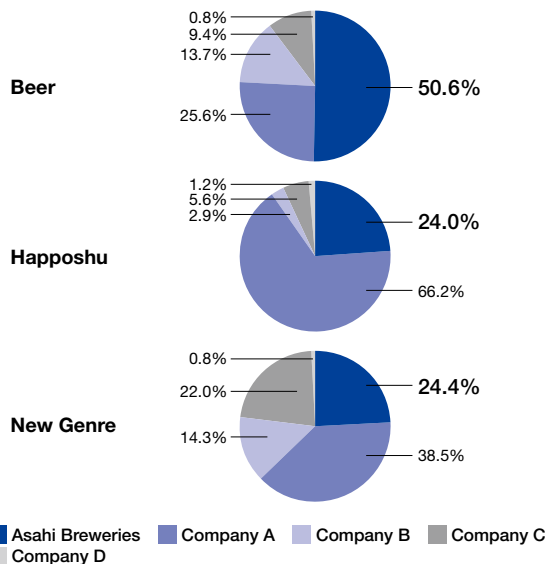
\*<sup>1</sup> One case is equivalent to 20 large bottles (663ml each).

\*<sup>2</sup> Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.

\*<sup>3</sup> Based on nutrition labeling standards, sugar content of less than 0.5g (per 100ml) is indicated as "zero carbohydrate."

\*<sup>4</sup> "Malt liquor" refers to a new wheat beverage genre that blends malt-based happoshu (malt content of less than 50%) with wheat-based spirits (liquor).

### Beer-Type Beverages By Share (2010)



### Alcoholic beverages other than beer-type beverages

Overall sales of other alcoholic beverages—shochu, RTD beverages, whisky and spirits, and wine—increased ¥5.3 billion, or 4.3%, to ¥128.4 billion. As customer needs in this area diversify, we worked to cultivate and enhance uniquely advantaged leading brands while making progress on profit structure reform, which focused largely on striving to use advertising and sales promotion expenses more efficiently. As a result of these efforts, we achieved an operating income ratio of 7%.

#### Shochu

For shochu, we conducted aggressive sales promotion activities designed to reinforce the *Kanoka* brand. These included the revamp of *Imo-jochu Kanoka Kurokoji-Jikomi*, and the launch of *Honkaku Imo-Jochu Satsuma Koku-Murasaki* in May. Despite these efforts, however, sales declined 4.0% year on year to ¥48.3 billion.

#### Ready-to-Drink (RTD) beverages

In Ready-to-Drink (RTD) beverages, we strengthened the line-up of *Asahi Slat*, a beverage that has both *Asahi Chu-Hi Kajitsu-no-shunkan* and the lowest number of calories\*1 in its class, and our *Asahi Cocktail Partner* series. We also took steps to cultivate new brands. In March we launched *Asahi Chu-Hi Kajitsu-no-shunkan*, a new brand made from domestically produced fruit juice, and in July we launched *Asahi Sparx*, a new brand with 7% alcohol content and 70% less sugar\*2. As a result, sales of RTD beverages rose 2.1% year on year to ¥31.2 billion.

#### Whisky and Spirits

In whisky and spirits, brisk sales of core brand *Black Nikka Clear Blend* continued, leading to year-on-year growth for a fourth consecutive year. The quality of the *Nikka* brand, moreover, was recognized on

the world stage when *Taketsuru 21 Years Old* was named “World’s Best Blended Malt Whisky” at the World Whiskies Awards\*3 in February 2010 for a third time and for two consecutive years running. As a result, sales rose 16.9% from the previous year to ¥30.4 billion.

#### Wine

In wine, we revamped our *Antioxidant-Free Organic Wine* series of domestic wines to further boost the value of the *Sainte Neige* brand. For imported wines, we strove to expand sales through a diverse product lineup centered on key brands like *Louis Latour* and *Zonin*. However, sales declined 7.0% to ¥11.5 billion.

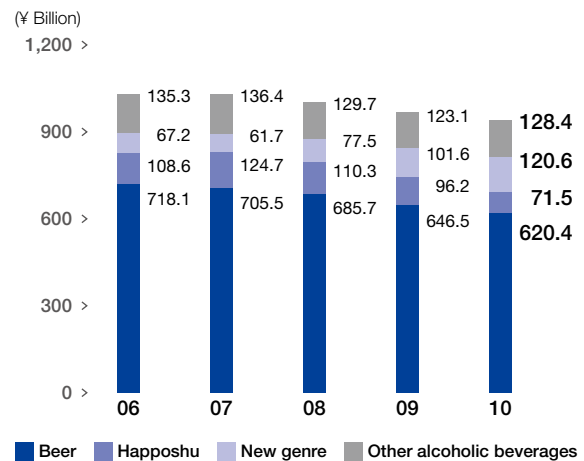
\*1 Based on comparison of products sold in the canned chu-hi market as of December 2010.

\*2 Compared to average sugar found in fruit-flavored canned chu-hi from Asahi Breweries.

\*3 An international contest focused exclusively on whisky, chiefly sponsored by U.K.-based *Whisky Magazine*.

### Sales by Category

(Beer, Happoshu, New Genre, and Other Alcoholic Beverages)



### Overseas Alcoholic Beverages Business (Related information on page 42)

In the overseas alcoholic beverages business, we moved to improve profitability in the beer business in China by strengthening our strategic partnership with Tsingtao Brewery Co., Ltd. (Tsingtao Brewery). This included the start of contract production of *Tsingtao Beer* brand products at Hangzhou Xihu Beer Asahi Co., Ltd. (Hangzhou Beer) and Beijing Beer Asahi Co., Ltd. (Beijing Beer) from August 2010. Similarly, we raised the profile of the *Asahi* brand in our beer business in the Asia and Oceania region as well, steadily expanding sales particularly for *Asahi Super Dry* in South Korea, Taiwan, Hong Kong, Thailand, Australia, and other markets.

As a result, sales from the overseas business, including the overseas soft drinks business, rose ¥19.3 billion, or 24.6%, to ¥97.8 billion. The operating loss associated with the overseas business declined by ¥1.7 billion year on year to ¥1.1 billion.

### Soft Drinks Business (Related information on page 34)

In the domestic soft drinks business, Asahi Soft Drinks Co., Ltd. took measures to invigorate growth based on fundamental strategies for growth and structural reform. As a result, sales in the soft drinks business rose 10.2% year on year to ¥391.6 billion. Operating income, meanwhile, increased 608.2% to ¥4.9 billion, as higher prices for raw materials, brand investment activities and other income-reducing factors were offset by better-than-expected progress on cost reductions. Benefits from increased internal production of PET bottles were particularly effective.

#### Asahi Soft Drinks Co., Ltd.

In the domestic soft drinks market, we concentrated marketing investment to continue strengthening the core brands *WONDA*, *Mitsuya Cider* and *Asahi Juroku-cha* at Asahi Soft Drinks Co., Ltd. We also pursued initiatives for revitalizing the market, including the May launch of *Asahi TeaO*, a “zero sugar”\* beverage that preserves the lightly sweet tea taste that consumers enjoy. In addition, we acquired production and sales rights to *Rokko no Oishii Mizu* mineral water from House Foods Corp. These decisions culminated in record sales volume for Asahi Soft Drinks for an eighth consecutive year.

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

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

#### Carbonated beverages

For our mainstay *Mitsuya Cider* brand, the continuation of brisk sales of *Mitsuya Cider All Zero*, launched in May 2009, revitalized the entire brand, leading to increased sales volume for a seventh consecutive year. This outcome led to an annual sales volume of 37.9 million cases for *Mitsuya Cider* brand beverages. This figure represented an increase of 1.1% from the previous year, and another year of sales of more than 30 million cases for the brand. As a result, the total sales for carbonated beverages increased 4.8% year on year to 43.2 million cases.

#### Coffee

Amid stagnation in the coffee market, overall sales volume for our core brand *WONDA* was down 3.4% year on year to 35.7 million cases, despite sales promotion activities.

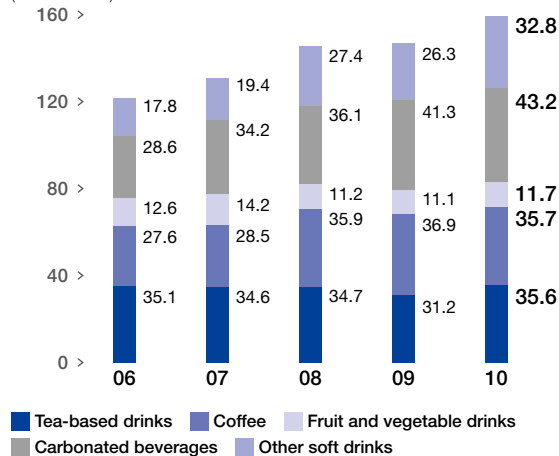
#### Tea-based drinks

During the year, we sought to revitalize the market through brisk sales of core brand *Asahi Juroku-cha* spurred by aggressive brand investment. As a result, annual sales volume for the *Asahi Juroku-cha* brand rose 11.1% year on year to 16.4 million cases. Our promotion efforts extended to the entire tea-based drinks category, including the launch in May of *Asahi TeaO*. Consequently, annual sales volume for the entire tea-based drinks category climbed 14.3% year on year, to 35.6 million cases.

### Other soft drinks

In other soft drinks, total sales volume was up 18.9% year on year to 44.5 million cases. Growth was primarily due to contributions from newly acquired *Rokko no Oishii Mizu* mineral water, coupled with the effects of unusually hot summer temperatures. The improvement came despite lower sales volume for *Asahi Fujisan no Vanadium Tennensui* mineral water.

**Sales by Category**  
(Carbonated Beverages, Coffee, Tea-Based Drinks, Fruit and Vegetable Drinks and Other Soft Drinks)  
(Million cases)



### Overseas Soft Drinks Business (Related information on page 42)

In the overseas soft drinks business, Schweppes Australia continued to reinforce existing brands and vigorously develop new sales channels in the Australian market. In China, we sought to further entrench the market position of China-based Tingyi-Asahi Beverages Holding Co., Ltd. To this end, we conducted consumer campaigns and other sales promotions around core products to build a firm business base.

### Food Business (Related information on page 45)

In the food business, Asahi Food & Healthcare Co., Ltd. strove to expand its business and strengthen its business foundation by upholding the basic strategies of sales growth, achieving a stronger corporate structure, and reinforcing a brand reputation for safety and quality.

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



Wakodo Co., Ltd., meanwhile, pursued initiatives designed to reinforce its business base and expand business, guided by a management policy of "establishing a management base for the next stage of growth." Leveraging its expertise in "infant-safe quality" honed in baby products over the years, Wakodo continued to revamp and enhance existing product lineups. The outcome was brisk performance from mainstay brands, including baby food brand *Goo-Goo Kitchen*, which resulted in sales growth over the previous year.

Meanwhile, Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability, with the aim of emerging as the undisputed leader in Japan's freeze-dried food market. In its direct marketing business, the company saw significant year-on-year growth led by firm growth in its mainstay freeze-dried miso soup products. Sales volume also increased in commercial-use sales, reflecting expansion in the number of stores handling its products. These factors culminated in record sales for the year.

As a result of the above actions, which led to strong growth in sales of core products, sales in the food business climbed 3.3% year on year to ¥95.4 billion. Operating income rose 32.4% year on year to ¥3.6 billion, mainly reflecting sales growth and improved productivity at Asahi Food & Healthcare Co., Ltd.

### Other Businesses

In other businesses, expanded operations in our restaurants and logistics businesses helped sales stay largely flat year on year despite an adverse climate. As a result, total sales for other businesses decreased just 0.2% year on year to ¥66.6 billion. Operating income climbed 69.3% year on year to ¥1.5 billion, on improved earnings from the logistics business.

## Outlook for Fiscal 2011

As the second year of Medium-Term Management Plan 2012, fiscal 2011 will see management resources channeled into strengthening brands for core products in each business, and a continued push to enhance cost competitiveness, in a bid to bolster the earnings power of the entire Group. Similarly, we will implement optimal financial and cash flow strategies with the goal of lifting the corporate value of the Asahi Group as a whole. In terms of investment, with a focus primarily on the alcoholic beverages and soft drinks businesses, we are exploring and enacting strategic business investments and business alliances both domestically and overseas, giving priority to strengthening our growth base. Meanwhile, our transition to a holding company structure in July 2011 will clarify authority and accountability in each business division, and allow a pursuit of specialization that should reinforce our business base. At the same time, this change will enable a bolder distribution of management resources to growth fields both in and outside of Japan, as we aim to achieve dramatic growth going forward.

Consequently, we are forecasting net sales of ¥1,490.0 billion (up 0.0% year on year), operating income of ¥107.0 billion (up 12.2%) and net income of ¥57.0 billion (up 7.4%) for the fiscal year ending December 31, 2011.

## Liquidity and Capital Resources

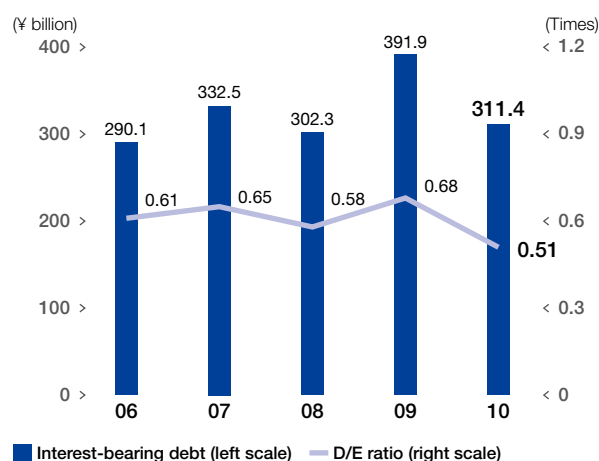
Asahi Breweries, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds, and as a management policy, regards the reduction of interest-bearing debt as a priority issue. However, we make flexible 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 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.

