

Asahi Group Holdings, Ltd.

# Creating Value for Sustainable Growth



ANNUAL REPORT 2012

*Asahi*

## CORPORATE PHILOSOPHY

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.

## CORPORATE BRAND STATEMENT

### 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. The Asahi Group 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

On behalf of the Asahi Group, we would like to express our sincere appreciation for your enduring support.

This year, the Asahi Group formulated its Long-Term Vision 2020, as a new corporate vision. It also established the Medium-Term Management Plan 2015 to serve as an action plan for realizing this vision. Under this framework, the Asahi Group is stepping up measures designed to enhance its corporate value.

Under the Medium-Term Management Plan 2012, which ended last year, the Group focused on improving profitability in existing businesses and developing a new foundation for growth. The Group executed profit structure reforms that surpassed the plan's expectations. For example, we developed an optimal production structure by integrating breweries, among other actions. Core brands in each business, including *Asahi Super Dry* and *Mitsuya Cider*, were strengthened. Furthermore, measures to develop a new foundation for growth saw us acquire all shares of Calpis Co., Ltd., a leading lactic acid drinks company. In overseas business, we expanded our growth foundations worldwide through measures including the acquisition of five soft drink and alcohol beverage companies.

Consequently, we finished 2012, the final year of the Medium-Term Management Plan 2012, with record net sales of ¥1,579.1 billion, an increase of 8.0% year on year. Net income was ¥57.2 billion, up 3.8% year on year, reaching an all-time high for a 12th consecutive year.

Going forward, the outlook indicates a more challenging business environment. We expect to face a stagnant global economy as a whole, and a planned consumption tax hike in Japan, among other issues.

Under these conditions, we have redefined our vision for the Asahi Group as a whole. The newly established Long-Term Vision 2020 sets forth the following vision statement for the Asahi Group: "To be a trusted corporate group in the world through offering "Kando" experiences of food (deliciousness, happiness, innovation)." Under the Medium-Term Management Plan 2015, our policy is to enhance corporate value through Value and Network Management. Through this approach, we intend to increase capital efficiency through such means as improving shareholder returns, in addition to boosting profitability.

Looking ahead, the Asahi Group will continue aspiring to be a corporate group that is trusted in Japan and the rest of the world by implementing management that places a stronger emphasis on enhancing corporate value. We kindly ask for your continued guidance and support as we endeavor to drive the Asahi Group's growth into the future.



*Hitoshi Ogita*

**Hitoshi Ogita**

Chairman of the Board (Left)

*Naoki Izumiya*

**Naoki Izumiya**

President and Representative  
Director (Right)

## FINANCIAL HIGHLIGHTS

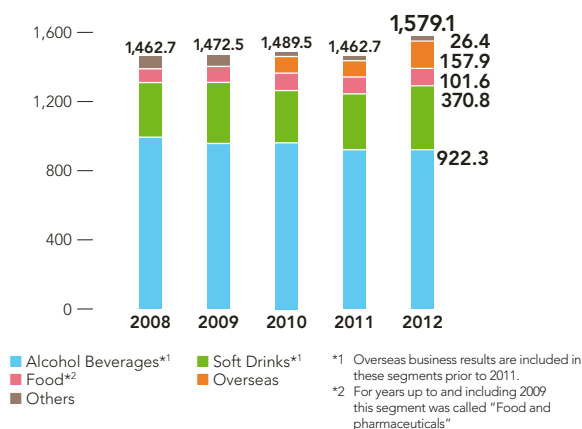
Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2012, 2011 and 2010

	Millions of yen			%	Thousands of U.S. dollars
	2012	2011	2010	Change (2012/2011)	2012
<b>For the year:</b>					
Net sales	¥1,579,077	¥1,462,736	¥1,489,461	+8.0	\$18,238,358
Alcohol beverages	922,250	921,657	966,331	+0.1	10,651,998
Soft drinks	370,836	324,782	306,719	+14.2	4,283,160
Food	101,627	98,033	95,440	+3.7	1,173,793
Overseas	157,932	94,220	97,674	+67.6	1,824,117
Others	26,432	24,044	23,297	+9.9	305,290
Operating income (loss)	108,437	107,190	95,350	+1.2	1,252,449
Alcohol beverages	113,306	101,025	87,249	+12.2	1,308,686
Soft drinks	7,379	11,389	8,330	-35.2	85,227
Food	3,669	4,158	3,594	-11.7	42,377
Overseas	(3,873)	(2,913)	(5,138)	+33.0	(44,733)
Others	607	760	1,145	-20.2	7,011
Adjustment (corporate/elimination)*	(12,651)	(7,229)	168	+75.0	(146,119)
Operating income ratio (%)	6.9	7.3	6.4	-0.4 points	
Net income	57,183	55,093	53,080	+3.8	660,464
Net cash provided by operating activities	109,292	108,513	125,609	+0.7	1,262,324
Capital investments	50,170	40,225	36,738	+24.7	579,464
<b>At year-end:</b>					
Total assets	¥1,732,188	¥1,529,908	¥1,405,358	+13.2	\$20,006,791
Interest-bearing debt	456,235	390,092	311,423	+17.0	5,269,508
Total net assets	726,879	643,799	612,670	+12.9	8,395,460
<b>Per share data (in yen and U.S. dollars):</b>					
Net income	¥ 122.75	¥ 118.36	¥ 114.10	+3.7	\$ 1.42
Diluted net income	122.67	118.28	114.00	+3.7	1.42
Cash dividends applicable to the year	28.00	25.00	23.00	+12.0	0.32
Total net assets	1,553.35	1,378.19	1,315.51	+12.7	17.94
<b>Key ratios:</b>					
ROE (%)	8.4	8.8	9.0		
ROA (%)	7.0	7.6	7.1		
Total assets turnover (times)	1.0	1.0	1.1		
Equity ratio (%)	41.8	41.9	43.6		
Interest coverage ratio (times)	32.7	32.4	30.7		
Debt-to-equity ratio (times)	0.63	0.61	0.51		

\* Due to a reorganization of business segments in 2011, figures for 2010 have also been restated in line with the new business segments.

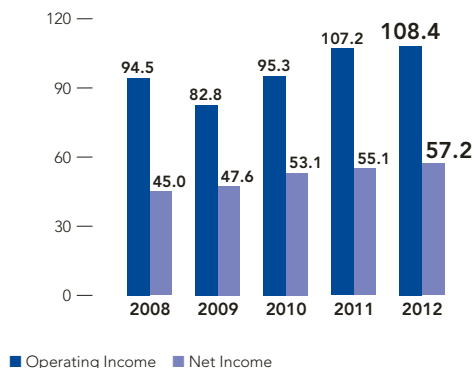
## NET SALES

(¥ billion)



## OPERATING INCOME/NET INCOME

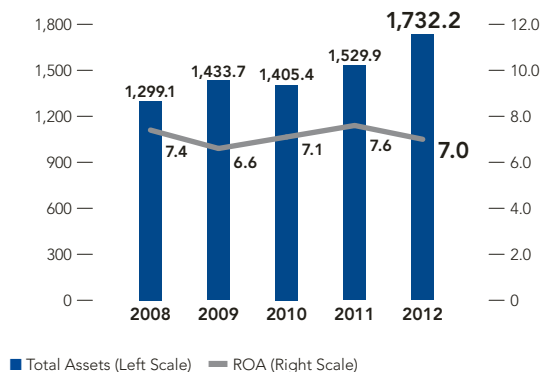
(¥ billion)



## TOTAL ASSETS/ROA

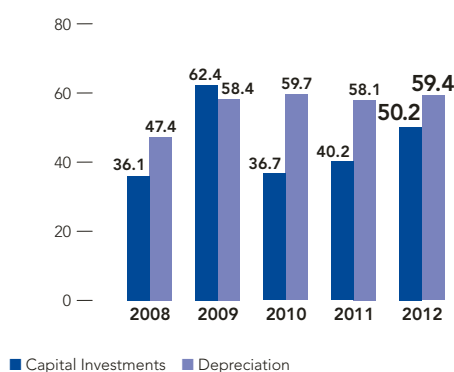
(¥ billion)

(%)



## CAPITAL INVESTMENTS\*/DEPRECIATION\*

(¥ billion)

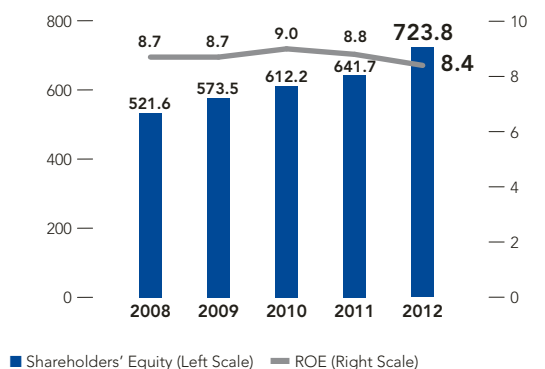


\* Figures for 2009 and thereafter include effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

## SHAREHOLDERS' EQUITY/ROE

(¥ billion)

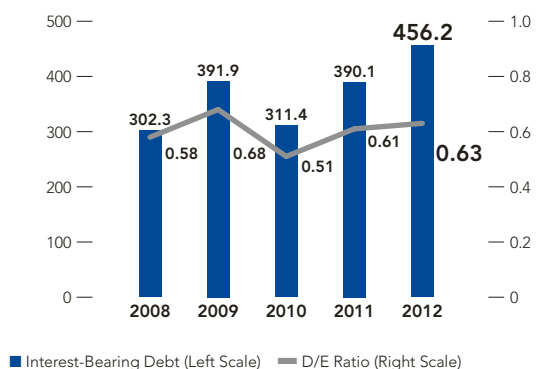
(%)



## INTEREST-BEARING DEBT/D/E RATIO

(¥ billion)

(Times)



# Toward long-term, stable growth

## ESTABLISHMENT OF LONG-TERM VISION 2020 AND MEDIUM-TERM MANAGEMENT PLAN 2015

In response to changes in the business environment and diversifying stakeholder needs, the Asahi Group established its Long-Term Vision 2020 and the Medium-Term Management Plan 2015, an action plan for realization of the long-term vision. The Long-Term Vision 2020 sets out our aspirations for the entire Asahi Group and also redefines our vision for our stakeholders. Under the Medium-Term Management Plan 2015, an action plan covering a three-year period, our policy is to improve profitability in each business through Value and Network Management, and to enhance capital efficiency by improving shareholder returns and other means.

### LONG-TERM VISION 2020

To be a trusted corporate group in the world through offering "Kando" experiences of food (deliciousness, happiness, innovation)

Our goal is to become a corporate group in the world trusted through offering "Kando" for the products and services it provides. The Asahi Group defines "Kando" as "deliciousness, happiness and innovation beyond customer expectations."



SHARE THE "KANDO"

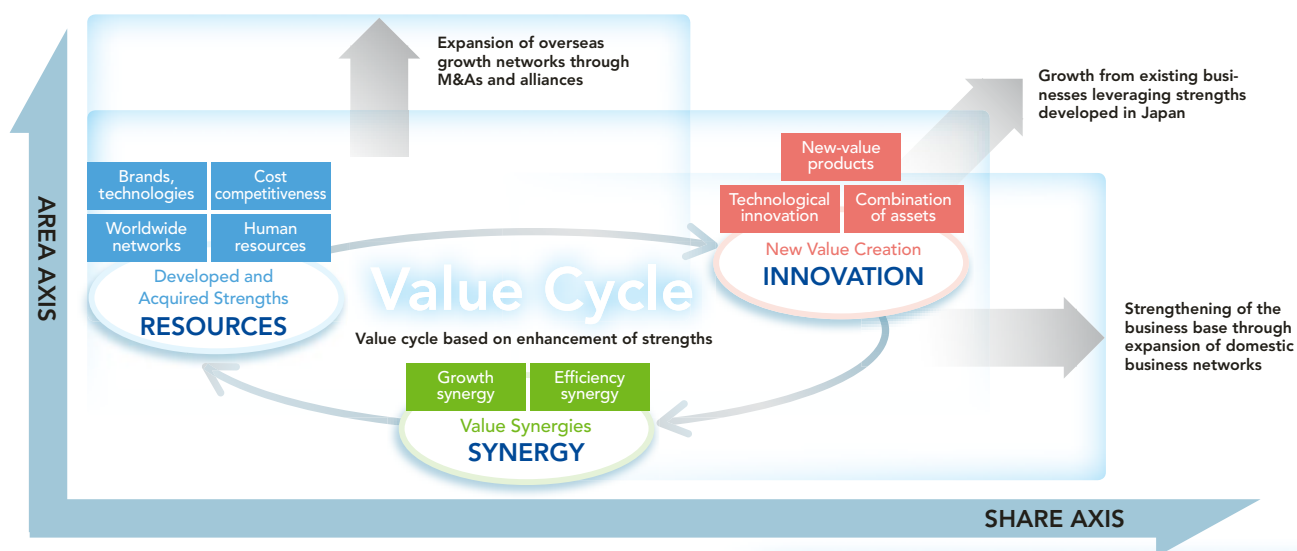


## MEDIUM-TERM MANAGEMENT PLAN 2015

Aiming to Raise Corporate Value Through Value and Network Management

Long-Term Vision 2020 sets forth the following vision statement for the Asahi Group: To be a trusted corporate group in the world through offering “Kando” experiences of food (deliciousness, happiness, innovation). Under the Medium-Term Management Plan 2015, our action plan that aims to realize Long-Term Vision 2020, our goal is to enhance corporate value by increasing capital efficiency through such means as improving shareholder returns, in addition to boosting profitability through Value and Network Management.

### PHILOSOPHY OF VALUE AND NETWORK MANAGEMENT



### VISION FOR STAKEHOLDERS

#### CUSTOMERS

Achieve No.1 ranking for customer satisfaction in Japan and around the world.

#### BUSINESS PARTNERS

Together with business partners and alliance partners, develop relationships that support mutual growth.

#### SOCIETY

Contribute to solving social problems through the Group's businesses.

#### EMPLOYEES

Develop an environment conducive to vigorous work by employees.

#### SHAREHOLDERS

Work to enhance corporate value (stock value).

### Quantitative Targets and Guidelines

#### KEY PERFORMANCE INDICATORS (KPIs)

	2012 Result	2015 Target
ROE	8.4%	<b>Approx. 10%</b> Before goodwill amortization Approx. 12%
EPS	¥123	Average annual growth rate: <b>10% or higher</b>

## INTERVIEW WITH THE PRESIDENT

In addition to promoting Value and Network Management by leveraging our strengths, we will increase capital efficiency with the aim of enhancing corporate value.



Naoki Izumiya  
President and  
Representative Director



<b>Q1</b> ::	Can you give an overview of the year ended December 31, 2012, the final year of the Group's Medium-Term Management Plan 2012?	→ P07
<b>Q2</b> ::	What kind of corporate entity does the Asahi Group aspire to become in line with the newly established Long-Term Vision 2020?	→ P08
<b>Q3</b> ::	Under the Medium-Term Management Plan 2015, your policy is to enhance corporate value through Value and Network Management. Concretely, what initiatives will you implement?	→ P09
<b>Q4</b> ::	Why have you adopted ROE and EPS as your Medium-Term Management Plan's key performance indicators (KPIs)? Also, what initiatives are you using to achieve the KPIs?	→ P10
<b>Q5</b> ::	What are your financial and cash flow strategies as well as your policy on shareholder returns?	→ P12
<b>Q6</b> ::	In closing, how do you plan to make the Asahi Group more valuable to society?	→ P13

#### [OVERVIEW OF MEDIUM-TERM MANAGEMENT PLAN 2012]

**Q1** :: Can you give an overview of the year ended December 31, 2012, the final year of the Group's Medium-Term Management Plan 2012?

→ The Asahi Group focused on boosting profitability in existing businesses and developing a new growth portfolio. As a result, earnings reached a record-high for a 12th consecutive year.

Under the Medium-Term Management Plan 2012, a three-year plan running through 2012, the Asahi Group focused on boosting profitability in existing businesses and developing a new growth portfolio, while creating synergies across the Group. Efforts were directed at improving the corporate value of the entire Group.

In regard to boosting profitability in existing businesses, we developed and strengthened mainstay brands centered on the alcohol beverages and soft drinks businesses. Our flagship brand *Asahi Super Dry* was a case in point. Here, we proposed new ways of enjoying *Asahi Super Dry* such as the "Extra cold" value proposition for enjoying the brand chilled below freezing point. We also launched our first new product in the *Asahi Super Dry* brand. In addition, we reorganized breweries in Japan and streamlined unprofitable operations in South Korea and China. All told, the resulting profit structure reforms exceeded our initial plan objectives.

Meanwhile, as regards developing a new growth portfolio, we enhanced the base of our domestic soft drinks business, including the acquisition of promising brands in Japan such as *Rokko no Oishii Mizu* and *Rokujo Mugicha*, and the acquisition of all the shares of Calpis Co., Ltd., a leading lactic acid drinks manufacturer. Overseas, we were able to expand our growth base in Oceania and Southeast Asia through measures including the acquisition of five soft drink and alcohol beverage companies.

Furthermore, our transition to a pure holding company structure in July 2011 has led to faster decision-making at our operating companies, and also allows the holding company to work exclusively on formulating growth strategies for the entire Group. As a result, we have built the proper structure for achieving full-fledged Group global management.

In terms of quantitative targets, we did not achieve our target for the operating income ratio mainly due to increased sales expenses accompanying the intensifying competition in the soft drinks business. Nevertheless, we achieved our target for net income based on a figure that excludes the special factors in 2012. We also posted record-high net income for a 12th consecutive year.

## Q2

What kind of corporate entity does the Asahi Group aspire to become in line with the newly established Long-Term Vision 2020?

—————> **We are striving to be a trusted corporate group in the world through offering “Kando” experiences of food (deliciousness, happiness and innovation), thereby pursuing the satisfaction of all our stakeholders.**

In the earlier Long-Term Vision established in 2009, amid the maturing domestic market and the globally ongoing M&As, we aimed to reach the top global level and so conducted initiatives with objectives that emphasized the expansion of business scale.

Going forward, however, our business environment has greatly changed from our initial assumptions, and is projected to become increasingly difficult. We expect a stagnant global economy as a whole, mainly due to the debt problems in Europe, and in Japan an impending increase in the consumption tax is planned for after 2014, amid the ongoing maturing of the market. At the same time, the needs of our stakeholders have been diversifying in line with changes in our business structure and improvements in our financial position, as well as the aforementioned changes in the business environment.

As a result, in the Long-Term Vision 2020 we have revised the earlier Long-Term Vision and, while adhering to existing management policy, have redefined for our stakeholders our vision for the Asahi Group as a whole.

Long-Term Vision 2020 sets forth the following vision statement for the Asahi Group: To be a trusted corporate group in the world through offering “Kando” experiences of food (deliciousness, happiness and innovation). This means, we aim to be a corporate group trusted around the world in addition to Japan by means of our Kando, which we define as providing deliciousness, happiness and innovation that exceeds the expectations of our customers.

We believe that pursuing a management policy that satisfies all our stakeholders will lead to long-term sustained growth of the Asahi Group and the improvement of corporate value. We are clarifying the decision-making criteria of all our management strategies by establishing individual visions for each of our stakeholders.

In Long-Term Vision 2020, we have not set company-wide quantitative targets as in the earlier Long-Term Vision. Although this means an increase in uncertainty, there is also a risk in setting quantitative targets that have time deadlines. Going forward, we have changed to a framework in which we flexibly review our business strategies and the allocation of management resources in line with the changes in the business environment.

(For details of our vision for all stakeholders, please refer to “Toward long-term, stable growth” on page 04.)

**Q3** Under the Medium-Term Management Plan 2015, your policy is to enhance corporate value through Value and Network Management. Concretely, what initiatives will you implement?

—————> **We aim for long-term stable sales and growth in earnings through the creation of new value concentrated in our strengths and the expansion of our business networks around the world.**

In our Value and Network Management, we foresee our business environment becoming increasingly difficult over the next three years. I believe that our most important task is to clarify the strengths that we have developed and acquired up to now, and then enhance those strengths.

First, we will focus on the strengths comprising the Asahi Group's brands such as *Asahi Super Dry*, and the industry's highest class of cost competitiveness. We will polish these further to enhance their competitiveness. To do this, we must strive for even greater selectivity and focus with our resources.

Next, to achieve long-term stable growth in the future, not merely in the next three years, we will leverage the strengths of our brand assets and technology that we have developed and acquired to proceed with new value creation and innovation, thereby strengthening our next-generation competitiveness.

Furthermore, our policy is to create synergies from both sales growth and increased efficiency, mainly by leveraging this enhanced value and the global networks that we have built with the aim of expanding business.

In the next three years, we will work to develop overseas area sales and strengthen our market share base in Japan, by moving through a value cycle based on enhancing this value, and continuing to expand our new business networks around the world.

As the business environment is becoming difficult we decided to return to our starting point and concentrate on our strengths in order to strengthen our long-term stable growth base.



**Q4.** Why have you adopted ROE and EPS as your Medium-Term Management Plan's key performance indicators (KPIs)? Also, what initiatives are you using to achieve the KPIs?

→ Our goal is to enhance corporate value through Value and Network Management. Through this approach, we intend to increase capital efficiency through such means as improving shareholder returns, while giving top priority to growth.

In the past, targets were set centered on profit/loss that emphasized the expansion of business scale. In the Medium-Term Management Plan 2015, targets have been set to give priority to further improving corporate value, by adding in balance sheet and cash flow targets.

To improve corporate value, in addition to sustained earnings growth we must further increase the market's sense of trust and anticipation in the Asahi Group through appropriate capital policies. Therefore, we have included ROE and EPS, which reflect both our earnings growth and our capital policies, in the KPIs.

Our concrete targets comprise "improving ROE to around 10%" and "growing EPS by an annual average of 10% or higher," aiming to enhance corporate value by increasing capital efficiency through such means as improving shareholder returns, while giving top priority to sales and earnings growth based on our Value and Network Management.

In terms of measures to improve ROE, the top priority of each operating company will be to attain growth in business profits by bolstering brands that leverage each company's strengths, while driving profit structure reforms. Other priorities will include advancing business strategies with an emphasis on capital efficiency, including a focus on capital investment. Raising the efficiency of working capital through such means as optimizing inventories will also be important. Meanwhile, Asahi Group Holdings will implement measures such as executing business investments designed to spur network expansion worldwide, and enhancing selectivity and focus in the business portfolio. Furthermore, Asahi Group Holdings will implement a policy of balancing investments for growth funded by financial debt with measures to ensure an appropriate level of equity capital, such as enhancing shareholder returns. (Refer to [Fig. 1](#))

Looking at our profit and loss guidelines, which represent the assumptions behind our KPIs, we are assuming an

annual average growth rate of 3% or higher in net sales and an annual average growth rate of 7% or higher in net income on an existing-business basis. However, we will continue aiming to outperform the plan's targets through efforts to expand our business networks through M&As and other initiatives. (Refer to [Fig. 2](#))

Meanwhile, over the next three years, we face the risk that the alcohol beverages and soft drinks markets in Japan could contract more sharply than anticipated mainly due to the impending increase in the consumption tax. We must anticipate the negative impact this could have on our profit and loss guidelines. Accordingly, we plan to further strengthen the Asahi Group's cost competitiveness, which is one of its key strengths. Specifically, we will strive to generate efficiency improvements of ¥30 billion or higher across the Group, mainly by creating collaboration synergies with Calpis Co., Ltd. and integration synergies within our Oceania operations. Through these measures, we aim to achieve our KPI targets. (Refer to [Fig. 3](#))

(For details of our Medium-Term Management Plan 2015, please refer to "Toward long-term, stable growth" on page 04.)



**Fig. 1 :: INITIATIVES FOR ROE IMPROVEMENT**

	Asahi Group Holdings	Operating Companies
<b>Net income ratio</b> (Net income / Net sales)	<ul style="list-style-type: none"> <li>Profit base expansion through business investment, including in <b>network expansion in Japan and overseas</b></li> <li>Reduction in indirect fixed costs through <b>greater efficiency in overall supply chain management</b> across the Group</li> </ul>	<ul style="list-style-type: none"> <li><b>Growth</b> through nurturing and bolstering strong brands based on Value and Network Management</li> <li>Profitability improvement through <b>implementation of profit structure reforms</b> leveraging Group strengths</li> </ul>
<b>Asset turnover</b> (Net sales / Total assets)	<ul style="list-style-type: none"> <li>Group business portfolio <b>selectivity and focus</b></li> <li>Improvement in asset efficiency through <b>optimization of assets</b></li> </ul>	<ul style="list-style-type: none"> <li>Execution of <b>business strategies that emphasize asset efficiency</b>, including capital investments</li> <li><b>Reduction and optimization of working capital</b> in each business</li> </ul>
<b>Financial leverage</b> (Total assets / Shareholders' equity)	<ul style="list-style-type: none"> <li>Investment in growth utilizing financial debt premised on maintenance of financial soundness</li> <li><b>Enhancement of shareholder returns</b> to an extent that does not erode current equity capital</li> </ul>	—

**Fig. 2 :: 2015 BUSINESS RESULTS GUIDELINES BY BUSINESS**

	Net Sales		Operating Income Ratio	
	2012 Result	2015 Guideline (CAGR)	2012 Result	2015 Guideline
Alcohol beverages	¥944.0 bn.	0–1%	12.0%	12.5% or higher
Soft drinks	¥375.4 bn.	10% or higher	2.7%	5.5% or higher
Food	¥103.5 bn.	5% or higher	3.8%	5.5% or higher
Overseas	¥158.0 bn.	5% or higher	4.4%	9.0% or higher
<b>Consolidated total</b>	<b>¥1,579.1 bn.</b>	<b>3% or higher</b>	<b>6.9%</b>	<b>8.0% or higher</b>

**Fig. 3 :: PROFIT STRUCTURE REFORMS (INCLUDING SEGMENT BREAKDOWN)  
(EFFICIENCY IMPROVEMENT TARGETS: THREE-YEAR CUMULATIVE)**

	Efficiency Improvement Target	Initiatives
Alcohol beverages	¥10.0 bn. or higher	<ul style="list-style-type: none"> <li>Streamline fixed costs by reducing depreciation through optimization of capital investments</li> <li>Improve marginal profit by enhancing production efficiency and promoting group procurement</li> </ul>
Soft drinks	¥10.0 bn. or higher	<ul style="list-style-type: none"> <li>Collaborative synergies with Calpis in procurement, distribution, etc. (<b>¥6.0 bn. or higher</b>)</li> <li>Increase insourcing of containers, optimization of production and distribution systems</li> </ul>
Food	¥3.0 bn. or higher	<ul style="list-style-type: none"> <li>Reduce manufacturing costs through manufacturing process review</li> <li>Improve efficiency in advertising and promotion expenses through focus on strong brands and businesses</li> </ul>
Overseas	¥6.0 bn. or higher	<ul style="list-style-type: none"> <li>Reduce indirect costs by integrating management, and develop optimal production and distribution systems</li> <li>Reduce raw materials costs through cooperative procurement</li> </ul>
<b>Consolidated total</b>	<b>¥30.0 bn. or higher</b>	* Aim for achievement of <b>¥30.0 bn. or higher</b> from further contributions from businesses

**Q5** What are your financial and cash flow strategies as well as your policy on shareholder returns?

→ While giving top priority to investments in growth worldwide, we will strive to enhance shareholder returns as we improve surplus investment capacity primarily by increasing equity capital.

During the three years of the Medium-Term Management Plan 2015, we plan to generate operating cash flow of more than ¥400 billion. Capital investment is projected at around ¥120 billion, including investments in boosting efficiency. We are also targeting free cash flow of about ¥300 billion, including ¥20 billion mainly through cash expansion measures.

In terms of free cash flow allocation, we will give top priority to investments in growth worldwide, based on the principle of Value and Network Management. If capital requirements that cannot be met with our own funds arise due to major investment projects or the like, we are prepared to fund these requirements using financial debt, assuming a maximum D/E ratio of around 1.0.

Regarding shareholder returns, we have sought to increase dividends in line with improvements in net income, while targeting a consolidated dividend payout ratio of 20% or higher. However, from 2008, we suspended the purchase of treasury stock because of the need to give priority to investments in growth. Going forward, given that our surplus investment funding position has improved thanks to stronger cash flow generation and an improved D/E ratio, we have decided to raise the dividend payout ratio to around 30%. At the same time, we will strive to enhance shareholder returns by targeting a total return ratio, including the purchase of treasury stock, of 50% or higher.

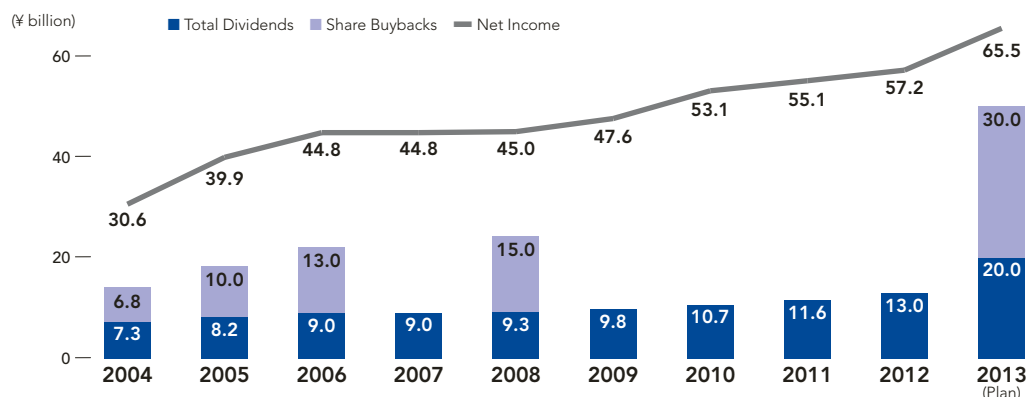
In addition, we are targeting a total return ratio of 40% or higher based on net income before amortization of goodwill and other items. In this way, we plan to deliver shareholder returns on a par with global standards. (Refer to [Fig. 4](#))

In 2013, the Asahi Group decided to repurchase ¥30 billion of its own shares. Accordingly, the forecast for the total return ratio is now higher than 50%, at 76%. Our decision to purchase treasury stock of ¥30 billion in the first fiscal year of the plan reflects our strong determination to enhance corporate value. (Refer to [Fig. 5](#))

**Fig. 4** :: FINANCIAL AND CASH FLOW STRATEGY

	Policies in Medium-Term Management Plan 2015
<b>Operating cash flow</b>	<ul style="list-style-type: none"> <li>• Seek stable profit growth based on Value and Network Management.</li> </ul> ⇒ Generate ¥400.0 bn. or higher in operating cash flow during the 3 years of the Medium-Term Management Plan.
<b>Free cash flow</b>	<ul style="list-style-type: none"> <li>• Execute capital investment of <b>approx. ¥120.0 bn.</b> for development of optimal production and distribution systems, efficiency improvement, etc.</li> </ul> ⇒ Generate approximately ¥300.0 bn. in free cash flow during the 3 years of the Medium-Term Management Plan 2015. (Generate <b>¥20.0 bn. or higher</b> through cash expansion measures.)
<b>Investment in growth</b>	<ul style="list-style-type: none"> <li>• Invest in growth as the highest-priority task in preparation for growth network expansion in Japan and overseas.</li> <li>• Assume financial debt premised on a maximum <b>D/E ratio of approx. 1.0</b> (net debt/ EBITDA of approximately 4.0) when capital requirements that cannot be met from own funds arise.</li> </ul>
<b>Shareholder returns</b>	<ul style="list-style-type: none"> <li>• Aim for stable dividend increases, targeting a consolidated dividend payout ratio of <b>around 30%</b> (25–35%).</li> <li>• Flexibly implement share repurchases targeting a total return ratio of <b>50% or higher</b>.</li> </ul>

**Fig. 5 :: NET INCOME AND TOTAL DIVIDENDS**



## Q6

In closing, how do you plan to make the Asahi Group more valuable to society?

→ We aim to become a trusted corporate group by helping to solve various social issues through our businesses.

Under the Medium-Term Management Plan 2015, the most important theme is to enhance corporate value. However, we believe that corporate value can be defined in two different ways.

First, corporate value can be narrowly defined as our stock valuation in the capital markets. Second, corporate value can be interpreted more broadly as our worth to society. We believe that increasing corporate value in both of these senses will ultimately lead to enhancing our corporate value in the broadest possible sense of the term.