The outstanding balance of interest-bearing debt amounted to ¥311.4 billion as of the end of 2010, down ¥80.5 billion from the previous fiscal year-end. This balance primarily reflected the repayment of short-term loans. The outstanding balance was below one-fifth of its all-time peak in fiscal 1992. In addition, during the year under review the debt-equity ratio had improved to 0.5, compared to 4.9 in fiscal 1992.

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

### Interest-Bearing Debt and D/E Ratio



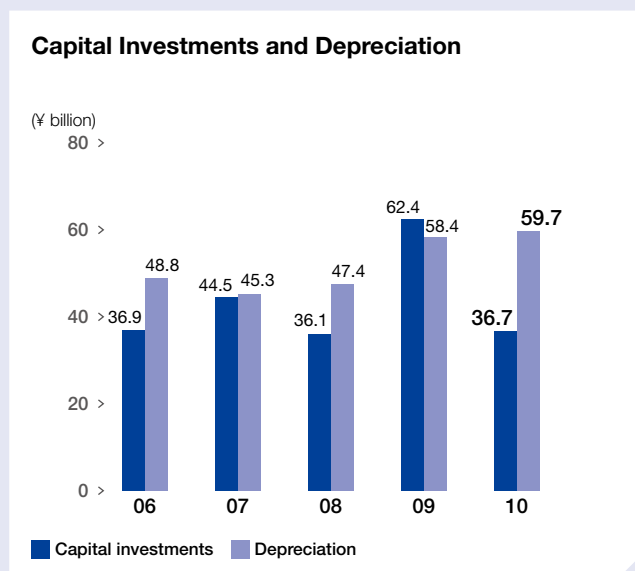
## Capital Investments

Capital investments for the fiscal year ended December 31, 2010, decreased ¥25.6 billion from ¥62.4 billion in the previous fiscal year to ¥36.7 billion. This decline resulted primarily from the absence of expenditures associated with the acquisition of Schweppes Australia trademarks in the soft drinks business in fiscal 2009, although the Group did make capital investments for improving quality and streamlining production. The investments included ongoing capital investment in the alcoholic beverages business mainly for construction work to upgrade existing facilities and energy-efficiency measures. Meanwhile in the soft drinks business, we continued to conduct strategic capital investment to enhance production system efficiency primarily at Asahi Soft Drinks Co., Ltd. In the food business, Wakodo Co., Ltd. made strategic investments in expanding business fields that included augmenting production facilities at its production site in Tochigi.

Moreover, the Group plans to launch a new production framework for beer-type beverages in the alcoholic beverages business, with the consolidation of the production functions of the Nishinomiya Brewery (Nishinomiya, Hyogo Prefecture) and at the Suita Brewery (Suita, Osaka Prefecture) from September 2011.

Losses associated with this realignment of breweries are posted under loss on factory restructurings for fiscal 2010.

Consolidated depreciation costs totaled ¥59.7 billion.



## Assets, Liabilities and Net Assets

Consolidated total assets as of the end of fiscal 2010 decreased by ¥28.3 billion, or 2.0% compared with the previous fiscal year-end, to ¥1,405.4 billion. This decline was mainly attributable to reductions in property, plant and equipment and intangible assets, which overcame an increase in investment securities from investment in Chinese food

product and distribution giant the Ting Hsin Group. Return on assets (ROA) recovered 0.5 points to 7.1%.

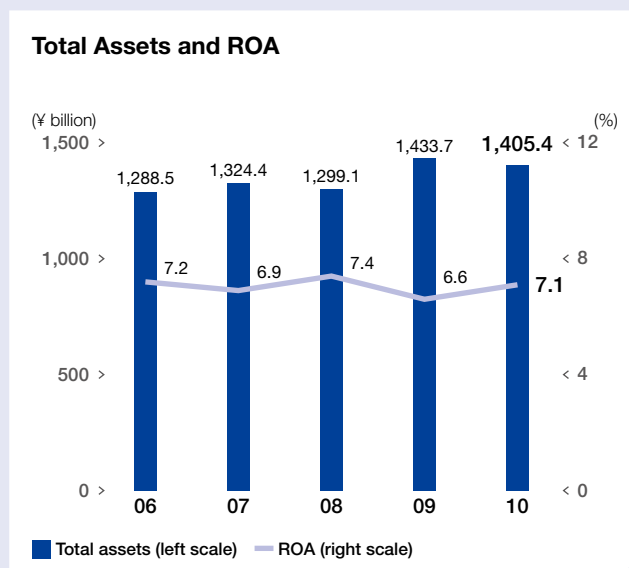
Current assets decreased ¥7.0 billion, or 1.6%, year on year, to ¥421.1 billion. This was mainly due to a decrease in cash and time deposits. Trade receivable turnover improved to 5.4 times from 5.5 times in the previous fiscal year. Inventories turnover was 15.5 times, increasing from 15.1 times recorded for the previous year.

Property, plant and equipment decreased ¥4.2 billion, or 3.7%, year on year, to ¥577.1 billion. The main reason was a decrease in machinery and equipment, vehicles, and buildings and structures, largely due to production base reconfiguration in Japan. Investments and other assets increased ¥20.7 billion, or 5.1% year on year, to ¥427.2 billion, mainly reflecting a decrease in investment securities from investment in the Ting Hsin Group and an increase in deferred income tax assets.

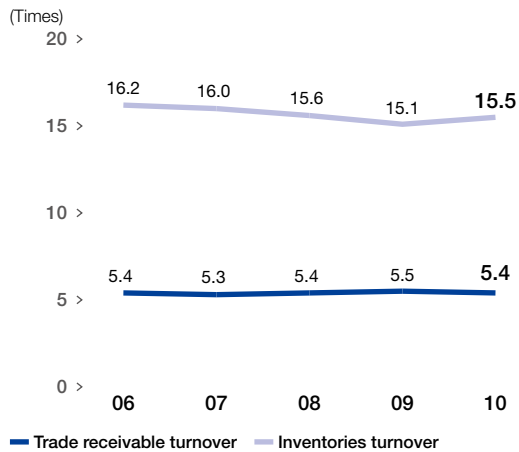
Total liabilities decreased ¥63.3 billion, or 7.4%, from the previous fiscal year-end, to ¥792.7 billion. Current liabilities decreased ¥73.9 billion, or 12.9% year on year, to ¥499.9 billion. This reflected a 48.1% fall in bank loans, a 64.0% decrease in long-term debt due within one year, and a 53.3% decline in commercial paper. Long-term liabilities rose ¥10.6 billion, or 3.8%, to ¥292.8 billion, primarily due to an increase of 3.7% in company bonds and a 65.7% increase in lease obligations.

Total net assets increased ¥35.0 billion, or 6.1%, to ¥612.7 billion. Shareholders' equity minus minority interests was ¥612.2 billion, up ¥38.7 billion, or 6.3%, compared to ¥573.5 billion in the previous fiscal year. This resulted from the posting of consolidated net income, which outweighed a decrease in foreign currency translation adjustments from exchange rate fluctuations and a decline in the valuation difference on available-for-sale securities, principally from the impact of stock market prices.

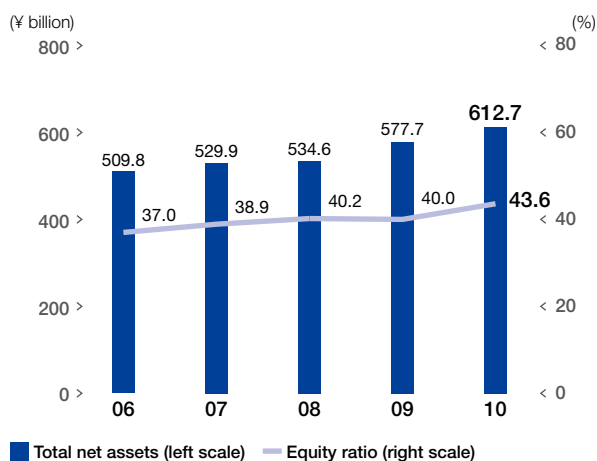
As a result, the equity ratio climbed 3.6 percentage points to 43.6%.



### Trade Receivable Turnover and Inventories Turnover



### Total Net Assets and Equity Ratio



## Cash Flows

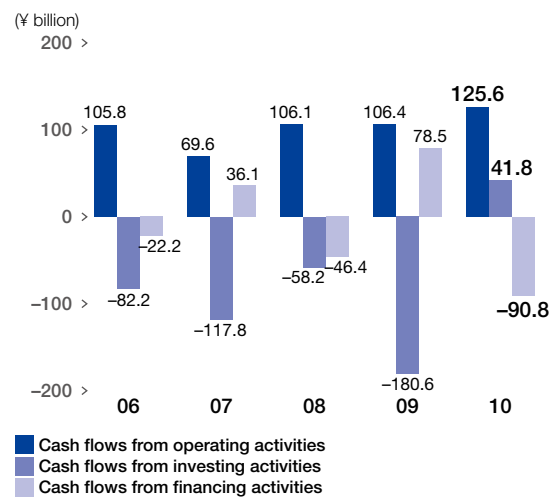
For the fiscal year ended December 31, 2010, net cash provided by operating activities increased ¥19.3 billion year on year to ¥125.6 billion. This result was due in large part to an increase in income before income taxes and minority interests, and an increase in factory restructuring losses and other noncash expenses.

Net cash used in investing activities went primarily toward business investment, most notably acquisition of the *Rokko no Oishii Mizu* mineral water business. As a result, outflows for investing activities decreased ¥138.8 billion from the previous year to ¥41.8 billion. This decrease mainly reflected the absence of acquisitions in the previous year, namely a soft drinks business in Australia and shares in Tsingtao Brewery.

Net cash used in financing activities increased to ¥90.8 billion, a change of ¥169.4 billion from cash provided by financing activities in the previous year. This was primarily due to repayment of short-term loans and other financial obligations.

As a result, cash and cash equivalents at the fiscal year-end decreased ¥7.3 billion to ¥10.8 billion.

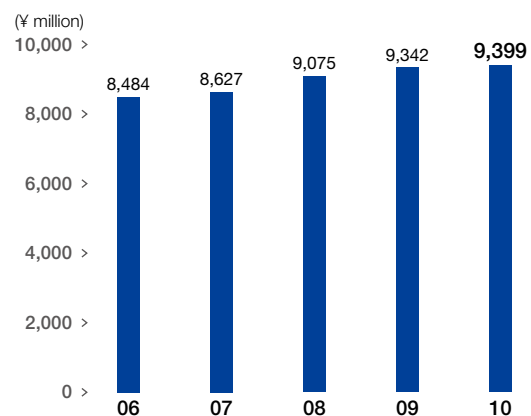
### Cash Flows



## Research and Development (Related information on p. 46)

R&D expenses for the year under review were ¥9.4 billion, representing an increase of 0.6% 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 63% of sales for the Asahi 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 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 food may decline due to higher sales prices, potentially affecting the business performance and financial condition of the Asahi Group.

### 3. Dependence on a specific product

Beer-type beverage sales constitute an important part of sales for the Asahi Group. The Asahi 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. 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 Group.

### 4. Food safety

The Asahi 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, foot-and-mouth disease, residual agricultural chemicals, genetic engineering, and the proper indication of allergy-causing substances. The Asahi 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 Group.

### 5. Fluctuations in material prices

The prices of main raw materials used for Asahi 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 Group.

### 6. Effects of weather conditions, natural disasters and others

With respect to the alcoholic beverage and soft drink sales of the Asahi 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 Group.

### 7. Risks related to information systems

The Asahi 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 Group.

### 8. Risks related to overseas operations

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

The Asahi Group endeavors to thoroughly implement waste recycling, energy conservation, reduction of CO<sub>2</sub> 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 Group.

### 10. Risks related to changes in laws and regulations

In pursuing its businesses in Japan, the Asahi 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 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 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 Group.

### 12. Risks related to litigation

In pursuing its businesses, the Asahi 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 Group and/or the impact of such lawsuits may affect the business performance and financial condition of the Asahi Group.

### 13. Fluctuations in value of owned assets

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

### 14. Retirement benefits

Retirement benefit liabilities and retirement benefit costs for employees and former employees of the Asahi 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 Group.

### 15. Business and capital alliances

The Asahi Group pursues business and capital alliances with companies in Japan and overseas to establish bases for growth in line with its medium-term management plan. There is the possibility, however, that these alliances could fail to yield synergies as initially projected due to the impact of changes in the business environment on the Asahi Group, its alliance partners, or companies in which the Group is invested, or other factors.

Moreover, changes of this kind in the business environment could cause deterioration in the businesses, management, or financial condition of alliance partners and invested companies. Adverse effects of this type could negatively impact the businesses, operating results and financial condition of the Asahi Group.

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



# Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries  
As of December 31, 2010, 2009 and 2008

Assets	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Current assets:</b>				
Cash and time deposits (Notes 3 and 5)	¥ 11,534	¥ 19,584	¥ 12,772	\$ 141,539
Notes and accounts receivable:				
Trade (Note 5)	274,379	274,559	265,048	3,367,027
Other	12,391	13,721	18,019	152,055
Allowance for doubtful accounts	(5,685)	(7,666)	(6,045)	(69,763)
Securities (Notes 3 and 6)	—	—	302	—
Inventories (Note 4)	95,359	97,442	97,040	1,170,193
Deferred income tax assets (Note 11)	14,623	11,176	9,009	179,445
Other current assets	18,452	19,232	16,199	226,432
<b>Total current assets</b>	<b>421,053</b>	<b>428,048</b>	<b>412,344</b>	<b>5,166,928</b>
<b>Property, plant and equipment (Notes 9 and 14):</b>				
Land	182,570	184,433	185,202	2,240,398
Buildings and structures	398,687	416,591	413,984	4,892,465
Machinery and equipment	611,664	657,872	633,995	7,506,001
Others	19,353	10,572	—	237,489
Construction in progress	6,714	6,382	6,090	82,390
	<b>1,218,988</b>	<b>1,275,850</b>	<b>1,239,271</b>	<b>14,958,743</b>
Less accumulated depreciation	(661,888)	(676,742)	(632,479)	(8,122,321)
<b>Net property, plant and equipment</b>	<b>557,100</b>	<b>599,108</b>	<b>606,792</b>	<b>6,836,422</b>
<b>Investments and other assets:</b>				
Goodwill (Note 14)	84,172	100,314	60,676	1,032,912
Investment securities (Notes 5 and 6)	76,120	83,989	88,237	934,102
Investments in unconsolidated subsidiaries and affiliated companies (Notes 5 and 6)	161,390	124,476	58,402	1,980,488
Long-term loans receivable (Note 5)	6,603	4,976	6,034	81,028
Deferred income tax assets (Note 11)	30,450	21,021	24,212	373,666
Other non-current assets	68,470	71,721	42,362	840,226
<b>Total investments and other assets</b>	<b>427,205</b>	<b>406,497</b>	<b>279,923</b>	<b>5,242,422</b>
	<b>¥1,405,358</b>	<b>¥1,433,653</b>	<b>¥1,299,059</b>	<b>\$17,245,772</b>

See accompanying notes.

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Current liabilities:</b>				
Bank loans (Notes 5 and 9)	¥ 60,105	¥ 115,818	¥ 76,828	\$ 737,575
Commercial paper (Notes 5 and 9)	14,000	30,000	7,000	171,800
Long-term debt due within one year (Notes 5 and 9)	24,155	40,402	38,728	296,417
Notes and accounts payable (Note 5):				
Trade	102,715	100,854	99,146	1,260,461
Other	52,795	49,981	53,891	647,871
Alcohol tax and consumption taxes payable	127,922	132,385	137,016	1,569,788
Deposits received (Note 5)	19,609	20,429	22,863	240,631
Income taxes payable (Note 11)	32,494	24,097	22,653	398,748
Accrued liabilities	56,461	52,462	51,824	692,858
Other current liabilities	9,619	7,352	6,112	118,039
Total current liabilities	499,875	573,780	516,061	6,134,188
<b>Long-term debt</b> (Notes 5 and 9)	213,164	205,656	179,703	2,615,830
<b>Employees' severance and retirement benefits</b> (Note 10)	24,739	24,252	23,516	303,583
<b>Allowance for retirement benefits for directors and corporate auditors</b>	598	602	634	7,338
<b>Deferred income tax liabilities</b> (Note 11)	4,831	4,861	6,112	59,284
<b>Long-term deposits received</b>	35,831	36,207	36,088	439,698
<b>Other long-term liabilities</b>	13,650	10,592	2,317	167,505
<b>Commitments and contingent liabilities</b> (Note 13)				
<b>Net assets</b> (Note 12)				
<b>Shareholders' equity</b> (Note 17)				
Common stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	182,531	182,531	182,531	2,239,919
Capital surplus	150,910	151,048	151,148	1,851,884
Retained earnings	295,229	252,147	214,189	3,622,886
Treasury stock, at cost	(28,721)	(29,283)	(29,579)	(352,448)
Total Shareholders' equity	599,949	556,443	518,289	7,362,241
<b>Accumulated gains (losses) from revaluation and translation adjustments</b>				
Unrealized gains on available-for-sale securities, net of taxes	199	2,445	1,112	2,442
Revaluation surplus (Note 2)	—	—	1,751	—
Unrealized losses on hedging derivatives, net of taxes	693	(7)	(3)	8,504
Foreign currency translation adjustments	11,351	14,592	446	139,293
Total accumulated gains from revaluation and translation adjustments	12,243	17,030	3,306	150,239
<b>Minority interests</b>	478	4,230	13,033	5,866
Total net assets	612,670	577,703	534,628	7,518,346
	¥1,405,358	¥1,433,653	¥1,299,059	\$17,245,772

## Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Net sales</b> (Note 19)	<b>¥1,489,461</b>	¥1,472,469	¥1,462,748	<b>\$18,277,838</b>
<b>Costs and expenses</b> (Note 19):				
Cost of sales	509,337	508,293	479,999	6,250,301
Alcohol tax	433,987	450,151	473,487	5,325,647
Selling, general and administrative expenses	450,788	431,248	414,742	5,531,820
	<b>1,394,112</b>	1,389,692	1,368,228	<b>17,107,768</b>
<b>Operating income</b> (Note 19)	<b>95,349</b>	82,777	94,520	<b>1,170,070</b>
<b>Other income (expenses):</b>				
Interest and dividend income	1,705	2,756	1,798	20,923
Interest expenses	(4,328)	(4,629)	(5,194)	(53,111)
Equity in net income of unconsolidated subsidiaries and affiliated companies	9,846	8,512	9,106	120,825
Gain (loss) on sale of securities—net (Note 6)	670	(99)	32	8,222
Gain on sales of investments in subsidiaries and affiliated companies	32,336	16,090	—	396,809
Loss on sale and disposal of property, plant and equipment—net	(5,337)	(9,176)	(4,213)	(65,493)
Gain (loss) on foreign currency exchange	—	1,815	(1,245)	—
Loss on devaluation of investment securities	(1,004)	(788)	(3,598)	(12,321)
Prior year sales promotion expenses (Note 15)	—	—	(3,114)	—
Loss on impairment of fixed assets (Notes 14 and 19)	(13,573)	(8,318)	(2,197)	(166,560)
Loss on factory restructurings	(19,781)	—	—	(242,741)
Other—net	(3,418)	(862)	(2,957)	(41,944)
	<b>(2,884)</b>	5,301	(11,582)	<b>(35,391)</b>
<b>Income before income taxes and minority interests</b>	<b>92,465</b>	88,078	82,938	<b>1,134,679</b>
<b>Income taxes</b> (Note 11):				
Current	53,548	42,370	39,574	657,111
Deferred	(12,626)	(899)	1,548	(154,939)
	<b>40,922</b>	41,471	41,122	<b>502,172</b>
<b>Income before minority interests</b>	<b>51,543</b>	46,607	41,816	<b>632,507</b>
<b>Minority interests in net gain of consolidated subsidiaries</b>	<b>1,537</b>	1,038	3,198	<b>18,861</b>
<b>Net income</b>	<b>¥ 53,080</b>	¥ 47,645	¥ 45,014	<b>\$ 651,368</b>
		Yen		U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Amounts per share of common stock:</b>				
Net income	¥114.10	¥102.49	¥96.31	\$1.40
Diluted net income	114.00	102.42	96.14	\$1.40
Cash dividends applicable to the year	23.00	21.00	20.00	\$0.28

See accompanying notes.

## Consolidated Statements of Changes in Net Assets (Note 17)

Asahi Breweries, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2010, 2009 and 2008

	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
<b>Balance at December 31, 2007</b>	¥182,531	¥151,260	¥178,079	¥(14,674)	¥ 13,037	¥ —	¥ (44)	¥ 4,478	¥15,115
Net income			45,014						
Cash dividends paid			(8,904)						
Purchases of treasury stock				(15,349)					
Disposal of treasury stock		(112)		444					
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(11,925)	1,751	41	(4,032)	
Decrease in minority interests									(2,082)
<b>Balance at December 31, 2008</b>	182,531	151,148	214,189	(29,579)	1,112	1,751	(3)	446	13,033
Net income			47,645						
Cash dividends paid			(9,529)						
Purchases of treasury stock				(31)					
Disposal of treasury stock		(100)		327					
Decrease resulting from change of scope of consolidation			(394)						
Decrease resulting from change of scope of equity method			(15)						
Effect of changes in accounting policies applied to foreign subsidiaries			251						
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					1,333	(1,751)	(4)	14,146	
Decrease in minority interests									(8,803)
<b>Balance at December 31, 2009</b>	182,531	151,048	252,147	(29,283)	2,445	—	(7)	14,592	4,230
Net income			53,080						
Cash dividends paid			(10,000)						
Purchases of treasury stock				(22)					
Disposal of treasury stock		(138)		584					
Increase resulting from change of scope of equity method			15						
Decrease resulting from merger with unconsolidated subsidiaries			(13)						
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(2,246)		700	(3,241)	
Decrease in minority interests									(3,752)
<b>Balance at December 31, 2010</b>	¥182,531	¥150,910	¥295,229	¥(28,721)	¥ 199	¥ —	¥693	¥11,351	¥ 478

	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
<b>Balance at December 31, 2009</b>	\$2,239,919	\$1,853,578	\$3,094,208	\$(359,345)	\$ 30,004	\$—	\$ (86)	\$179,065	\$ 51,908
Net income			651,368						
Cash dividends paid			(122,714)						
Purchases of treasury stock				(270)					
Disposal of treasury stock		(1,694)		7,167					
Increase resulting from change of scope of equity method			184						
Decrease resulting from merger with unconsolidated subsidiaries			(160)						
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(27,562)		8,590	(39,772)	
Decrease in minority interests									(46,042)
<b>Balance at December 31, 2010</b>	\$2,239,919	\$1,851,884	\$3,622,886	\$(352,448)	\$ 2,442	\$—	\$8,504	\$139,293	\$ 5,866

See accompanying notes.

# Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 92,465	¥ 88,078	¥ 82,938	\$ 1,134,679
Depreciation	59,710	58,372	47,353	732,728
Loss on impairment of fixed assets	13,573	8,318	2,197	166,560
Increase (decrease) in provision for employees' severance and retirement benefits	2,141	765	(3,272)	26,273
Decrease in allowance for doubtful accounts	(234)	(754)	(530)	(2,872)
Interest and dividend income	(1,705)	(2,756)	(1,798)	(20,923)
Interest expenses	4,328	4,629	5,194	53,111
Equity in net income of unconsolidated subsidiaries and affiliated companies	(9,846)	(8,512)	(9,105)	(120,825)
Loss (gain) on sale of securities—net	(670)	99	(32)	(8,222)
Loss on devaluation of investment securities	1,004	788	3,598	12,321
Gain on sales of investments in subsidiaries and affiliated companies	(32,336)	(16,090)	—	(396,809)
Loss on sale and disposal of property, plant and equipment—net	5,337	9,176	4,213	65,493
Loss on factory restructurings	19,781	—	—	242,741
Decrease (increase) in notes and accounts receivable	(256)	(891)	15,576	(3,141)
Decrease (increase) in inventories	1,717	5,043	(6,956)	21,070
Increase (decrease) in notes and accounts payable (excluding construction)	2,255	(2,820)	(4,105)	27,672
Decrease in accrued alcohol tax payable	(4,128)	(4,910)	(5,971)	(50,656)
Increase (decrease) in accrued consumption taxes payable	(351)	267	422	(4,307)
Bonuses paid to directors and corporate auditors	(356)	(349)	(279)	(4,369)
Other	12,805	7,777	12,315	157,136
Subtotal	165,234	146,230	141,758	2,027,660
Interest and dividends received	6,965	7,162	2,067	85,470
Interest paid	(4,090)	(4,605)	(5,192)	(50,190)
Income taxes paid	(42,500)	(42,429)	(32,539)	(521,536)
Net cash provided by operating activities	125,609	106,358	106,094	1,541,404
<b>Cash flows from investing activities:</b>				
Payments for time deposits	(845)	(3,365)	(651)	(10,369)
Proceeds from time deposits	1,528	2,243	1,296	18,751
Proceeds from sales of securities	—	—	4	—
Payments for purchases of property, plant and equipment	(25,367)	(35,120)	(36,193)	(311,290)
Proceeds from sale of property, plant and equipment	2,502	1,203	743	30,703
Payments for purchases of intangible assets	(4,779)	(23,418)	(4,524)	(58,645)
Proceeds from sales of intangible assets	85	9	1	1,043
Payments for purchases of investment securities	(50,264)	(82,838)	(8,560)	(616,812)
Proceeds from sale of investment securities	46,489	39,330	1,167	570,487
Purchase of investments in subsidiaries	(2,920)	(15,362)	(2,928)	(35,833)
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(60,044)	(5,420)	—
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	—	—	2,154	—
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	—	(19)	(174)	—
Payments for transfer of business	(5,340)	—	—	(65,530)
Payments for loans receivable	(2,074)	(3,375)	(3,234)	(25,451)
Proceeds from collections of loans receivable	2,135	2,629	3,585	26,200
Other	(2,940)	(2,511)	(5,501)	(36,078)
Net cash used in investing activities	(41,790)	(180,638)	(58,235)	(512,824)
<b>Cash flows from financing activities:</b>				
Increase (decrease) in bank loans	(71,330)	61,616	(72,095)	(875,322)
Repayments of lease obligations	(3,082)	(1,124)	—	(37,821)
Proceeds from long-term debt	10,717	42,000	24,148	131,513
Repayments of long-term debt	(22,799)	(19,740)	(34,377)	(279,777)
Proceeds from bonds and convertible debentures issued	20,000	25,000	70,175	245,429
Redemption of bonds	(15,000)	(20,000)	(10,000)	(184,072)
Payments for purchases of treasury stock	(23)	(31)	(15,349)	(282)
Cash dividends paid	(10,000)	(9,529)	(8,904)	(122,714)
Cash dividends paid to minority interest in consolidated subsidiaries	—	(61)	(98)	—
Contribution from minority interests in consolidated subsidiaries	—	716	—	—
Other	689	(302)	135	8,455
Net cash provided by (used in) financing activities	(90,828)	78,545	(46,365)	(1,114,591)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(262)	643	(537)	(3,215)
<b>Net increase (decrease) in cash and cash equivalents</b>	(7,271)	4,908	957	(89,226)
<b>Cash and cash equivalents at beginning of year</b>	18,082	12,698	11,741	221,892
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	—	476	—	—
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	2	—	—	25
<b>Cash and cash equivalents at end of year (Note 3)</b>	¥ 10,813	¥ 18,082	¥ 12,698	\$ 132,691

# Notes to Consolidated Financial Statements

Asahi Breweries, Ltd. and Consolidated Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

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

Prior to the year ended December 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, effective January 1, 2009, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2010, which was ¥81.49 to U.S. \$1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

## 2. Significant Accounting Policies

### CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Companies") (35 domestic and 16 overseas subsidiaries for 2010, 39 domestic and 16 overseas subsidiaries for 2009 and 39 domestic and 11 overseas subsidiaries for 2008). All significant intercompany transactions and account balances are eliminated in consolidation.