In regard to improving our value to society, we aim to become a corporate group that is trusted by all stakeholders by helping to solve social issues through our businesses. To this end, we will implement a variety of measures in our three activity areas of food and health, the environment, and people and society. This includes addressing alcohol-related issues through initiatives such as promoting moderate and responsible drinking.

Furthermore, we will continue to strengthen corporate governance, which serves as the foundation of corporate management. As part of this effort, we have abolished our anti-takeover measures at this year's Annual General Meeting of Shareholders. This reflects the diminished importance of these measures, which were introduced in 2007, following the adoption of a management plan that emphasizes the enhancement of corporate value.

Looking ahead, the Asahi Group will continue striving to enhance corporate value in terms of both economic and social value, by pressing ahead with management focused on enhancing corporate value. In the process, we believe that it is essential to reflect the feedback we obtain through dialogue with all stakeholders in management practices. We hope that our stakeholders will continue to share this vital input with us in the future.

(For details of CSR activities, please see the Group Management section on page 46.)

## SPECIAL FEATURE

# Enhancing our business base for stable, —Realizing a value cycle—

## STRENGTHENING OUR BASE IN THE SOFT DRINKS BUSINESS BY MAKING CALPIS CO., LTD. PART OF THE ASAHI GROUP

In October 2012, the Asahi Group acquired all the shares of Calpis Co., Ltd., making the company part of the Group.

Calpis has developed its business around the base of *Calpis*, a product long familiar to consumers as Japan's first lactic acid drink, other fermentation and bacteria products, and the related technology. The *Calpis* brand has a familiar and reassuring image of being a healthy product, and is supported strongly by consumers of all ages. Calpis is also highly regarded for its high-value-added functional foods business and animal feed additives business that have been leveraging the power of the microorganisms generated by the lactic acid bacteria and fermentation technologies with which Calpis has been involved for over 90 years.

In the domestic soft drinks business, the Asahi Group's acquisition of Calpis has resulted in us establishing ourselves in the solid position of the No. 3 market share in the Japanese soft drinks industry, in addition to strengthening our business base by expanding our product portfolio. Looking ahead, we are aiming to further enhance and expand our domestic and overseas soft drinks businesses through the integration of management resources.



### Realizing a value cycle

**SALES GROWTH** From January 2013, the *Calpis* brand has been produced and sold by LB Co., Ltd., which is developing our chilled beverages business. This initiative should result in us establishing an unassailable position in the chilled lactic acid category through the development of *Calpis* brand chilled products.

**EARNINGS GROWTH** We will create synergies by enhancing collaboration across the entire supply chain in the Asahi Group's developed strengths of procurement, production and logistics. Specifically, we will further fortify our earnings base by promoting Group-wide procurement and logistics.

### STRENGTHS OF CALPIS CO., LTD.



**Fujio Yamada**  
President and Representative  
Director  
Calpis Co., Ltd.

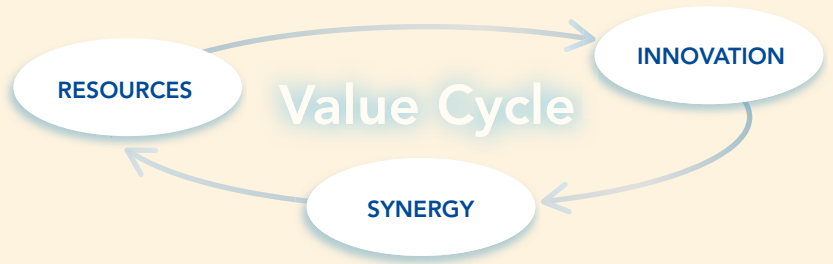
### President's message

Derived from the starting point of our *Calpis* lactic acid drinks that we have been producing for over 90 years, Calpis has been providing new value in a wide variety of fields by leveraging our business base centered on our lactic acid bacteria and fermentation technologies. In this environment, in October last year Calpis became a member of the Asahi Group, thereby making a new start. Going forward, amid ongoing changes in our business environment such as the impending rise in the consumption tax, we are building a solid earnings base by further enhancing the *Calpis* brand and accelerating the development of the brand overseas. Furthermore, Calpis will leverage the microorganism technology it possesses to aggressively expand our probiotic animal feed additives business and functional foods business, among others.

Looking ahead, we will further improve our earnings structure by creating synergies by promoting collaboration with Asahi Group companies.



# long-term growth



## OUR AMBITION WITH ASAHI SUPER DRY IS TO BECOME "ASIA'S NO. 1 PREMIUM BRAND"\*1

Currently, we are producing *Asahi Super Dry* at 8 bases in 7 overseas countries for sale in around 70 countries and regions around the world, and are engaged in aggressive marketing activities in many countries to establish it as a global brand.

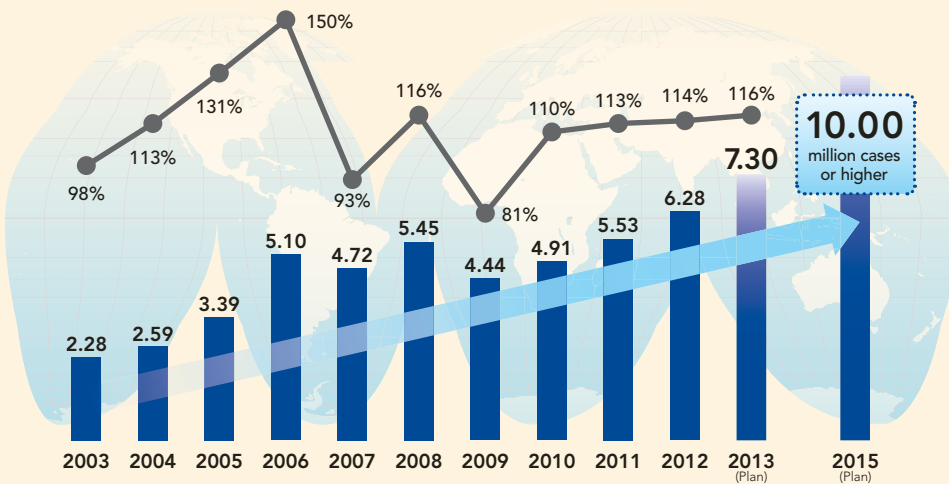
Our Medium-Term Management Plan 2015 calls for the strengthening of our area marketing functions centered on a division dedicated to overseas marketing established in 2012. In line with the plan, we formulate and implement brand and marketing strategies that leverage the Asahi Group's strengths of technological capabilities and quality after conducting surveys of market trends and consumer needs. Furthermore, we are enhancing our brand development capabilities locally by forming tie-ups with promising business partners that have powerful sales networks. Overall, we are targeting a sales volume higher than 10 million cases in 2015, an increase of 59% from 2012, aiming at establishing *Asahi Super Dry* as "Asia's No. 1 premium brand."

\*1: The Asahi Group aims to capture the No. 1 position among Asian beer companies in terms of sales volume of premium beer overseas.



### OVERSEAS SALES OF ASAHI BEER BRAND

Million cases (equivalent to 20 x 633 ml bottles), year-on-year



#### OCEANIA

Last year, in Oceania we reorganized the beer sales framework, which had outsourced sales, by transferring them to an Asahi Group company. This company has started to sell *Asahi Super Dry*, aiming to further raise the presence of the product in both the commercial-use and home-use markets.



#### UNITED KINGDOM

In the United Kingdom, we aggressively worked to enhance our business capabilities by expanding the number of sales representatives dedicated to the Asahi brand at Shepherd Neame Ltd., with whom we had concluded a licensing contract. Other proactive initiatives included co-sponsoring events during the period of the Olympics. These efforts led to greater recognition of the locally produced *Asahi Super Dry* and an increase in the number of pubs and other restaurants and bars serving the beer in kegs.



#### UNITED STATES

In North America, where we started business by exporting beer from Japan in 1988, we have enhanced sales of *Asahi Super Dry* mainly by establishing a local sales company in 1998. In November 2009, we began offering *Asahi Super Dry* in kegs in the U.S. market, and we are now strengthening our inroads in both the commercial-use and home-use markets.

### Examples of business initiatives



#### SOUTH KOREA

In 2000, we started to export *Asahi Super Dry* and other Asahi brands to South Korea. In both the commercial-use and home-use markets, we conducted thorough tasting campaigns and actively pursued other initiatives to persuade customers of the products' deliciousness. As a result, we became the market leader for two consecutive years in terms of our share of the South Korean imported beer market. Moreover, in July 2012 we launched *Asahi Super Dry - Dry Black-* for the first time overseas.

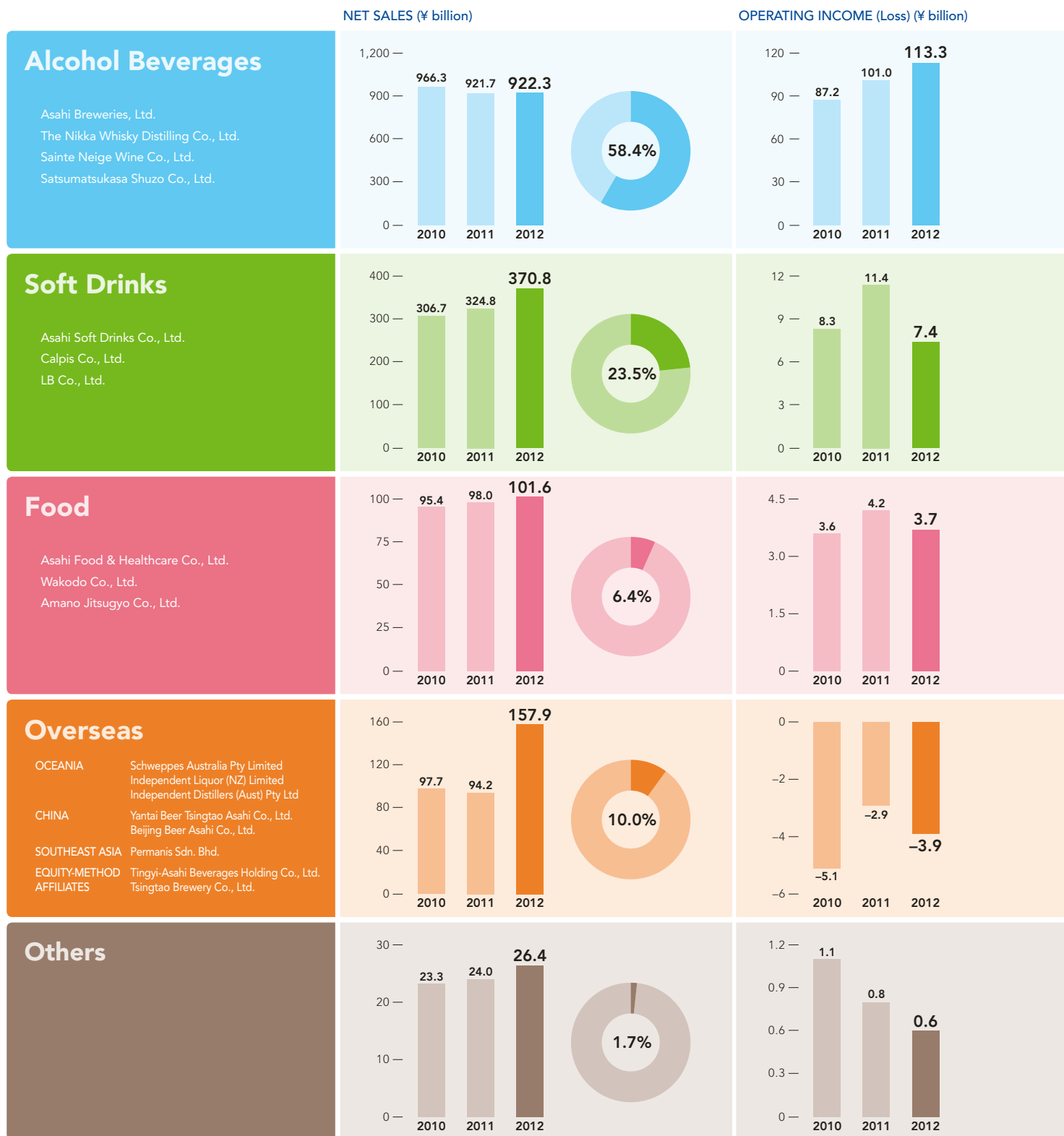


#### HONG KONG

In September 2009, we concluded a sales agency contract with Carlsberg Hong Kong Limited, and since then have been working to increase the number of restaurants and bars serving *Asahi Super Dry*. We will work to increase sales in both the commercial-use and home-use markets by proactively developing transportation advertising and consumer campaigns to raise the brand recognition of Asahi.

# REVIEW OF OPERATIONS ASAHI GROUP AT A GLANCE

The Asahi Group's five business segments, as represented in consolidated accounting, are alcohol beverages, soft drinks, food, overseas, and other businesses. In each business segment, the entities that generate major profits are: Asahi Breweries, Ltd. for the alcohol beverages business; Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. for the soft drinks business; Asahi Food & Healthcare Co., Ltd. and Wakodo Co., Ltd. for the food business; and Schweppes Australia Pty Limited and the Independent Liquor Group of New Zealand for the overseas business.



(Business segments were reorganized from 2011.)

## REVIEW OF MEDIUM-TERM MANAGEMENT PLAN 2012

- Net sales fell short of target due to a larger-than-anticipated contraction in the market for beer-type beverages reflecting the earthquake and other factors.
- The operating income ratio target was achieved mainly because profit structure reforms exceeded initial plan objectives due to the reorganization of breweries.
- Full-scale development of *Asahi Super Dry –Dry Black–*, the *Asahi Super Dry* brand's first extension product, and *Asahi Super Dry "Extra cold,"* a value-added proposal of a new way to enjoy *Asahi Super Dry* in servings chilled below the freezing point.
- Launched products offering new value such as *Asahi Dry Zero* and *Ste. Neige Relä*.

- Achieved sales target by expanding sales volume for a 10th consecutive year mainly by strengthening core brands.
- Fell short of the operating income ratio target primarily due to a large increase in sales expenses in 2012, although an optimal production and logistics system was established through such means as conducting internal production of PET bottles, and reducing the weight of containers.
- Acquired all shares of Calpis Co., Ltd.
- Acquired the *Rokko no Oishii Mizu* and the *Rokujo Mugicha* brands.
- Integrated LB Co., Ltd. (Tokyo) and LB Co., Ltd. (Nagoya), to launch a "reborn" LB.

- Asahi Food & Healthcare Co., Ltd. achieved favorable sales of mainstay brands *MINTIA* breath mint tablets and *BALANCEUP* nutritionally balanced snack bars. Sales were driven mainly by assertive advertising campaigns and sales promotions.
- Wakodo Co., Ltd. fell below targets as a result of a contraction in the market for powdered infant formula due to the impact of foot-and-mouth disease and the nuclear accident, despite steady sales growth atop efforts to upgrade and expand the range of items for its mainstay *Goo-Goo Kitchen* baby food.
- Amano Jitsugyo Co., Ltd. achieved favorable sales due to the vigorous launch of new products and effective advertising campaigns in the direct marketing business. Another factor was the upgrading and expansion of lineups of core brands in the mass distribution sales business.

- Sales fell short of target due to the sale of unprofitable businesses, but profitability improved significantly.
- Concluded a share transfer agreement to sell the shares of Haitai Beverage Co., Ltd.
- Concluded share transfer agreements to sell the shares of Hangzhou Xihu Beer Asahi Co., Ltd. and Zhejiang Xihu Beer Asahi Co., Ltd.
- Invested in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major Chinese food and distribution group.
- Acquired shares of former Flavoured Beverages Group Holdings Limited, a major alcohol beverages group in New Zealand.
- Acquired shares of Charlie's Trading Company Limited, a non-alcohol beverages company in New Zealand.
- Acquired the mineral water and juice operations of former P&N Beverages Australia Pty Ltd, a non-alcohol beverages company in Australia.
- Acquired all shares of Permais Sdn. Bhd., a non-alcohol beverages company in Malaysia.
- Established joint ventures with PT Indofood CBP Sukses Makmur TBK to manufacture and sell soft drinks in Indonesia.

In other businesses, sales increased thanks to expansion of the cargo transportation business. However, operating income decreased, due to a continuous increase in costs associated with deterioration of the supply-demand balance for vehicles in the cargo transportation industry.

## TARGETS OF MEDIUM-TERM MANAGEMENT PLAN 2015

- In the alcohol beverages business, we aim to become the leading integrated alcohol beverages company with an emphasis on market innovation through the creation of added value obtained by focusing on the 3Cs (consumers, channels and competitors).
- Net sales: Average annual growth rate of 0–1%
  - \* Market for beer-type beverages: Average annual growth of –1 to –2%
- Operating income ratio: 12.5% or higher
  - (Operating income ratio excluding the liquor tax: 22.5% or higher)
  - \* Total efficiency target for alcohol beverage business: ¥10 billion or higher

- In the soft drinks business, we will establish an industry-leading profit foundation by focusing management resources on strong core brands, while expanding our powerful sales capabilities and networks.
- Net sales: Average annual growth rate of 10% or higher
  - \* Growth rate excluding the impact of the consolidation of Calpis Co., Ltd.: 3% or higher
- Operating income ratio: 5.5% or higher
  - \* Total efficiency target for the soft drinks business: ¥10 billion or higher

- In the food business, we will cultivate the Group's future profit foundation by promoting greater selectivity and focus on strong core brands and businesses, and the businesses we will nurture.
- Net sales: Average annual growth rate of 5% or higher
- Operating income ratio: 5.5% or higher
  - \* Total efficiency target for the food business: ¥3 billion or higher

- In overseas business, we seek to expand the Group's growth foundation by bolstering its global network while leveraging strengths such as brand power, technological capabilities, and cost competitiveness.
- Net sales: Average annual growth rate of 5% or higher
- Operating income ratio: 9.0% or higher
  - \* Total efficiency target for overseas business: ¥6 billion or higher

# Alcohol Beverages



**Akiyoshi Koji**  
Director in charge of  
Alcohol Beverages Business

## Aiming to become the leading integrated alcohol beverages company with an emphasis on market innovation through the creation of added value

The entire domestic alcohol beverages market is projected to continue to experience a harsh business environment, including an anticipated rise in the consumption tax amid the trend of fewer childbirths and ongoing aging of the Japanese population.

In this climate, in the domestic alcohol beverages business, which is a core business of the Asahi Group, we aim to become the leading integrated alcohol beverages company with an emphasis on market innovation centered on the creation of added value that leverages our strengths, as called for by the Asahi Group's Medium-Term Management Plan 2015.

Specifically, we will maximize our brand assets by further enhancing our value proposals based on our strengths, including by brand extension, which we have been pursuing, and by proposing new styles of drinking, in addition to further enhancing core brands such as *Asahi Super Dry*. Moreover, we will continue to create new demand by prioritizing the latent needs of consumers and enhance our sales structures prioritizing the needs of sales channels.

At the same time, our policy is to further strengthen our cost competitiveness at the top global level through the promotion of profit structure reforms that include boosting productivity and by using fixed costs more efficiently, aiming to raise the operating income ratio to 12.5% or higher (22.5% or higher, excluding the liquor tax).

## Achievements of Medium-Term Management Plan 2012

### Enhancing brand value by amassing management resources

Share of domestic beer category No. 1	<b>50.6%</b>
Asahi Super Dry Achieved annual sales volume of over 100 million cases*1 for a 24th consecutive year <small>*1 One case is equivalent to 20 large bottles (663 ml each).</small>	<b>108.80 million cases</b>
Launched products that propose new value	<b>Asahi Super Dry –Dry Black– Asahi Dry Zero Ste. Neige Lela</b>

### Profit Structure Reform

Improved production efficiency by integrating the Nishinomiya Brewery's beer-type beverage production functions into the Suita Brewery

## Future Topics

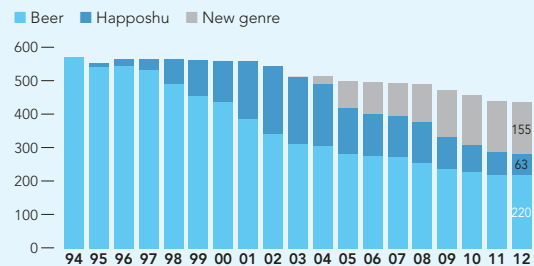
- Responding to diversifying needs of consumers and customers**
  - Build total marketing, including at the product development stage
  - Create new demand and new customers by anticipating the diversifying value and lifestyles demanded by consumers
- Responding to high-income centralization of customers**
- Responding to environmental changes and risks**
  - Hedge against changes in external environment (currency rates, market prices, natural disasters)
  - Make capital investments (new technology) and strategic investments to raise productivity
  - Production technology enabling mass production of diverse products with short lead times at low cost
  - Stable procurement of raw materials qualitatively and quantitatively, and relaxation of market price risk

## Business Environment

- Possible acceleration of downward trend due to raised consumption tax and revised alcohol tax**
- Rising awareness of consumers about health, the assurance and quality of food, and the environment**
- Polarization of consumption (cheap prices vs. premium prices)**
- Increasing number of upscale restaurants**
- Expansion of alcohol-taste beverages market**
- Increasing costs accompanying tight demand/supply of raw materials due to rise of emerging markets**

## SIZE OF DOMESTIC BEER MARKET (TAXABLE SHIPMENT VOLUME)

(Million cases)



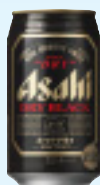
## Medium-Term Management Plan 2015: Targets and Strategies

- Strengthen core brands such as Asahi Super Dry and maximize "brand assets"**
  - Maximize brand assets through the brand extension of Asahi Super Dry and value proposals such as "Extra cold"
  - Expand the market by brand extension of Clear Asahi and by strengthening functional brands
  - Aim to become top in the alcohol-taste beverages business by strengthening the Asahi Dry Zero brand
  - Expand product portfolio, including by enhancing Brown-Foreman Corporation products (Jack Daniel's, Early Times)
- Create new value and new demand around consumer needs**
  - Implement total marketing that precisely understands potential as well as obvious consumer needs
- Strengthen advantageous technology and R&D, and create new value and demand by utilizing Group assets**
- Enhance sales structures based on the needs of sales channels**
  - Strengthen solution-oriented marketing for mass-retail stores and restaurant chains
  - Build collaborative and mutually beneficial structures for home- and commercial-use distribution channels
- Cost competitiveness at the top global level**
  - Aim to increase efficiency by over ¥10 billion by the promotion of profit structure reforms (improve production efficiency, review procurement methods, curb fixed expenses, etc.)

:: BEER



Asahi Super Dry



Asahi Super Dry  
-Dry Black-



Asahi Style Free

:: HAPPOSHU

Market Environment

In 2012, although Japan’s alcohol beverages industry experienced an emerging rebound in consumer sentiment, including a push for greater consumption, it was impacted by a number of negative factors. Along with a diminishing amount of drinks consumed due to Japan’s falling birthrate and aging population, these factors include a shift in consumer preferences to inexpensively priced products to save money, as well as more time spent at home in line with work-life balance considerations. In beer-type beverages, while new genre beverages grew (up 1.1% year on year), shipment volumes for beer and happoshu were down 0.3% and 7.9%, respectively. Consequently, overall taxable shipment volume for beer-type beverages declined 1.0% from the previous year. By category, beer was 50.3%, happoshu 14.3%, and new genre beverages 35.4% of the beer-type beverages market. Of these figures, while the decline in the beer category appeared to be halted, there was no change in the major trend, namely, growth in new genre beverages, albeit it was a degree more subdued than in the previous year.

In categories other than beer-type beverages, wine and ready-to-drink (RTD) beverages continued to grow, but the overall market for alcohol beverages contracted. Non-alcohol beer-taste beverages, meanwhile, grew around 36% year on year on a sales volume basis.

2012 Business Overview

In alcohol beverages operations in Japan, core operating company Asahi Breweries, Ltd. worked to leverage customer trust and cultivate a sense of familiarity by making products with quality as the top priority, aiming to be a “market innovation company” that provides customers with alcohol beverages with a new value as a communication tool that deepens the bonds between people. At the same time, as regards profits, we were able to steadily achieve benefits by aggressively implementing measures designed to improve growth and profitability, including setting up an efficient and improved production brewery by integrating the Nishinomiya Brewery’s beer-type beverage production functions into the Suita Brewery. As a result, total sales for the alcohol beverages business, including Asahi brand sales overseas, were ¥922.3 billion, up 0.1% year on year, and, operating income increased 12.2% to ¥113.3 billion for the same period.

Beer-type Beverages

Our market share of taxable shipment volume for beer-type beverages in 2012 was 37.5%\*1, down 0.4 of a percentage point year on year. Nevertheless, we remained the market leader\*2 for a third consecutive year.

**Beer Category** In the beer category, we focused on cultivating and enhancing the brand value of our core product *Asahi Super Dry*.

Specifically, in April we launched new value proposition products such as *Asahi Super Dry -Dry Black-*, the first extension product of *Asahi Super Dry*. Moreover, we developed the promotion of *Asahi Super Dry “Extra cold,”* a value-added proposal of a new way to enjoy *Asahi Super Dry* in servings chilled below freezing point (between -2°C and 0°C). At the same time, we continued to spread the information and implemented vigorous marketing policies in a bid to enhance brand power for the “Extra cold” value-added proposal by expanding the limited-time opening of “*Asahi Super Dry Extra Cold Bar*” locations to four cities—Ginza in Tokyo, Nagoya, Osaka and Fukuoka. These factors lifted taxable shipment volume for *Asahi Super Dry* above 100 million cases (one case equivalent to 20 large bottles (633 ml each)) for a 24th consecutive year, despite declining 0.1% in taxable shipment for overall beer category.

**Happoshu Category** In happoshu, we continued to boost the brand value of *Asahi Style Free*, now entering its sixth year of sales, as a pioneer in “zero-carbohydrate”\*3 happoshu. Actions included raising the quality and more robust sales promotion activities. As a result, while sales volume for the overall market contracted sharply (down 7.9% year on year), with taxable shipment volume in the happoshu category falling 5.9% year on year, our happoshu market share rose 0.5 of a percentage point to 25.0%.

**New Genre Beverages Category** In new genre beverages, we enhanced and nurtured our core brand *Clear Asahi*, moved to improve the taste and packaging quality of *Asahi Off*, and strengthened our advertising and sales promotion activities. Moreover, Asahi Breweries, which was one of the JOC Gold Partners at the London Olympics, in July last year launched Japan Gold as a new genre “National Product to Support Japan,” and it performed well. However, there was a year-on-year drop in taxable shipment volume of 5.7%, and a decrease in market share of 1.7 percentage points to 24.0%.

\*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 2012

\*3 Based on nutrition labeling standards, sugar content of less than 0.5 g (per 100 ml) is indicated as “zero carbohydrate.”

Shochu, RTD Beverages, Whisky and Spirits, Wine

Total monetary sales of shochu, RTD beverages, whisky and spirits, and wine in 2012 rose 8.0% year on year. In addition to good performances from wine and RTD beverages, the new product *Asahi Dry Zero* launched in February was a hit and significantly boosted sales of alcohol-taste beverages.

In shochu, we worked to reinforce the *Kanoka* brand, a core brand. Specifically, from August we revamped the packaging of Barley Shochu *Kanoka*, in September we launched *Kanoka Shochu High-ball*, and launched for a limited-period a 2,000 ml cardboard pack

## :: NEW GENRE



Clear Asahi



Clear Asahi Prime Rich



Asahi Off

## :: SHOCHU



Mugi-Jochu Kanoka



Honkaku Imo-Jochu Satsuma Tsukasa

that was 200 ml bigger than the existing 1,800 ml product. With potato-based shochu brands, efforts to broaden their presence in restaurants centered on *Honkaku Imo-Jochu Satsuma Tsukasa* and *Koku-Murasaki*. Nevertheless, overall sales in the shochu category declined by 18.9% on a monetary basis.

In RTD (ready-to-drink) beverages, the core product *Asahi Cocktail Partner Fuwarich* series was revamped in April, which won increased support mainly from younger consumers. Furthermore, *Asahi Slat* with its juicy taste with real fruit pulp continued to sell well, offering the value of a low 88 kcal for each can (350 ml), and established itself as a representative low-calorie product for the RTD market. *Asahi Chu-hi Kajitsu-no-shunkan*, a brand made from Pom Juice, was revamped in September as *Asahi Chu-hi Kajitsu-no-shunkan Rich Tangerine Taste*, and drove the category. As a result, sales of RTD beverages rose by 2.1% overall on a monetary basis year on year.

In whisky and spirits, we focused on increasing sales by revamping the packaging of *Black Nikka Clear* in April, and conducting linked sales promotion activities together with suggesting new ways to drink them centering on highballs. Moreover, *Taketsuru Pure Malt 17 Years* was named "World's Best Blended Malt Whisky" at the World Whiskies Awards\*<sup>4</sup> in 2012 for the first time. In commemoration of this award, we launched a limited-volume *Nikka Taketsuru Pure Malt 17 Years Non Chill Filtered*. To provide consumers new to malt whiskey with a product that is an easily obtainable size at a price that is more acceptable for trying a new product, we then launched *Taketsuru Pure Malt 12 Years* in a 500 ml bottle, and overall *Taketsuru* brand sales have increased year on year. Because the product was well received overseas, exports for Europe centered on France performed well, and from December we started to export two items to the U.S.: *Taketsuru Pure Malt 12 Years* and *Single Malt Yoichi 15 Years*. However, overall, sales on a monetary basis in this category fell by 3.4% year on year.

In wine, our domestic wine brands performed well, improving over the previous fiscal year. This was because a new product of *Ste. Neige Relais*, a brand launched in April 2011, was added to the lineup in September: a small volume of the wine in a 320 ml plastic

bottle. For imported wines, along with boosts to sales volume from such daily wine products as Chilean wines *Caliterra* and *Santa Helena*, and Italian wines *Gancia* and *Zonin*, the French wine *Louis Latour* in the fine wine category also sold well with an improved year-on-year performance. As a result, overall sales in this category increased by 8.1% year on year on a monetary basis.

Turning to alcohol-taste beverages, in February 2012, Asahi Breweries launched *Asahi Dry Zero*, a low-calorie beer-taste beverage featuring "a dry finish and clear aftertaste." *Asahi Dry Zero* has sold briskly, surpassing initial forecasts. We also revamped the packaging of *Asahi Double Zero Cocktail*, a cocktail-taste beverage, and renamed the product *Asahi Zero Kaku*, a catchier name that is easier to remember. As a result, overall sales in this category increased by 353.2% year on year on a monetary basis.

\*4 An international competition focused exclusively on whisky, chiefly sponsored by U.K.-based *Whisky Magazine*.

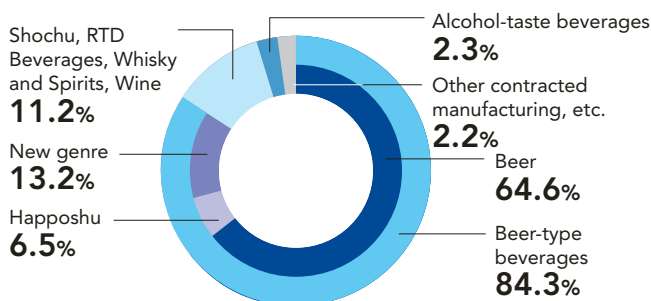
### Sales of Asahi Brand Products Overseas \*Excluding China

**Overview of 2012** In terms of sales of Asahi brand products overseas, in South Korea, we aggressively developed our local sales promotion activities by launching *Asahi Super Dry -Dry Black-* in July 2012 for the first time overseas, among other measures. This helped us to maintain our position as the leading imported beer brand by sales volume for a second consecutive year. This and other actions enhanced our presence, especially in markets across Asia and Oceania.

### Plans and Strategies for 2013

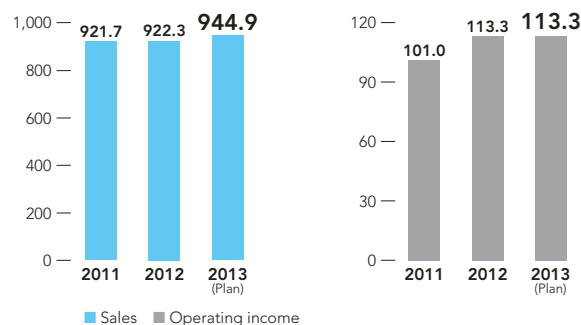
The alcohol beverages business is likely to face unprecedented challenges in terms of market conditions. In the run-up to Japan's consumption tax hike in 2014, these challenges will include the flow of personal consumption to durable consumer goods, along with declining consumer sentiment and increased belt-tightening due to a weakening economy with slower growth. Furthermore, consumption patterns of customers should be shaped by a stronger

### SHARE OF SALES BY PRODUCT IN 2012 (ASAHI BREWERIES, LTD.)



### ALCOHOL BEVERAGES SALES AND OPERATING INCOME

(¥ billion)



RTD BEVERAGES



Asahi Cocktail Partner Dear Pink



Asahi HiLiki The Special

WHISKY AND SPIRITS



Black Nikka Clear



Jack Daniel's

trend for consumers to choose products offering more added value with higher cost performance. In this context, Asahi Breweries, Ltd. will offer value propositions that accurately seize on customer needs and market trends by aligning ever more closely to the customer's perspective. In doing so, Asahi Breweries aims to become a company of first choice for customers by providing products that they choose over others. Consequently, we are targeting sales of ¥944.9 billion (up 2.5% year on year) and operating income of ¥113.3 billion (mostly the same as the previous year).

Beer-type Beverages

The market for beer-type beverages in 2013 is predicted to contract between 1 and 2% overall. In this environment, we are targeting total sales volume of 164 million cases, up 0.5% year on year.

**Beer** In the beer category, while there are indications that the downturn in demand has leveled off somewhat, the overall market is expected to decline between 1 to 2%. In this climate, Asahi Breweries will remain focused on bolstering its core brand *Asahi Super Dry*, as it aims for positive year-on-year growth. In 2013, *Asahi Super Dry* will mark its 27th year of sales. *Asahi Super Dry "Extra cold,"* has proven popular among consumers for allowing enjoyment of *Asahi Super Dry* in servings chilled below freezing point. In an effort to drive expansion of this product, we have successfully developed a New Dispenser System (Cooling Type) specially designed as a dispenser for *Asahi Super Dry "Extra cold."* The new dispenser achieves even greater savings in terms of cost and space compared with the original space-saving dispenser. Asahi Breweries will begin installing the new dispenser in earnest from 2013, with the aim of completing installation at a total of 5,000 establishments. Furthermore, we will upgrade the quality of *Asahi Super Dry -Dry Black-* to acquire new drinking-age consumers and penetrate and embed in the beer market. Launched in 2012, *Asahi Super Dry -Dry Black-* is the first extension of the *Asahi Super Dry* lineup and has been the driving force behind the growing dark beer market.

**Happoshu** The overall happoshu market is projected to decline by between 8 and 9%. The core brand *Asahi Style Free* entered its seventh year of sales in 2013. Notably, it is a pioneer in "zero carbohydrate" happoshu. Asahi Breweries will continue to implement aggressive measures to bolster this brand.

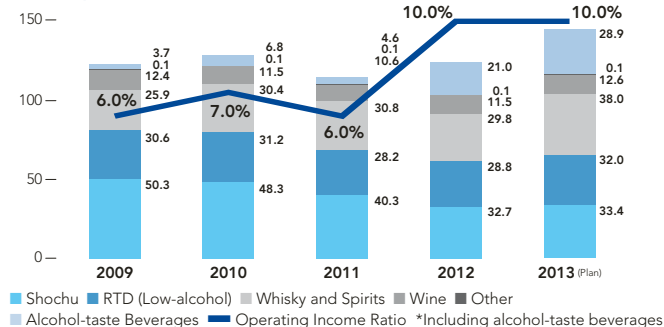
**New Genre Beverages** The market for new genre beverages is expected to grow between 2 and 3% overall, despite signs of slower market growth in 2012. This outlook is based on factors such as a weakening economy with slower growth, and consumer preferences for low prices in the run-up to Japan's consumption tax hike. In response, Asahi Breweries will strengthen the new genre beverages category even more than before. Specifically, the company will focus on reinforcing the brand power of core product *Clear Asahi*, which has grown into a leading brand in this category and an engine behind the market for new genre beverages. To this end, besides improving the quality of *Clear Asahi*, we will launch *Clear Asahi Prime Rich*, the first product to extend the lineup of this brand. Furthermore, Asahi Breweries will continue to strengthen and nurture health-conscious brands. It plans to roll out *Asahi Funwari*, which will feature one of the category's lowest calorie contents\*5, alongside *Asahi Off*, which continues to post a solid performance against the backdrop of rising health consciousness among consumers. *Asahi Off* is noted for its low purine and carbohydrate content\*6.

\*5, 6 Comparison with the Company's malt liquors (1) based on happoshu.

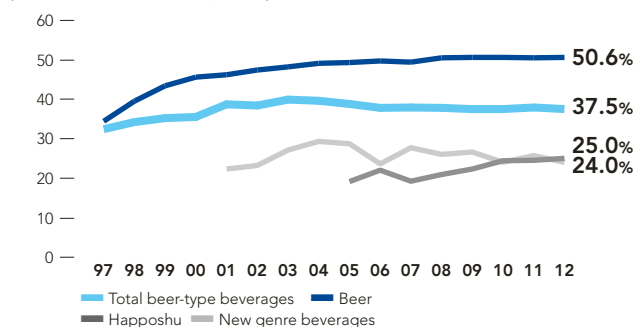
Shochu, RTD Beverages, Whisky and Spirits, and Wine

Continued steps will be taken in 2013 to boost profitability across shochu, RTD beverages, whisky and spirits, and wine. We will concentrate on cultivating and strengthening core brands in each category, targeting year-on-year growth in sales of 17% for the year. In shochu, we will make every effort to improve the value of *Kanoka* as our highest priority brand in the home-use market. In October 2013, *Kanoka* will mark its 20th anniversary of launch. We will also drive growth by concentrating our marketing investments. In the

NET SALES FOR SHOCHU, RTD BEVERAGES, WHISKY AND SPIRITS, AND WINE\* AND OPERATING INCOME RATIO (¥ billion)



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





## :: WINE



Ste. Neige Rel

## :: ALCOHOL-TASTE BEVERAGES



Asahi Dry Zero



Asahi Zero Kaku

commercial-use market, Asahi Breweries will strive to boost its presence in the authentic (singly distilled) shochu market by expanding the number of new restaurants that offer the company's products, centered on the potato-based *Honkaku Imo-Jochu Satsuma Tsukasa* and *Koku-Murasaki*.

In RTD beverages, growth is evident in the market for beverages with a low alcohol content of 3% or less and the market for beverages with a high alcohol content of 7% or higher. Therefore, Asahi Breweries will strengthen measures aimed at invigorating each of these two markets. Specifically, we will offer new value propositions by enhancing *Asahi Cocktail Partner* lineups in the low alcohol market and the new brand *Asahi HiLiki The Special* in the high alcohol market.

In whisky and spirits, we have positioned *Black Nikka Clear*, which is popular for its clear taste, and *Taketsuru* malt whisky as our most important domestic whisky brands. We will continue to increase their stature among domestic whisky brands through measures that further heighten their appeal to customers. In imported whisky, we will put emphasis on increasing sales of Brown-Foreman Corporation whisky products. We will vigorously implement product proposals and advertising and sales promotion activities unique to Asahi Breweries, as we strive to drive further expansion in imported whisky sales. Our efforts will be centered on mainstay products like *Jack Daniel's*, which is the world's No. 1 American whisky brand in terms of sales volume, and *Early Times*.

In wine, Asahi Breweries has positioned *Ste. Neige Rel*, a table wine that can be enjoyed without formality, as its most important domestic wine brand. We will propose new settings for drinking wine that will enable consumers to enjoy wine on a daily basis. In imported wines, Asahi Breweries will expand sales of key brands in the home-use daily wine sector such as Chilean wine *Alpaca*, and Spanish wine *Albali*. In the commercial-use sector, key brands will include Chilean wine *Caliterra* and French wine *Saint-Vincent*. In fine wines, Asahi Breweries will seek to expand sales of fine wines centered on French wine *Louis Latour*, in addition to

wines from a variety of other countries, including Italy and New Zealand. Asahi Breweries will fulfill the needs of many different customers with an enhanced, diverse lineup of wine for both home and commercial use.

In alcohol-taste beverages, Asahi Breweries will promote vigorous total marketing initiatives for *Asahi Dry Zero*, a beer-taste beverage which was launched in February 2012 and has proven popular for featuring a "dry finish and clear aftertaste." In doing so, Asahi Breweries will further enhance its presence in the market and enhance its brands. Additionally, Asahi Breweries will continue to strengthen measures to boost sales of the cocktail-taste beverage *Asahi Zero Kaku*. This product will serve as a pioneer in cocktail-taste beverages in both the home-use and commercial-use markets.

### Sales of Asahi Brand Products Overseas \*Excluding China

**Plans for 2013** As regards sales overseas, we will pursue horizontal development in countries and regions that can follow the models of countries like South Korea where sales are firm. Furthermore, we will bolster relationships with existing local partners while conducting marketing investment, in order to raise the brand recognition of Asahi, especially *Asahi Super Dry*, with the overall aim of increasing sales volume in each country.

### Profit Structure Reform

Improving the profitability of existing businesses is set forth as a priority in the Asahi Group's Medium-Term Management Plan 2015.

In terms of profit structure reform for the domestic alcohol beverages business, the Group's policy is to gain efficiencies totaling more than ¥10 billion during the 3 years from 2013 to 2015, and raise the operating income ratio to 12.5% or higher. In 2013, we aim to improve the marginal profit ratio mainly by promoting Group-wide procurement. Another goal is to raise the efficiency of fixed expenses primarily by reducing depreciation and amortization through the optimization of capital investment.

## SALES TARGETS AND ACTUAL RESULTS BY ALCOHOL BEVERAGES CATEGORY (ASAHI BREWERIES, LTD.)

(¥ billion)

	2012	2011	Year-on-year	% of Total	2013 Target	Year-on-year	% of Total
Beer-type beverages (total)	776.4	785.1	-1.1	84.3	778.7	0.3	82.4
Beer	595.2	593.2	0.3	64.6	595.2	0.0	63.0
Happoshu	59.6	63.3	-5.9	6.5	56.1	-5.8	5.9
New genre	121.6	128.6	-5.5	13.2	127.4	4.8	13.5
Beverages other than beer-type beverages (total)	102.9	110.1	-6.6	11.2	116.1	12.9	12.3
Shochu	32.7	40.3	-18.9	3.5	33.4	2.2	3.5
RTD beverages	28.8	28.2	2.1	3.1	32.0	11.3	3.4
Whisky and spirits	29.8	30.8	-3.4	3.2	38.0	27.5	4.0
Wine	11.5	10.6	8.1	1.2	12.6	9.5	1.3
Other alcohol beverages, etc.	0.1	0.1	-11.9	0.0	0.1	-2.9	0.0
Alcohol-taste beverages	21.0	4.6	353.2	2.3	28.9	37.4	3.1
Other contracted manufacturing, etc.	20.6	19.7	4.3	2.2	21.3	3.5	2.3
Total	920.8	919.6	0.1	100.0	945.0	2.6	100.0

# Soft Drinks



**Shiro Ikeda**  
 Director and Corporate Officer  
 in charge of Soft Drinks Business

## Establishing an industry-leading profit foundation by focusing management resources on core brands and by expanding our powerful sales capabilities and networks

The entire domestic soft drinks market is projected to experience a continued harsh business environment, including an anticipated rise in the consumption tax amid the trend of intensifying competition.

In this environment, in the soft drinks business, we aim to establish an industry-leading profit foundation, both by focusing management resources on core brands, which are each company's strengths, and by expanding our powerful sales capabilities and business networks, as called for by our Medium-Term Management Plan 2015.

At Asahi Soft Drinks Co., Ltd., we will implement structural reforms to achieve profitable growth by such measures as improving the product mix by strengthening mainstay brands *Mitsuya Cider*, *WONDA* and *Asahi Juroku-cha*, and raising sales expense efficiency. Elsewhere, Calpis Co., Ltd. aims to generate group synergies by collaborating with other group companies while improving the value of the *Calpis* brand and expanding the brand's assets around the world.

Furthermore, we will aim for an average annual net sales growth of 10% or higher and an operating income ratio of 5.5% or higher by promoting further capital and operational alliances by leveraging the company's network development capabilities as a key strength.

## Achievements of Medium-Term Management Plan 2012

### Asahi Soft Drinks Co., Ltd.

Obtained the No. 4 position in the industry

Market share of **10.7%**

### Growth of Core Brands

#### WONDA

Cemented the No. 3 position in Japan's canned coffee market

Asahi Soft Drinks' first **40** million case brand

#### Asahi Juroku-cha

Expanded sales volume for a third consecutive year

Reached the **20** million case mark for the first time in 12 years

### Established an optimal production and logistics system through measures such as internal production of PET bottles

### LB Co., Ltd.

Created synergies through the successful integration of two former LB companies

## Future Topics

### Asahi Soft Drinks Co., Ltd.

- Establish a management framework designed to balance growth and profitability
- Strengthen brand power, aiming to build *WONDA*, *Mitsuya Cider* and *Asahi Juroku-cha* as future No. 1 and No. 2 brands
- Achieve an optimal supply framework and cost reductions

### Calpis Co., Ltd.

- Enhance the functionality of the "Peace Bottle"
- Strengthen the product competitiveness of mainstay brands *Calpis Water*, *Calpis Soda*, and *Calpis Fruit Parlor*, and expand the lactic acid products field by launching new *Calpis* brand products.

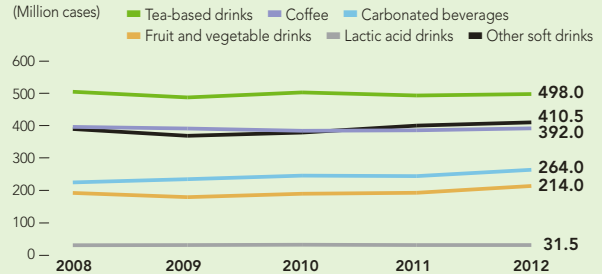
### LB Co., Ltd.

- Upgrade and expand product development utilizing Group brands
- Promote the unique value of chilled and long-life beverages

## Business Environment

- Faster shift to lower prices and increasing industry consolidation among the top 5 soft drink manufacturers
- Intensified competition due to the maturing soft drinks market, and falling prices
- Increase in new products, ever shorter product life cycles
- Declining consumer sentiment due to the consumption tax hike
- Increased use of convenience stores reflecting a higher share of the elderly population

## SALES IN DOMESTIC SOFT DRINKS MARKET, BY CATEGORY



## Medium-Term Management Plan 2015: Targets and Strategies

### Asahi Soft Drinks Co., Ltd.: Achieve profitable growth

(2015 Guidelines: Average annual net sales growth of 3% or higher, operating income ratio of 4% or higher)

- Enhance market position centered on the company's three core brands (*Mitsuya Cider*, *WONDA*, and *Asahi Juroku-cha*)
- Broaden the use of brand development expertise from *Mitsuya Cider*, *WONDA* and other brands, while creating new value and demand by leveraging strengths
- Enhance profitability by raising sales expense efficiency and improving the mix of sales channels and drink containers
- Promote further profit structure reforms (expand measures to internalize drink container production and optimize production and logistics systems)

### Calpis Co., Ltd.: Enhance growth and cost competitiveness by leveraging Group-wide synergies

(2015 Guidelines: Average annual net sales growth of 3% or higher (on a full-year basis), operating income ratio of 6.0% or higher)

- Enhance the value of *Calpis*, a top lactic acid drinks brand, and develop this "brand asset" worldwide
- Create collaborative synergies (¥6.0 billion or higher) in procurement, logistics and other fields by strengthening collaboration throughout the Group

### LB Co., Ltd.: Drive growth in the "chilled and long-life soft drinks business" utilizing Group assets

- Develop value-added strategies utilizing Group assets such as *Calpis* and *Bireley's*

### Promote further capital and operational alliances by leveraging the company's network development capabilities in Japan as a key strength

Asahi Soft Drinks Co., Ltd.

TEA-BASED DRINKS



Asahi Juroku-cha

Asahi Soft Drinks Co., Ltd.

COFFEE



WONDA Morning Shot



WONDA Otonano (for adults) WONDA The Standard



WONDA Kinnohitou (low-sugar)

Market Environment

In 2012, sales volume in the Japanese soft drinks industry is estimated to have grown by around 3% overall, increasing for a third straight year. Market expansion was driven by factors including favorable weather in the peak summer sales season for soft drinks, demand for stocking mineral water, and the invigoration of the market through new products.

2012 Business Overview

In the soft drinks business, Asahi Soft Drinks Co., Ltd. achieved growth substantially exceeding that of the market's growth by enhancing its growth strategies centered on core brands. Moreover, the entire business achieved significantly increased earnings due to the contribution of the performance of Calpis Co., Ltd. which became a newly consolidated subsidiary in October. However, earnings significantly declined mainly due to increased advertising and sales promotion expenses at Asahi Soft Drinks and a fall in sales and earnings at LB Co., Ltd. This was despite the fact that we enhanced our cost competitiveness by such initiatives as building the optimum production and logistics frameworks, while maintaining the highest level of quality assurance from the customers' perspective.

As a result, sales for the soft drinks business were ¥370.8 billion, up 14.2% year on year, with operating income down 35.2% to ¥7.4 billion.

Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. posted a record sales volume and net sales increased year on year for a tenth consecutive year. As a result, Asahi Soft Drinks achieved a share of 10.7% of the Japanese soft drinks market.

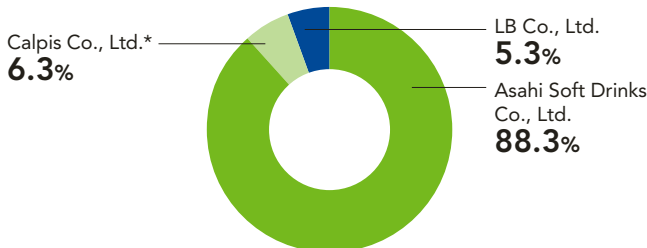
In soft drink operations in Japan, core operating company Asahi Soft Drinks enacted initiatives designed to strengthen and nurture core brands and invigorate long-seller brands through a basic policy addressing two key issues: growth strategies and improving profitability.

In regard to growth strategies, Asahi Soft Drinks worked to strengthen and nurture its three core brands: *WONDA*, *Mitsuya Cider* and *Asahi Juroku-cha*. At the same time, the company invigorated long-seller brands such as *Wilkinson*, *Bireley's* and *Asahi Oishii Mizu* mineral water. It also launched *Monster Energy* to generate new demand, along with new products like *Fiber 7500*, a carbonated drink approved for sale as a Food for Specified Health Use (FOSHU). Through these and other initiatives, Asahi Soft Drinks achieved far higher growth than the industry average.

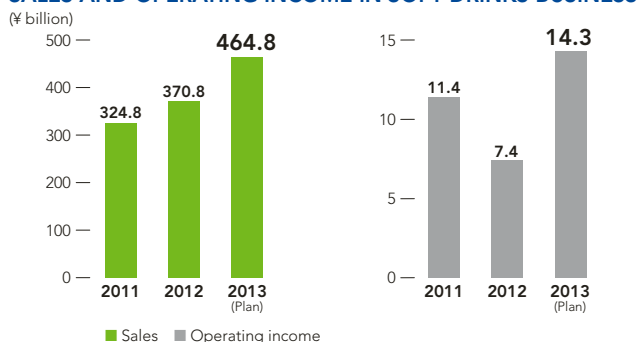
In core brands, the *WONDA* brand has grown into Asahi Soft Drink's first 40 million case brand. As a result, the *WONDA* brand has cemented the No. 3 position in Japan's canned coffee market. Sales volume of *Asahi Juroku-cha* surpassed 20 million cases for the first time in 12 years, marking a third consecutive year of growth. Sales volume of the *Mitsuya Cider* brand rose 7% year on year.

SOFT DRINKS SALES COMPOSITION BY COMPANY (2012)

\*Actual results for October to December 2012



SALES AND OPERATING INCOME IN SOFT DRINKS BUSINESS



Asahi Soft Drinks Co., Ltd.

### CARBONATED BEVERAGES



Mitsuya Cider



Wilkinson Tansan

Asahi Soft Drinks Co., Ltd.

### FRUIT AND VEGETABLE DRINKS



Bireley's Orange

Asahi Soft Drinks Co., Ltd.

### WATER



Oishii Mizu

In regard to long-seller brands, Asahi Soft Drinks revamped its product lineup of mineral water in June. Sales of the newly relaunched *Asahi Oishii Mizu* brand achieved substantial growth of 37% year on year, compared with preceding products. Sales of *Wilkinson Tansan* also grew dramatically, increasing 55% year on year. This was the result of proposing a new way of enjoying this drink as table water, along with the addition of new products to the lineup. Consequently, *Wilkinson Tansan* became the No. 1 carbonated mineral water brand\*<sup>1</sup> in Japan. Asahi Soft Drinks also actively proposed new additions to the lineup such as *Wilkinson Ginger Ale*. Overall *Wilkinson* brand sales increased 44% year on year, for a fifth consecutive year of higher sales.

Furthermore, *Monster Energy* was launched in May 2012 for the purpose of creating new demand. It surpassed its annual sales target of 1 million cases in September that year, and further outpaced the upwardly revised target of 1.2 million cases to finish the year at a sales volume of 1.57 million cases. Sales of *Fiber 7500*, a carbonated FOSHU drink rolled out in November 2012, have been growing steadily since surpassing their annual target of 300,000 cases in the first month of sales.

Thanks to these developments, total sales volume for Asahi Soft Drinks grew 11.6%, recording a tenth consecutive year of growth at an all-time high. As a result, Asahi Soft Drinks sales rose 7.7% year on year to ¥327.6 billion.

As regards improving profitability, Asahi Soft Drinks renovated its mineral water production line at its Mt. Fuji Factory with an eye

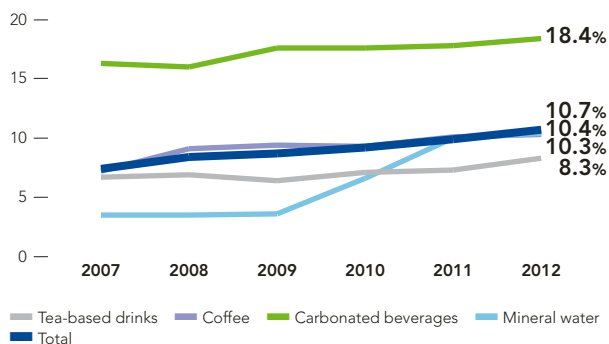
to future growth, achieving increased capacity as a production hub for Eastern Japan. This measure was implemented in conjunction with the construction of an optimal production and logistics system and the integration of mineral water products into the *Asahi Oishii Mizu* brand. However, as a result of increased advertising and sales promotion expenses, operating income declined 42.3% to ¥6.6 billion.

\*No. 1 carbonated water brand: Surveyed by INTAGE MBI. Based on actual monetary sales from January 2012 to December 2012.

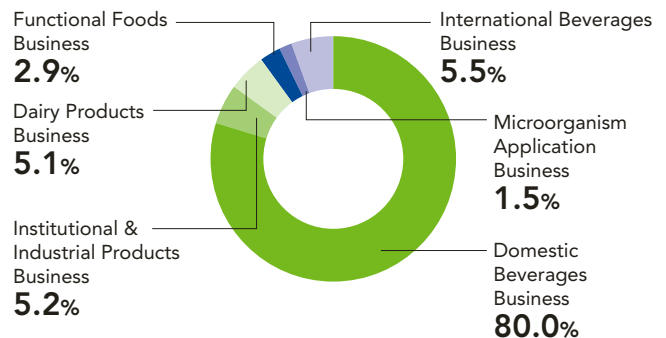
### Calpis Co., Ltd.

Calpis Co., Ltd. became a consolidated subsidiary of the Asahi Group in October 2012. In 2012, the company contributed ¥23.5 billion in sales and ¥0.5 billion in operating income (full-year basis). Calpis Co., Ltd. worked to drive expansion in the microorganism application business, by taking full advantage of its proprietary technologies. In addition, the company strove to enhance the value of the *Calpis* brand in Japan and strengthen the international beverage business. It also redesigned the container for its mainstay pre-diluted *Calpis* lactic acid beverages for the first time in 17 years. The functionality of the new containers, including the ability to preserve quality and ease of use, has been well received by consumers. As a result, overall concentrated beverage sales increased 6% year on year. Calpis also posted a steady performance in its direct marketing business, where it conducts direct sales of functional food products based on proprietary technologies and materials.

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



BREAKDOWN OF SALES OF CALPIS CO., LTD. (2012) (%)



Calpis Co., Ltd.



Calpis



Calpis Water



Calpis Soda

Calpis Fruits Parlor  
Fully ripened mango with  
lemon juice

On the profit front, Calpis pressed ahead with measures to reduce manufacturing costs, including reducing the weight of packaging materials such as PET bottles and labels, as well as improving the in-house manufacturing ratio.

### LB Co., Ltd.

LB Co., Ltd. positioned 2012 as a year for dramatic growth in expanding its business fields, and worked to strengthen and expand its operating base.

In the lactic drinks category in chilled beverages, LB posted significantly higher sales volume than in the previous year, mainly due to the continuous launch of new products designed to capture market growth. However, sales of products in the tea-based category were lackluster in the convenience store sector. Consequently, LB recorded lower overall sales than in the previous year.

On the other hand, LB worked to streamline manufacturing and logistics costs. Measures included reducing raw materials costs for sweeteners, packaging and other items mainly by promoting the consolidation of suppliers, group purchasing and other initiatives. The company also worked to adopt area production systems for chilled beverages.

### Plans and Strategies for 2013

In 2013, the soft drinks market in Japan is predicted to perform roughly on par with 2012, despite the impacts of demand for stocking mineral water running its course and the absence of the high temperatures of the previous year's summer.

Under these conditions, in the soft drinks business the Asahi Group will expand sales at each Group company by implementing proactive initiatives to improve the *Calpis* brand value, as well as continuing to strengthen core brands at Asahi Soft Drinks.

As regards earnings, we will endeavor to improve profitability primarily by such measures as raising sales expense efficiency at Asahi Soft Drinks and improving the sales channels and product-container mix. At the same time, we will strive to maximize collaborative synergies by working with Calpis in logistics and procurement through enhanced inter-business coordination.

As a result, the Asahi Group is targeting sales of ¥464.8 billion (up 25.3% year on year) and operating income of ¥14.3 billion (up 93.9% year on year).

### Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. will work to establish the profit base needed to advance to a new stage, while speeding up the pace of growth in response to changes in the market environment in Japan. Through these measures, Asahi Soft Drinks is targeting sales volume of 198 million cases for 2013, an increase of 2.6% year on year. This would mark its 11th consecutive year of sales volume growth.

With respect to growth strategies, Asahi Soft Drinks will work to establish a product portfolio aimed at further growth. This will entail implementing category and brand strategies that take full advantage of its proprietary strengths, based on diversifying customer needs. Through clear-cut marketing investment, the company will strive to invigorate best-seller brands such as

## SALES AND FORECAST BY ASAHI SOFT DRINKS BRAND AND CATEGORY

(Million bottles)

	2012	Year-on-year (%)	Composition (%)	2013 (plan)	Year-on-year (%)	Composition (%)
Carbonated beverages total	48.70	12.26	25.24	53.40	9.7	27.0
Coffee total	40.42	4.78	20.95	41.30	2.2	20.9
Tea-based beverages total	41.23	14.62	21.37	41.05	-0.4	20.7
Mineral water total	21.85	9.45	11.32	22.30	2.1	11.3
Juice total	16.17	20.76	8.38	15.75	-2.6	8.0
Health & functional beverages total	8.62	4.76	4.47	8.00	-7.2	4.0
Other beverages total	2.50	41.44	1.30	2.00	-20.0	1.0
Goods purchased	13.45	16.39	6.97	14.20	5.6	7.2
Total	192.93	11.63	100.00	198.00	2.6	100.0

LB Co., Ltd.

## CHILLED BEVERAGES



Ocha



Tasty Calpis



Bireley's chilled style



Sugar-free black vinegar

WONDA, Mitsuya Cider, Asahi Juroku-cha, Wilkinson, and Asahi Oishii Mizu, roll out new brands representing new value propositions, while striving to entrench these brands in the marketplace. The goal is to nurture leading brands within each category.

In terms of structural reform, Asahi Soft Drinks will build an optimal supply framework straddling R&D, production, supply chain management (SCM) and purchasing. Building on the optimal production framework established to date, Asahi Soft Drinks will implement measures based on quality, cost and stable supply from a medium- and long-term perspective encompassing anticipated increases in sales volume set forth in the Medium-Term Management Plan 2015, and conditions in 2015 and beyond. The company will explore and promote upgrades to the in-house container production system, as well as develop and introduce new production technologies, among other priorities. It will also add a new production line at the Mt. Fuji Factory, with the start of operations planned for 2014.

### Calpis Co., Ltd.

In concentrated beverages, Calpis will work to increase market recognition of the advantages of the *Calpis* Peace Bottle (multi-layered structure to preserve delicious taste, easy to hold, easy to adjust pouring volume, easy to recycle with no sorting necessary). At the same time, the company will implement measures designed to enable a broad range of customers to experience the delicious taste of *Calpis* drinks. In ready-to-drink beverages, the company will work to increase sales by enhancing its three mainstay brands, namely *Calpis Water*, *Calpis Soda* and *Calpis*

*Fruits Parlor*. Efforts will also be made to rapidly capture synergies through such means as developing *Calpis* brand products within the Group, promoting Group-wide procurement, and utilizing the Group's logistics system.

In the international beverage business, Calpis will work to expand business in areas where it is already active, such as Indonesia, Thailand, Taiwan, the U.S. and Mexico. The company will also cultivate markets in emerging countries at a faster pace by capturing synergies with the Asahi Group. In these ways, Calpis aims to expand business areas for the *Calpis* brand, which offers value in terms of deliciousness and health.

### LB Co., Ltd.

LB Co., Ltd. will work to expand its presence in convenience stores and mass-retail stores. To this end, the company will proactively develop chilled and long-life products that offer unique, high added value by leveraging brands within the Group. In addition, LB will commence production and sales of six chilled beverage and long-life product items that comprise the existing business of the company Calpis, while at the same time working to introduce new products. On the profit front, LB will make a company-wide effort to refine business processes through the introduction of a new core system and other measures, as it strives to provide customers with higher value.

## CALPIS CO., LTD. TARGETS FOR SYNERGY CREATION THROUGH COOPERATION

(¥ billion)

	Efficiency target	Initiative
Logistics	3.0~	Increase efficiency by leveraging the Group's logistics network
Procurement	1.5~	Procure raw materials and ingredients
Production	1.0~	Build the optimum production framework
Other	0.5~	Increase efficiency of all fixed expenses, including for personnel and indirect materials
Total	6.0~	

# Food



**Katsuyuki Kawatsura**  
Senior Managing Director and  
Senior Managing Corporate  
Officer in charge of Food Business

## Promoting the prioritization of strong brands and businesses, and the businesses we will nurture, to cultivate the Group's future profit base

The entire domestic food market continues to face a contraction of structural demand mainly due to a shrinking and aging population. At the same time, customer needs are diversifying as a result of changes in each generation's lifestyle.

In this environment, in the food business, we will promote the prioritization of the strong brands and businesses that we possess, and of the businesses to be nurtured, with a view to cultivating the Group's future profit base, as called for by our Medium-Term Management Plan 2015.

We will enhance the industry's highest class of brands and businesses such as MINTIA breath mint tablets from Asahi Food & Healthcare Co., Ltd., the baby food business of Wakodo Co., Ltd. and the freeze-dried business of Amano Jitsugyo Co., Ltd., and also leverage our strengths such as yeast extract. The overall aim is to develop our future competitiveness.

Moreover, we will aim for an average annual net sales growth of 5% or higher and an operating income ratio of 5.5% or higher, mainly by continuously realizing lower production costs and other profit structure reforms, and by making use of our global network to expand the overseas development of our strong brands and businesses.