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

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

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

As a result of adopting PITF No. 18, effective January 1, 2009, retained earnings at January 1, 2009 was decreased by ¥251 million.

In addition, as a result, operating income decreased by ¥1,377 million, and income before income taxes and minority interests decreased by ¥1,416 million for the year ended December 31, 2009. The effects on segment information are disclosed in Note 19.

### 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 or accounted for using the equity method are stated at moving-average cost.

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

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

## INVENTORIES

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

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

As a result of the adoption of the new accounting standard, operating income decreased by ¥1,559 million, and income before income taxes and minority interests decreased by ¥89 million for the year ended December 31, 2009.

The effects on segment information are disclosed in Note 19.

## PROPERTY, PLANT AND EQUIPMENT

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

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

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

In accordance with the Company's review of the useful lives based on the recent actual usable years when the Corporation Tax Law of Japan was revised, the Company and its consolidated domestic subsidiaries have changed the useful lives for tangible fixed assets in the year ended December 31, 2009. The effect of this change in useful lives on the operating income and income before income taxes and minority interests decreased by ¥5,884 million for the year ended December 31, 2009. The effects of this change in useful lives on segment information are disclosed in Note 19.

## ACCOUNTING FOR LEASE TRANSACTIONS AS LESSEE

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

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

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

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

## INCOME TAXES

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

## EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

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

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

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

Effective from the year ended December 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 9, issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements for the year ended December 31, 2010.

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

## TRANSLATION OF FOREIGN CURRENCY ACCOUNTS AND FINANCIAL STATEMENTS

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

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

## ACCOUNTING STANDARD FOR BUSINESS COMBINATIONS

Effective from the year ended December 31, 2010, the Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10) issued or revised on December 26, 2008, respectively.

## AMOUNTS PER SHARE OF COMMON STOCK

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

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

## REVALUATION SURPLUS

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

### 3. Cash Flow Information

A. Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Cash and time deposits	¥11,534	¥19,584	¥12,772	\$141,539
Less: Time deposits with maturities exceeding three months	(721)	(1,502)	(376)	(8,848)
Securities	—	—	302	—
Cash and cash equivalents	¥10,813	¥18,082	¥12,698	\$132,691

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

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

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

### 4. Inventories

Inventories at December 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Finished goods	¥23,085	¥20,493	¥19,491	\$ 283,286
Work in process	34,712	36,406	38,200	425,967
Raw materials	24,941	26,897	23,957	306,062
Supplies	6,239	6,046	6,818	76,562
Merchandise	6,382	7,600	8,574	78,316
Total	¥95,359	¥97,442	¥97,040	\$1,170,193

### 5. Financial Instruments

#### (1) QUANTITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

##### (a) Policies for using financial instruments

The Companies raise funds by fund procurement using commercial paper, bond issuances, borrowing from financial institutions and other methods, aiming to balance direct and indirect financing with long-term and short-term financing needs while considering procurement cost and risk diversification under the changing business environment.

The Companies adopt Cash Management System (CMS) utilized between the Company and its consolidated domestic subsidiaries for effective use of resources, aiming to cut down interest-bearing liabilities incurred in the Companies. As a consequence, surplus funds are allocated only to the financial instruments with low risk.

Derivative transactions are undertaken only for the purpose of hedging risks outlined below, as a matter of policy, are not undertaken for speculative purpose.

##### (b) Details of financial instruments and the related risks

Notes and accounts receivable and long-term loans receivable are exposed to credit risks of the customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities are shares issued by business partners and held-to-maturity debt securities, and are exposed to market price fluctuation risk. A part of them is foreign currency-dominated investment securities and also exposed to foreign exchange risk.

Notes and accounts payable are mainly settled within one year. Foreign currency-dominated notes and accounts payable are exposed to foreign exchange risk.

Commercial paper, bank loans and bonds issued by the Company are exposed to the liquidity risk that the Company would not be able to make a reimbursement of such debts due to deterioration of financial market. A certain amount of borrowing are undertaken by using floating interest rates and is exposed to interest rates fluctuation risk, however, this risk is hedged through the adoption of interest rate swap. Foreign currency-dominated long-term debts are also exposed to foreign exchange risk.

Derivative transactions entered into by the Companies are forward currency exchange contracts to hedge foreign exchange risk involving foreign currency-dominated payables and receivables; interest rate swap contracts to hedge interest rates fluctuation risk involving borrowing; and commodity swap contracts to hedge price fluctuation risk involving procurement of raw materials in the Company's consolidated overseas subsidiaries.

Refer to Note 8 "Derivative Financial Instruments" for information about the hedging instruments and hedged items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

(i) Management of credit risk (risk associated with nonfulfillment of contracts by counterparties)

With respect to notes and accounts receivable and long-term loans receivables, in order to control customer's credit risk, each business and sales management division within the Company conducts periodic monitoring of key transaction partners to assess the risk under the internal credit policy. In addition, the Finance Department of the Company regularly monitors status of occurrence and collections of bad debts, and tackles them in collaboration with each Sales Department. Almost the same system of risk management is used at consolidated subsidiaries. Through these processes, the Companies are managing to mitigate the credit risk.

In terms of derivative transactions, the Company deals with selected financial institutions with high credit rating in order to reduce the credit risk.

(ii) Management of market risk (risk associated with fluctuation in foreign currency exchange rate, interest rate, etc.)

For the purpose of managing to mitigate fluctuation risk in foreign currency exchange regarding foreign currency-dominated future cash flows by each currency, the Company establishes foreign currency exchange hedging policy based on the environment and forecast of foreign exchange market and the policy is approved by the finance officer. The Company also conducts interest rate swap contracts to avert interest rates fluctuation risk involving borrowing.

Investment securities are periodically assessed with respect to market value and the financial status of the issuing entities (business partners), and the merits and demerits of holding such securities are continually reviewed, taking into consideration the Company's relationship with respective business partners.

Derivative transactions are undertaken by the Finance Department, based on the system that limits on transactions and amounts. The performance of transactions is periodically reported to the Manager and Executive Officer as they are undertaken in each case. Transaction management at consolidated subsidiaries is undertaken in the same manner.

(iii) Management of liquidity risk associated with procurement (risk of inability to make payments on due date)

The Company and its consolidated domestic subsidiaries have adopted CMS and liquidity risk management at participating companies is therefore undertaken by the Company.

The Company manages the liquidity risk process where its Finance Department formulates and updates cash flow plans based on the reports from consolidated subsidiaries and operational department on a timely basis and through a policy to control liquidity in hand for effective procurement.

## (2) FAIR VALUE OF FINANCIAL INSTRUMENTS

Book value, fair value and the difference of the financial assets and liabilities as of December 31, 2010 were as follows.

	Millions of yen		
	2010		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 11,534	¥ 11,534	¥ —
(2) Notes and accounts receivable—trade	274,379		
Allowance for doubtful accounts *1	(5,329)		
Notes and accounts receivable—trade—net	269,050	269,050	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	72,290	117,400	45,110
(ii) Held-to-maturity debt securities	502	510	8
(iii) Available-for-sale securities	65,788	65,788	—
(4) Long-term loans receivable *2	6,990		
Allowance for doubtful accounts *1	(3,023)		
Long-term loans receivable—net	3,967	3,977	10
Assets—total	¥423,131	¥468,259	¥45,128
(1) Bank loans	60,105	60,105	—
(2) Commercial paper	14,000	14,000	—
(3) Notes and accounts payable	155,510	155,510	—
(4) Deposits received	19,609	19,609	—
(5) Long-term debt *3	237,319	240,991	3,672
Liabilities—total	¥486,543	¥490,215	¥ 3,672
Derivative transactions *4	¥ 1,043	¥ 1,043	¥ —

	Thousands of U.S. dollars		
	2010		
	Book value	Fair value	Difference
(1) Cash and time deposits	\$ 141,539	\$ 141,539	\$ —
(2) Notes and accounts receivable—trade	3,367,027		
Allowance for doubtful accounts *1	(65,395)		
Notes and accounts receivable—trade—net	3,301,632	3,301,632	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	887,103	1,440,668	553,565
(ii) Held-to-maturity debt securities	6,160	6,258	98
(iii) Available-for-sale securities	807,314	807,314	—
(4) Long-term loans receivable *2	85,777		
Allowance for doubtful accounts *1	(37,096)		
Long-term loans receivable—net	48,681	48,804	123
Assets—total	\$5,192,429	\$5,746,215	\$553,786
(1) Bank loans	737,575	737,575	—
(2) Commercial paper	171,800	171,800	—
(3) Notes and accounts payable	1,908,332	1,908,332	—
(4) Deposits received	240,631	240,631	—
(5) Long-term debt *3	2,912,247	2,957,308	45,061
Liabilities—total	\$5,970,585	\$6,015,646	\$ 45,061
Derivative transactions *4	\$ 12,799	\$ 12,799	\$ —

\*1 Notes and accounts receivable-trade and Long-term loans receivable are presented on a net individual allowance for doubtful accounts.

\*2 Current portion of long-term loans receivable is included in "Long-term loans receivable".

\*3 Current portion of long-term debt is included in "Long-term debt".

\*4 Net receivables and payables incurred in through derivative transactions are presented on a net basis.

(a) Valuation methodology of fair value of financial instruments, and information on marketable securities and derivatives

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable—trade

Cash and time deposits and Notes and accounts receivable—trade are presented at the book value because they are settled in short-term and their fair value approximates the book value.

(3) Investment securities

Fair value of listed stocks is based on the quoted market price, and fair value of debt securities is based on quoted price the correspondent financial institutions estimated.

(4) Long-term loans receivable

The fair value of long-term loans receivable is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Liabilities

(1) Bank loans, (2) Commercial paper, (3) Notes and accounts payable and (4) Deposits received

Bank loans, Commercial paper, Notes and accounts payable and Deposits received are presented at the book value because they are settled in short-term and their fair value approximates the book value.

(5) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Certain long-term debts with floating rates are tied to interest rate swap transactions and subject to special treatment.

Derivative transactions

Market value offered by correspondent financial institutions is used as fair value. However, as a specially treated interest rate swap is accounted for as an integral part of Long-term loans payable that is subject to be hedged, or the subject of hedging, the fair value of the swap is included in the fair value of Long-term debt.

(b) The book value of financial instruments whose fair value estimation was extremely difficult was as follows.

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Investments in unconsolidated subsidiaries and affiliated companies		
The stocks of unlisted companies	¥89,100	\$1,093,386
Available-for-sale securities		
The stocks of unlisted companies	9,314	114,296
Others	516	6,332
Total	¥98,930	\$1,214,014

The stocks of unlisted companies and others are not included in investments in unconsolidated subsidiaries, affiliated companies and available-for sale securities in the table above because their market price is not available and their future cash flow cannot be estimated, and, accordingly, it is extremely difficult to estimate their fair value.

(c) Expected repayment of monetary assets and securities with maturity after the fiscal year end were as follows.

Type	Millions of yen				
	2010				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	¥ 11,534	¥ —	¥—	¥—	¥ 11,534
Notes and accounts receivable—trade	274,379	—	—	—	274,379
Available-for-sale securities:					
Corporate bonds	80	—	—	—	80
Others	—	55	—	—	55
Held-to-maturity debt securities:					
Foreign securities	—	2	—	—	2
Corporate bonds	—	500	—	—	500
<b>Total</b>	<b>¥285,993</b>	<b>¥557</b>	<b>¥—</b>	<b>¥—</b>	<b>¥286,550</b>

Type	Thousands of U.S. dollars				
	2010				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	\$ 141,539	\$ —	\$—	\$—	\$ 141,539
Notes and accounts receivable—trade	3,367,026	—	—	—	3,367,026
Available-for-sale securities:					
Corporate bonds	982	—	—	—	982
Others	—	675	—	—	675
Held-to-maturity debt securities:					
Foreign securities	—	24	—	—	24
Corporate bonds	—	6,136	—	—	6,136
<b>Total</b>	<b>\$3,509,547</b>	<b>\$6,835</b>	<b>\$—</b>	<b>\$—</b>	<b>\$3,516,382</b>

(d) See Note 9 “Bank Loans, Commercial Paper and Long-term Debt” as for the aggregate annual maturities of long-term debt at December 31, 2010.