## Achievements of Medium-Term Management Plan 2012

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

Growth of mainstay product brands

MINTIA	Up over <b>22%</b> from 2009
Dear-Natura	Up over <b>93%</b> from 2009

### Wakodo Co., Ltd.

Growth of core businesses such as baby food

Increase in share of Japanese baby food market	<b>45.5%</b> (Up 4.5 points from 2009)
Growth in share of Japanese market for powdered infant formula	<b>18.5%</b> (Up 3.6 points from 2009)

\* Based on SDI data (all business sectors, monetary amounts) from INTAGE Inc. for January–December 2012 and 2009

### Amano Jitsugyo Co., Ltd.

Dramatic growth in direct marketing business and mass distribution sales business

Direct marketing business	Up higher than <b>55%</b> from 2009
Mass distribution sales business	Up higher than <b>67%</b> from 2009

## Future Topics

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

- Develop competitive products and reform the profit structure according to changes in the market
- Establish Asahi Food & Healthcare Co., Ltd.'s unique, unrivalled strengths

### Wakodo Co., Ltd.

- Revitalize operations and enhance profitability by improving the value of baby products
- Ensure stable profit through consulting-based sales according to changes in the market

### Amano Jitsugyo Co., Ltd.

- Develop products according to customer needs
- Enhance profitability by conducting reviews of the corporate business

## Business Environment

- ❖ Declining consumer sentiment due to the consumption tax hike
- ❖ Aging society with fewer children, plus declining birthrate in Japan
- ❖ Increases in single-person and elderly households, and many more occasions to eat alone
- ❖ Burgeoning need for increased shopping convenience in step with a higher percentage of working women
- ❖ Continuing preferences for food safety and security in response to anxieties about food
- ❖ Declining prices due to the emergence of mass-retail stores and private labels

## Medium-Term Management Plan 2015: Targets and Strategies

### Asahi Food & Healthcare Co., Ltd.: Energize strong brands and execute prioritization

(2015 Guidelines: Average annual net sales growth of 5% or higher, operating income ratio of 5% or higher)

- Concentrate management resources on energizing mainstay brands such as MINTIA and BALANCEUP
- Nurture businesses that leverage strengths, such as yeast, and reform the profit structure of the business as a whole

### Wakodo Co. Ltd.: Expand business by leveraging the company's high share of the baby food market, and promote profit structure reforms

(2015 Guidelines: Average annual net sales growth of 5% or higher, operating income ratio of 5% or higher)

- Establish the undisputed dominant position in baby food products (baby food and powdered infant formula)

- Shift management resources to overseas business and the seniors business, and execute profit structure reforms covering overall selling expenses and fixed expenses

### Amano Jitsugyo Co., Ltd.: Expand businesses that leverage freeze-dried food technology as a core strength

(2015 Guidelines: Average annual net sales growth of 5% or higher, operating income ratio of 5% or higher)

- Enhance brands that leverage competitive freeze-dried food technology and the creation of new value and demand
- Improve profitability through technological innovation and prioritization of sales channels

### Drive overseas business expansion by leveraging the strong brands and technologies of each food company

Asahi Food & Healthcare Co., Ltd.



MINTIA



BALANCEUP



Dear-Natura

Wakodo Co., Ltd.



Infant formula Lebens Milk Hai Hai

## 2012 Business Overview

In the food business, net sales increased year on year owing to efforts by each operating company to strengthen mainstay brands. Consequently, sales in the food business rose 3.7% year on year to ¥101.6 billion. However, operating income declined 11.7% year on year to ¥3.7 billion, mainly due to higher sales-related expenses at Wakodo Co., Ltd.

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

Asahi Food & Healthcare Co., Ltd. worked to expand sales by cultivating new sales channels, in addition to further enhancing mainstay brands and developing and launching new products. Specifically, the mainstay processed foods business saw sales increase year on year due to the continuous launch of new and revamped products, assertive advertising campaigns, and sales promotions. Asahi Food & Healthcare recorded higher sales of mainstay products such as *MINTIA* breath mint tablets and *BALANCEUP* nutritionally balanced snack bars, along with candy packaged in bags such as *MITSUYA CIDER CANDY*. Sales growth was also driven by *Ippon Manzoku Bar* nutrition bars. In the health and beauty business, sales increased steadily as new quasi-drug products were launched for the *EBIOS* and *Dear-Natura* brands. In skincare products, *Suhada Shizuku* was rolled out and achieved its full-year sales target in only seven months. In addition, inroads were made into the development of the market for food seasonings, mostly among processed food manufacturers in Japan and overseas, despite contraction in the Japanese market. These efforts were supported by the launch of the high-value-added yeast extract *HYPER MEAST* and other products. As a result, sales for Asahi Food & Healthcare rose 5.3% year on year to ¥49.5 billion, setting a record high for a ninth consecutive year.

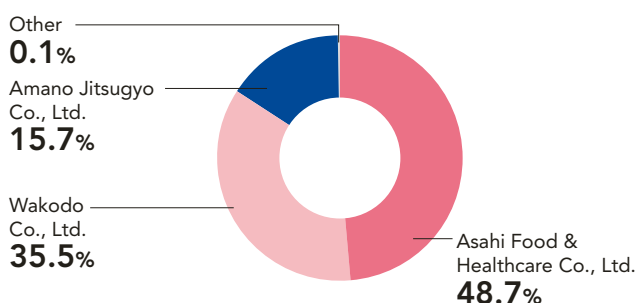
On the profit front, Asahi Food & Healthcare saw operating income increase 14.2% year on year to ¥2.3 billion, mainly due to efficient use of sales promotion expenses and cuts in raw materials costs. This was despite losses on the disposal of products for which “best by” dates had expired as a result of the disruption in the supply-demand balance caused by the Great East Japan Earthquake.

### Wakodo Co., Ltd.

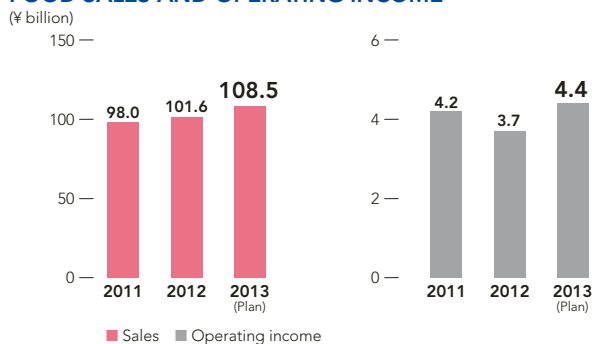
Wakodo Co., Ltd. followed a management policy of boldly advancing to the next stage, taking steps to enhance its presence in the markets for baby food and powdered infant formula, while working to strengthen its profit base by winning new customers for commercial-use products. In the baby and senior business, sales grew strongly for the company's mainstay product, the *Goo-Goo Kitchen* baby food series, along with the relaunched *Eiyo Marche* with included a tray. For seniors, Wakodo posted steady sales of elderly care products centered on the *Oral Plus* dental care product, along with food products for the elderly centered on the *Shokuji wa Tanoshii* series. This reflected efforts to strengthen the sales structure eyeing expansion in the senior nursing care market. However, Business-to-Business activities posted lower sales as major customers shifted to internal production and used alternative low-cost overseas raw materials. Consequently, sales for Wakodo decreased 1.4% year on year to ¥36.1 billion.

In terms of profit, operating income (before amortization of goodwill) decreased 62.2% to ¥0.5 billion. This decrease was primarily due to increased sales promotions, discounts and other measures in response to intensified competition in the baby food market, despite cost cutting measures such as reducing raw materials and plant production costs.

## FOOD SALES COMPOSITION BY COMPANY (2012)



## FOOD SALES AND OPERATING INCOME



❖ Amano Jitsugyo Co., Ltd.



In the Goo-Goo Kitchen series, flounder risotto



In the Shokuji wa Tanoshii series, easy-to-cook sukiyaki



Eggplant miso soup



Nyumen Sumashi Yuzu



In the Chiiisame Donburi series, a small chicken-and-egg rice bowl

### Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. worked to expand its business and boost profitability by increasing sales channels, developing products in line with customer needs, and augmenting production facilities. Efforts were also focused on upgrading and expanding core brand lineups, launching new products such as *Genen type Omiso-shiru* (reduced sodium miso soup), and increasing the number of stores handling its products in the mass-retail store sector centered on the Tokyo metropolitan area. As a result, Amano Jitsugyo achieved substantial growth both in the mass distribution sales business and the direct marketing business. Sales rose 11.0% year on year to ¥16.0 billion, for a fourth consecutive year of record sales.

Turning to profit, operating income was ¥0.8 billion, mostly the same as the previous fiscal year. Profit was reduced by higher advertising expenses and depreciation and amortization following the expansion of freeze-dried food production capacity. However, this decrease was offset primarily by fixed cost reductions through the automation of certain packaging processes, along with reduced procurement costs for raw materials, and a large improvement in disposal costs.

### Plans and Strategies for 2013

In 2013, we will work to ensure steady growth by concentrating on mainstay brands and core businesses, while promoting cost cutting. Specifically, we will focus on measures to enhance our competitiveness in existing mainstay businesses, categories, and products, with a view to enhancing our position in Japan's processed food market. From these actions, we are aiming for higher sales and earnings in the food business in 2013, targeting sales of ¥108.5 billion (up 6.7% year on year) and operating income of ¥4.4 billion (up 18.9% year on year).

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

In its mainstay business of processed foods, Asahi Food & Healthcare Co., Ltd. aims to further enhance and expand its existing products such as *MINTIA* breath mint tables, *BALANCEUP* nutritionally balanced snack bars and *Ippon Manzoku Bar* nutrition bars. For *MINTIA*, the main focus will be on upgrading sales promotions for existing products centered on strong mint products, while actively developing new products that extend the lineup. In the health and beauty business, the company will position *Dear-Natura* brand supplements, the quasi-drug product

*EBIOS*, the *Slim Up Slim* line of diet support food and the skin-care product *Suhada Shizuku* as core brands, while working to further enhance existing products and actively expand advertising and sales promotion activities. In the food seasonings business, Asahi Food & Healthcare will propose yeast extract-based seasonings that match customer needs by strengthening ties with major food manufacturers. The company will also strengthen measures targeting overseas markets centered on Southeast Asia.

### Wakodo Co., Ltd.

Wakodo Co., Ltd. will work to enhance earnings through measures that leverage its high market share of Japan's baby food market, along with streamlining production and sales divisions. Specifically, the company will focus on strengthening mainstay brands, such as *Lebens milk Hai Hai* and *Gun Gun* in its powdered infant formula category and *Goo-Goo Kitchen* baby food, while seeking to expand sales by conducting efficient and effective sales activities. The market for seniors' products has been undergoing continued expansion. Here, Wakodo aims to boost sales by upgrading and expanding the range of items in the *Shokuji wa Tanoshii* brand of retort pouch food products for elderly care, while conducting proactive sales activities centered on the drug-store channel. At the same time, the company will continue to devote efforts to elderly care products centered on the *Oral Plus* dental care product, while strengthening sales activities. In overseas business, Wakodo aims to drive business expansion mainly by reconfiguring its sales structure in major Asian countries where it is developing business.

### Amano Jitsugyo Co., Ltd.

In the mass distribution business, Amano Jitsugyo Co., Ltd. will continue working to increase the number of mass-retail stores handling its products centered on the Tokyo metropolitan area. In the direct marketing business, the company will strive to create and nurture new categories, while at the same time taking measures to enhance brand recognition. Measures will include proactive advertising campaigns via TV commercials, online advertisements and other channels. Moreover, the company will expand satellite shops designed to promote the attraction of freeze-dried food products. The company will also continuously reduce raw materials, logistics, and other costs, while pursuing higher efficiency, mainly by automating certain manufacturing processes.

# Overseas



**Toshio Kodato**  
 Director and Corporate Officer  
 in charge of Overseas Business

## Expanding our growth base through enhancing our global network by leveraging our strengths such as brand capabilities, technological capabilities and cost competitiveness

Amid the maturing of the entire domestic market, the Asahi Group must tackle the important matters of expanding its global business foundation and building new growth structures.

In our overseas business, we aim to expand our growth base by enhancing our global network usage by leveraging our strengths such as brand capabilities, technological capabilities and cost competitiveness, as called for by our Medium-Term Management Plan 2015.

In our Oceania operations, we will grasp the structural changes in each market and build a new growth portfolio, and at the same time maximize our integration synergies by integrating the management of five operating companies under one local holding company.

In addition to expanding our growth network in Southeast Asia centered on Permanis Sdn. Bhd. of Malaysia and the soft drinks joint venture businesses in Indonesia, we will also expand our growth base by leveraging our strong networks with equity method affiliates in China, namely, Tsingtao Brewery Co., Ltd. and Tingyi-Asahi Beverages Holding Co., Ltd.

Furthermore, we will aim for an average annual net sales growth of 5% or higher and an operating income ratio of 9% or higher, mainly by working to make *Asahi Super Dry* Asia's No. 1 premium beer brand and strengthening our area marketing.

## Achievements of Medium-Term Management Plan 2012

### ❖ Oceania Operations

Established foundations for growth of the soft drinks and alcohol beverages subsidiaries we acquired  
Formulated and initiated PMI (post-merger integration) aimed at capturing synergies through unified management

### ❖ China Operations

Achieved structural reforms of the beer business, such as the sale of unprofitable operations and concentration of production functions  
Strengthened ties with two equity-method affiliates

### ❖ Southeast Asia Operations

Established a business base.

Entered the Malaysian non-alcohol beverages market through the acquisition of Permanis Sdn. Bhd. (Permanis), Malaysia's second largest soft drink producer  
Established manufacturing and sales joint ventures with PT Indofood CBP Sukses Makmur TBK (Indofood) in preparation for full-scale entry into the Indonesian non-alcohol beverages market

## Future Topics

### ❖ Oceania Operations

- Strengthen and expand the business base to pave the way for growth
- Enhance cost competitiveness of overall operations through earnings structure reforms

### ❖ China Operations

- Expand the presence of the Asahi brand in the market
- Support the growth of the two equity-method affiliates and expand the business base by strengthening ties with them

### ❖ Southeast Asia Operations

- Strengthen market stature and enhance profitability in the Malaysian market
- Establish a foothold in the Indonesian beverages business

## Business Environment

### ❖ Oceania Operations

- Gradual growth in the Australian non-alcohol beverages market and the New Zealand RTD market
- The Australian RTD market is contracting due to the flow of consumers to other categories
- Emergence of mass-retail stores and private labels

### ❖ China Operations

- Growth in overseas brands and the premium beer market due to expansion in the middle income segment
- Intensified competition for positions in the high-end of the market

### ❖ Southeast Asia Operations

- Heightened consumer awareness of healthy soft drinks
- Diversifying container sizes and types, and packaging formats by sales channel



## Medium-Term Management Plan 2015: Targets and Strategies

### ● Oceania Operations: Build a growing portfolio that reflects structural changes in the market and capture integration synergies

(Guidelines 2015: Average annual net sales growth of 5% or higher, operating income ratio of 10% or higher)

- (Non-alcohol beverages business) Strengthen key brands centered on carbonated beverages brands of Schweppes Australia Pty Limited and create new demand by utilizing group assets
  - (Alcohol beverages business) Rebuild foundations for growth by invigorating key brands for ready-to-drink (RTD) low-alcohol beverages and by developing brands in growing categories
  - Maximize integration synergies from unified management of acquired business units in Oceania
- ### ● China Operations: Support the growth of the equity-method affiliates and strengthen the business base by leveraging networks
- Expand the growth foundation by supporting the growth of the two equity-method affiliates (Tsingtao Brewery Co., Ltd. and

Tingyi-Asahi Beverages Holding Co., Ltd.) and strengthening ties with them

- Expand the presence of *Asahi Super Dry* in China's premium beer market and promote higher efficiency at production sites
- ### ● Southeast Asia Operations: Expand the growth network with Permanis and Indonesian joint venture businesses at the core
- Permanis: Achieve sustainable growth by further enhancing its strong sales network
  - Indonesia: Leveraging product development and technological capabilities, conduct brand development and establish an optimal production structure in preparation for full-scale market entry
- ### ● Strengthen area marketing aimed at establishing *Asahi Super Dry* as "Asia's No. 1 premium brand"
- Target overseas sales volume of 10 million cases by bolstering global marketing functions and enhancing and expanding sales networks

Oceania Operations  
(Non-alcohol Beverages)



### 2012 Business Review

In 2012, sales from the overseas business increased 67.6% to ¥157.9 billion mainly due to contributions from newly consolidated subsidiaries in Oceania and Malaysia. The operating loss associated with the overseas business worsened ¥1.0 billion year on year due to amortization of goodwill of newly consolidated subsidiaries and other items.

#### Oceania Operations

In our Oceania operations, we built foundations for the growth of an integrated beverages business combining the non-alcohol beverages and alcohol beverages businesses, including by enhancing each company's core brands and creating integration synergies, centered on Asahi Holdings (Australia) Pty Ltd, which is a regional headquarters to manage the companies in the region. As a result, sales from the Oceania business increased 60.3% to ¥129.7 billion partly due to contributions from newly consolidated subsidiaries. The operating loss associated with the Oceania business worsened ¥0.6 billion year on year due to due to amortization of goodwill of newly consolidated subsidiaries and other items.

#### Non-alcohol Beverages

In 2012, the growth rate of the Australian soft drinks market in volume sales and the convenience store business format was estimated at about 3% on a sales volume basis and about 4% on a value basis. Consequently, results for the entire business improved year on year. In this environment, Schweppes Australia Pty Limited posted year-on-year growth in net sales, about on par with the growth rate of the market as a whole. The increase

in sales was mainly achieved through favorable performances of core brands such as Schweppes and Pepsi, which saw the launch of a new major product. Profits also increased year on year mainly due to an improved product mix from a sales expansion in the impulse and on-premise channels, as well as the positive effects of higher sales. Moreover, we enhanced our sales structures and increased efficiency through the integration of the juice and water operations of the former P&N Beverages Australia Pty Ltd that we acquired in 2011.

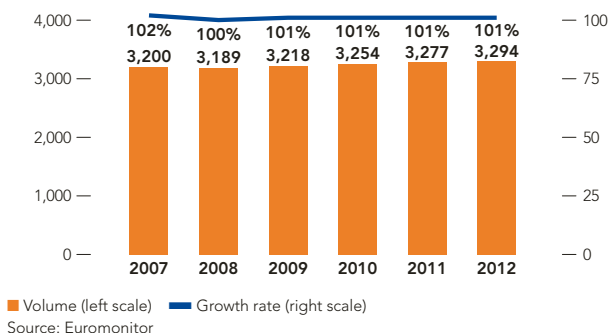
Furthermore, we strived to enhance the earnings structure by expanding sales, building an optimum production framework and conducting the joint procurement of raw materials within the group companies including Charlie's Trading Company Limited, a New Zealand company specializing in the manufacturing and sales of premium soft drinks, and with Mountain H2O Pty Ltd, an Australian bottled water manufacturer.

#### Alcohol Beverages

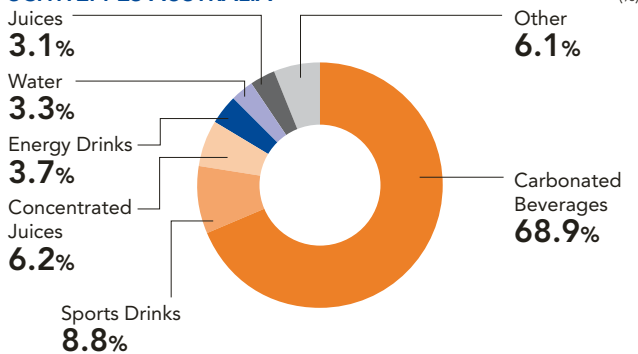
In 2012, the alcohol beverages business in Oceania underwent various changes in the operating environment, including intensifying competition in New Zealand and the contraction of the RTD low-alcohol beverages market in Australia. Against this backdrop, we focused on strengthening our mainstay RTD low-alcohol beverages, including by renewing our core brands and launching new products by Independent Liquor (NZ) Limited and Independent Distillers (Aust) Pty Ltd. We enhanced imported premium beers and craft beers that exhibited striking growth in the market, and entered the cider category of beverages. As regards the sales functions in Oceania for *Asahi Super Dry* for which we had

#### SOFT DRINKS CONSUMPTION IN AUSTRALIA

(Thousand KL)



#### SOFT DRINKS SALES COMPOSITION BY CATEGORY AT SCHWEPES AUSTRALIA



(January-December 2012)

❖ Oceania Operations  
(Alcohol Beverages)



transferred sales to the outside, we worked to expand our business portfolio by transferring the functions to the two companies.

**China Operations**

In 2012, growth in China's beer market was held to about 3–4% year on year mainly due to the impact of the country's sluggish economic growth. In this kind of market environment, net sales in the beer business in China fell 5.9% year on year to ¥10.8 billion. Although there was sales volume growth in the Asahi brand products and the Asahi Group increased its contract production at Yantai Beer Tsingtao Asahi Co., Ltd. (Yantai Beer), this business performance could not cover the drop in sales due to the sale of Hangzhou Xihu Beer Asahi Co., Ltd. (Hangzhou Beer) in August 2011. On the profit side, the operating loss improved ¥0.7 billion. In addition to improved earnings from the sales volume increase in Asahi brand products, the sales growth of Yantai Beer, and the benefit of selling Hangzhou Beer that had been making a loss, progress was made in the integration of Asahi brand production functions at Beijing Beer Asahi Co., Ltd. (Beijing Beer).

In November 2010, the Asahi Group acquired a stake in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., the holding company of one of China's largest food and distribution companies, the Ting Hsin Group. Since then, we have launched project teams to examine ways to develop a food business in China that can leverage the Asahi Group's strengths.

**Equity-method Affiliates**

**Tsingtao Brewery Co., Ltd. (Tsingtao Brewery)**

Tsingtao Brewery achieved overall sales volume growth far above

the market growth rate, owing to brisk sales of mainstay low-priced brands such as *Laoshan*, in addition to the medium- to premium-priced *Tsingtao* brand. Tsingtao Brewery posted higher net income year on year, despite the impact of higher marketing expenses and increased raw materials prices.

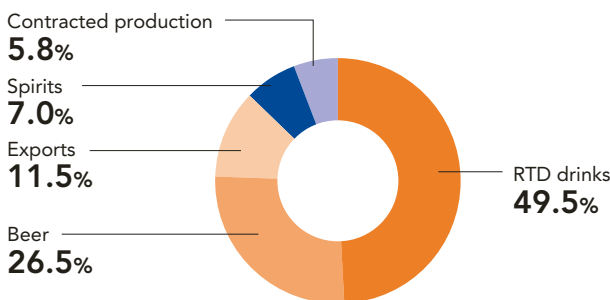
**Tingyi-Asahi Beverages Holding Co., Ltd. (Tingyi-Asahi Beverages)**

In China's soft drink market in 2012, sales volume grew by about 9%. In contrast, monetary sales rose by about 16%. This was due to increased unit prices reflecting a shift in demand among soft drink categories due to changes in consumer preferences. In this market environment, Tingyi-Asahi Beverages strengthened its business portfolio by successfully entering the carbonated soft drinks category by completing the transfer of Chinese bottling operations from PepsiCo, Inc. in March 2012. In addition, Tingyi-Asahi Beverages, on a standalone basis, promoted measures to restore sales. Measures included launching new brands in the milk tea and the traditional beverage categories.

**Southeast Asia Operations**

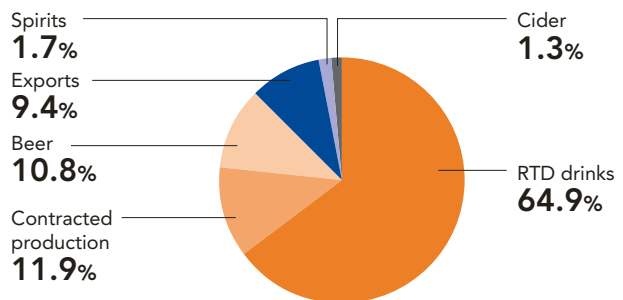
In Southeast Asia, we established a foothold in the Indonesian soft drink market, which is expanding rapidly in step with economic growth and a burgeoning population. In September 2012, we established two joint ventures to manufacture and sell beverages with PT Indofood CBP Sukses Makmur TBK, a major Indonesian food company. This follows our acquisition of Permanis Sdn. Bhd., Malaysia's second largest soft drink producer.

**SOFT DRINKS SALES COMPOSITION BY CATEGORY AT INDEPENDENT LIQUOR (NEW ZEALAND)** (%)



(January–December 2012)

**SOFT DRINKS SALES COMPOSITION BY CATEGORY AT INDEPENDENT DISTILLERS (AUSTRALIA)** (%)



(January–December 2012)

China



Tsingtao Brewery



**Permanis Sdn. Bhd.**

In Malaysia’s soft drink market in 2012, the competitive environment worsened as the country’s major beverages companies vied for market leadership. For the soft drink market as a whole, sales volume increased by about 2% year on year, while monetary sales rose about 4% year on year. In this environment, Permanis, which became a newly consolidated subsidiary in 2012, worked to further strengthen its sales network by enlarging its direct sales structure. At the same time, Permanis expanded sales channels by bolstering the brand power of mainstay brands such as *Tropicana*, *Revive*, and *Pepsi*, along with actively rolling out refrigerated showcases. As a result, Permanis posted net sales of ¥15.5 billion. However, although sales growth contributed to earnings, Permanis recorded an operating loss of ¥1.1 billion due to the amortization of goodwill and other items, as well as increased sales promotion expenses.

**Plans and Strategies for 2013**

In 2013, we will promote measures to bolster our brand power and improve the earnings structure of each of our businesses, centered on Oceania operations. From these actions, we are projecting net sales of ¥177.0 billion (up 12.1% year on year) and an improvement in operating income of ¥2.4 billion in overseas business.

**Oceania Operations**

In Oceania operations overall, our key priorities are to strengthen and expand our product portfolio in the growing fields of each

business. We will build a business platform that flexibly adapts to changes in the business environment, while bolstering initiatives aimed at creating integration synergies. Through these measures, in Oceania operations, we are targeting net sales of ¥145.0 billion, an increase of 11.8% year on year, and an improvement in operating income of ¥1.9 billion.

In the non-alcohol beverages business, we continue to anticipate steady market growth. In this climate, we will strive to boost sales by strengthening sales activities through the supply of products according to each sales space, based on key brands in categories such as carbonated beverages and water. On the earnings front, efforts will be focused on enhancing profitability by further promoting productivity enhancements. Measures will include efficiently allocating advertising and sales promotion expenses, as well as consolidating production sites.

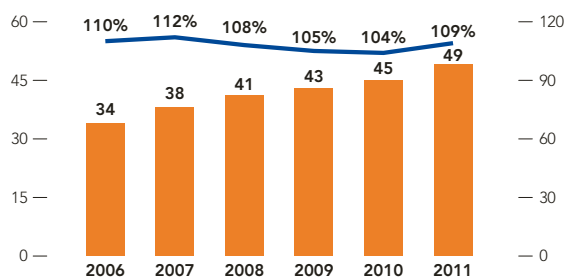
In the alcohol beverages business, we will step up marketing investments in mainstay RTD low-alcohol beverage brands, which form the nucleus of this business, with a view to enhancing our market position. Furthermore, we will pour more energy into all business formats including the on-premise market for imported premium beers, including *Asahi Super Dry*, and craft beers which are experiencing significant growth in the market, as we strengthen our portfolio in growing categories. Through these measures, we will work to expand our business platform.

**China Operations**

In the beer business, we will strive to expand sales centered on the Asahi brand, mainly by further developing existing markets along with cultivating new markets and business formats. Based

**BEER CONSUMPTION IN CHINA**

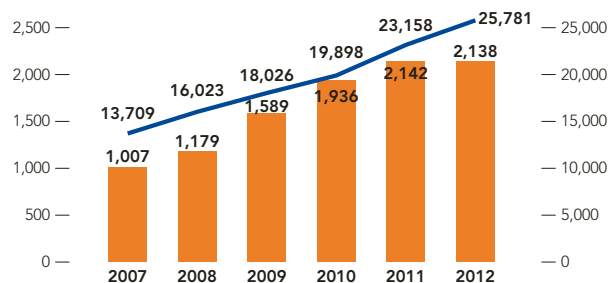
(Million KL)



Market total (left scale) Growth rate (right scale)  
Source: Impact Data 2012

**PERFORMANCE OF TSINGTAO BREWERY**

(Million yuan)



Operating income (left scale) Net sales (right scale)  
Source: Impact Data 2012



**Tingyi-Asahi Beverages**



**Permanis**



on these measures, we are targeting net sales of ¥11.1 billion, up 3.0% year on year, in China. On the earnings front, we will strive to improve capacity utilization by increasing the sales volume of Beijing Beer, while promoting reforms of the earnings structure by raising the efficiency of sales promotion expenses. From these actions, we aim to restore profitability by posting operating income of ¥0.3 billion, an increase of ¥0.5 billion year on year.

In the food business, we will continue working to swiftly launch businesses through project teams with TING HSIN (CAYMAN ISLANDS) HOLDING CORP. We aim to develop businesses that leverage sales of the Asahi Group's products and the use of high value-added materials.

**Equity-method Affiliates**

**Tsingtao Brewery**

Tsingtao Brewery will further strengthen its "1+3" strategy of channeling management resources into the medium- to premium-priced Tsingtao brand and three mainstay low-priced brands. Through this strategy, Tsingtao Brewery aims to improve its market position through sales expansion while achieving stable earnings growth.

**Tingyi-Asahi Beverages**

Tingyi-Asahi Beverages will strengthen marketing investments aimed at capturing an even greater market share in the growing traditional beverages and milk tea categories. Another measure is to overhaul the company's sales strategy in order to restore the brand power of its core tea brand. On the earnings front,

Tingyi-Asahi Beverages will strive to enhance Group-wide cost competitiveness through stronger collaboration with Pepsi, with a view to building a dominant earnings base that is unmatched by rival companies.

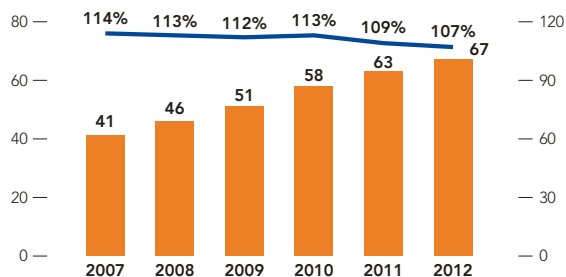
**Southeast Asia Operations**

Permanis Sdn. Bhd. will promote a growth strategy that emphasizes balanced sales and earnings growth. In terms of net sales, the company will work to bolster brand power through marketing investments including the roll out of refrigerated showcases, along with strengthening the direct sales structure, centered on its three mainstay categories of juices, carbonated beverages, and isotonic beverages. Through these measures, Permanis is targeting net sales of ¥18.8 billion, up ¥3.2 billion year on year. In terms of operating income, Permanis will seek to improve productivity by introducing the Asahi Group's advanced production and development technologies. In addition, the company will promote pricing strategies that flexibly adapt to each brand and sales channel, as well as roll out refrigerated showcases. Through these measures, Permanis is targeting an improvement of ¥0.3 billion year on year.

In the Indonesian soft drinks business, we will work to establish a solid operating base in preparation for our full-scale entry into the market. Initiatives will include developing proprietary brands that harness the Group's strong marketing, product development and technological capabilities, as well as its cost competitive production system and other strengths.