## 6. 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, 2010, 2009 and 2008:

Type	Millions of yen		
	2010		
	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign bonds	¥ 2	¥ 2	¥0
Corporate bonds	500	508	8
	502	510	8
Securities with fair values not exceeding book values:			
	—	—	—
<b>Total</b>	<b>¥502</b>	<b>¥510</b>	<b>¥8</b>

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

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



Type	Thousands of U.S. dollars		
	2010		
	Book value	Fair value	Difference
<u>Securities with fair values exceeding book values:</u>			
Foreign bonds	\$ 24	\$ 24	\$ 0
Corporate bonds	6,136	6,234	98
	6,160	6,258	98
<u>Securities with fair values not exceeding book values:</u>			
	—	—	—
Total	\$6,160	\$6,258	\$98

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2010, 2009 and 2008:

Type	Millions of yen		
	2010		
	Acquisition cost	Book value	Difference
<u>Securities with book values exceeding acquisition costs:</u>			
Equity securities	¥18,041	¥27,907	¥ 9,866
Others	48	55	7
	18,089	27,962	9,873
<u>Securities with book values not exceeding acquisition costs:</u>			
Equity securities	45,882	37,761	(8,121)
Others	82	65	(17)
	45,964	37,826	(8,138)
Total	¥64,053	¥65,788	¥ 1,735

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

Type	Millions of yen		
	2008		
	Acquisition cost	Book value	Difference
<u>Securities with book values exceeding acquisition costs:</u>			
Equity securities	¥19,749	¥30,124	¥10,375
	19,749	30,124	10,375
<u>Securities with book values not exceeding acquisition costs:</u>			
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	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
<u>Securities with book values exceeding acquisition costs:</u>			
Equity securities	\$221,389	\$342,459	\$121,070
Others	589	675	86
	221,978	343,134	121,156
<u>Securities with book values not exceeding acquisition costs:</u>			
Equity securities	563,038	463,382	(99,656)
Others	1,007	798	(209)
	564,045	464,180	(99,865)
Total	\$786,023	\$807,314	\$ 21,291

C. Total sales of available-for-sale securities in the years ended December 31, 2010, 2009 and 2008 amounted to ¥3,256 million (\$39,956 thousand), ¥11,608 million and ¥1,175 million, and the related gains amounted to ¥1,739 million (\$21,340 thousand), ¥388 million and ¥70 million, and the related losses amounted to ¥1,069 million (\$13,118 thousand), ¥119 million and ¥3 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2010, 2009 and 2008:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
(a) Held-to-maturity debt securities				
Type				
Non-listed foreign debt securities	¥ —	¥ —	¥ 300	\$ —
(b) Available-for-sale securities				
Type				
Non-listed equity securities	9,314	10,921	8,457	114,296
Preference shares	—	5,000	10,000	—
Others	516	584	1,482	6,332
(c) Investments in unconsolidated subsidiaries and affiliated companies	¥159,566	¥122,375	¥54,495	\$1,958,105

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2010, 2009 and 2008 were as follows:

Type	Millions of yen				Total
	2010				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Available-for-sale securities:					
Foreign securities	¥—	¥ 2	¥—	¥—	¥ 2
Corporate bonds	80	500	—	—	580
Others	—	55	—	—	55
Held-to-maturity debt securities:	—	—	—	—	—
Total	¥80	¥557	¥—	¥—	¥637

Type	Millions of yen				Total
	2009				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Available-for-sale securities:					
Foreign securities	¥—	¥ 2	¥—	¥—	¥ 2
Corporate bonds	—	580	—	—	580
Others	—	—	53	—	53
Held-to-maturity debt securities:	—	—	—	—	—
Total	¥—	¥582	¥53	¥—	¥635

Type	Millions of yen				Total
	2008				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Available-for-sale securities:					
Corporate bonds	¥97	¥ 80	¥500	¥—	¥ 677
Others	—	—	50	—	50
Held-to-maturity debt securities:					
Foreign securities	—	300	—	—	300
Total	¥97	¥380	¥550	¥—	¥1,027

Type	Thousands of U.S. dollars				Total
	2010				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Available-for-sale securities:					
Foreign securities	\$ —	\$ 24	\$—	\$—	\$ 24
Corporate bonds	982	6,136	—	—	7,118
Others	—	675	—	—	675
Held-to-maturity debt securities:	—	—	—	—	—
Total	\$982	\$6,835	\$—	\$—	\$7,817

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

## 7. 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 ¥9,399 million (\$115,339 thousand), ¥9,342 million and ¥9,075 million for the years ended December 31, 2010, 2009, and 2008 respectively.

## 8. Derivative Financial Instruments

The Companies use interest rate swap, currency swap and forward currency exchange contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates, and commodity swap contracts only for the purpose of managing the risk arising from fluctuation in the market price of raw materials.

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

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

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

Hedging instruments:

- Forward currency exchange contracts
- Currency swap contracts
- Interest rate swap contracts

Hedged items:

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

Fair market value information of the derivative transactions to which hedge accounting is not applied is as follows:

		Millions of yen			
		2010			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
<b>Forward currency exchange contracts</b>					
Long (buy) (U.S. dollar)		¥8,894	—	¥7,995	¥(899)
Long (buy) (Euro)		69	—	61	(8)
Total		¥8,963	—	¥8,056	¥(907)
<b>Commodity swap contracts</b>					
Payable fixed price/Receivable floating price		¥2,349	—	¥3,136	¥ 787
Total		¥2,349	—	¥3,136	¥ 787

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

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

		Thousands of U.S. dollars			
		2010			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
<b>Forward currency exchange contracts</b>					
Long (buy) (U.S. dollar)		\$109,142	—	\$98,110	\$(11,032)
Long (buy) (Euro)		847	—	749	(98)
Total		\$109,989	—	\$98,859	\$(11,130)
<b>Commodity swap contracts</b>					
Payable fixed price/Receivable floating price		\$28,826	—	\$38,483	\$9,657
Total		\$28,826	—	\$38,483	\$9,657

Fair market value information of the derivative transactions to which hedge accounting is applied is as follows:

			Millions of yen		
			2010		
Classification	Type	Hedged item	Notional amount of contract	Notional amount due over one year	Fair market value
<b>Forward currency exchange contracts</b>					
Long (buy) (AU dollar)		Foreign currency transaction	¥25,212	—	¥26,375
Total			¥25,212	—	¥26,375
<b>Interest rate swap contracts</b>					
Payable fixed price/Receivable floating price		Long-term bank loans	¥52,000	¥52,000	*1
Total			¥52,000	¥52,000	

			Thousands of U.S. dollars		
			2010		
Classification	Type	Hedged item	Notional amount of contract	Notional amount due over one year	Fair market value
<b>Forward currency exchange contracts</b>					
Long (buy) (AU dollar)		Foreign currency transaction	\$309,388	—	\$323,659
Total			\$309,388	—	\$323,659
<b>Interest rate swap contracts</b>					
Payable fixed price/Receivable floating price		Long-term bank loans	\$638,115	\$638,115	*1
Total			\$638,115	\$638,115	

\*1 The above specially treated interest rate swap is accounted for as an integral part of Long-term loans payable, or the subject of hedging, so that the fair value of the swap is presented by being included in the fair value of Long-term debt.

## 9. Bank Loans, Commercial Paper and Long-term Debt

Bank loans at December 31, 2010, 2009 and 2008 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.57% per annum for 2010, 1.11% per annum for 2009 and 1.93% per annum for 2008.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million (\$2,375,579 thousand). There were an outstanding balances of ¥14,000 million (\$171,800 thousand), ¥30,000 million and ¥7,000 million at December 31, 2010, 2009 and 2008, respectively.

Long-term debt at December 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Domestic debentures:</b>				
0.84% debentures due in 2009	¥ —	¥ —	¥ 20,000	\$ —
1.34% debentures due in 2010	—	15,000	15,000	—
1.55% debentures due in 2011	15,000	15,000	15,000	184,072
1.72% debentures due in 2012	10,000	10,000	10,000	122,714
0.63% debentures due in 2012	15,000	15,000	—	184,072
1.88% debentures due in 2014	10,000	10,000	10,000	122,714
0.92% debentures due in 2014	10,000	10,000	—	122,714
0.63% debentures due in 2015	20,000	—	—	245,429
Zero coupon convertible bonds due in 2023	35,145	35,156	35,168	431,280
Zero coupon convertible bonds due in 2028	35,000	35,000	35,000	429,501

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2013 at interest rates of mainly 1.15% to 6.32%	¥ 4,099	¥ 4,769	¥ 9,507	\$ 50,301
Unsecured loans due through 2017 at interest rates of mainly 1.00% to 2.45%	83,075	96,133	68,756	1,019,450
	237,319	246,058	218,431	2,912,247
Amount due within one year	(24,155)	(40,402)	(38,728)	(296,417)
	¥213,164	¥205,656	¥179,703	\$2,615,830

Assets, at book value, pledged as collateral for loans totaling ¥4,099 million (\$50,301 thousand), ¥4,769 million and ¥9,907 million respectively, at December 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Land	¥16,057	¥16,733	¥29,888	\$197,042
Buildings and structures	6,129	6,563	8,171	75,212
Machinery and equipment	406	535	1,291	4,982
	¥22,592	¥23,831	¥39,350	\$277,236

The aggregate annual maturities of long-term debt at December 31, 2010 were as follows:

Years ending December 31,	Millions of yen		Thousands of U.S. dollars
2011	¥ 24,155		\$ 296,417
2012	71,328		875,297
2013	15,491		190,097
2014	20,000		245,429
2015	26,000		319,058
2016 and thereafter	80,345		985,949
	¥237,319		\$2,912,247

## 10. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2010, 2009 and 2008 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Projected benefit obligation	¥ 92,933	¥ 89,691	¥ 87,251	\$1,140,412
Less fair value of pension assets	(44,545)	(42,749)	(36,687)	(546,632)
Less fair value of employees' retirement benefit trust	(22,310)	(18,709)	(14,904)	(273,776)
Unrecognized actuarial differences	(15,695)	(15,133)	(18,857)	(192,600)
Unrecognized prior service cost	1,730	2,196	2,640	21,230
Prepaid pension cost	12,626	8,956	4,073	154,939
Employees' severance and retirement benefits	¥ 24,739	¥ 24,252	¥ 23,516	\$ 303,583

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2010, 2009 and 2008, respectively.

The pension assets of the funded contributory pension plan are 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, 2010, 2009 and 2008 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service costs—benefits earned during the year	¥ 4,691	¥4,485	¥ 4,842	\$ 57,565
Interest cost on projected benefit obligation	1,828	1,796	1,696	22,432
Expected return on plan assets	(1,342)	(255)	(2,386)	(16,468)
Amortization of actuarial differences	2,090	2,228	538	25,648
Amortization of prior service cost	(390)	(443)	(452)	(4,786)
Others	493	477	717	6,050
Severance and retirement benefit expenses	¥ 7,370	¥8,288	¥ 4,955	\$ 90,441

The rates of expected return on plan assets used by the Companies are mainly 3.0% per annum for 2010, 0.0% per annum for 2009 and 4.0% per annum for 2008. 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.

## 11. 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, 2010, 2009 and 2008.

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

	2010	2009	2008
Statutory tax rate	40.4%	40.4%	40.4%
Non-deductible expenses	1.9%	1.9%	2.0%
Non-taxable dividend income	(1.9%)	(0.3%)	(0.3%)
Per capita inhabitants' taxes	0.4%	0.4%	0.4%
Valuation allowance	0.2%	5.8%	4.8%
Amortization of goodwill	7.9%	2.4%	1.9%
Equity in net income of unconsolidated subsidiaries and affiliated companies	(4.3%)	(3.9%)	(4.4%)
Undistributed earnings of affiliated companies	—	(2.1%)	1.0%
Temporary differences on investment in affiliated companies	(2.4%)	—	—
Others	2.1%	2.5%	3.8%
Effective tax rate	44.3%	47.1%	49.6%

Significant components of deferred income tax assets and liabilities as of December 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Deferred income tax assets:				
Allowance for doubtful accounts	¥ 2,943	¥ 2,781	¥ 4,054	\$ 36,115
Employees' severance and retirement benefits	14,956	15,939	15,582	183,532
Accrued enterprise taxes	2,267	1,719	1,799	27,819
Loss on factory restructurings	7,716	—	—	94,687
Depreciation	204	258	357	2,503
Loss on impairment of fixed assets	3,825	3,503	1,507	46,938
Loss on devaluation of investment securities	2,810	3,182	5,669	34,483
Loss on securities contributed to employees' retirement benefit trust	1,483	2,037	1,470	18,199
Net operating loss carryforwards	10,993	11,930	10,066	134,900
Unrealized gain on sale of non-current assets eliminated on consolidation	7,206	7,215	7,162	88,428
Accrued expenses	1,791	1,532	1,657	21,978
Temporary differences on investment in affiliated companies	3,770	—	—	46,263
Others	10,690	11,019	7,185	131,182
	70,654	61,115	56,508	867,027
Valuation allowance	(21,087)	(22,496)	(18,280)	(258,768)
Total deferred income tax assets	49,567	38,619	38,228	608,259
Deferred income tax liabilities:				
Reserve deductible for Japanese tax purposes	(1,042)	(1,159)	(1,085)	(12,787)
Unrealized gains on available-for-sale securities	(700)	(2,184)	(1,319)	(8,590)
Land revaluation gain	(5,750)	(5,750)	(5,750)	(70,561)
Undistributed earnings of affiliated companies	(—)	(—)	(1,831)	(—)
Prepaid pension cost	(858)	(1,493)	(1,631)	(10,529)
Others	(976)	(697)	(1,321)	(11,977)
Total deferred income tax liabilities	(9,326)	(11,283)	(12,937)	(114,444)
Net deferred income tax assets	¥ 40,241	¥ 27,336	¥ 25,291	\$ 493,815

The net deferred income tax assets as of December 31, 2010 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥14,623 million (\$179,445 thousand) and ¥30,450 million (\$373,666 thousand), respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥0 million (\$0 thousand) and ¥4,831 million (\$59,284 thousand), respectively.