**SOFT DRINKS CONSUMPTION IN CHINA**

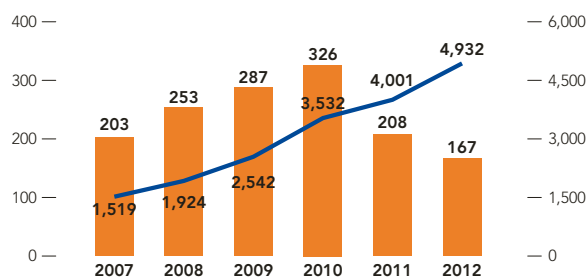
(Million KL)



Market total (left scale) Growth rate (right scale)  
Source: Euromonitor

**PERFORMANCE OF TINGYI-ASAHI BEVERAGES (SOFT DRINKS BUSINESS)**

(Million dollars)



Operating income (left scale) Net sales (right scale)  
Source: AC Nielsen

# GROUP MANAGEMENT

## CORPORATE GOVERNANCE

### 1. Basic Policy

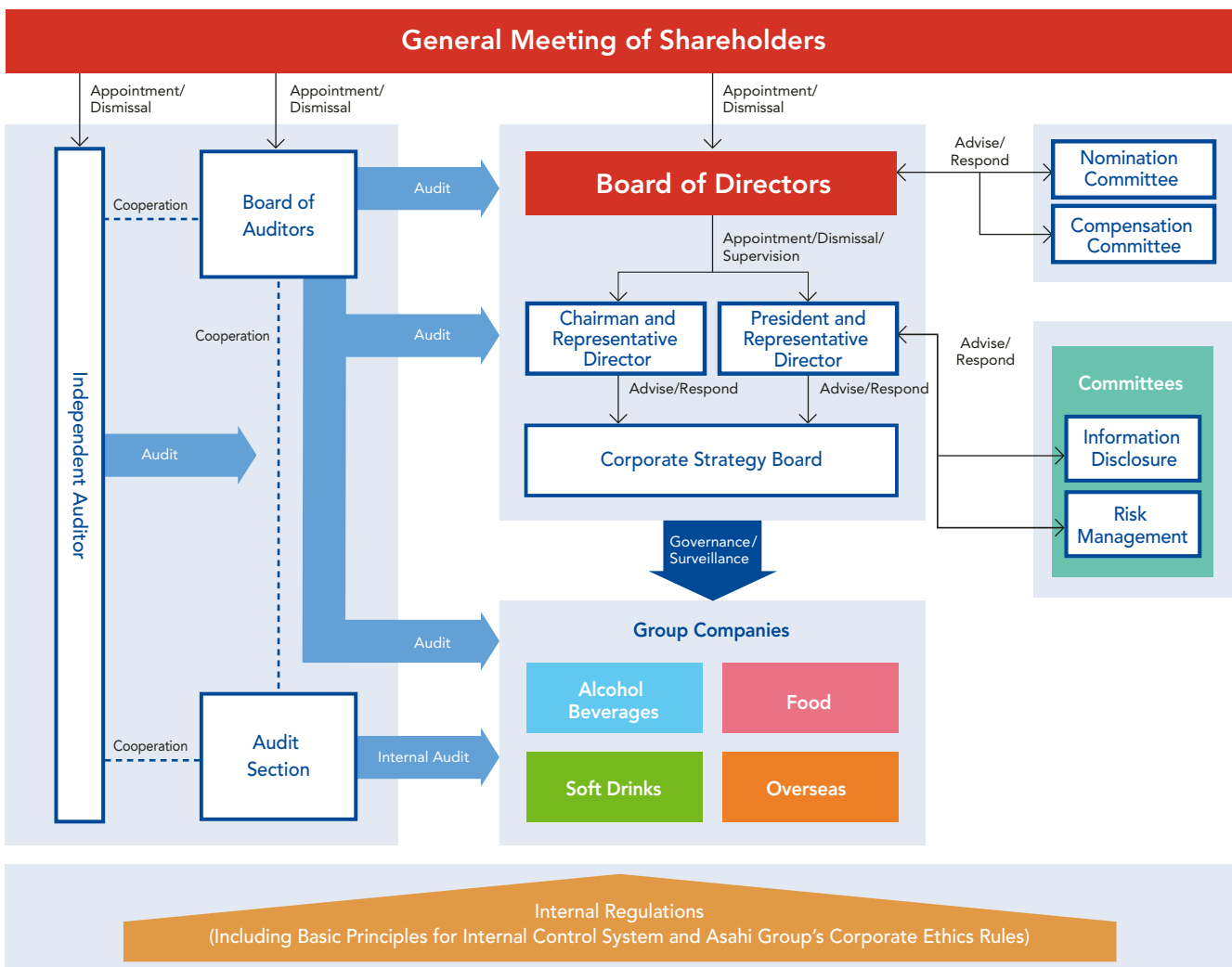
The Asahi Group recognizes all our stakeholders as “customers” who provide us with support, starting with the consumers of our products and also including shareholders, investors, suppliers, employees and local communities. We also recognize the importance of communicating with all our stakeholders, and of thinking and acting in harmony with them.

To ensure our corporate activities meet the expectations of all these stakeholders, and to quickly adapt to an ever-evolving business environment, we have identified enhancing 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 Group Holdings, Ltd. is bolstering corporate governance with the goal of maintaining management soundness, transparency and efficiency. Specifically we have adopted a “company with corporate auditors” governance framework, under which we strengthen management oversight functions and preserve transparency by appointing outside directors. The Company 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



### Move to a Pure Holding Company Structure

The Company moved to a pure holding company structure on July 1, 2011. This move is enhancing Group governance functions, developing manufacturing skills across the entire Group, and strengthening management infrastructure by integrating common operations across the Group and by improving specialty service functions. It is also developing human resources capable of responding to diverse customers and businesses. In addition, the new structure allows the Company to make bold resource allocations to growth areas in Japan and overseas, enabling the Group to grow more quickly.

### Board of Directors

The Board of Directors consists of 11 directors, including 3 outside directors (as of March 26, 2013). Outside directors are chosen from a pool of exceptional external candidates who qualify as independent directors as defined by the rules of the Tokyo Stock Exchange and other bodies. Outside directors have varied career backgrounds, with some having served as corporate executives, educators, and economic policy experts 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 2012, the Board of Directors held 10 regular meetings, with outside directors Ms. Mariko Bando, Mr. Naoki Tanaka and Mr. Ichiro Ito attending 10, 9 and 8 meetings, respectively.

### 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 corporate auditor to the Board of Directors. The committee met once in 2012, mainly to make proposals for corporate officer personnel.

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 making resolutions as agenda items regarding compensation systems and packages for directors and corporate officers for the Board of Directors. The committee met three times in 2012, and mainly forwarded proposals regarding the amount of bonuses for senior officers.

### Board of Auditors

The Board of Auditors is responsible for supervising and auditing the management of the Company and the performance of duties by directors. The Board of Auditors consists of five auditors, including three outside corporate 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 corporate auditors, a former top executive, a lawyer and a university professor, are evident as they audit the management of Asahi Group Holdings from multiple perspectives. In 2012, the Board of Auditors held eight meetings, with outside corporate auditors Mr. Takahide Sakurai and Mr. Tadashi Ishizaki attending 8, and Mr. Naoto Nakamura attending 6 meetings, respectively.

## Comments from an Outsider Director



**Naoki Tanaka**  
Outsider Director

Protecting the global environment has become a theme that encapsulates the elements affecting our wellbeing, like the very air and water we each breathe and drink. Meanwhile, businesses are being called to address the demands of developing countries from more people seeking to live in dignity. This so-called base of the pyramid (BOP) model has given rise to new global management challenges in how to combine business resources.

For the Asahi Group, this will entail building a new supply chain globally, while honing the brand names our predecessors helped develop.

In some management circles, globalization has been brushed aside as a corollary outcome in the choice of M&A partners. But from our Group's perspective, the issue of finding the right global combination of management talent, products and services has never been more important in sharpening our appeal to the top of the pyramid (TOP) without losing sight of the BOP.

To this end, we will look to our brand names as benchmarks in confirming the Asahi Group's founding principles, and cultivate them to bear fruit as we globalize.

### 3. Corporate Officer System

#### Introduction of a Corporate Officer System

Asahi Group Holdings 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

The Corporate Strategy Board holds high-level meetings to fulfill its 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 Corporate Strategy Board is chaired by the president and representative director. Its meetings maintain the accountability of directors for the entire Group and the responsibility of the president and representative director and corporate officers for the operating companies, 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 2012, as the third 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 management structure and human resources development following the transition to a holding company system, profit structure reform, Group policy and business plans for 2013, and the topics for the next Medium-Term Management Plan.

#### Internal Audits and Accounting Audits

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

With respect to internal audits, the Group has established an internal audit organization comprising eight people at Asahi Group Holdings, Ltd., five people at Asahi Breweries, Ltd., six people at Asahi Soft Drinks Co., Ltd., and four people at Calpis Co., Ltd. as internal auditing departments. These cooperate with each other to conduct audits based on Group-wide auditing policies 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 corporate auditors, Audit Section and independent auditor work in concert by exchanging information through briefings and by transmitting copies of auditing reports periodically, and as needed. In 2012, the Board of Auditors held five briefings with the independent auditor and three briefings with the Audit Section, respectively. The Audit Section held four meetings with the independent auditor.

### 4. Compensation for Directors and Corporate Auditors, and Independent Auditor

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 2012, fixed salaries (basic compensation) 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 corporate auditors, basic 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 Corporate Auditors (2012)

(¥ million)	Basic Compensation	Bonus	Total
Company-employed Directors (Total: 9)	306.2	94.3	400.5
Outside Directors (Total: 3)	31.2	11.1	42.3
Standing Corporate Auditors (Total: 3)	63.6	—	63.6
Outside Corporate Auditors (Total: 3)	32.4	—	32.4

The Company 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 corporate 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, corporate auditors and corporate officers, on the grounds that even if they were able to execute their rights under insider trading regulations, it might be difficult legally to sell the rights immediately afterward, so that their function as an incentive was not sustainable.

#### Independent Auditor Compensation

In 2012, audit fees and other compensation payable to the independent auditor amounted to ¥126 million for an attestation agreement and ¥233 million in other compensation.

## 5. Internal Control System

### Development of Internal Control System Based on the Companies Act

Following the transition to the holding company system in 2011, we newly established Basic Principles for Asahi Group Holdings that carry on the philosophy of the Basic Principles for Establishing an Internal Control System established by Asahi Breweries in 2006. In drafting these Basic Principles, we analyzed and evaluated the current system at the Company 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 internal rules that reflect the system and Basic Principles as we conduct control activities (see p. 44 for more details). All major Group companies, specifically Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Food & Healthcare Co., Ltd., and Wakodo 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.

### Response to the Financial Instruments and Exchange Act (Japanese SOX Act)

In response to the Japanese SOX Act, Asahi Group Holdings 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 2012, the Company has determined that, as of December 31, 2012, 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 corporate auditors.

## 6. Abolishment of Takeover Defense Measures

At a meeting held on February 8, 2010, the Board of Directors of the Company (then "Asahi Breweries, Ltd.") passed a resolution on countermeasures against the large-scale purchase of its shares ("takeover defense measures"). Subsequently, with the approval of shareholders at the Company's 86th Annual Shareholders' Meeting held on March 26, 2010, the period of the takeover defense measures was extended. The takeover defense measures would remain effective until the close of the Company's 89th Annual Shareholders' Meeting to be held in 2013. However, at a

meeting held on February 13, 2013, the Board of Directors of the Company passed a resolution to abolish the takeover defense measures and not extend them.

The Company has made proactive efforts to implement Group global management. To this end, the Company transitioned to a pure holding company system in July 2011, while focusing on boosting profitability in existing businesses and developing a new growth portfolio under the Medium-Term Management Plan 2012, which ran through 2012. Management believes that steady execution of the Long-Term Vision 2020 and the Medium-Term Management Plan 2015 is vital to further strengthening relationships of trust between the Asahi Group and its stakeholders. In addition, management believes that this will also help to increase the Company's corporate value while maintaining and enhancing the common interests of shareholders.

The Company has carefully considered the handling of the takeover defense measures, which will expire in 2013. In the process, the Company considered these measures from the standpoint of maintaining and enhancing corporate value and the common interests of shareholders, while referring to the opinions of the independent committee members, institutional investors in Japan and overseas, and other parties. As a result, management determined that the need for takeover defense measures at the Company has diminished compared with when they were first introduced. This is also true given that the Group is now working to achieve the Long-Term Vision 2020 and the Medium-Term Management Plan 2015, while making further efforts to improve corporate value by generating sustained earnings and returning profits to shareholders, among other measures. This decision also takes into account changes in the business environment surrounding the Group since the period when the takeover defense measures were introduced. Accordingly, the Board of Directors has passed a resolution to abolish the takeover defense measures without extending them at the close of the 89th Annual Shareholders' Meeting.

Going forward, the Group will continue to make concerted efforts to maintain and enhance corporate value and the common interests of shareholders over the medium and long term, regardless of whether or not the takeover defense measures are in place. Furthermore, even after the non-extension (abolishment) of the takeover defense measures, the Group will continue to seek necessary and sufficient disclosure of information from any party attempting a large-scale purchase of its shares to ensure that shareholders can appropriately determine their stance on such a large-scale purchase of shares. At the same time, the Group will implement appropriate measures within the scope afforded by the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, such as the disclosure of the opinion of the Board of Directors of the Company and the provision of enough time for the shareholders to consider any large-scale purchase.

## RISK MANAGEMENT

In conjunction with the move to a pure holding company structure in 2011, the Asahi Group established the Asahi Group Risk Management Rules and the Asahi Group Risk Management Manual. The Risk Management Rules define the basic issues related to risk management. The Risk Management Manual defines specific management processes based on the Risk Management 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.

The Asahi Group Risk Management Committee, established in line with these Group Rules, is comprised of all the directors of Asahi Group Holdings and one general manager of the General Affairs/Legal Management Department. In addition to reporting about examples of risk management and compliance, the committee meets to discuss and decide policies for related activities as a whole, as well as assign priorities to the 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 as the Group’s top discussion and advisory panel for managing risk. The committee also conducts preventative activities at the organizational level to avoid the occurrence of risks on a daily basis in collaboration with staff responsible for promoting risk management at each Group company.

In 2012, the committee conducted a fundamental review of existing disaster manuals in line with the needs of the times, and formulated a basic BCP (business continuity plan) at Asahi Breweries, Ltd. and Asahi Soft Drinks Co., Ltd. In 2013, the committee plans to work on formulating basic BCPs for other major Group companies.

## COMPLIANCE

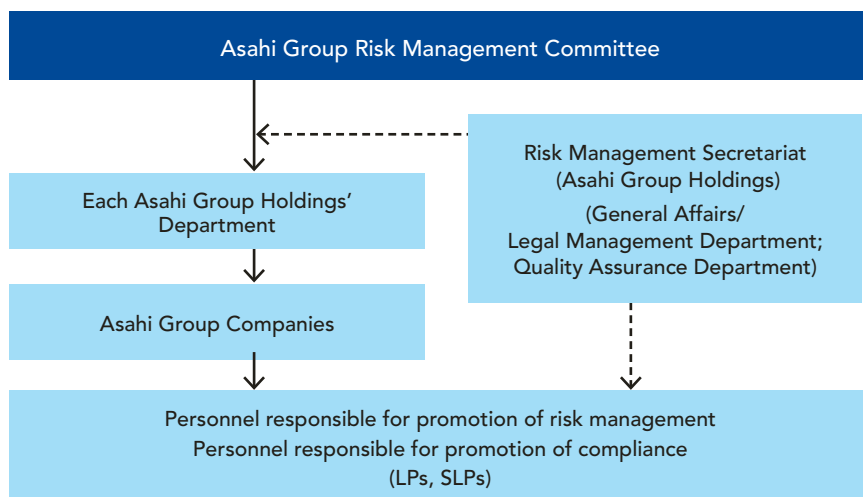
Based on “fair, open corporate ethics” as stipulated in The Asahi Group Guidelines for Corporate Activity, the Company has established Corporate Ethics Guidelines, and requires directors, corporate auditors and employees to observe these guidelines. The Asahi Group Risk Management Committee oversees compliance throughout the Asahi Group based on the Asahi Group Risk Management Rules.

In accordance with the Asahi Group Corporate Ethics Rules, we have stationed an appropriate number of compliance promoters with a certain degree of compliance knowledge at the Company and Group companies, to increase compliance awareness and disseminate legal knowledge. As of the end of 2012, compliance promoters comprised around 150 Legal Promoters (LPs) and 28 Senior Legal Promoters (SLPs).

In 2012, the Company held one training session for all LPs, and two training sessions for all SLPs. These training sessions emphasized case studies based on a group debate-style format, while striving to share the latest knowledge and information concerning compliance and risk management.

In addition, training sessions focused on business sites were also held for product development staff at Group companies. All participants reviewed their legal knowledge concerning trademarks and other intellectual property, and product labeling.

### RISK MANAGEMENT AND COMPLIANCE STRUCTURE



## BOARD OF DIRECTORS, AUDITORS AND CORPORATE OFFICERS (As of March 26, 2013)

### Board of Directors



#### Hitoshi Ogita

Chairman of the Board  
 Apr. 1965 Joined the Company  
 Mar. 1997 Director  
 Mar. 2000 Managing Director  
 Mar. 2002 Senior Managing Director  
 Sep. 2002 Vice President and Corporate Officer, Asahi Soft Drinks Co., Ltd.  
 Mar. 2003 President and Representative Director, Asahi Soft Drinks Co., Ltd.  
 Mar. 2006 President and Representative Director, Asahi Breweries, Ltd.  
 Mar. 2010 Chairman of the Board (current position)



#### Naoki Izumiya

President and Representative Director  
 Apr. 1972 Joined the Company  
 Mar. 2000 Corporate Officer  
 Mar. 2003 Director  
 Mar. 2004 Managing Director  
 Mar. 2009 Senior Managing Director  
 Mar. 2010 President and Representative Director (current position)



#### Katsuyuki Kawatsura

Senior Managing Director and Senior Managing Corporate Officer  
 Apr. 1975 Joined the Company  
 Mar. 2005 Corporate Officer  
 Mar. 2009 Managing Corporate Officer  
 Mar. 2010 Managing Director and Managing Corporate Officer  
 Mar. 2013 Senior Managing Director and Senior Managing Corporate Officer (current position)



#### Toshio Kodato

Director and Corporate Officer  
 Apr. 1978 Joined the Company  
 Mar. 2008 Corporate Officer  
 Mar. 2010 Director and Corporate Officer (current position)



#### Shiro Ikeda

Director and Corporate Officer  
 Apr. 1980 Joined the Company  
 Mar. 2009 Corporate Officer  
 Jul. 2011 Director and Corporate Officer, Asahi Breweries, Ltd.  
 Mar. 2012 Director and Corporate Officer (current position)



#### Katsutoshi Takahashi

Director and Corporate Officer  
 Apr. 1977 Joined Yoshida Kogyo K.K. (currently, YKK Corporation)  
 May 1991 Joined the Company  
 Apr. 2006 President and Representative Director, Asahi Breweries Engineering Co., Ltd. (currently, Asahi Group Engineering Co., Ltd.)  
 Mar. 2008 Corporate Officer  
 Mar. 2013 Director and Corporate Officer (current position)



#### Yoshihide Okuda

Director and Corporate Officer  
 Apr. 1978 Joined Konishiroku Honten (currently, Konica Minolta Holdings, Inc.)  
 Sep. 1988 Joined the Company  
 Mar. 2010 Corporate Officer  
 Mar. 2013 Director and Corporate Officer (current position)



#### Akiyoshi Koji

Director  
 Apr. 1975 Joined the Company  
 Sep. 2001 Corporate Officer  
 Mar. 2003 Managing Director, Asahi Soft Drinks Co., Ltd.  
 Mar. 2006 Senior Managing Executive Director, Asahi Soft Drinks Co., Ltd.  
 Mar. 2007 Managing Director and Managing Corporate Officer  
 Jul. 2011 Director (current position)



#### Mariko Bando

Outside Director  
 Oct. 2003 Vice President, Showa Women's University  
 Apr. 2004 Head, Women's Cultural Research Institute, Showa Women's University (current position)  
 Apr. 2007 President, Showa Women's University (current position)  
 Mar. 2008 Director (current position)



#### Naoki Tanaka

Outside Director  
 Apr. 2007 President, Center for International Public Policy Studies (current position)  
 Mar. 2009 Director (current position)



#### Ichiro Ito

Outside Director  
 Apr. 2010 Chairman and Representative Director, Asahi Kasei Corporation (current position)  
 Mar. 2011 Director (current position)

### Auditors

**Standing Corporate Auditors**  
 Yoshihiro Tonozuka  
 Yukio Kakegai

**Outside Corporate Auditors**  
 Takahide Sakurai  
 Naoto Nakamura  
 Tadashi Ishizaki

### Corporate Officers

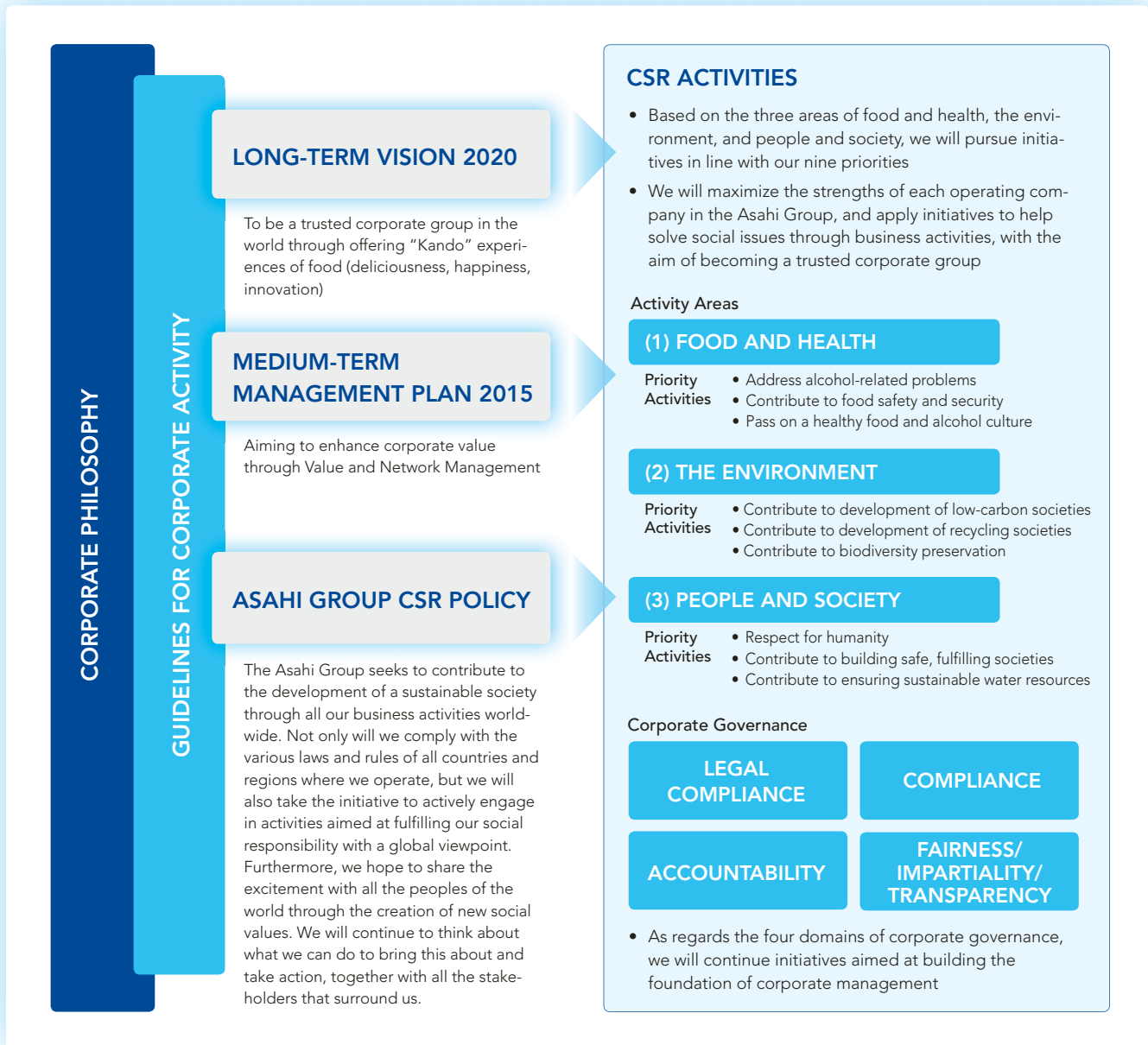
**Corporate Officers**  
 Kiminari Maruta  
 Yasutaka Sugiura  
 Yasuyuki Ohtake

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

### The Asahi Group and CSR

Based on its corporate philosophy of pursuing customer satisfaction, and under the Medium-Term Management Plan 2015, which seeks to enhance corporate value, the Asahi Group will strive to enhance social value by applying the strengths of its businesses to help solve social issues through its business activities.

Specifically, the Asahi Group has reviewed its top priorities and is strengthening its initiatives after having determined nine priorities in the three areas of food and health, the environment, and people and society. Moreover, the Asahi Group will strive to enhance its corporate governance, the foundation of its corporate management, with the aim of achieving the enhancement of corporate value.





## Our Aspirations for the Asahi Group

Asahi Group companies in Japan will rebuild the CSR promotion framework and implement concrete CSR activities in order to address various social issues. Overseas, the Asahi Group will strengthen its CSR activities by focusing on key issues based on an

understanding of local CSR priorities. Based on progress with measures to be undertaken through 2015, we will also advance initiatives directed at realizing our aspirations for the Asahi Group in 2020, while at the same time addressing social conditions and changes in the Asahi Group's business environment.



## Fiscal 2012 Initiatives

### (1) Initiatives for Food and Health

Through research and development activities related to alcohol beverages, soft drinks and food, the Asahi Group aims to contribute to the food and health fields.

In the alcohol beverages business, we launched a non-alcohol beer-taste beverage *Asahi Dry Zero* and a cocktail-taste beverage *Zero Kaku* with no calories and carbohydrate content. We also conducted medical research on the relationship between alcohol and health to promote moderate and responsible drinking based on scientific knowledge. Also, in May 2012, through joint research with Kagome Co., Ltd., a business and capital alliance partner, we confirmed that water-soluble components of tomatoes have the ability to decompose alcohol in blood faster after drinking, and announced these results at an academic conference.

In the soft drinks business, we are conducting research activities related to health and beauty drinks such as *Asahi Juroku-cha Plus*, which is classified as a Food for Specified Health Uses (FOSHU) and designed to suppress the body's absorption of fat after eating. Research is also focused on *Fiber 7500 + Vitamin C*, a beverage rich in dietary fiber, and the health benefits of microorganisms such as *Calpis* lactic acid bacteria. Calpis Co., Ltd. has confirmed that its proprietary *Calpis® Cultured Milk* helps to promote blood circulation, in addition to lowering blood pressure and improving vascular function. In October 2012, we announced at an academic conference that *Lactobacillus amylovorus*, a strain of *Calpis* lactic acid bacteria, helps to reduce body fat. In December 2012, we announced at another academic conference that cultured milk made from *Lactobacillus helveticus*, another strain of

*Calpis* lactic acid bacteria, has the benefits of improving memory and concentration.

In the food business, we develop and provide a wide variety of healthcare-related foods including nutritionally balanced foods, diet-support food and various supplements. For example, we provide a range of products such as powdered infant formula, as well as food products for infants and toddlers, and for expectant and nursing mothers. Other examples include food products for the elderly, which are designed to be soft and easy to consume, along with the nutrition support drink *Nomu Eiyō Plus*, which provides an easy way to obtain essential nutrition. In July 2012, we announced at an academic conference the existence of a mechanism whereby creeping bugleweed, acting in conjunction with glucosamine, helps to ease joint pain. Also, in March 2013 we announced at an academic conference that apple polyphenols have the power to suppress the onset of aging by acting as an anti-oxidant within the body. In the food seasonings business, we confirmed that yeast extract derived from yeast containing an abundant supply of amino acids and other nutrient has the effect of magnifying the taste of salt as a naturally derived food seasoning that adds savoriness and smoothness. As a result, yeast extract is being increasingly used as a seasoning for low-salt foods.

Through these and other initiatives, we will work to promote healthy living and the enrichment of society.



(2) Initiatives for the Environment

**Development of the World's First Reverse Production Process for Combined Sugar and Ethanol Production**

The Research and Development Laboratories for Sustainable Value Creation of Asahi Group Holdings, Ltd. and the Kyushu Okinawa Agricultural Research Center of the National Agriculture and Food Research Organization (NARO) have worked since 2002 to develop a species of sugarcane that has a higher yield per unit area than existing species, and to develop an efficient production process for sugar and ethanol from the new sugarcane species. Last year, the researchers succeeded in developing the world's first reverse production process, which solves the problem of low sugar yields associated with traditional processes. In traditional processes, sugar is produced before ethanol. In the reverse production process, special yeasts are used to convert reducing sugars into ethanol before producing sugar, because the reducing sugars inhibit the production of sugar. This method has made it possible to ensure stable sugar yields.

Through this achievement, the Asahi Group has been commended highly for its technologies and commitment to tackling food and energy issues directly. Notably, this breakthrough won the 22nd Grand Prize for the Global Environment Award. Going forward, the Asahi Group plans to implement further technical verification, with the aim of commercializing the technology worldwide in 2015.

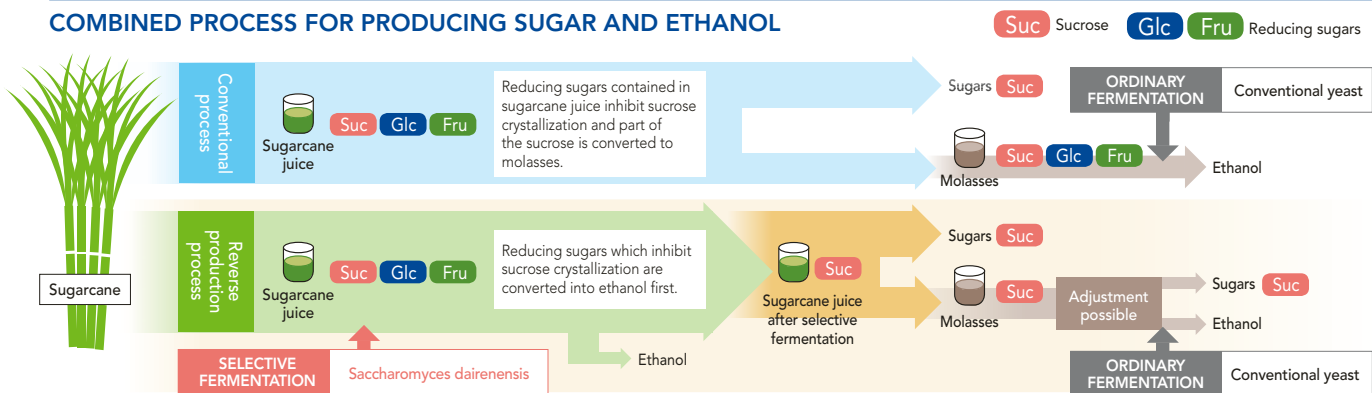


Fukushima Brewery has introduced the reverse production process



High-biomass sugarcane (right)/ Conventional sugarcane (left)

**COMBINED PROCESS FOR PRODUCING SUGAR AND ETHANOL**



**Inclusion in SRI Indexes**

The Asahi Group has been included in several major Socially Responsible Investment (SRI) indexes and funds worldwide. SRI is an investment approach that uses valuation criteria for investment decisions based on social perspectives, such as environmental consideration and corporate citizenship, in addition to financial considerations.

As of January 2013, Asahi Group Holdings was included in global sustainable benchmarks such as the Dow Jones Sustainability Asia Pacific Index and FTSE4Good Global Index, as well as the Ethibel Excellence Investment Register investment universe and Morningstar Socially Responsible Investment Index in Japan.



Dow Jones Sustainability Indexes were jointly developed by Dow Jones & Company of the U.S. and Sustainable Asset Management AG (currently RobecoSAM). From among approximately 2,500 of the world's leading companies, CSR is evaluated in terms of economic, environmental and social criteria. Companies within the top 10% based on this evaluation are included in the indexes.

### (3) Initiatives for People and Society

#### Asahi Group Kids Project

The Asahi Group is engaged in the Kids Project, which gives children who live apart from their biological parents more opportunities to come into contact with society. This is to ensure that the children master the social skills they will need to lead their lives in the future. Launched in 1998, the origin of the project was the fact that there was one Asahi Breweries employee who volunteered to help out at a children's shelter. His assistance was recognized by the shelter, and the proposal for the program was approved by the company, leading to the official inception of the Kids Project to support children's shelters. In 1998, the first Kids Project event was held. In this event, children were invited to a viewing of the Sumida River Fireworks Festival.

This year, the Kids Project entered its 15th year. Events are held in various areas at least once a year for children in nine children's shelters across Japan as well as for foster children. The program plans a variety of activities, including visits to aquariums and zoos, tide pool fishing, barbecues, kite crafting and dodgeball to name but a few. The events allow employees of the Asahi Group and other companies and the children to spend quality time together. One feature of the program is the "buddy rule," which pairs up a grown-up with a child and requires the pair to spend the whole day together. This is because the program recognizes the importance of allowing these children, who have very little time to interact with adults, to spend the entire day with an adult who is totally dedicated to each child. Furthermore, all participants refer to each other by their "camp names" (nicknames), and various creative ideas have been put in place to enable every one to enjoy the day.

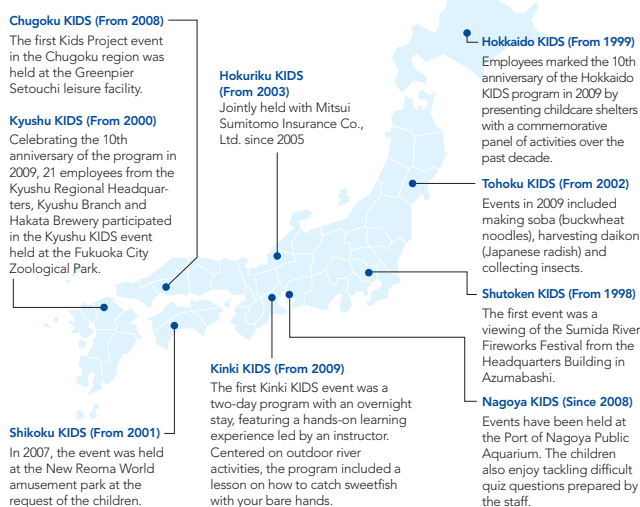
More than 130 Kids Project events have been held nationwide to date. The number of participants has surpassed 7,000 people, including children, staff members of shelters, and employees. The circle of participants has expanded to the point where joint

events are now held together with other companies.

More than 50% of the children admitted to children's shelters in recent years were taken in because of child abuse by their biological parents. In the Kids Project, each participating adult interacts directly with the children and spends time with them. This aids in the psychological care and healing of these children, who often bear emotional scars. And to break the cycle of child abuse, the Asahi Group will continue to implement and improve the program, to bring smiling faces back to the children. The happiness of the children is also a highly motivating force for employees.



#### KIDS PROJECT MAP



The FTSE4Good Global Index is a stock index developed by FTSE International Limited, established by The Financial Times Ltd. and London Stock Exchange Group plc. FTSE International surveys approximately 2,000 leading companies from countries around the world based on social, environmental, and ethical perspectives, including conformity with Supply Chain Labour Standards. Based on this survey, FTSE evaluates the sustainability of each company, and selects companies that satisfy its criteria for inclusion in the FTSE4Good Global Index.



The Ethibel Excellence Investment Register is an investment universe managed by Forum ETHIBEL, an NPO headquartered in Belgium. Companies that demonstrate superior performance from a CSR perspective are included in the Ethibel Excellence Investment Register.



The Morningstar Socially Responsible Investment index is Japan's first socially responsible share index. Morningstar Japan K.K. selects for inclusion in the index 150 publicly listed Japanese companies that have been evaluated as possessing outstanding social credentials.

## Human Resource Development at the Asahi Group

The Asahi Group will fully support those who strive to develop themselves together with encouraging independence for each individual as a professional, based on the group consensus that people are the most important organizational resource and the development of our employees

directly relates to the development of our Asahi Group. Furthermore, the key HR principles for the Asahi Group will be used as a platform to establish an appropriate HR management system tailored to each country, region and business unit within the Asahi Group that will reflect each country/region's laws, history, culture and customs.

### KEY HR PRINCIPLES

**1. To respect every Asahi Group employee's character, individuality and rights**

– To respect diversified values without unfair discrimination pertaining to employee's race, nationality, gender and so on

**2. Asahi Group will fully support those who are challengers and innovators—the ultimate source of our company's development is in the development of our employees**

Support our employees' personal development via the implementation of the cycle below while offering a fair opportunity to all employees across the Asahi Group

- Conduct a fair and clear performance management process; (Evaluation)
- together with appropriate support for personal development based on one's evaluation; (Development)
- while placing employees in the right position that will allow them to use their full capabilities; (Application)
- rewarding those who continue to challenge and innovate (Rewards)

**3. To support a healthy work-life balance depending on each employee's various individual values and life plan**

– To respect various work and private life balance styles and make reasonable efforts to support employees so that they can achieve their planned work and life balance—not only in their daily work life but also throughout all aspects of their lives

## Implementing the Global Challengers Program

Since 2010, the Asahi Group has implemented the "Global Challengers Program," an HR development program designed to foster human resources capable of flourishing in business operations on a global stage. In 2012, program participants conducted business activities in overseas operating companies and obtained

wide-ranging hands-on experience, aiming to swiftly master the basic abilities for doing business abroad and contribute to building their future careers. It was a top priority for us to foster human resources that can take charge of key job positions when they are sent overseas, particularly in the context of the Asahi Group developing business overseas.

### Opinions of Global Challengers



**Ami Saito Asahi Soft Drinks Co., Ltd.**

Currently, I am mainly engaged in business related to market data analysis at Permanis Sdn. Bhd. of Malaysia. There are very many differences here in Malaysia compared to Japan or Asahi as regards markets, culture in general, corporate culture, and so forth. However, I go about my daily work with the attitude that some of these differences between Malaysia and Asahi can also be opportunities to learn and adopt better practices from one another.

**Naoshi Takeuchi Asahi Breweries, Ltd.**

I am an assistant brand manager for Woodstock and Cody's, which are pivotal brands in the marketing sector of Independent Liquor (NZ) Limited. As such, I am in effect working as a line manager. At our workplace we have a strong emphasis on innovation and speed, and frequently a new product moves from being an idea to appearing in the market in less than three months. I myself have been learning to act internationally and have accumulated a lot of experience by virtue of being in charge of sales promotion activities here, directing sponsored events and suchlike. Going forward, I will doubtless experience more, and I am thinking daily how to proactively and successively rise to challenges and learn from them.

## FINANCIAL SECTION

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# ELEVEN-YEAR SUMMARY

Years ended December 31

	Millions of yen				
	2012	2011	2010	2009	2008
<b>For the year:</b>					
Net sales	¥1,579,077	¥1,462,736	¥1,489,461	¥1,472,469	¥1,462,748
Operating income	108,437	107,190	95,349	82,777	94,520
Income before income taxes and minority interests	99,840	90,422	92,465	88,078	82,938
Net income	57,183	55,093	53,080	47,645	45,014
Capital investments*2	50,170	40,225	36,738	62,376	36,135
Depreciation*2	59,366	58,135	59,710	58,372	47,353
<b>&lt;Segment information&gt;*3</b>					
Sales:					
Alcohol beverages	922,250	921,657	966,331	958,156	995,703
Soft drinks	370,836	324,782	306,719	355,162	316,737
Food	101,627	98,033	95,440	92,400	79,203
Overseas	157,932	94,220	97,674	—	—
Others	26,432	24,044	23,297	66,751	71,105
Operating income (loss):					
Alcohol beverages	113,306	101,025	87,250	78,879	90,762
Soft drinks	7,379	11,389	8,330	695	616
Food	3,669	4,158	3,594	2,745	1,944
Overseas	(3,873)	(2,913)	(5,138)	—	—
Others	607	760	1,145	889	1,006
<b>Financial position:</b>					
Total assets	1,732,188	1,529,908	1,405,358	1,433,653	1,299,059
Interest-bearing debt	456,235	390,092	311,423	391,876	302,259
Total net assets*4	726,879	643,799	612,670	577,703	534,628
Yen					
<b>Per share data:</b>					
Net income	¥ 122.75	¥ 118.36	¥ 114.10	¥ 102.49	¥ 96.31
Diluted net income	122.67	118.28	114.00	102.42	96.14
Cash dividends applicable to the year	28.00	25.00	23.00	21.00	20.00
Total net assets	1,553.35	1,378.19	1,315.51	1,233.25	1,122.13
%					
<b>Ratios:</b>					
ROE	8.4	8.8	9.0	8.7	8.7
Operating income ratio	6.9	7.3	6.4	5.6	6.5
Operating income ratio (exclusive of alcohol tax)	9.4	10.2	9.0	8.1	9.6
Equity ratio	41.8	41.9	43.6	40.0	40.2

\*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥86.58 to U.S.\$1, the exchange rate prevailing at December 31, 2012.

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

\*3 Due to a reorganization of business segments in 2011, figures for 2010 have also been restated in line with the new business segments.

\*4 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.

Millions of yen						Thousands of U.S. dollars*1
2007	2006	2005	2004	2003	2002	2012
¥1,464,072	¥1,446,385	¥1,430,027	¥1,444,226	¥1,400,302	¥1,375,267	<b>\$18,238,358</b>
86,956	88,713	90,249	101,273	78,984	69,341	<b>1,252,449</b>
81,741	81,165	75,725	58,369	48,681	32,483	<b>1,153,154</b>
44,798	44,775	39,870	30,596	23,210	14,754	<b>660,464</b>
44,481	36,894	43,941	40,134	38,184	41,257	<b>579,464</b>
45,250	48,793	50,028	51,339	53,101	51,546	<b>685,678</b>
1,012,256	1,007,558	1,025,447	1,078,931	1,067,136	1,057,029	<b>10,651,998</b>
299,663	283,121	267,003	217,380	185,738	173,773	<b>4,283,160</b>
67,089	53,792	25,286	22,163	21,547	14,232	<b>1,173,793</b>
—	—	—	—	—	—	<b>1,824,117</b>
85,064	101,914	112,291	125,752	125,881	130,233	<b>305,290</b>
79,285	78,186	78,089	90,872	72,452	69,145	<b>1,308,686</b>
4,593	7,746	8,632	8,114	2,645	(4,086)	<b>85,227</b>
1,344	445	805	(599)	169	8	<b>42,377</b>
—	—	—	—	—	—	<b>(44,733)</b>
1,724	2,173	2,559	2,935	3,399	3,855	<b>7,011</b>
1,324,392	1,288,501	1,218,227	1,250,818	1,244,410	1,294,738	<b>20,006,791</b>
332,458	290,101	289,202	303,089	336,285	402,206	<b>5,269,508</b>
529,782	509,775	454,892	417,828	398,153	387,539	<b>8,395,460</b>
Yen						U.S. dollars
¥ 94.94	¥ 94.02	¥ 82.22	¥ 62.52	¥ 46.80	¥ 28.90	<b>\$ 1.42</b>
94.74	93.85	80.98	60.64	44.58	27.46	<b>1.42</b>
19.00	19.00	17.00	15.00	13.00	13.00	<b>0.32</b>
1,089.33	1,012.77	951.12	860.66	810.19	770.86	<b>17.94</b>
%						
9.0	9.6	9.1	7.5	5.9	3.8	
5.9	6.1	6.3	7.0	5.6	5.0	
9.0	9.4	9.8	11.4	9.2	8.3	
38.9	37.0	37.3	33.4	32.0	29.9	

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Overview

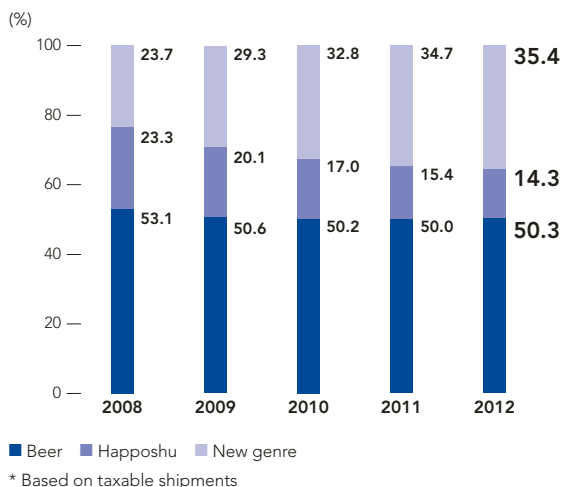
### Market Trends

In the fiscal year ended December 31, 2012, the global economy remained mired in a slowdown due mainly to concerns of a decline in the economic growth rate of emerging countries centered on China and India, in addition to Europe's sovereign debt problem.

Japanese economic conditions were weak despite the strong reconstruction demand following the Great East Japan Earthquake, largely due to the impact of weak exports caused by the slowdown of overseas economies.

Against this backdrop, the Asahi Group reinforced its business base in Japan during fiscal 2012, the last year of the Medium-Term Management Plan 2012. Measures included improving the profitability of each of its businesses and strengthening manufacturing skills based on the principles of safety and reliability. The Group also endeavored to enhance the corporate value of the Group as a whole. The Group worked to build a business portfolio that can achieve sustainable growth and to capture Group-wide synergies, including synergies with newly acquired business bases.

### PRODUCT SHARE IN THE BEER-TYPE BEVERAGES MARKET BY GENRE



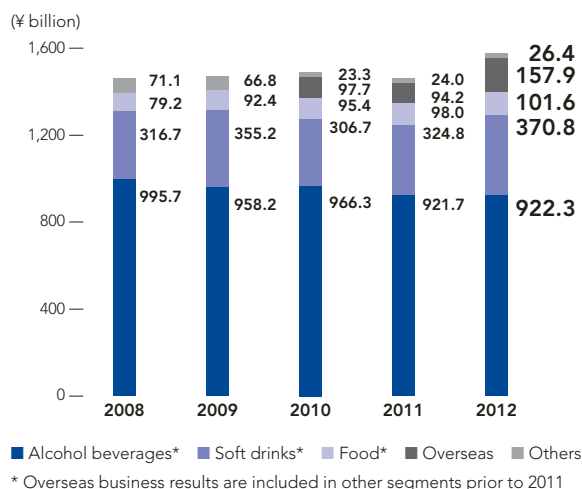
### Net Sales

In fiscal 2012, net sales for the Asahi Group increased ¥116.3 billion, or 8.0% year on year, to ¥1,579.1 billion.

Sales in the alcohol beverages business increased ¥0.6 billion, or 0.1% year on year, to ¥922.3 billion, largely reflecting higher sales for beer-type beverages and beer-taste beverages. In the soft drinks business, sales rose ¥46.1 billion, or 14.2%, to ¥370.8 billion, while sales in the food business increased ¥3.6 billion, or 3.7%, to ¥101.6 billion. In the overseas business, sales increased ¥63.7 billion, or 67.6%, year on year, to ¥157.9 billion.

In sales composition by segment, the alcohol beverages business's share decreased from 63.0% in the previous fiscal year to 58.4%, while the soft drinks business's share increased from 22.2% to 23.5%. The food business's share, meanwhile, decreased from 6.7% to 6.4%, and the overseas business's share increased from 6.4% to 10.0%.

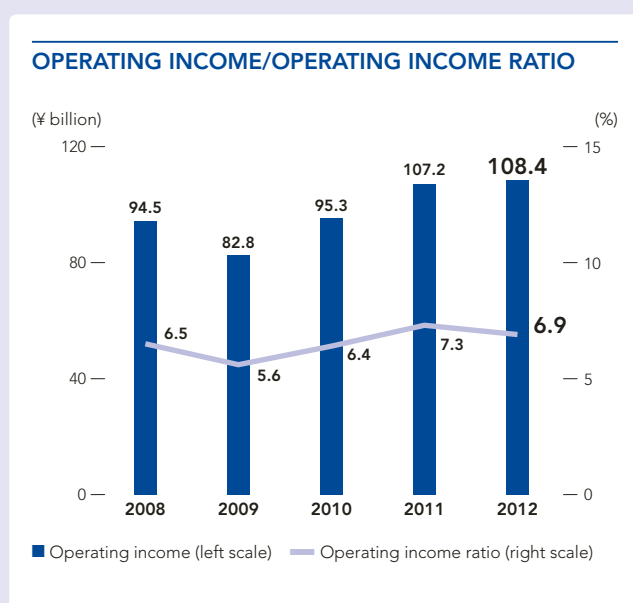
### NET SALES BY SEGMENT





## Operating Income

For the consolidated fiscal year, operating income increased ¥1.2 billion, or 1.2%, year on year, to ¥108.4 billion. This result was mainly due to significant growth in profit from beer-taste beverages and improvement of overall fixed costs in the alcohol beverages business and improved profitability in China in the overseas business. Also, the Group saw newly consolidated subsidiaries contribute to profits. These factors were partly offset by lower operating income in the soft drinks business mostly due to higher sales expenses, along with increased amortization of goodwill in line with acquisitions in Japan and overseas.



## Other Income and Expenses

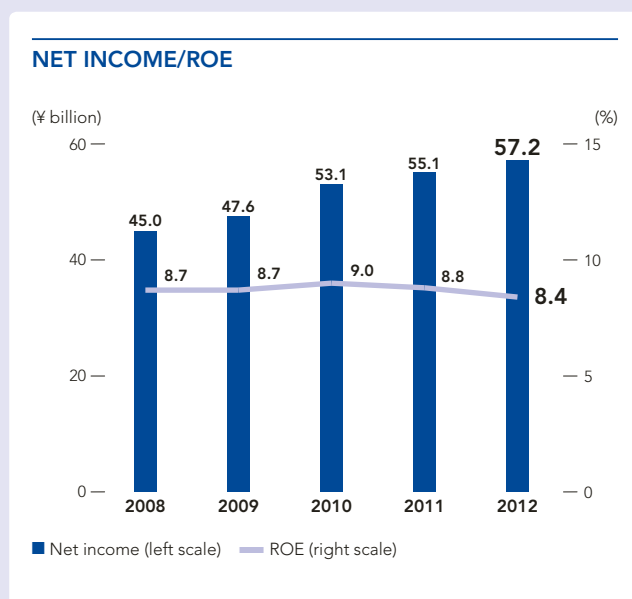
Other loss of ¥8.6 billion was recorded, an ¥8.2 billion improvement on the loss recorded in the previous year. This improvement was largely attributed to recording a gain on change in equity of ¥8.1 billion and the absence of the earthquake-related expenses of ¥17.9 billion associated with the Great East Japan Earthquake from the previous year. This was despite recording a loss on impairment of fixed assets of ¥3.1 billion and an adjustment of goodwill of ¥8.0 billion.

## Income Taxes

The actual effective tax rate, including the corporate tax for fiscal 2012, increased from 38.6% in the previous fiscal year to 42.4%. The difference between the actual effective tax rate of 42.4% and the statutory tax rate of 40.4% was primarily caused by the positive effects of 4.8% in amortization of goodwill (including impairment loss), and an adjustment of goodwill of 3.2%, and the negative effects of 4.3% in loss from investments in equity-method affiliates and 3.3% in a gain on change in equity. The major factor behind the increase in the actual effective tax rate was the 6.5% increase in valuation reserves despite the 3.3% decrease in the gain on change in equity.

## Net Income

Net income rose 3.8%, or ¥2.1 billion year on year, to ¥57.2 billion. The net income ratio was 3.6%, down 0.2 of a percentage point from the previous fiscal year. ROE was down 0.4 of a percentage point year on year, at 8.4%. Net income per share (diluted) increased from ¥118.28 to ¥122.67.



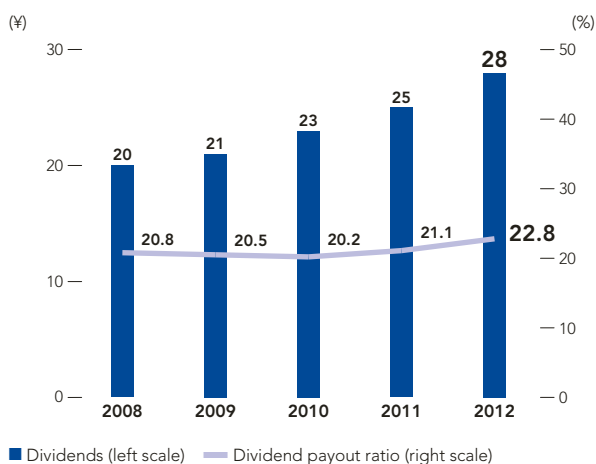
## Dividends

Under the Medium-Term Management Plan 2012, which ended in the fiscal year under review, the Company placed priority on returning profits to shareholders. The Company adhered to a basic policy of implementing returns to shareholders taking business performance and a range of other factors into account, while seeking to enhance the profitability and strengthen the financial position of the Group. Furthermore, we strive to make consistent and stable dividend payments by generally referring to a benchmark of at least 20% for the consolidated dividend payout ratio.

Based on this policy, we paid an interim dividend of ¥14 and a year-end dividend of ¥14 per share, for a full-year dividend of ¥28.0 per share, ¥3 higher than in the previous fiscal year.

Under the Medium-Term Management Plan 2015, which begins in fiscal 2013, we will give top priority to using free cash flow generated by the Group to fund investments in growth, including expansion in our business networks worldwide. In terms of shareholder returns, given the Group's improved surplus investment funding position due to a stronger cash flow generation capacity and an improved debt-equity ratio, the Group aims to steadily increase dividends, targeting a dividend payout ratio of around 30% (25%–30%) by 2015. Efforts will also be made to enhance total shareholder returns by targeting a total return ratio, including share buybacks, of 50% or higher. Under this policy, in fiscal 2013, ending December 31, 2013, we plan to pay an interim dividend of ¥21.5 and a year-end dividend of ¥21.5 per share, for a full-year dividend of ¥43.0 per share. In addition, we plan to buy back ¥30 billion of our own shares.

### DIVIDENDS/DIVIDEND PAYOUT RATIO



## Review of Operations by Segment

### SALES AND OPERATING INCOME BY SEGMENT (2012/2011)

	Millions of yen		Percent change
	2012	2011	
<b>Sales</b>			
Alcohol beverages	¥922,250	¥921,657	+0.1
Soft drinks	370,836	324,782	+14.2
Food	101,627	98,033	+3.7
Overseas	157,932	94,220	+67.6
Others	26,432	24,044	+9.9
<b>Operating income</b>			
Alcohol beverages	113,305	101,025	+12.2
Soft drinks	7,379	11,389	-35.2
Food	3,669	4,158	-11.8
Overseas	(3,873)	(2,913)	—
Others	607	760	-20.3

### Alcohol Beverages Business (Related information on page 18)

#### Asahi Breweries, Ltd.

Asahi Breweries, Ltd., the core operating company in the alcohol beverages business, continued to face a severe market climate. Although consumer psychology, including consumer sentiment, has started to improve, there has been a decline in alcohol beverage consumption due to Japan's aging society with fewer children, low-price preferences among consumers amid heightened belt-tightening, and a tendency to stay at home reflecting changes in people's work-life balance. In this climate, Asahi Breweries worked to leverage customer trust and cultivate a sense of familiarity by making products with quality as the top priority, aiming to be a "market innovation company" that provides customers with alcohol beverages with a new value as a communication tool that deepens the bonds between people. The key theme of the company's activities was "Re-Energize." Designed to encapsulate the value that customers are currently seeking from alcohol beverages, the "Re-Energize" theme has three components: "Reality," meaning reliability and certainty; "Relation," meaning inter-personal relationships; and "Refresh," meaning a source of vitality and refreshment. Through these activities, Asahi Breweries endeavored to "re-energize" all of Japan.

Consequently, overall sales in the alcohol beverages segment, comprised of Asahi Breweries, Ltd. and other operating companies, rose 0.1% year on year, to ¥922.3 billion, mainly due to higher sales volume of beer and beer-taste beverages. Operating income was up ¥12.3 billion, or 12.2% year on year, to ¥113.3 billion. The main contributing factors were a large increase in sales volume of beer-taste beverages, reduced fixed costs centered on depreciation, improved production efficiency owing to the integration of the Nishinomiya Brewery's production functions into the Suita Brewery, and efforts to curb advertising and sales promotion expenses by concentrating marketing investment on mainstay brands.

### Beer-type beverages

Taxable shipment volume for domestic beer-type beverages from Asahi Breweries, Ltd. declined 1.8% year on year to 163.2 million cases.

As a result, sales of beer-type beverages declined ¥8.8 billion, or 1.1% from the previous year, to ¥776.4 billion.

The company's share of the overall domestic beer-type beverages market was 37.5%, down 0.4 of a percentage point year on year.

### Beer

In the beer category, we launched new value proposition products such as *Asahi Super Dry –Dry Black–* in April. We also took action to develop the *Asahi Super Dry "Extra cold"* (–2°C to 0°C) concept by expanding the number of sites generating information. As part of aggressive marketing efforts to reinforce the brand power of *Asahi Super Dry*, we also continued to expand the limited-time opening of the "*Asahi Super Dry Extra Cold Bar*" locations to four cities, including Ginza in Tokyo. The result was an annual sales volume of over 100 million cases\*<sup>1</sup> for a 24th consecutive year, with our share increasing 0.1 of a percentage point year on year to 50.6%\*<sup>2</sup> of Japan's beer market. Accordingly, beer sales volume increased 0.2% year on year to 111.0 million cases, with beer sales increasing ¥2.0 billion, or 0.3%, to ¥595.2 billion.

### Happoshu

In the happoshu category, amid the significantly contracting market, we made quality improvements to and vigorously enacted sales promotion activities for *Asahi Style Free*, our pioneering product in the "zero carbohydrate"\*<sup>3</sup> category. Consequently, happoshu sales volume decreased 6.2% year on year to 15.5 million cases and sales decreased ¥3.8 billion, or 5.9%, to ¥59.6 billion. However, Asahi Breweries, Ltd.'s share of the domestic happoshu market increased 0.5 of a percentage point to 25.0%\*<sup>2</sup>.

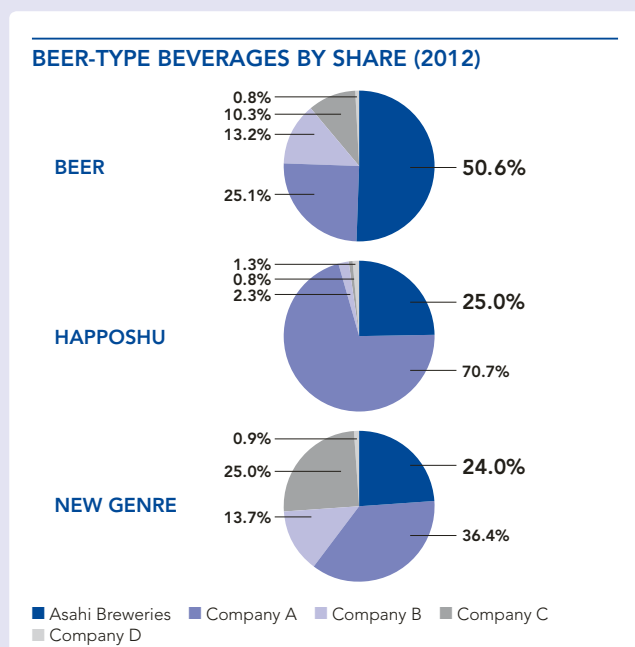
### New genre beverages

In new genre beverages, we enhanced and nurtured our core brand *Clear Asahi* and moved to improve the quality of *Asahi Off* and *Asahi Blue Label*. Despite these initiatives, sales volume declined 5.4% from the previous year to 36.8 million cases and Asahi Breweries, Ltd.'s share of the domestic market for new genre beverages declined 1.7 percentage points to 24.0%\*<sup>2</sup>. Sales in this category decreased ¥7.0 billion, or 5.5%, to ¥121.6 billion.

\*<sup>1</sup> One case is equivalent to 20 large bottles (663 ml 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 0.5 g (per 100 ml) is indicated as "zero carbohydrate."



## Alcohol beverages other than beer-type beverages

Overall sales of alcohol beverages other than beer-type beverages—shochu, RTD beverages, whisky and spirits, wine and beer-taste beverages—increased ¥9.2 billion, or 8.0%, to ¥123.9 billion. The increase in sales largely reflected successful efforts to heighten the market presence of mainstay brands in each category.

### Shochu

For shochu, we worked to expand the user base of the *Kanoka* brand further by renewing the packaging of *Kanoka* and increasing the settings in which shochu is consumed through the launch of the new product *Kanoka Shochu Highball*. Despite these efforts, however, sales declined 19.0% year on year to ¥32.7 billion.

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

In ready-to-drink (RTD) beverages, we sought to further cultivate the brands *Asahi Cocktail Partner* and *Asahi Slat*. In addition to these, *Asahi Chu-hi Kajitsu-no-shunkan Rich Tangerine Taste*, a brand made from Pom Juice, a beverage produced by Ehime Beverage Inc., was revamped in September 2012. As a result, sales of RTD beverages increased 2.1% year on year to ¥28.8 billion.

### Whisky and Spirits

In whisky and spirits, *Taketsuru Pure Malt 17 Years* was named “World’s Best Blended Malt Whisky” at the World Whiskies Awards\* in April 2012. This marked the fifth time and the fourth consecutive year that the Taketsuru brand has won this award. Although sales promotions such as TV commercials and consumer sales campaigns were implemented for the core *Black Nikka Clear* brand, sales of this brand declined slightly. As a result, sales declined 3.6% from the previous year to ¥29.8 billion.

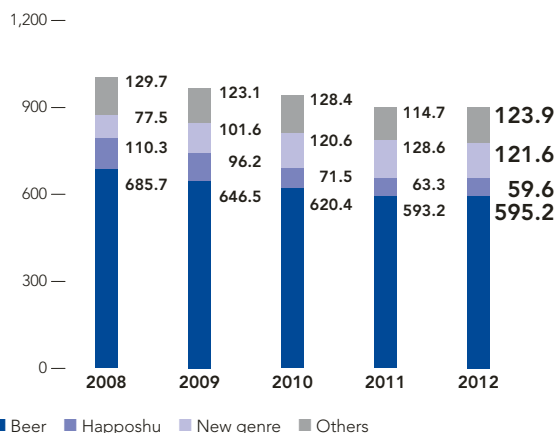
### Wine

In wine, our domestic wine brands performed well, improving over the previous fiscal year. This was because a new product of *Ste. Neige Relä*, a wine offering an easy-to-drink taste, a brand launched in April 2011, was added to the lineup: a small volume of the wine in a 320 ml bottle. For imported wines, such daily wine products as Chilean wines *Caliterra* and *Santa Helena*, and Italian wine *Gancia* sold well. As a result, sales increased 8.5% to ¥11.5 billion.

## SALES BY CATEGORY

(BEER, HAPPOSHU, NEW GENRE, AND OTHERS)

(¥ Billion)



## Other alcohol beverages segment

In the other alcohol beverages segment, in February 2012, Asahi Breweries launched *Asahi Dry Zero*, a low-calorie beer-taste beverage featuring “a dry finish and clear aftertaste.” Commended for this feature, *Asahi Dry Zero* achieved annual sales volume of 5.02 million cases, roughly 70% higher than the initial target of 3.00 million cases.

We also revamped the packaging of *Asahi Double Zero Cocktail*, a cocktail-taste beverage, and renamed the product *Asahi Zero Kaku*, a catchier name that is easier to remember. Meanwhile, the sales volume of beer-taste beverages increased sharply in the absence of the impact of the Great East Japan Earthquake. As a result, sales of the other alcohol beverages segment increased substantially by 352.4% to ¥21.1 billion.

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

## Overseas Alcohol Beverages Business

In terms of sales of Asahi brand products overseas, in South Korea, we aggressively developed our local sales promotion activities by launching *Asahi Super Dry –Dry Black–* in July 2012 for the first time overseas, among other measures. This helped us to maintain our position as the leading imported beer brand by sales volume for a second consecutive year. This and other actions enhanced our presence, especially in markets across Asia and Oceania.

## Soft Drinks Business (Related information on page 24)

In the domestic soft drinks business, core operating company Asahi Soft Drinks Co., Ltd. took measures for realizing dramatic growth based on fundamental strategies for growth and structural reform. Calpis Co., Ltd., which became a newly consolidated subsidiary in October 2012, also contributed to business results. As a result, sales in the soft drinks business, including Asahi Soft Drinks Co., Ltd., rose 14.2% year on year to ¥370.8 billion. Operating income, meanwhile, decreased 35.2% to ¥7.4 billion, due to the increase in advertising and sales promotion expenses at Asahi Soft Drinks Co., Ltd.

### Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. aggressively worked to strengthen and cultivate brands centered on *Asahi Oishii Mizu*, a new mineral water brand unveiled in June 2012, in addition to mainstay brands *Mitsuya Cider*, *WONDA* and *Asahi Juroku-cha*. We also pursued initiatives for revitalizing our long-selling brands including *Bireley's* and *Wilkinson*. As a result, overall sales volume at Asahi Soft Drinks Co., Ltd. increased at a faster pace than the market growth rate, reaching an all-time high for a 10th consecutive year.

In the course of its endeavors to achieve optimum production and logistics systems to become the industry leader in terms of cost competitiveness, Asahi Soft Drinks renovated the production lines of its Mt. Fuji Factory in anticipation of increasing sales in the mineral water market, which is expected to grow.

### Carbonated beverages

For our mainstay *Mitsuya Cider* brand, sales volume increased year on year mainly due to aggressive efforts to strengthen and cultivate the brand. As a result, annual sales volume of *Mitsuya Cider* brand beverages increased 7.0% year on year to 39.1 million cases, topping 30 million cases for another year. Consequently, the total sales volume for carbonated beverages increased 12.3% year on year to 48.7 million cases, due in large part to sales remaining strong in the *Wilkinson* brand.