The net deferred tax assets as of December 31, 2009 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥11,176 million and ¥21,021 million, respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥0 million and ¥4,861 million, respectively.

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 and ¥24,212 million, respectively, and deferred income tax liabilities included in current liabilities and long-term liabilities amounting to ¥1,818 million and ¥6,112 million, respectively.



## 12. Net Assets

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

Under the Japanese Commercial Code ("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.

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.

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 Code.

At the annual shareholders' meeting held on March 25, 2011, the shareholders resolved cash dividends amounting to ¥5,817 million (\$71,383 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2010, and are recognized in the period in which they were resolved.

## 13. 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 ¥650 million (\$7,976 thousand), and notes receivable discounted, in the amount of ¥87 million (\$1,068 thousand) as of December 31, 2010.

## 14. Impairment of Fixed Assets

The Company and its consolidated domestic 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, 2010 consisted of the following:

Use	Location	Type of assets
Asset for rent	Takatsuki (Osaka) and 1 other	Buildings and structures, Land
Others	—	Goodwill

Carrying amounts of certain assets for rent were devalued to their recoverable amounts, since they were considered not to be recoverable with their fair market value substantially declining. A part of the goodwill reported in soft drink business and food business was devaluated to their recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥13,573 million (\$166,560 thousand), which consisted of buildings and structures of ¥366 million (\$4,491 thousand), Land of ¥1,229 million (\$15,082 thousand) and goodwill of ¥11,978 million (\$146,987 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 an interest rates of 4.3% to 7.3%.

Loss on impairment of fixed assets for the year ended December 31, 2009 consisted of the following:

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

Carrying amounts of certain assets used for alcoholic beverages business were devalued to their recoverable amounts, since the expected future revenue was considered to be unrealizable. Carrying amounts of certain assets for rent were devalued to their recoverable amounts, since they were considered not to be recoverable with their fair market value substantially declining. Carrying amounts of certain idle properties were devalued to their recoverable amounts, due to substantial decline in the fair market value. A part of the goodwill reported in overseas subsidiaries of alcoholic beverage and their soft drink business was devaluated to their recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized loss on impairment in the amount of ¥8,318 million, which consisted of buildings and structures of ¥1,632 million, Machinery, equipment and vehicles of ¥1,943 million, Tools, furniture and fixtures of ¥12 million, Land of ¥2,341 million and goodwill of ¥2,390 million.

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 an interest rates of 4.3% to 8.3%.

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

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

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 devalued 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, which consisted of buildings and structures of ¥315 million and goodwill of ¥1,882 million.

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 an interest rates of 4.3% to 7.3%.

## 15. Prior Year Sales Promotion Expenses

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

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

## 16. Information for Certain Leases

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

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 2010, 2009 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Machinery, furniture and fixtures and others				
Acquisition cost	¥44,758	¥52,804	¥67,714	\$549,245
Accumulated depreciation	30,324	29,785	33,881	372,119
Net book value	14,435	23,019	33,833	177,138

Future lease payments as of December 31, 2010, 2009 and 2008, net of interest, under such leases were summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Due within one year	¥ 8,401	¥10,371	¥12,564	\$103,092
Due after one year	6,844	13,694	22,751	83,986
	¥15,245	¥24,065	¥35,315	\$187,078

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, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Lease payments	¥11,343	¥13,966	¥16,005	\$139,195
Depreciation equivalents	10,479	12,935	14,281	128,592
Amounts representing interest	660	985	1,531	8,099

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.

## 17. Shareholders' Equity

Changes in number of shares issued and treasury stocks outstanding during the year ended December 31, 2010, 2009 and 2008 are as follows:

### Common stock issued

	2010	2009	2008
Balance at beginning of year	483,585,862	483,585,862	483,585,862
Decrease due to retirement of treasury stocks	—	—	—
Balance at end of year	483,585,862	483,585,862	483,585,862

### Treasury stock outstanding

	2010	2009	2008
Balance at beginning of year	18,576,966	18,762,163	11,124,073
Increase due to purchase of odd stock	13,827	22,664	186,391
Increase due to purchase of treasury stock based on resolution of the board of directors	—	—	7,759,900
Decrease due to exercise of stock options	(300,900)	(205,200)	(291,900)
Decrease due to stock exchanges	(69,271)	—	—
Decrease for other reasons	(566)	(2,661)	(16,301)
Balance at end of year	18,200,056	18,576,966	18,762,163

## 18. Stock Option Plans

The following tables summarize contents of stock options as of December 31, 2010, 2009 and 2008.

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

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

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

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

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

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

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

The following tables summarize volume and movement of stock options for the year ended December 31, 2010.

#### Not exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2010	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2010	—	—	—	—	—	—	—

#### Exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2010	18,000	196,600	330,000	133,000	517,900	587,500	620,000
Conversion from not exercisable stock options	—	—	—	—	—	—	—
Stock options exercised	14,000	121,900	78,600	45,000	33,400	7,000	1,000
Forfeitures	4,000	—	—	—	—	—	—
Stock options outstanding at December 31, 2010	—	74,700	251,400	88,000	484,500	580,500	619,000

The following tables summarize price information of stock options as of December 31, 2010.

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	1,748	1,708	1,694	1,709	1,724	1,740	1,740

The following tables summarize volume and movement of stock options for the year ended December 31, 2009.

#### Not exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2009	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2009	—	—	—	—	—	—	—

#### Exercisable stock options

Company name	Asahi Breweries, Ltd.						
Date of the annual shareholders' meeting	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2009	35,000	242,500	410,300	166,000	536,400	598,000	620,000
Conversion from not exercisable stock options	—	—	—	—	—	—	—
Stock options exercised	17,000	45,900	80,300	33,000	18,500	10,500	—
Forfeitures	—	—	—	—	—	—	—
Stock options outstanding at December 31, 2009	18,000	196,600	330,000	133,000	517,900	587,500	620,000

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

Company name	Asahi Breweries, Ltd.						
	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Date of the annual shareholders' meeting							
Exercise price	¥1,115	¥1,185	¥1,090	¥ 830	¥1,205	¥1,374	¥1,688
Average market price of the stock at the time of exercise	1,432	1,372	1,397	1,352	1,351	1,401	—

The following tables summarize volume and movement of stock options for the year ended December 31, 2008.

#### Not exercisable stock options

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

#### Exercisable stock options

Company name	Asahi Breweries, Ltd.						
	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Date of the annual shareholders' meeting							
Stock options outstanding at January 1, 2008	58,000	276,500	518,600	260,000	567,000	600,000	—
Conversion from not 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, Limited						
	March 30, 2000	March 29, 2001	March 28, 2002	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Date of the annual shareholders' meeting							
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	—

## 19. 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.

(a) Business segment information for the years ended December 31, 2010, 2009 and 2008 was as follows:

Year ended December 31, 2010	Millions of yen					
	Alcoholic beverages	Soft drinks	Food	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥935,850	¥391,566	¥95,440	¥ 66,605	¥ —	¥1,489,461
Intersegment	17,285	2,377	1,787	53,552	(75,001)	—
Total sales	953,135	393,943	97,227	120,157	(75,001)	1,489,461
Operating expenses	868,568	389,021	93,594	118,652	(75,723)	1,394,112
Operating income	¥ 84,567	¥ 4,922	¥ 3,633	¥ 1,505	¥ 722	¥ 95,349
Identifiable assets	¥680,117	¥335,325	¥83,120	¥ 73,092	¥233,704	¥1,405,358
Depreciation	38,636	16,461	2,582	2,029	2	59,710
Loss on impairment of fixed assets	—	931	11,046	1,596	—	13,573
Capital investments	10,537	18,625	6,503	1,073	0	36,738

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

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

Thousands of U.S. dollars						
Year ended December 31, 2010	Alcoholic beverages	Soft drinks	Food	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	\$11,484,231	\$4,805,080	\$1,171,187	\$ 817,340	\$ —	\$18,277,838
Intersegment	212,112	29,169	21,929	657,161	(920,371)	—
Total sales	11,696,343	4,834,249	1,193,116	1,474,501	(920,371)	18,277,838
Operating expenses	10,658,584	4,773,849	1,148,534	1,456,031	(929,230)	17,107,768
Operating income	\$ 1,037,759	\$ 60,400	\$ 44,582	\$ 18,470	\$ 8,859	\$ 1,170,070
Identifiable assets	\$ 8,346,018	\$4,114,922	\$1,020,003	\$ 896,944	\$2,867,885	\$17,245,772
Depreciation	474,119	202,000	31,685	24,899	25	732,728
Loss on impairment of fixed assets	—	11,425	135,550	19,585	—	166,560
Capital investments	129,304	228,556	79,801	13,167	0	450,828

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

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

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

From the year ended December 31, 2010, "Food and pharmaceutical" segment have been shifted to "Food" segment. This change in business categories had no impact on segment information.

(b) Geographical segment information for the year ended December 31, 2010 was as follows:

Millions of yen				
Year ended December 31, 2010	Japan	Others	Elimination and/or corporate	Consolidated
Sales:				
Outside customers	¥1,391,871	¥ 97,590	¥ —	¥1,489,461
Intersegment	227	9	(236)	—
Total sales	1,392,098	97,599	(236)	1,489,461
Operating expenses	1,292,754	101,595	(237)	1,394,112
Operating income	¥ 99,344	¥ (3,996)	¥ 1	¥ 95,349
Identifiable assets	¥1,029,117	¥127,135	¥249,106	¥1,405,358

Thousands of U.S. dollars				
Year ended December 31, 2010	Japan	Others	Elimination and/or corporate	Consolidated
Sales:				
Outside customers	\$17,080,267	\$1,197,570	\$ —	\$18,277,838
Intersegment	2,786	110	(2,896)	—
Total sales	17,083,053	1,197,681	(2,896)	18,277,838
Operating expenses	15,863,959	1,246,717	(2,908)	17,107,768
Operating income	\$ 1,219,094	\$ (49,036)	\$ 12	\$ 1,170,070
Identifiable assets	\$12,628,752	\$1,560,130	\$3,056,890	\$17,245,772

Geographical distances are considered in classification by country or area. However, sales and identifiable assets in each country or area except for Japan are less than 10% of the total amount of consolidated sales and that of consolidated identifiable assets. Therefore, the country or area except for Japan is displayed as "Others."

Major countries and areas included in "Others" are Australia and China.

Both sales outside Japan and identifiable assets except Japan are less than 10% of the Company's consolidated sales and that of consolidated identifiable assets for 2009 and 2008. Therefore, geographical segment information is not disclosed for 2009 and 2008.

Sales to foreign customers are less than 10% of the Company's consolidated net sales for 2010, 2009 and 2008. Therefore, the overseas sales information are not disclosed.



## 20. Business Combinations

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

### (1) OUTLINE OF THE TRANSACTIONS

#### (a) Name and business of acquired company

SCHWEPPE HOLDINGS PTY LTD

Production and sales of soft drinks

#### (b) Outline and purpose of the transaction

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

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

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

#### (c) Effective date of business combination

April 3, 2009

#### (d) Legal form of business combination

Share acquisition by cash

#### (e) Name of the company after business combinations

SCHWEPPE HOLDING PTY LTD

#### (f) Share of voting rights acquired

100%

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

From April 1, 2009 to December 31, 2009

### (3) ACQUISITION COST OF ACQUIRED COMPANY AND ITS BREAKDOWN

	Millions of yen
Acquisition cost of shares	¥59,828
Expenditures for acquiring the common shares	1,406
Acquisition cost	¥61,234

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

#### (a) Amount of goodwill

¥31,855 million

#### (b) Reason for recognizing goodwill

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

#### (c) Method and term to amortize goodwill

Straight-line method over 20 years

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

	Millions of yen
Current assets	¥13,989
Fixed assets	28,111
Total assets	¥42,100
Current liabilities	¥10,556
Long-term liabilities	1,024
Total liabilities	¥11,580

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

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

	Millions of yen
Sales	¥13,643
Operating income	553
Income before income taxes and minority interests	670
Net income	342
Net income per share (Yen)	¥ 0.74

Note: The above estimated amounts were the amounts of difference between proforma sales and income calculated as if the business combination had been completed at the beginning of the fiscal year (January 1, 2009) and sales and income per the Company's consolidated statement of income.

Net income per share was calculated by dividing net income by average number of shares during 2009.

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

## (1) OUTLINE OF THE TRANSACTIONS

### (a) Name and business of combined entity

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

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

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

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

### (b) Form of business combination

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

### (c) Name of the entity after the reorganization

Asahi Soft Drinks Co., Ltd.

Asahi Calpis Beverage Co., Ltd.

### (d) Outline and purpose of the transaction

ASD, a consolidated subsidiary of the Company, and, Calpis Co., Ltd. (CALPIS) integrated the vending machine operation business of both companies.

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

ACB merged with several subsidiaries of ACB and completed integration of their vending machine operation business in October 2008.

## (2) ACCOUNTING METHOD

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

## 21. Related Party Transactions

During the year ended December 31, 2010, the Company and its consolidated subsidiaries had operational transactions with China Food Investment Corp., a 25.9% owned affiliate of the Company.