### Coffee

In our core *WONDA* brand, sales volume surpassed 40 million cases for the first time at Asahi Soft Drinks Co., Ltd. thanks to aggressive sales promotion activities and campaigns. Overall coffee sales volume was up 4.8% year on year to 40.4 million cases.

### Tea-based drinks

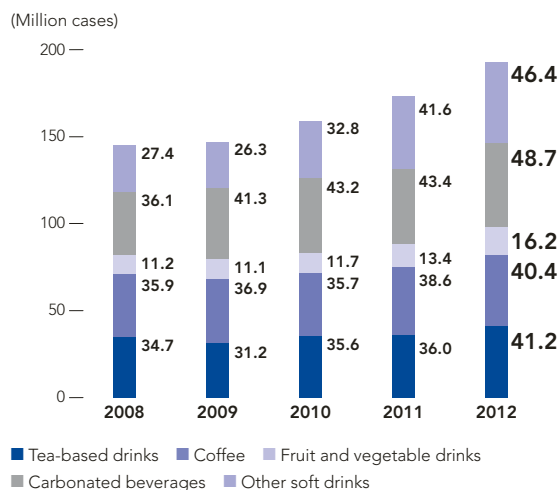
In our core *Asahi Juroku-cha* brand, sales volume topped 20 million cases for the first time in 12 years, increasing for a third consecutive year, mainly spurred by aggressive brand investment. As a result, annual sales volume for the *Asahi Juroku-cha* brand rose 9.2% year on year to 20.1 million cases. Consequently, annual sales volume for the entire tea-based drinks category increased 14.6% year on year, to 41.2 million cases.

### Fruit and vegetable drinks and other soft drinks

In fruit and vegetable drinks, we focused on revitalizing long-selling brands, including *Bireley's* and *Wilkinson*. Annual sales volume for the fruit and vegetable drinks category increased 20.8% overall year on year, to 16.2 million cases.

In other soft drinks, total sales volume was up 11.5% year on year to 46.4 million cases. Growth was primarily due to contributions from the mineral water category, namely the *Asahi Oishii Mizu* brand, which was newly launched by revamping the mineral water product lineup in June 2012. Sales volume of the *Asahi Oishii Mizu* brand rose 37.0% year on year to 19.0 million cases.

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



## Food Business (Related information on page 30)

In the food business, Asahi Food & Healthcare Co., Ltd. enjoyed solid sales of its mainstay products, while Amano Jitsugyo Co., Ltd. saw its mass distribution sales business expand. Mainly as a result of the foregoing, sales in the food business climbed 3.7% year on year to ¥101.6 billion. Operating income declined 11.7% year on year to ¥3.7 billion, due primarily to an increase in advertising and sales promotion expenses at Wakodo Co., Ltd.

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

Asahi Food & Healthcare Co., Ltd. endeavored to expand sales primarily through the cultivation of new sales channels, in addition to further strengthening its core brands along with developing and launching new products.

Asahi Food & Healthcare saw an increase in sales from the previous year as a result of aggressive advertising for *MINTIA* breath mint tablets and *Dear-Natura* brand supplements, and rolling out new products or relaunching modified versions of existing products under these brands, as well as sales promotions for products such as *BALANCEUP* nutritionally balanced snack bars.

In terms of earnings, Asahi Food & Healthcare also worked not only on reducing advertising and sales promotion expenses mainly through the effective use of advertisements, but also on reducing inventories through appropriate stock management.

### Wakodo Co., Ltd.

Wakodo Co., Ltd. followed a management policy of boldly advancing to the next stage, taking steps to enhance its presence in the markets for baby food and powdered infant formula, while working to strengthen its profit base by winning new customers for commercial-use products.

In its mainstay baby food segment, Wakodo expanded the product lineup of *Goo-Goo Kitchen* and renewed *Eiyo Marche* products. The business for senior citizens is expected to grow into a core business. Here, the company reinforced its product lineup and sales structure for retort pouch foods for nursing care. However, overall sales decreased from the previous year, due in part to a decrease in the contract manufacture of commercial-use products.

At the same time, Wakodo worked to improve its profitability by promoting the reduction of dairy product and other raw material costs and production costs.

### Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. sought to expand its business and improve profitability through expansion of sales channels, development of products that meet customer needs, and enhancement of production equipment.

In the mass distribution sales business, there was a considerable increase in the number of mass-retail stores that carry Amano Jitsugyo's products owing to the launch of set products of freeze-dried miso soup, *Genen type Omiso-shiru* (reduced sodium miso soup), *Freeze Dried Curry recommended by Yukio Hattori* and other products, along with enhancement of sales and marketing

activities relating to the products. Amano Jitsugyo also aggressively promoted sales in its direct marketing business to achieve a company-wide increase in sales from the previous year.

In terms of earnings, Amano Jitsugyo made efforts to enhance its freeze-dried food production equipment and reduce costs by improving efficiency through such means as automating certain packaging processes.

## Overseas Business (Related information on page 34)

In the overseas business, sales increased 67.6% to ¥157.9 billion mainly due to additional sales of the newly consolidated subsidiaries in Oceania and Malaysia. Despite the improved profitability of the Chinese business and the positive contributions of the newly consolidated companies, the operating loss worsened by ¥1.0 billion year on year to ¥3.9 billion. This was due to increased amortization of goodwill and other items of the newly consolidated subsidiaries.

### Oceania Operations

In Oceania, we built a growth base for an integrated beverages business combining the alcohol beverages and soft drinks businesses, including by enhancing each company's core brands and creating cost synergies, centered on Asahi Holdings (Australia) Pty Ltd (AHA), which is a regional headquarters to manage the companies in the region.

In the soft drinks business, the establishment of an efficient structure through the integration of the companies in the region, as well as the launch of a new cola beverage by Schweppes Australia Limited Limited, resulted in an increase in soft drink sales. In the alcohol beverages business, operating companies endeavored to strengthen their presence in growing sectors. Measures included commencing sales of *Asahi Super Dry*, which has proven popular in Oceania as a premium beer, in addition to enhancing product portfolios by renewing mainstay RTD beverage brands and launching new products.

Furthermore, the operating companies sought to strengthen their profit bases primarily through the consolidation of their back office sections, establishment of optimum production systems for mineral water and other products in the soft drinks business, and improve the efficiency of the joint procurement of raw materials and the procurement of indirect materials.

### China Operations

In China, efforts were made to improve profitability and enhance quality by expanding sales of Asahi brand products and strengthening the local production system.

Despite a boost in sales activities targeting Japanese restaurants and convenience stores, along with an expansion of the sales area covered by Yantai Beer Tsingtao Asahi Co., Ltd., the China business segment saw a decrease in overall sales from the previous year. This was due mainly to the exclusion of the net sales of Hangzhou Xihu Beer Asahi Co., Ltd. and Zhejiang Xihu Beer Asahi Co., Ltd., whose entire equity interests had been transferred in the

previous year, from the scope of consolidation.

Meanwhile, the Group endeavored to improve profitability by concentrating the production of Asahi brand products for sale within China in Beijing Beer Asahi Co., Ltd.

### Southeast Asia Operations

In Southeast Asia, efforts were made to expand the business base centered on Permanis Sdn. Bhd., in addition to improving its position in the Malaysian beverage market.

Permanis Sdn. Bhd. made aggressive marketing investments mainly in its core brands, while endeavoring to increase profitability by improving the efficiency of raw materials procurement through reduction of the unit prices primarily of sugar and aluminum cans.

Additionally, the Group established beverage joint ventures with PT Indofood CBP Sukses Makmur Tbk, the largest food products company in Indonesia, in order to establish a base in the Indonesian beverage market, which is expected to continue to grow going forward.

### Other Businesses

In other businesses, sales increased by 9.9% year on year to ¥26.4 billion, thanks to expansion of the cargo transportation business. However, operating income decreased by 20.1% year on year to ¥0.6 billion, due to a continuous increase in costs associated with deterioration of the supply-demand balance for vehicles in the cargo transportation industry.

## Outlook for Fiscal 2013

In fiscal 2013, we will work to concentrate management resources on bolstering core product brands in each business. At the same time, we will further enhance the profitability of the Group as a whole by continuing to strengthen our cost competitiveness.

Furthermore, fiscal 2013 is the first year of the Medium-Term Management Plan 2015. Accordingly, we aim to enhance our corporate value by promoting value and network management. Under this management approach, we will endeavor to achieve steady long-term growth by driving further expansion in our networks worldwide. In addition, we will concentrate on the strengths we have nurtured and developed to date, such as our brands, technologies and cost competitiveness, as we harness these strengths to create new value and achieve innovation. We will strive to increase capital efficiency mainly by enhancing shareholder returns, while giving top priority to sales and earnings growth. Through these measures, the entire Group will work to attain sustained improvement in its targeted indicators of return on equity (ROE) and earnings per share (EPS).

Consequently, we are forecasting net sales of ¥1,720.0 billion (up 8.9% year on year), operating income of ¥118.0 billion (up 8.8%) and net income of ¥65.5 billion (up 14.5%) for the fiscal year ending December 31, 2013.

## Liquidity and Capital Resources

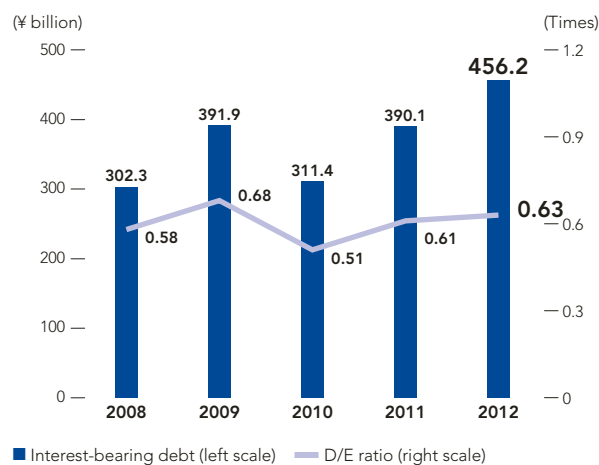
Asahi Group Holdings, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds, and as a management policy, regards the reduction of interest-bearing debt as a priority issue. However, we make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

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

The outstanding balance of interest-bearing debt amounted to ¥456.2 billion as of the end of 2012, up ¥66.1 billion from the previous fiscal year-end. This balance primarily reflected funds procured for business investment in 2012. The outstanding balance was below one-third of its all-time peak in fiscal 1992. In addition, during the year under review the debt-equity ratio was 0.6, compared to 4.9 in fiscal 1992.

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

### INTEREST-BEARING DEBT AND D/E RATIO

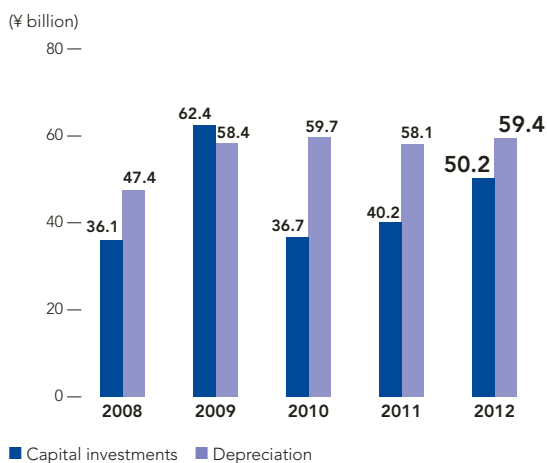


## Capital Investments

Capital investments for the fiscal year ended December 31, 2012, increased ¥9.9 billion from ¥40.2 billion in the previous fiscal year to ¥50.2 billion. This increase resulted primarily from several sources, among them investments in profit structure reform in the alcohol beverages business centered on production system development in Japan's Kansai region and ongoing facilities investment, including construction to upgrade existing facilities and energy-efficiency measures. Other factors included strategic facilities investment in the soft drinks business by Asahi Soft Drinks Co., Ltd. in an ongoing drive to boost production efficiency, as well as various initiatives in the food business. Steps in the latter included strategic investment in new businesses and sales expansion efforts, along with facilities investment designed to improve quality and streamline production.

Consolidated depreciation costs totaled ¥59.4 billion.

### CAPITAL INVESTMENTS AND DEPRECIATION



## Assets, Liabilities and Net Assets

Consolidated total assets as of the end of fiscal 2012 increased by ¥202.3 billion, or 13.2% compared with the previous fiscal year-end, to ¥1,732.2 billion. This increase was mainly attributable to an increase in cash and time deposits reflecting the need to ensure liquidity in hand, and growth in assets accompanying the inclusion of Calpis Co., Ltd. in the scope of consolidation, along with an increase in goodwill associated with the acquisition of this company. Another contributing factor was an increase in the assets of overseas subsidiaries reflecting foreign exchange rate movements. Return on assets (ROA) worsened 0.6 of a percentage point to 7.0%.

Current assets increased ¥72.0 billion, or 15.8%, year on year, to ¥529.2 billion. This was mainly due to an increase in cash and time deposits. Trade receivable turnover remained at 5.3 times, on par with the previous fiscal year. Inventories turnover was 14.6 times, decreasing from 14.8 times recorded for the previous year.

Property, plant and equipment increased ¥47.2 billion, or 8.8%, year on year, to ¥583.4 billion. The main reasons were an increase in assets from the newly consolidated Calpis Co., Ltd. and an increase in the assets of overseas subsidiaries reflecting foreign exchange rates.

Investments and other assets increased ¥83.1 billion, or 15.5%, to ¥619.6 billion. The main contributing factor was an increase in goodwill arising from corporate acquisitions.

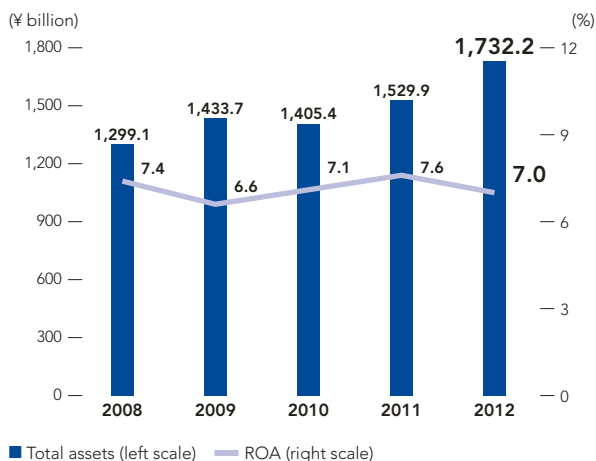
Total liabilities increased ¥119.2 billion, or 13.5%, from the previous fiscal year-end, to ¥1,005.3 billion. Current liabilities increased ¥77.9 billion, or 12.9% year on year, to ¥680.1 billion. This reflected a 76.6% increase in bank loans and a 142.9% increase in commercial paper. Non-current liabilities increased ¥41.3 billion, or 14.5%, to ¥325.2 billion, primarily due to a year-on-year increase of 376.2% in deferred income tax liabilities.

Total net assets increased ¥83.1 billion, or 12.9%, to ¥726.9 billion. Total net assets minus minority interests were ¥723.8 billion, up ¥82.1 billion, or 12.8%, compared to ¥641.7 billion in the previous fiscal year. This resulted from an increase in retained earnings due to net income as well as an increase in foreign currency translation adjustments associated with foreign exchange rate movements in currencies such as the Australian dollar.

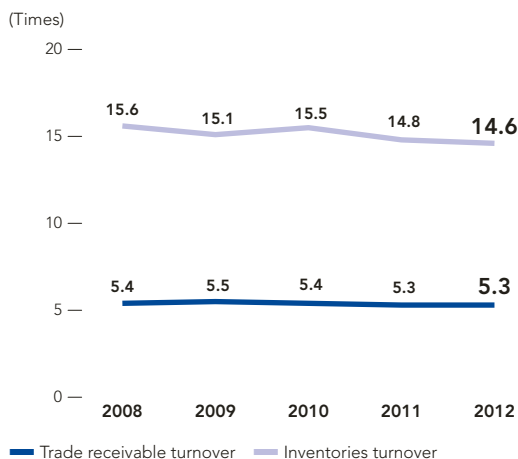
As a result, the equity ratio fell 0.1 of a percentage point from the previous fiscal year-end to 41.8%.



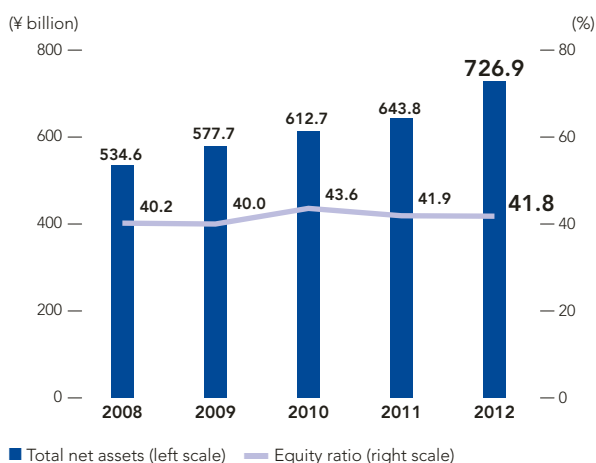
## TOTAL ASSETS AND ROA



## TRADE RECEIVABLE TURNOVER AND INVENTORIES TURNOVER



## TOTAL NET ASSETS AND EQUITY RATIO



## Cash Flows

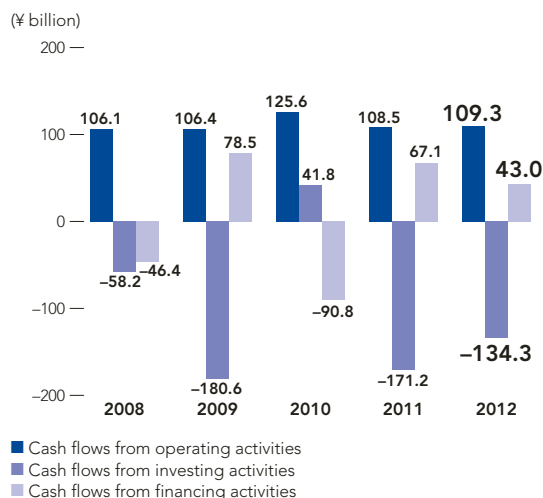
For the fiscal year ended December 31, 2012, net cash provided by operating activities increased ¥0.8 billion year on year to ¥109.3 billion. This result largely reflected an increase in income before income taxes and minority interests, along with increases in depreciation, amortization of goodwill and other non-cash expenses. These factors were partly offset by outflows such as an increase in income taxes paid and an increase in notes and accounts receivable—trade.

Net cash used in investing activities were ¥134.3 billion, a decrease of ¥36.9 billion from the previous year. The decrease primarily reflected the absence of the purchase of stock in subsidiaries in the Oceania region and Southeast Asia carried out in 2011.

Net cash provided by financing activities decreased ¥24.1 billion year on year to ¥43.0 billion. This was primarily due to the repayment of long-term loans payable and the redemption of bonds, despite an increase in short-term loans payable.

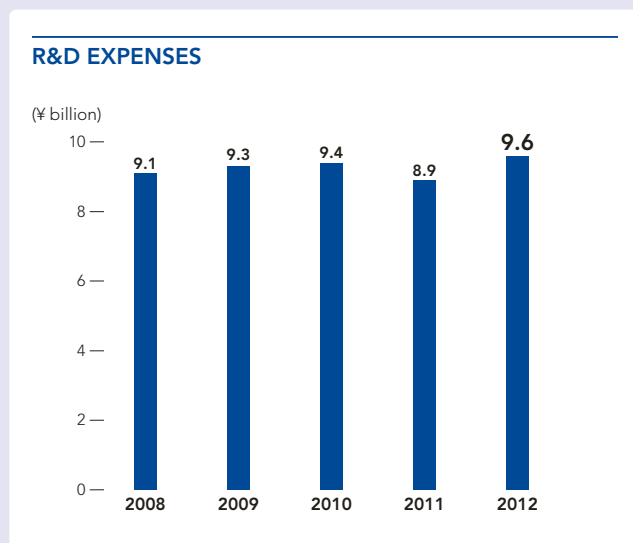
As a result, cash and cash equivalents at the fiscal year-end increased ¥18.2 billion to ¥34.3 billion.

## CASH FLOWS



## Research and Development

R&D expenses for the year under review were ¥9.6 billion, representing an increase of 7.8% year on year.



## Business Risk

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

The alcohol beverages business accounts for approximately 58% 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 alcohol 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 alcohol 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 alcohol 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 alcohol beverages apart from beer-type beverages, while also expanding businesses other than the alcohol 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 fears of radiation contamination, 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 raw 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 alcohol 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 business

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<sup>2</sup> 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 alcohol beverages

To fulfill its corporate social responsibility (CSR) as a company that produces and sells alcohol 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 laws and 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 Group Holdings, Ltd. and Consolidated Subsidiaries  
As of December 31, 2012, 2011 and 2010

Assets	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
<b>Current assets:</b>				
Cash and time deposits (Notes 3 and 5)	¥ 34,573	¥ 16,893	¥ 11,534	\$ 399,319
Notes and accounts receivable:				
Trade (Note 5)	317,008	279,596	274,379	3,661,446
Other	16,301	19,750	12,391	188,277
Allowance for doubtful accounts	(4,914)	(3,327)	(5,685)	(56,757)
Inventories (Note 4)	113,519	102,631	95,359	1,311,146
Deferred income tax assets (Note 11)	12,623	12,983	14,623	145,796
Other current assets	40,079	28,620	18,452	462,913
<b>Total current assets</b>	<b>529,189</b>	<b>457,146</b>	<b>421,053</b>	<b>6,112,140</b>
<b>Property, plant and equipment (Notes 9 and 15):</b>				
Land	205,554	176,054	182,570	2,374,151
Buildings and structures	431,654	399,003	398,687	4,985,609
Machinery and equipment	681,962	621,532	611,664	7,876,669
Others	38,323	29,361	19,353	442,630
Construction in progress	7,829	5,355	6,714	90,425
	1,365,322	1,231,305	1,218,988	15,769,484
Less accumulated depreciation	(781,923)	(695,069)	(661,888)	(9,031,220)
<b>Net property, plant and equipment</b>	<b>583,399</b>	<b>536,236</b>	<b>557,100</b>	<b>6,738,264</b>
<b>Investments and other assets:</b>				
Goodwill (Note 15)	203,765	184,408	84,172	2,353,488
Investment securities (Notes 5 and 6)	91,457	76,875	76,120	1,056,329
Investments in unconsolidated subsidiaries and affiliated companies (Notes 5 and 6)	176,786	160,967	161,390	2,041,880
Long-term loans receivable (Note 5)	4,232	5,104	6,603	48,880
Deferred income tax assets (Note 11)	18,212	28,950	30,450	210,349
Other non-current assets	125,148	80,222	68,470	1,445,461
<b>Total investments and other assets</b>	<b>619,600</b>	<b>536,526</b>	<b>427,205</b>	<b>7,156,387</b>
<b>Total assets</b>	<b>¥1,732,188</b>	<b>¥1,529,908</b>	<b>¥1,405,358</b>	<b>\$20,006,791</b>

See accompanying notes.

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
<b>Current liabilities:</b>				
Bank loans (Notes 5 and 9)	¥ 159,331	¥ 90,218	¥ 60,105	\$ 1,840,275
Commercial paper (Notes 5 and 9)	68,000	28,000	14,000	785,401
Long-term debt due within one year (Notes 5 and 9)	15,367	71,462	24,155	177,489
Notes and accounts payable (Note 5):				
Trade	117,569	104,128	102,715	1,357,923
Other	68,115	61,621	52,795	786,729
Alcohol tax and consumption taxes payable	130,321	128,476	127,922	1,505,209
Deposits received (Note 5)	21,201	18,932	19,609	244,872
Income taxes payable (Note 11)	23,202	25,018	32,494	267,983
Accrued liabilities	60,377	61,877	56,461	697,355
Other current liabilities	16,586	12,434	9,619	191,569
Total current liabilities	680,069	602,166	499,875	7,854,805
<b>Non-current liabilities:</b>				
Long-term debt (Notes 5 and 9)	213,537	200,413	213,164	2,466,355
Employees' severance and retirement benefits (Note 10)	23,852	21,855	24,739	275,491
Allowance for retirement benefits for directors and corporate auditors	480	372	598	5,544
Deferred income tax liabilities (Note 11)	31,433	6,602	4,831	363,052
Long-term deposits received	36,363	35,711	35,831	419,993
Other long-term liabilities	19,575	18,990	13,650	226,091
Total non-current liabilities	325,240	283,943	292,813	3,756,526
Total liabilities	1,005,309	886,109	792,688	11,611,331
<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	2,108,235
Capital surplus	150,641	150,789	150,910	1,739,905
Retained earnings	383,177	338,809	295,229	4,425,699
Treasury stock, at cost	(27,764)	(28,296)	(28,721)	(320,675)
Total Shareholders' equity	688,585	643,833	599,949	7,953,164
<b>Accumulated other comprehensive income</b>				
Unrealized gains(losses) on available-for-sale securities, net of taxes	3,260	(2,685)	199	37,653
Unrealized gains(losses) on hedging derivatives, net of taxes	(5)	1	693	(58)
Foreign currency translation adjustments	31,979	584	11,351	369,358
Total accumulated other comprehensive income	35,234	(2,100)	12,243	406,953
<b>Minority interests</b>	3,060	2,066	478	35,343
Total net assets	726,879	643,799	612,670	8,395,460
Total liabilities and net assets	¥1,732,188	¥1,529,908	¥1,405,358	\$20,006,791

## CONSOLIDATED STATEMENTS OF INCOME

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
<b>Net sales</b> (Note 19)	<b>¥1,579,077</b>	¥1,462,736	¥1,489,461	<b>\$18,238,358</b>
<b>Costs and expenses</b> (Note 19):				
Cost of sales (Note 7)	552,311	491,518	509,337	6,379,198
Alcohol tax	422,391	415,725	433,987	4,878,621
Selling, general and administrative expenses (Note 7)	495,938	448,303	450,788	5,728,090
	<b>1,470,640</b>	1,355,546	1,394,112	<b>16,985,909</b>
<b>Operating income</b> (Note 19)	<b>108,437</b>	107,190	95,349	<b>1,252,449</b>
<b>Other income (expenses):</b>				
Interest and dividend income	1,739	1,470	1,705	20,085
Interest expenses	(4,043)	(3,668)	(4,328)	(46,697)
Equity in net income of unconsolidated subsidiaries and affiliated companies	10,617	5,480	9,846	122,626
Gain on sale of securities—net (Note 6)	94	535	670	1,086
Gain on sales of investments in subsidiaries and affiliated companies	201	4,677	32,336	2,322
Gain on change in equity	8,088	—	—	93,416
Loss on sale and disposal of property, plant and equipment—net	(3,035)	(1,087)	(5,337)	(35,054)
Loss on devaluation of investment securities	(889)	(2,192)	(1,004)	(10,268)
Loss on impairment of fixed assets (Notes 15 and 19)	(3,070)	—	(13,573)	(35,459)
Loss on factory restructuring	(1,459)	(735)	(19,781)	(16,851)
Business integration expenses	(5,944)	(3,615)	—	(68,653)
Earthquake related expenses	—	(17,914)	—	—
Adjustment of goodwill (Note 14)	(7,954)	—	—	(91,869)
Other—net	(2,942)	281	(3,418)	(33,979)
	<b>(8,597)</b>	(16,768)	(2,884)	<b>(99,295)</b>
<b>Income before income taxes and minority interests</b>	<b>99,840</b>	90,422	92,465	<b>1,153,154</b>
<b>Income taxes</b> (Note 11):				
Current	33,854	29,938	53,548	391,014
Deferred	8,454	4,949	(12,626)	97,644
	<b>42,308</b>	34,887	40,922	<b>488,658</b>
<b>Income before minority interests</b>	<b>57,532</b>	55,535	51,543	<b>664,496</b>
<b>Minority interests in net loss (gain) of consolidated subsidiaries</b>	<b>(349)</b>	(442)	1,537	<b>(4,032)</b>
<b>Net income</b>	<b>¥ 57,183</b>	¥ 55,093	¥ 53,080	<b>\$ 660,464</b>
		Yen		U.S. dollars (Note 1)
	2012	2011	2010	2012
<b>Amounts per share of common stock:</b>				
Net income	¥122.75	¥118.36	¥114.10	\$1.42
Diluted net income	122.67	118.28	114.00	1.42
Cash dividends applicable to the year	28.00	25.00	23.00	0.32

See accompanying notes.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Income before minority interests</b>	<b>¥57,532</b>	¥ 55,536	<b>\$ 664,496</b>
<b>Other comprehensive income (Note 21):</b>			
Unrealized gains (losses) on available-for-sale securities, net of taxes	5,945	(2,884)	68,665
Unrealized gains (losses) on hedging derivatives, net of taxes	(7)	(692)	(81)
Foreign currency translation adjustments	31,015	(11,462)	358,224
Share of other comprehensive income of affiliated companies accounted for using equity method	302	(623)	3,488
Total other comprehensive income	37,255	(15,661)	430,296
<b>Comprehensive income (Note 21)</b>	<b>¥94,787</b>	¥ 39,875	<b>\$1,094,792</b>
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of the parent	¥94,516	¥ 40,750	\$1,091,662
Comprehensive income attributable to minority interests	¥ 271	¥ (875)	\$ 3,130

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (NOTE 17)

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2012, 2011 and 2010

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
<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
Net income			55,093					
Cash dividends paid			(11,170)					
Purchases of treasury stock				(11)				
Disposal of treasury stock		(121)		436				
Decrease resulting from change in scope of consolidation			(125)					
Decrease resulting from change in scope of equity method			(218)					
Net changes of items in accumulated losses from revaluation and translation adjustments					(2,884)	(692)	(10,767)	
Increase in minority interests								1,588
<b>Balance at December 31, 2011</b>	¥182,531	¥150,789	¥338,809	¥(28,296)	¥(2,685)	¥ 1	¥ 584	¥ 2,066
Net income			57,183					
Cash dividends paid			(12,808)					
Purchases of treasury stock				(13)				
Disposal of treasury stock		(148)		545				
Decrease resulting from change in scope of equity method			(7)					
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					5,945	(6)	31,395	
Increase in minority interests								994
<b>Balance at December 31, 2012</b>	¥182,531	¥150,641	¥383,177	¥(27,764)	¥ 3,260	¥ (5)	¥ 31,979	¥ 3,060

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests
<b>Balance at December 31, 2011</b>	\$2,108,235	\$1,741,615	\$3,913,248	\$(326,819)	\$(31,012)	\$ 12	\$ 6,745	\$23,862
Net income			660,464					
Cash dividends paid			(147,933)					
Purchases of treasury stock				(150)				
Disposal of treasury stock		(1,710)		6,294				
Decrease resulting from change in scope of equity method			(80)					
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					68,665	(70)	362,613	
Increase in minority interests								11,481
<b>Balance at December 31, 2012</b>	\$2,108,235	\$1,739,905	\$4,425,699	\$(320,675)	\$ 37,653	\$(58)	\$369,358	\$35,343

See accompanying notes.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For years ended December 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 99,840	¥ 90,422	¥ 92,465	\$ 1,153,154
Depreciation and amortization	59,366	58,135	59,710	685,678
Loss on impairment of fixed assets	3,070	—	13,573	35,459
Increase (decrease) in provision for retirement benefits	1,694	(1,423)	2,141	19,566
Decrease in allowance for doubtful accounts	(510)	(1,811)	(234)	(5,891)
Interest and dividend income	(1,739)	(1,470)	(1,705)	(20,085)
Interest expenses	4,043	3,668	4,328	46,697
Equity in net income of unconsolidated subsidiaries and affiliated companies	(10,617)	(5,480)	(9,846)	(122,626)
Gain on sale of securities—net	(94)	(535)	(670)	(1,086)
Loss on devaluation of investment securities	889	2,192	1,004	10,268
Gain on sales of investments in subsidiaries and affiliated companies	(201)	(4,677)	(32,336)	(2,322)
Loss on sale and disposal of property, plant and equipment—net	3,035	1,087	5,337	35,054
Loss on factory restructuring	1,459	735	19,781	(101,617)
Gain on change in equity	(8,088)	—	—	(93,416)
Adjustment of goodwill	7,954	—	—	91,869
Increase in notes and accounts receivable—trade	(8,798)	(838)	(256)	16,851
Decrease (increase) in inventories	(5,373)	(3,090)	1,717	(62,058)
Increase (decrease) in notes and accounts payable—trade	(3,399)	(890)	2,255	(39,258)
Increase (decrease) in accrued alcohol tax payable	1,209	(9,294)	(4,128)	13,964
Increase (decrease) in accrued consumption taxes	1,531	(1,423)	(351)	17,683
Bonuses paid to directors and corporate auditors	(383)	(377)	(356)	(4,424)
Other, net	12,175	27,973	12,805	140,619
Subtotal	157,063	152,904	165,234	1,814,079
Interest and dividends income received	5,021	5,745	6,965	57,993
Interest expenses paid	(4,276)	(3,345)	(4,090)	(49,388)
Income taxes paid	(48,516)	(46,791)	(42,500)	(560,360)
Net cash provided by operating activities	109,292	108,513	125,609	1,262,324
<b>Cash flows from investing activities:</b>				
Payments into time deposits	(136)	(583)	(845)	(1,571)
Proceeds from withdrawal of time deposits	676	734	1,528	7,808
Purchase of property, plant and equipment	(35,221)	(23,494)	(25,367)	(406,803)
Proceeds from sales of property, plant and equipment	753	4,855	2,502	8,697
Purchase of intangible assets	(5,121)	(3,101)	(4,779)	(59,148)
Proceeds from sales of intangible assets	—	87	85	—
Purchase of investment securities	(4,742)	(8,353)	(50,264)	(54,770)
Proceeds from sales of investment securities	1,040	977	46,489	12,012
Purchase of investments in subsidiaries	—	—	(2,920)	—
Proceeds from sales of investments in subsidiaries	552	—	—	6,376
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(88,270)	(142,143)	—	(1,019,520)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	3,014	—	—
Payments for transfer of business	—	—	(5,340)	—
Payments for loans receivable	(1,478)	(1,026)	(2,074)	(17,071)
Collection of loans receivable	1,190	1,281	2,135	13,745
Other, net	(3,563)	(3,483)	(2,940)	(41,153)
Net cash used in investing activities	(134,320)	(171,235)	(41,790)	(1,551,398)
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term loans payable	106,842	49,278	(71,330)	1,234,026
Repayments of lease obligations	(7,254)	(5,140)	(3,082)	(83,784)
Proceeds from long-term loans payable	566	5,048	10,717	6,537
Repayment of long-term loans payable	(46,514)	(5,495)	(22,799)	(537,237)
Proceeds from issuance of bonds	28,000	50,000	20,000	323,400
Redemption of bonds	(25,000)	(15,000)	(15,000)	(288,750)
Purchase of treasury stock	(14)	(11)	(23)	(162)
Cash dividends paid	(12,808)	(11,170)	(10,000)	(147,933)
Cash dividends paid to minority shareholders	(1,551)	—	—	(17,914)
Proceeds from stock issuance to minority shareholders	1,390	42	—	16,055
Other, net	(655)	(462)	689	(7,564)
Net cash provided by (used in) financing activities	43,002	67,090	(90,828)	496,674
Effect of exchange rate change on cash and cash equivalents	208	820	(262)	2,402
Net increase (decrease) in cash and cash equivalents	18,182	5,188	(7,271)	210,002
Cash and cash equivalents at beginning of period	16,138	10,813	18,082	186,394
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	137	2	—
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>¥ 34,320</b>	<b>¥ 16,138</b>	<b>¥ 10,813</b>	<b>\$ 396,396</b>

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries

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## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Asahi Group Holdings, 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.