Summary of significant transactions with China Foods Investment Corp. for the year ended December 31, 2010 was as follow:

	Millions of yen	Thousands of U.S. dollars
Sales of investment in an affiliate	¥43,498	\$533,783
Allocation of new shares to shareholder	43,494	533,734

There was no related party transaction for the years ended December 31, 2009 and 2008.

ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures" issued by ASBJ on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after January 1, 2009.

Condensed financial information of all 40 and 33 equity method affiliates including Tingyi-Asahi Beverages Holding Co. Ltd and its 33 and 28 affiliates for the years ended December 31, 2010 and 2009, respectively, is disclosed as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total current assets	¥173,693	¥123,933	\$2,131,464
Total fixed assets	439,630	242,154	5,394,895
Total current liabilities	192,534	155,496	2,362,670
Total long-term liabilities	38,998	27,326	478,562
Total shareholders' equity	383,246	183,716	4,702,982
Net sales	602,844	265,619	7,397,767
Income before income taxes and minority interests	58,923	27,140	723,070
Net income	44,466	22,374	545,662

## 22. Subsequent Event

### 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, 2010, were approved at a general meeting of the shareholders of the Company held on March 25, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥12.5 per share)	¥5,817	\$71,383

### B. Damaged due to the Tohoku-Pacific ocean earthquake

Subsequent to December 31, 2010 part of the Company's buildings and properties in Fukushima plant and Ibaraki plant have been damaged due to the Tohoku-Pacific ocean earthquake occurred on March 11, 2011. Additionally, parts of group companies have also suspended their operations.

It is extremely difficult to estimate the impact on any recovery costs and future operation as affected area is so wide that the way of post-disaster construction and damage repair cannot be decided within short time and situation of damage is now being under investigation.

## Independent Auditors' Report

### 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, 2010, 2009 and 2008, 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, 2010, 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, 2010, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 22 to the consolidated financial statements, part of the Company's buildings and properties in Fukushima plant and Ibaraki plant have been damaged due to the Tohoku-Pacific Ocean Earthquake occurred on March 11, 2011. Additionally, parts of group companies have also suspended their operations.

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

Tokyo, Japan  
March 25, 2011

# Fact Sheets

## Market Information

### Global beer market

#### 01 Beer consumption—top 10 countries\*1

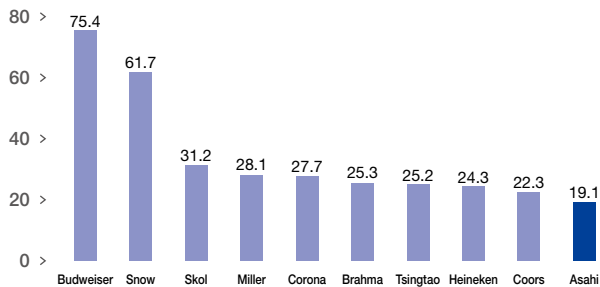
(Millions of barrels)

	1995	2003	2004	2005	2006	2007	2008	2009
China	132.4	211.2	240.6	263.6	288.9	324.8	351.9	368.1
United States	185.9	198.1	199.7	200.0	202.7	205.1	205.6	202.1
Russia	16.8	63.1	70.1	74.3	81.8	93.8	93.3	89.1
Brazil	68.2	72.4	74.4	77.9	81.3	87.1	88.3	84.8
Germany	94.6	82.8	81.5	81.0	82.2	78.3	77.7	76.6
Mexico	34.8	45.1	46.4	47.9	50.5	54.0	54.8	55.2
<b>Japan*2</b>	<b>60.8</b>	<b>56.1</b>	<b>56.4</b>	<b>53.9</b>	<b>54.0</b>	<b>53.4</b>	<b>52.1</b>	<b>51.0</b>
United Kingdom	50.4	51.4	50.4	48.1	47.4	45.3	43.8	43.0
Poland	12.9	24.2	24.9	26.2	27.7	29.8	30.4	27.8
Spain	23.0	28.5	29.4	29.5	29.8	30.4	27.8	27.8

\*1 Excludes non-alcoholic brews. \*2 Includes happoshu and new genre.  
Source: Impact Databank 2010 Edition

#### 02 World's top 10 beer brands\*1 in 2009

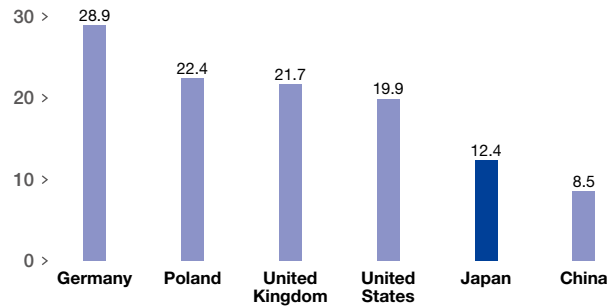
(Millions of barrels\*2)



\*1 Includes exports and license volume.  
\*2 One U.S. barrel = 1.173477653 hectoliters.  
Source: Impact Databank 2010 Edition

#### 03 Per capita beer consumption in major nations in 2009

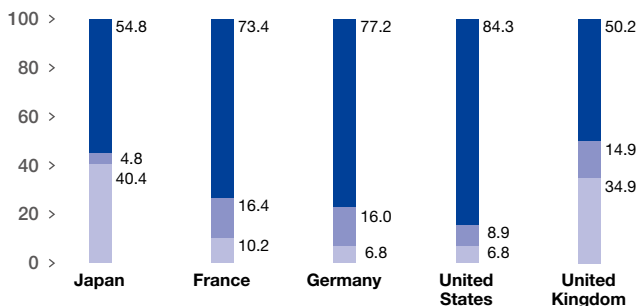
(Gallons per person\*)



\* Based on total population. One U.S. gallon = 3.785 liters.  
Source: Impact Databank 2010 Edition

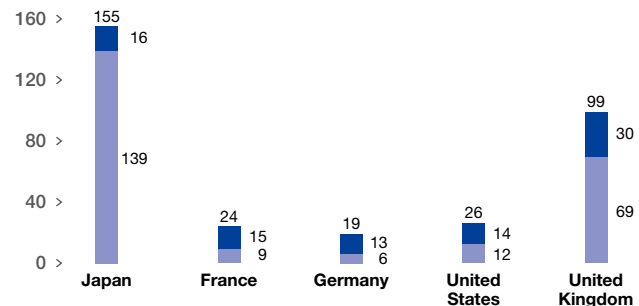
#### 04 Ratio of liquor tax and consumption tax\*1,4 in retail prices for beer in major nations

(%) ■ Ratio of liquor tax ■ Ratio of consumption tax ■ Pre-tax retail price



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

(Yen) ■ Beer tax amount ■ Consumption tax amount

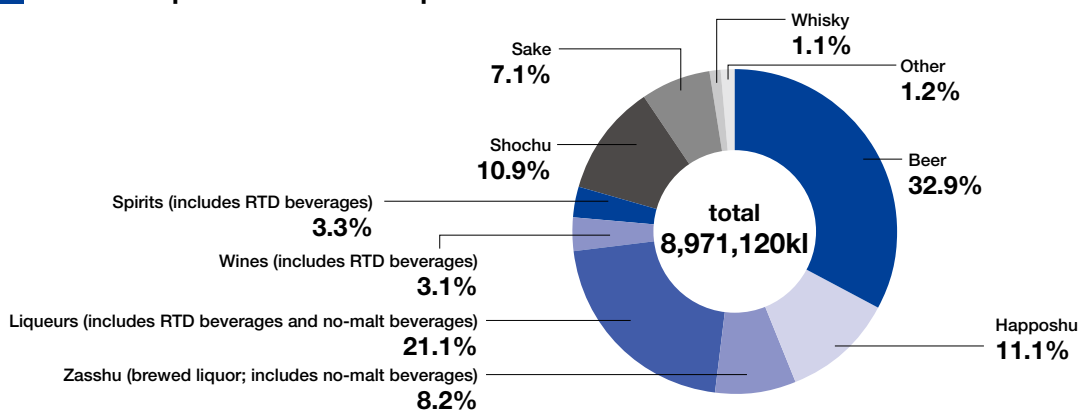


\*1 Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.  
\*2 Cash values (liquor tax, consumption taxes) shown in yen per 633 milliliters.  
\*3 Foreign exchange rates were: €1 = ¥107.81; U.S.\$1 = ¥88.48; £1 = ¥133.07 (based on TTM rate as of June 2010).  
\*4 Figures for the U.S. based on survey conducted in Los Angeles.  
Source: Brewers Association of Japan (June 2010)

## Japan's alcoholic beverages market

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

### 06 Taxable shipment volume in Japan in 2010



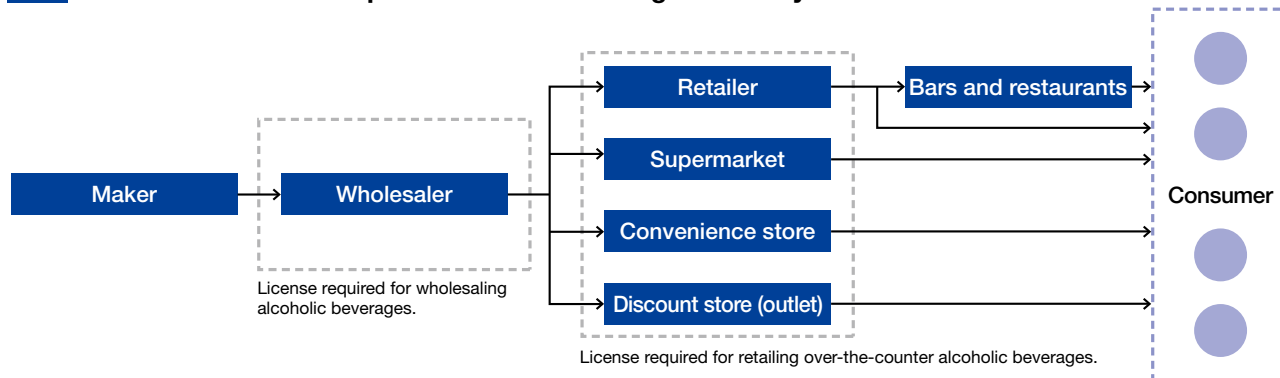
Compiled from National Tax Agency reference materials.

### 07 Comparison of liquor taxes per 350 milliliters

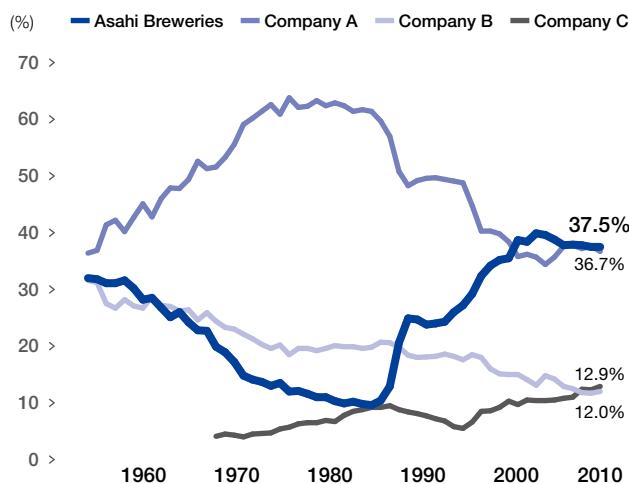
Alcoholic beverages	Malt component ratio	Alcohol content	Tax amount (Yen)
Beer*	67% and above	5.0%	77
Happoshu*	Below 25%	5.5%	47
Liqueurs*	Below 50%	5.0%	28
Zasshu*	0%	5.0%	28
Liqueurs (canned chu-hi)	—	7.0%	28
Sparkling Wine (low-alcohol)	—	8.0%	28
Wines	—	12.0%	28

\* 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 (1954–2010)



Source: Asahi Breweries, Ltd.

### 10 Beer, happoshu and new genre: shipment volume in Japan (January–December 2010)

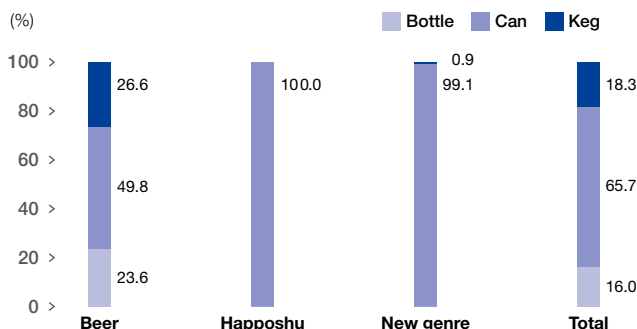
ASAHI BREWERIES				(Million cases)	
	Volume	Year-on-year change (%)		Market share (Increase/Decrease)	
Beer	116.65	-4.3	(-3.6%)	50.6%	(+0.0)
Happoshu	18.75	-6.5	(-25.8%)	24.0%	(-2.6)
New genre	36.82	+5.9	(+18.9%)	24.4%	(+2.1)
<b>Total</b>	<b>172.22</b>	<b>-5.0</b>	<b>(-2.8%)</b>	<b>37.5%</b>	<b>(+0.0)</b>

INDUSTRY OVERALL				(Million cases)	
	Volume	Year-on-year change (%)		Breakdown (Increase/Decrease)	
Beer	230.48	-8.6	(-3.6%)	50.2%	(-0.4)
Happoshu	78.07	-16.8	(-17.7%)	17.0%	(-3.1)
New genre	150.63	+12.0	(+8.7%)	32.8%	(+3.5)
<b>Total</b>	<b>459.17</b>	<b>-13.3</b>	<b>(-2.8%)</b>	<b>100.0%</b>	<b>—</b>

Sources: Brewers Association of Japan and Happoshu online website

## Asahi Breweries beer and happoshu sales

### 11 Sales composition by container type in 2010



### YEAR-ON-YEAR SALES RATIO, BY CONTAINER TYPE (2010/2009)

	Bottle	Can	Keg	Total
Beer	93.5%	95.5%	98.6%	95.8%
Happoshu (low-malt beer)	—	74.1%	—	74.2%
New genre (no-malt beer)	—	117.7%	—	118.8%
<b>Total</b>	<b>93.5%</b>	<b>96.8%</b>	<b>99.7%</b>	<b>96.7%</b>

### 12 Sales composition by marketing channel

	2009 results			2010 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	8.3%	13.2%	9.8%	8.1%	13.5%	9.8%
Supermarkets	17.8%	41.7%	25.3%	18.4%	41.6%	25.9%
Discount stores (outlets)	16.0%	22.0%	17.9%	15.9%	22.0%	17.8%
Mass-retail outlets total	42.1%	76.9%	53.0%	42.4%	77.1%	53.5%
Commercial-use liquor retailers	36.0%	3.3%	25.7%	36.2%	3.1%	25.6%
General liquor shops, etc.	22.0%	19.8%	21.3%	21.4%	19.8%	20.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

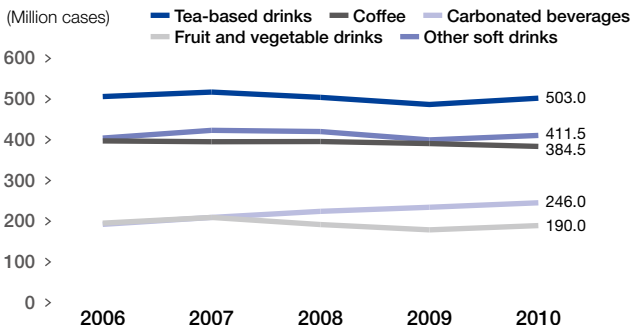
\* Composition of commercial-use liquor retailers does not equal the consumption rate for commercial-use liquor.  
Source: Asahi Breweries, Ltd.



**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**

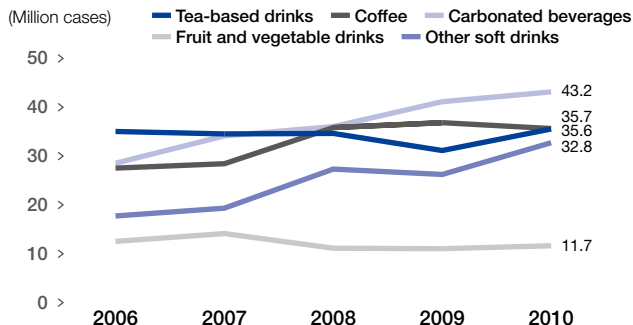
**INDUSTRY OVERALL**



(Million cases)

	2006	2007	2008	2009	2010
Tea-based drinks	507.0	518.0	505.0	487.5	503.0
Coffee	398.0	396.0	396.5	391.5	384.5
Carbonated beverages	193.0	210.0	225.0	235.0	246.0
Fruit and vegetable drinks	196.0	210.0	192.5	179.5	190.0
Other soft drinks	405.0	424.0	421.0	400.5	411.5
<b>Total</b>	<b>1,699.0</b>	<b>1,758.0</b>	<b>1,740.0</b>	<b>1,694.0</b>	<b>1,735.0</b>

**ASAHI SOFT DRINKS**

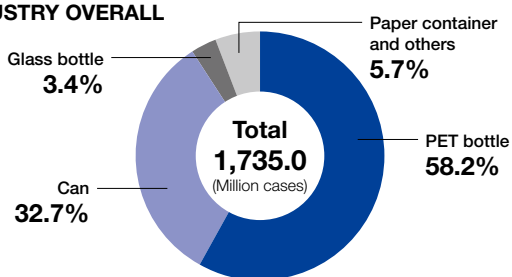


(Million cases)

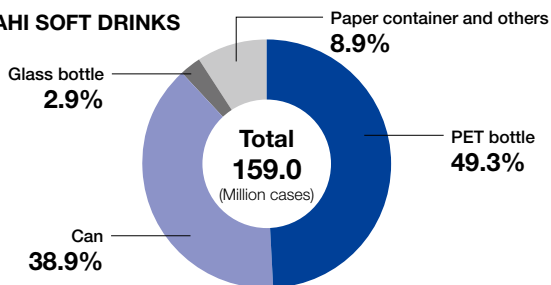
	2006	2007	2008	2009	2010
Tea-based drinks	35.1	34.6	34.7	31.2	35.6
Coffee	27.6	28.5	35.9	36.9	35.7
Carbonated beverages	28.6	34.2	36.1	41.2	43.2
Fruit and vegetable drinks	12.6	14.2	11.2	11.1	11.7
Other soft drinks	17.8	19.4	27.4	26.3	32.8
<b>Total</b>	<b>121.7</b>	<b>130.9</b>	<b>145.3</b>	<b>146.7</b>	<b>159.0</b>

**14 Sales in domestic soft drinks market, by container type in 2010**

**INDUSTRY OVERALL**

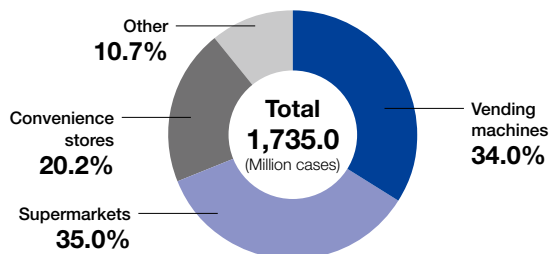


**ASAHI SOFT DRINKS**

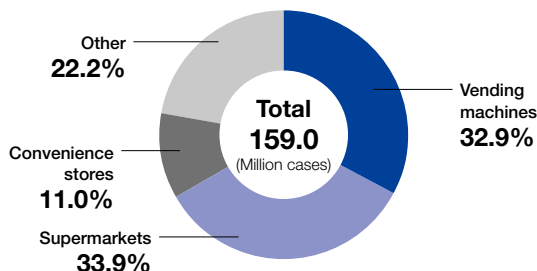


**15 Sales composition in domestic soft drinks market, by marketing channel in 2010**

**INDUSTRY OVERALL**



**ASAHI SOFT DRINKS**



## Corporate Data

(As of December 31, 2010)

### Major Group companies (domestic)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2010 (¥ billion)
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	100.0%	291.6
LB Co., Ltd. (Tokyo)	0.5	100.0%	19.0
LB Co., Ltd. (Nagoya)	0.1	100.0%	4.7
Domestic food business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	47.1
Wakodo Co., Ltd.	2.9	100.0%	36.6
Amano Jitsugyo Co., Ltd.	0.1	100.0%	16.7

### 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 Co., Ltd. (Tokyo)	1	Chilled beverages such as tea-based drinks, soft drinks and other drinks	Saitama
LB Co., Ltd. (Nagoya)	1	Black vinegar drinks for home-delivery and other products	Aichi
Asahi Food & Healthcare Co., Ltd.	4	Brewer's yeast extract, supplements and other products	Ibaraki, Tochigi, Nagano, Osaka
Wakodo Co., Ltd.	3	Milk powder for infants, baby food, milk powder for commercial-use, skincare products, food	Tochigi, Nagano, Shizuoka
Amano Jitsugyo Co., Ltd.	2	Manufacture of caramel, powdered seasonings, and freeze-dried food products	Okayama
Asahi Beer Malt, Ltd.	2	Malt, malt powder, barley tea and other products	Tochigi, Shiga

### Sales and marketing bases (overseas)

Branch / Office	Principal business	Locations
<b>Europe</b>		
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
<b>Asia</b>		
Asahi Breweries, Ltd. Bangkok, Asia/Pacific Regional Office	Sales and marketing of beer (Other than Thailand)	12th Floor, Room No. 1213, Qhouse Asoke Building, 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok 10110, Thailand Tel: (66-2)-664-3348 Fax: (66-2)-664-3349

## Major Group companies (overseas)

Company	Capital	Percentage of voting rights	Principal business	Locations
<b>United States</b>				
Asahi Beer U.S.A., Inc.	US\$32 million	100.0%	Sales and marketing of beer	<b>Headquarters &amp; Los Angeles Branch:</b> <b>3625 Del Amo Blvd., Suite 250, Torrance, CA 90503, U.S.A.</b> Tel: (1) 310-214-9051 Fax: (1) 310-542-5108  <b>New York Branch:</b> <b>300 Hamilton Ave., Suite 209, White Plains, NY 10606, U.S.A.</b> Tel: (1) 914-288-0788 Fax: (1) 914-288-0744
<b>Europe</b>				
Buckinghamshire Golf Company Limited	£40.0 million	100.0%	Ownership and management of a golf club	<b>Denham Court Drive, Denham Buckinghamshire UB9 5BG, U.K.</b> Tel: (44) 1895-835-777 Fax: (44) 1895-835-210
<b>Asia</b>				
Hangzhou Xihu Beer Asahi Co., Ltd.	RMB276 million	55.0%	Production and sales of beer	<b>545 Xixi Road, Hangzhou, Zhejiang, China</b> 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	<b>100 Huanshan Road Yantai, Shandong, China</b> Tel: (86) 535-608-2283 Fax: (86) 535-608-6279
Beijing Beer Asahi Co., Ltd.	RMB609 million	72.8%	Production and sales of beer	<b>North 1 Yanqi Road, Yanqi Industrial Development Zone, Huairou District, Beijing, China</b> Tel: (86) 10-6567-7001 Fax: (86) 10-6566-6885
Asahi Beer (China) Investment Co., Ltd.	RMB345 million	100.0%	Sales of beer and soft drinks	<b>No. 1205, 12th Floor, Westgate Mall 1038 Nanjing Rd. (w), Shanghai, China</b> Tel: (86) 21-6267-2052 Fax: (86) 21-6267-2082
Schweppes Australia Pty Ltd.	AU\$200 million	100.0%	Production and sales of soft drinks	<b>Level 5, 111 Cecil Street, South Melbourne VIC 3205, Australia</b> Tel: (61) 3-8866-3888 Fax: (61) 3-8866-3879

# Investor Information

(As of December 31, 2010)

## Head Office

1-23-1, Azumabashi  
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: 21  
Breweries: 9  
Laboratories: 8

## Number of Overseas Offices

Business Offices: 3

## Number of Employees

Consolidated: 16,712  
Non-consolidated: 3,576

## 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

131,262

## Ordinary General Meeting of Shareholders

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

## Composition of Shareholders

(%)

Financial institutions	37.6
Foreign corporations	25.9
Other corporations	16.2
Individuals, other	13.6
Treasury stock	3.8
Brokerage	2.9

## Major Shareholders

Shareholder Name	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.4%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.8%
Asahi Kasei Corporation	4.0%
The Dai-ichi Mutual Life Insurance Company	3.6%
Fukoku Mutual Life Insurance Company	3.6%
JP Morgan Chase Bank 38055	2.3%
Sumitomo Mitsui Banking Corporation	1.9%
The Sumitomo Trust & Banking Co., Ltd.	1.7%
State Street Bank and Trust Company	1.5%
Sumitomo Life Insurance Company	1.5%

\*1 While Asahi Breweries, Ltd. owns 18,220,056 shares of treasury stock, it is not included with the major shareholders listed above.

\*2 The percentage of voting rights is calculated after deducting treasury stock from the total number of shares issued.

## Stock Exchange Listings

Tokyo Stock Exchange, Osaka Securities Exchange

## Newspaper for Official Notice

Nihon Keizai Shimbun

## Transfer Agent and Registrar

### Stock Transfer Agent:

The Sumitomo Trust & Banking Co., Ltd.  
4-5-33 Kitahama, Chuo-ku, Osaka

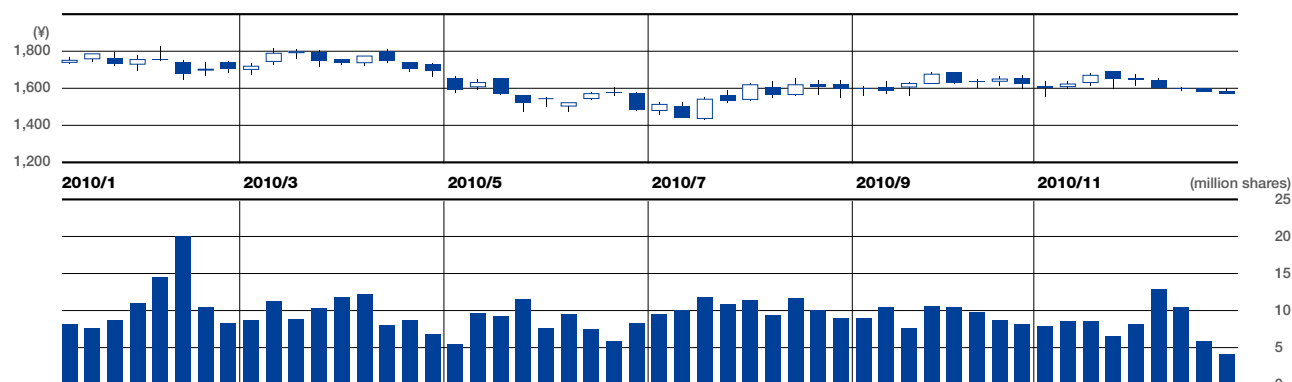
### Handling Office:

The Sumitomo Trust & Banking Co., Ltd.  
Stock Transfer Agency Department  
2-3-1 Yaesu, Chuo-ku, Tokyo

## Auditor

KPMG AZSA LLC

## 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](mailto:ir@asahibeer.co.jp)