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, 2012, which was ¥86.58 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.

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## 2. Significant Accounting Policies

### CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Companies") (33 domestic and 51 overseas subsidiaries for 2012, 32 domestic and 47 overseas subsidiaries for 2011 and 35 domestic and 16 overseas subsidiaries for 2010). All significant intercompany transactions and account balances are eliminated in consolidation.

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

### GOODWILL

Goodwill is 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.

Effective from the year ended December 31, 2011 the Companies adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issue Task Force (PITF) No. 24 issued on March 10, 2008). This change had no impact on the consolidated financial statements for the year ended December 31, 2011.

#### *(Additional information)*

##### *Matters relating to application of the equity method*

Although the equity on earnings of affiliates for Tingyi-Asahi Beverages Holding Co., Ltd. and its affiliates had heretofore been calculated using closing figures from December, when the company's fiscal year ends, the Company has adopted the method of calculating equity in earnings of affiliates using financial statements based on the provisional fiscal year ending at September 30 (calculated by a reasonable procedure in accordance with legitimate accounting methods) effective from the fiscal year ended December 31, 2012 in order to expedite disclosures and decision making relating to financial performance.

However, because equity on earnings based on the company's financial statements as of the consolidated closing on December 31 was recognized in the previous consolidated fiscal year, the equity based on the company's closing figures for a nine-month period is recognized for the current fiscal year.

### CONSOLIDATED STATEMENT OF CASH FLOWS

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities 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 statement of income in the event the net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

## INVENTORIES

Inventories held for sale in the ordinary course of business are 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.

## 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.

## ACCOUNTING FOR LEASE TRANSACTIONS AS LESSEE

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.

## INCOME TAXES

The Companies recognized deferred income tax assets and liabilities for 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, certain of the Company's consolidated subsidiaries have 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 amortized by 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 amortized by 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. 19, issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government bonds, government agency bonds or high quality corporate 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 bonds, government agency bonds or high quality corporate 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 service 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 at the shareholders' meeting.

At the annual shareholders' meeting of the Company and several of its consolidated subsidiaries held in March 2007, the proposal for 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 "Other long-term liabilities" in the balance sheet.

## TRANSLATION OF FOREIGN CURRENCY ACCOUNTS AND FINANCIAL STATEMENTS

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates, and differences arising from the translation are included in the statement 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 historical exchange rates for shareholders' equity. All revenue and expense accounts are translated at average exchange rates for 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 the 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.

## ACCOUNTING STANDARD FOR ASSET RETIREMENT OBLIGATIONS

Effective from the year ended December 31, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result of the adoption of the new accounting standard, operating income decreased by ¥39 million and income before income taxes and minority interests decreased by ¥500 million for the year ended December 31, 2011.

## ACCOUNTING STANDARD FOR PRESENTATION OF COMPREHENSIVE INCOME

Effective from the year ended December 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010).

As a result of the adoption of this standard, the Company presented the consolidated statement of comprehensive income in the consolidated financial statements for the year ended December 31, 2012 and 2011. Comprehensive income for the year ended December 31, 2010 is disclosed in Note 21.

## ACCOUNTING STANDARD FOR ACCOUNTING CHANGES AND ERROR CORRECTIONS

Effective from the year ended December 31, 2012, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the beginning of the current fiscal year.

## 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.

### 3. Cash Flow Information

A. Reconciliation of cash and time deposits shown in the consolidated balance sheet and cash and cash equivalents shown in the consolidated statement of cash flows as of December 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Cash and time deposits	¥34,573	¥16,893	¥11,534	\$399,319
Less: Time deposits with maturities exceeding three months	(253)	(755)	(721)	(2,923)
Cash and cash equivalents	¥34,320	¥16,138	¥10,813	\$396,396

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 for such acquisition, which are included in "Purchase of investments in subsidiaries resulting in change in scope of consolidation" for the years ended December 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Current assets	¥ 44,622	¥ 18,528	¥—	\$ 515,385
Fixed assets	86,245	31,900	—	996,131
Goodwill	29,889	107,878	—	345,218
Current liabilities	(36,793)	(13,608)	—	(424,960)
Long-term liabilities	(23,178)	(8,981)	—	(267,706)
Foreign currency translation adjustments	—	7,175	—	—
Acquisition cost of shares	100,785	142,892	—	1,164,068
Expenditures for acquiring the common shares	—	2,975	—	—
Cash and cash equivalents of acquired companies	(12,515)	(3,724)	—	(144,548)
Net cash used for acquisition of acquired companies	¥ 88,270	¥142,143	¥—	\$1,019,520

### 4. Inventories

Inventories at December 31, 2012, 2011 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Finished goods	¥ 37,765	¥ 29,205	¥23,085	\$ 436,186
Work in process	33,764	33,360	34,712	389,975
Raw materials	27,169	25,078	24,941	313,802
Supplies	7,197	7,152	6,239	83,126
Merchandise	7,624	6,325	6,382	88,057
Others	—	1,511	—	—
Total	¥113,519	¥102,631	¥95,359	\$1,311,146

### 5. Financial Instruments

The information related to financial instruments for the year ended December 31, 2012, 2011 and 2010 were as follows.

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

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

The Companies raise funds through commercial paper and bond issuances, borrowing from financial institutions and through other methods with the objective of balancing direct and indirect financing with long-term and short-term financing needs while considering financing costs and risk diversification in the changing business environment.

The Companies have adopted a Cash Management System (CMS) utilized between the Company and its consolidated domestic subsidiaries for effective use of funds and with the objective of reducing interest-bearing liabilities incurred by the Companies. Accordingly, surplus funds are only invested in financial instruments with low risk.

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

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

Notes and accounts receivable and long-term loans receivable which are accounted for in each consolidated subsidiary are exposed to the credit risks of customers. Foreign currency-denominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities which are accounted for in the Companies are shares issued by business partners and held-to-maturity debt securities, and are exposed to market price fluctuation risk. Some investment securities are foreign currency-denominated investment securities which are also exposed to foreign exchange risk.

Notes and accounts payable which are accounted for in each consolidated subsidiary are mainly settled within one year. Foreign currency-denominated notes and accounts payable are exposed to foreign exchange risk.

Commercial paper, bank loans and bonds issued by the Company are exposed to liquidity risk that the Company would not be able to reimburse such debts due to a deterioration in the financial market. A certain amount of borrowing is undertaken by using floating interest rates which is exposed to interest rate fluctuation risk, however, this risk is hedged through the adoption of interest rate swap contracts. Foreign currency-denominated 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-denominated payables and receivables; interest rate swap contracts to hedge interest rate fluctuation risk involving borrowing; and commodity swap contracts and currency option 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 the method of evaluating hedging effectiveness for 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 the credit risk of customers, each business and sales management division within each consolidated subsidiary conducts periodic monitoring of parties to key transactions to assess the risk in accordance the internal credit policy. In addition, each consolidated subsidiary regularly monitors the status of occurrence and collections of bad debts, and manages them in collaboration with their respective Sales Department.

Derivative transactions are conducted with selected financial institutions with high credit ratings in order to reduce the credit risks.

### (ii) Management of market risk (risks associated with fluctuations in foreign currency exchange rates, interest rates, etc.)

In order to mitigate the risk from foreign exchange fluctuations for foreign-currency denominated cash flows, the Company has established a foreign exchange hedging policy based on the current condition and forecasts for the foreign exchange market and in compliance with the Company's authorization rules. The Company also conducts interest rate swap contracts to avert interest rate fluctuation risk involved in borrowing.

Investment securities are periodically assessed by each consolidated subsidiary 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 relationship with the respective business partners.

Derivative transactions are undertaken by the Finance Section based on a system that limits transactions and amounts. The performance of transactions is periodically reported to the Manager and Executive Officer in compliance with the Company's authorization rules. Management of transactions at consolidated subsidiaries is undertaken in a 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 a CMS and liquidity risk management at participating companies is therefore undertaken by the Company.

The Company manages the liquidity risk process where its Finance Section formulates and updates cash flow plans on a timely basis based on the reports from consolidated subsidiaries and operational departments 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 between them for the financial assets and liabilities as of December 31, 2012, 2011 and 2010 were as follows.

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 34,573	¥ 34,573	¥ —
(2) Notes and accounts receivable—trade	317,008		
Allowance for doubtful accounts *1	(3,635)		
Notes and accounts receivable—trade—net	313,373	313,373	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	74,116	135,780	61,664
(ii) Held-to-maturity debt securities	500	501	1
(iii) Available-for-sale securities	76,750	76,750	—
(4) Long-term loans receivable *2	7,387		
Allowance for doubtful accounts *1	(2,796)		
Long-term loans receivable—net	4,591	4,597	6
Assets—total	¥503,903	¥565,574	¥61,671
(1) Bank loans	159,331	159,331	—
(2) Commercial paper	68,000	68,000	—
(3) Notes and accounts payable	185,685	185,685	—
(4) Deposits received	21,201	21,201	—
(5) Long-term debt *3	228,903	232,468	3,565
Liabilities—total	¥663,120	¥666,685	¥ 3,565
Derivative transactions *4	¥ (147)	¥ (147)	¥ —

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 16,893	¥ 16,893	¥ —
(2) Notes and accounts receivable—trade	279,596		
Allowance for doubtful accounts *1	(3,123)		
Notes and accounts receivable—trade—net	276,473	276,473	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	72,616	116,938	44,322
(ii) Held-to-maturity debt securities	500	505	5
(iii) Available-for-sale securities	64,247	64,247	—
(4) Long-term loans receivable *2	7,013		
Allowance for doubtful accounts *1	(2,982)		
Long-term loans receivable—net	4,031	4,054	23
Assets—total	¥434,760	¥479,110	¥44,350
(1) Bank loans	90,218	90,218	—
(2) Commercial paper	28,000	28,000	—
(3) Notes and accounts payable	165,750	165,750	—
(4) Deposits received	18,932	18,932	—
(5) Long-term debt *3	271,874	274,521	2,647
Liabilities—total	¥574,774	¥577,421	¥ 2,647
Derivative transactions *4	¥ (323)	¥ (323)	¥ —

	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		
	2012		
	Book value	Fair value	Difference
(1) Cash and time deposits	\$ 399,319	\$ 399,319	\$ —
(2) Notes and accounts receivable—trade	3,661,446		
Allowance for doubtful accounts *1	(41,984)		
Notes and accounts receivable—trade—net	3,619,462	3,619,462	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	856,041	1,568,261	712,220
(ii) Held-to-maturity debt securities	5,775	5,787	12
(iii) Available-for-sale securities	886,463	886,463	—
(4) Long-term loans receivable *2	85,320		
Allowance for doubtful accounts *1	(32,294)		
Long-term loans receivable—net	53,026	53,095	69
Assets—total	\$5,820,086	\$6,532,387	\$712,301
(1) Bank loans	1,840,275	1,840,275	—
(2) Commercial paper	785,401	785,401	—
(3) Notes and accounts payable	2,144,664	2,144,664	—
(4) Deposits received	244,872	244,872	—
(5) Long-term debt *3	2,643,832	2,685,008	41,176
Liabilities—total	\$7,659,044	\$7,700,220	\$ 41,176
Derivative transactions *4	\$ (1,698)	\$ (1,698)	\$ —

\*1 Notes and accounts receivable-trade and Long-term loans receivable are presented, net of the 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 Receivables and payables incurred in derivative transactions are presented on a net basis.

(a) Valuation methodology for the 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 book value because they are settled in the short-term and their fair value approximates their book value.

(3) Investment securities

The fair value of listed stocks is based on the quoted market price and the fair value of debt securities is based on the quoted price which are estimated by correspondent financial institutions.

(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 that would 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 the short-term and their fair value approximates their 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 that would 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 values of financial instruments whose fair value was extremely difficult to estimate were as follows.

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Investments in unconsolidated subsidiaries and affiliated companies				
Stocks of unlisted companies	¥100,675	¥86,608	¥89,100	\$1,162,797
Available-for-sale securities				
Stocks of unlisted companies	14,240	11,642	9,314	164,472
Others	467	487	516	5,394
Total	¥115,382	¥98,737	¥98,930	\$1,332,663

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 repayments of monetary assets and securities with maturities after the fiscal year end were as follows.

Type	Millions of yen				
	2012				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and time deposits	¥ 34,573	¥—	¥—	¥—	¥ 34,573
Notes and accounts receivable—trade	317,008	—	—	—	317,008
Available-for-sale securities:					
Corporate bonds	—	20	—	—	20
Others	—	55	—	—	55
Held-to-maturity debt securities:					
Corporate bonds	500	—	—	—	500
<b>Total</b>	<b>¥352,081</b>	<b>¥75</b>	<b>¥—</b>	<b>¥—</b>	<b>¥352,156</b>

Type	Millions of yen				
	2011				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and time deposits	¥ 16,893	¥ —	¥—	¥—	¥ 16,893
Notes and accounts receivable—trade	279,596	—	—	—	279,596
Available-for-sale securities:					
Others	—	55	—	—	55
Held-to-maturity debt securities:					
Corporate bonds	—	500	—	—	500
<b>Total</b>	<b>¥296,489</b>	<b>¥555</b>	<b>¥—</b>	<b>¥—</b>	<b>¥297,044</b>

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 time 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				
	2012				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and time deposits	\$ 399,319	\$ —	\$—	\$—	\$ 399,319
Notes and accounts receivable—trade	3,661,446	—	—	—	3,661,446
Available-for-sale securities:					
Corporate bonds	—	231	—	—	231
Others	—	635	—	—	635
Held-to-maturity debt securities:					
Corporate bonds	5,775	—	—	—	5,775
<b>Total</b>	<b>\$4,066,540</b>	<b>\$866</b>	<b>\$—</b>	<b>\$—</b>	<b>\$4,067,406</b>

(d) See Note 9 "Bank Loans, Commercial Paper and Long-term Debt" for the aggregate annual maturities of long-term debt at December 31, 2012, 2011 and 2010.

## 6. Securities

A. The following tables summarize book values and fair values of held-to-maturity debt securities with fair values available as of December 31, 2012, 2011 and 2010:

Type	Millions of yen		
	2012		
	Book value	Fair value	Difference
<b>Securities with fair values exceeding book values:</b>			
Corporate bonds	¥500	¥501	¥1
	500	501	1
<b>Securities with fair values not exceeding book values:</b>			
	—	—	—
<b>Total</b>	<b>¥500</b>	<b>¥501</b>	<b>¥1</b>

Type	Millions of yen		
	2011		
	Book value	Fair value	Difference
<b>Securities with fair values exceeding book values:</b>			
Corporate bonds	¥500	¥505	¥5
	500	505	5
<b>Securities with fair values not exceeding book values:</b>			
	—	—	—
<b>Total</b>	<b>¥500</b>	<b>¥505</b>	<b>¥5</b>

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

Type	Thousands of U.S. dollars		
	2012		
	Book value	Fair value	Difference
<b>Securities with fair values exceeding book values:</b>			
Corporate bonds	\$5,775	\$5,787	\$12
	5,775	5,787	12
<b>Securities with fair values not exceeding book values:</b>			
	—	—	—
<b>Total</b>	<b>\$5,775</b>	<b>\$5,787</b>	<b>\$12</b>

B. The following tables summarize acquisition costs and book values of available-for-sale securities with fair values available as of December 31, 2012, 2011 and 2010:

Type	Millions of yen		
	2012		
	Acquisition cost	Book value	Difference
<b>Securities with book values exceeding acquisition costs:</b>			
Equity securities	¥22,160	¥34,350	¥12,190
Others	47	55	8
	22,207	34,405	12,198
<b>Securities with book values not exceeding acquisition costs:</b>			
Equity securities	47,520	42,281	(5,239)
Others	72	64	(8)
	47,592	42,345	(5,247)
<b>Total</b>	<b>¥69,799</b>	<b>¥76,750</b>	<b>¥ 6,951</b>

Type	Millions of yen		
	2011		
	Acquisition cost	Book value	Difference
<b>Securities with book values exceeding acquisition costs:</b>			
Equity securities	¥19,803	¥25,977	¥ 6,174
Others	47	49	2
	19,850	26,026	6,176
<b>Securities with book values not exceeding acquisition costs:</b>			
Equity securities	47,161	38,161	(9,000)
Others	76	59	(17)
	47,237	38,220	(9,017)
<b>Total</b>	<b>¥67,087</b>	<b>¥64,246</b>	<b>¥(2,841)</b>

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

Type	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Book value	Difference
<b>Securities with book values exceeding acquisition costs:</b>			
Equity securities	<b>\$255,948</b>	<b>\$396,743</b>	<b>\$140,795</b>
Others	<b>543</b>	<b>635</b>	<b>92</b>
	<b>256,491</b>	<b>397,378</b>	<b>140,887</b>
<b>Securities with book values not exceeding acquisition costs:</b>			
Equity securities	<b>548,857</b>	<b>488,346</b>	<b>(60,511)</b>
Others	<b>831</b>	<b>739</b>	<b>(92)</b>
	<b>549,688</b>	<b>489,085</b>	<b>(60,603)</b>
<b>Total</b>	<b>\$806,179</b>	<b>\$886,463</b>	<b>\$ 80,284</b>

C. Total sales of available-for-sale securities in the years ended December 31, 2012, 2011 and 2010 amounted to ¥879 million (\$10,152 thousand), ¥946 million and ¥3,256 million, respectively. The related gains amounted to ¥188 million (\$2,171 thousand), ¥536 million and ¥1,739 million, and the related losses amounted to ¥94 million (\$1,086 thousand), ¥1 million and ¥1,069 million, respectively.

## 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 ¥9,613 million (\$111,030 thousand), ¥8,920 million and ¥9,399 million for the years ended December 31, 2012, 2011 and 2010, respectively.

## 8. Derivative Financial Instruments

The Companies use interest rate 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 and currency option contracts only for the purpose of managing the risk arising from fluctuations in the market price of raw materials.

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

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

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

Hedging instruments:

- Forward currency exchange contracts
- Interest rate swap contracts

Hedged items:

- Foreign currency transactions
- Interest on foreign currency bank loans

Fair value information of the derivative transactions which were not accounted for by applying hedge accounting is as follows:

		Millions of yen			
		2012			
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)	¥2,878	—	¥ (8)	¥ (8)
	Long (buy) (Euro)	265	—	6	6
<b>Currency option contracts</b>					
	Short (put) (U.S. dollar)	195	—	(1)	(1)
	Total	¥3,338	—	¥ (3)	¥ (3)
<b>Commodity swap contracts</b>					
	Payable fixed price/Receivable floating price	¥3,065	—	¥(142)	¥(142)
	Total	¥3,065	—	¥(142)	¥(142)

		Millions of yen			
		2011			
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)	¥4,771	—	¥ 41	¥ 41
	Long (buy) (Euro)	164	—	(7)	(7)
	Long (buy) (AU dollar)	4,080	—	(18)	(18)
<b>Currency option contracts</b>					
	Long (call) (U.S. dollar)	23	—	1	1
	Short (put) (U.S. dollar)	54	—	(1)	(1)
	Total	¥9,092	—	¥ 16	¥ 16
<b>Commodity swap contracts</b>					
	Payable fixed price/Receivable floating price	¥3,418	—	¥(343)	¥(343)
	Total	¥3,418	—	¥(343)	¥(343)

		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

		Thousands of U.S. dollars			
		2012			
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)	\$33,241	—	\$ (92)	\$ (92)
	Long (buy) (Euro)	3,061	—	69	69
<b>Currency option contracts</b>					
	Short (put) (U.S. dollar)	2,252	—	(12)	(12)
	Total	\$38,554	—	\$ (35)	\$ (35)
<b>Commodity swap contracts</b>					
	Payable fixed price/Receivable floating price	\$35,401	—	\$(1,640)	\$(1,640)
	Total	\$35,401	—	\$(1,640)	\$(1,640)

Fair value information of the derivative transactions which were accounted for by applying hedge accounting is as follows:

			Millions of yen		
			2012		
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) (U.S. dollar)			¥ 481	—	¥(1)
Long (buy) (Euro)			6	—	(0)
Long (buy) (Yen)		Foreign currency transactions	77	—	(1)
Total			¥ 564	—	¥(2)
<b>Interest rate swap contracts</b>					
Payable fixed price/ Receivable floating price		Long-term bank loans	¥11,000	—	*1
Total			¥11,000	—	

			Millions of yen		
			2011		
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) (U.S. dollar)			¥ 178	—	¥ 5
Long (buy) (Euro)		Foreign currency transactions	1	—	(0)
Total			¥ 179	—	¥ 5
<b>Interest rate swap contracts</b>					
Payable fixed price/ Receivable floating price		Long-term bank loans	¥52,000	¥14,500	*1
Total			¥52,000	¥14,500	

			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) (U.S. dollar)		Foreign currency transactions	¥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		
			2012		
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) (U.S. dollar)			\$ 5,556	—	\$(12)
Long (buy) (Euro)			69	—	(0)
Long (buy) (Yen)		Foreign currency transactions	889	—	(12)
Total			\$ 6,514	—	\$(24)
<b>Interest rate swap contracts</b>					
Payable fixed price/ Receivable floating price		Long-term bank loans	\$127,050	—	*1
Total			\$127,050	—	

\*1 The above specially treated interest rate swap is accounted for as an integral part of Long-term loans payable, or is subject to 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, 2012, 2011 and 2010 were represented by short-term notes or overdrafts bearing interest at average rates of 0.68% per annum for 2012, 0.62% per annum for 2011 and 1.57% per annum for 2010.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million (\$2,310,002 thousand). There were outstanding balances of ¥68,000 million (\$785,401 thousand), ¥28,000 million and ¥14,000 million at December 31, 2012, 2011 and 2010 respectively.

Long-term debt at December 31, 2012, 2011 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
<b>Domestic debentures:</b>				
1.55% debentures due in 2011	¥ —	¥ —	¥ 15,000	\$ —
1.72% debentures due in 2012	—	10,000	10,000	—
0.63% debentures due in 2012	—	15,000	15,000	—
1.88% debentures due in 2014	10,000	10,000	10,000	115,500
0.92% debentures due in 2014	10,000	10,000	10,000	115,500
0.63% debentures due in 2015	20,000	20,000	20,000	231,000
0.52% debentures due in 2016	30,000	30,000	—	346,500
0.76% debentures due in 2018	20,000	20,000	—	231,000
0.33% debentures due in 2017	18,000	—	—	207,900
0.55% debentures due in 2019	10,000	—	—	115,500
Zero coupon convertible bonds due in 2023	35,121	35,133	35,145	405,650
Zero coupon convertible bonds due in 2028	35,000	35,000	35,000	404,250
<b>Long-term loans, principally from banks, insurance companies and agricultural cooperatives:</b>				
Secured loans due through 2020 at interest rates of mainly 1.15% to 4.41%	1,349	1,480	4,099	15,581
Unsecured loans due through 2020 at interest rates of mainly 0.31% to 8.39%	39,434	85,262	83,075	455,463
	<b>228,904</b>	<b>271,875</b>	<b>237,319</b>	<b>2,643,844</b>
<b>Amount due within one year</b>	<b>(15,367)</b>	<b>(71,462)</b>	<b>(24,155)</b>	<b>(177,489)</b>
	<b>¥213,537</b>	<b>¥200,413</b>	<b>¥213,164</b>	<b>\$2,466,355</b>

Assets, at book value, were pledged as collateral for loans totaling ¥1,349 million (\$15,581 thousand), ¥1,480 million and ¥4,099 million, at December 31, 2012, 2011 and 2010 respectively, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Land	¥ 9,188	¥9,188	¥16,057	\$106,122
Buildings and structures	3,970	4,120	6,129	45,854
Machinery and equipment	1,845	1,511	406	21,310
	<b>¥15,003</b>	<b>¥14,819</b>	<b>¥22,592</b>	<b>\$173,286</b>

The aggregate annual maturities of long-term debt at December 31, 2012 were as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 15,367	\$ 177,489
2014	25,366	292,977
2015	26,492	305,983
2016	30,514	352,437
2017	28,833	333,022
2018 and thereafter	102,332	1,181,936
	<b>¥228,904</b>	<b>\$2,643,844</b>

## 10. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of December 31, 2012, 2011 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Projected benefit obligation	¥101,546	¥ 91,850	¥ 92,933	\$1,172,857
Less fair value of pension assets	(55,427)	(44,948)	(44,545)	(640,182)
Less fair value of employees' retirement benefit trust	(23,091)	(21,495)	(22,310)	(266,701)
Unrecognized actuarial differences	(11,525)	(17,258)	(15,695)	(133,114)
Unrecognized prior service cost	389	716	1,730	4,493
Prepaid pension cost	11,960	12,990	12,626	138,138
<b>Employees' severance and retirement benefits</b>	<b>¥ 23,852</b>	<b>¥ 21,855</b>	<b>¥ 24,739</b>	<b>\$ 275,491</b>

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2012, 2011 and 2010, 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 cannot be calculated reliably. The contribution to the funded contributory pension plan is reported as severance and retirement benefit expenses.

Included in the consolidated statement of income for the years ended December 31, 2012, 2011 and 2010 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service costs—benefits earned during the year	¥4,471	¥4,232	¥ 4,691	\$ 51,640
Interest cost on projected benefit obligation	1,912	1,802	1,828	22,084
Expected return on plan assets	(411)	(701)	(1,342)	(4,747)
Amortization of actuarial differences	2,788	2,399	2,090	32,201
Amortization of prior service cost	(324)	(341)	(390)	(3,742)
Others	698	722	493	8,062
<b>Severance and retirement benefit expenses</b>	<b>¥9,134</b>	<b>¥8,113</b>	<b>¥ 7,370</b>	<b>\$105,498</b>

The rates of expected return on plan assets used by the Companies are mainly 0.0% per annum for 2012, 1.0% per annum for 2011 and 3.0% per annum for 2010. 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 amortized by 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 amortized by 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, 2012, 2011 and 2010.

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

	2012	2011	2010
Statutory tax rate	40.4%	40.4%	40.4%
Non-deductible expenses	2.1%	1.7%	1.9%
Non-taxable dividend income	(0.1%)	(0.1%)	(1.9%)
Per capita inhabitants' taxes	0.4%	0.5%	0.4%
Valuation allowance	(0.4%)	(6.9%)	0.2%
Amortization of goodwill	4.8%	3.0%	7.9%
Adjustment of goodwill	3.2%	—	—
Equity in net income of unconsolidated subsidiaries and affiliated companies	(4.3%)	(2.4%)	(4.3%)
Gain on change in equity	(3.3%)	—	—
Temporary differences on investment in affiliated companies	—	—	(2.4%)
Tax rate changes due to tax reform	0.7%	0.9%	—
Others	(1.1%)	1.5%	2.1%
Effective tax rate	42.4%	38.6%	44.3%

Significant components of deferred income tax assets and liabilities as of December 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Deferred income tax assets:				
Allowance for doubtful accounts	¥ 3,255	¥ 2,907	¥ 2,943	\$ 37,595
Employees' severance and retirement benefits	13,497	13,309	14,956	155,891
Accrued enterprise taxes	1,571	2,005	2,267	18,145
Loss on factory restructuring	1,166	7,310	7,716	13,467
Depreciation	280	130	204	3,234
Loss on impairment of fixed assets	2,759	4,693	3,825	31,866
Loss on devaluation of investment securities	2,571	2,486	2,810	29,695
Loss on securities contributed to employees' retirement benefit trust	—	—	1,483	—
Net operating loss carryforwards	5,425	5,627	10,993	62,659
Unrealized gain on sale of non-current assets eliminated on consolidation	4,674	4,667	7,206	53,985
Accrued expenses	1,631	1,622	1,791	18,838
Temporary differences on investment in affiliated companies	—	—	3,770	—
Others	9,812	10,577	10,690	113,329
	46,641	55,333	70,654	538,704
Valuation allowance	(9,100)	(8,560)	(21,087)	(105,105)
Total deferred income tax assets	37,541	46,773	49,567	433,599
Deferred income tax liabilities:				
Reserve deductible for Japanese tax purposes	(2,019)	(824)	(1,042)	(23,319)
Unrealized gains on available-for-sale securities	(2,417)	(456)	(700)	(27,916)
Land revaluation gain	(12,241)	(5,035)	(5,750)	(141,384)
Retained earnings of foreign subsidiaries	(374)	(282)	—	(4,320)
Adjustment of book value based on fair value	(21,039)	(4,372)	—	(243,001)
Prepaid pension cost	(32)	(501)	(858)	(370)
Others	(193)	(66)	(976)	(2,229)
Total deferred income tax liabilities	(38,315)	(11,536)	(9,326)	(442,539)
Net deferred income tax assets	¥ (774)	¥ 35,237	¥ 40,241	\$ (8,940)

The net deferred income tax assets as of December 31, 2012 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥12,623 million (\$145,796 thousand) and ¥18,212 million (\$210,349 thousand) respectively, and deferred income tax liabilities included in current liabilities and non-current liabilities amounting to ¥176 million (\$2,033 thousand) and ¥31,433 million (\$363,052 thousand) respectively.

The net deferred income tax assets as of December 31, 2011 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥12,983 million and ¥28,950 million respectively, and deferred income tax liabilities included in current liabilities and non-current liabilities amounting to ¥95 million and ¥6,602 million respectively.

The net deferred income tax assets as of December 31, 2010 consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥14,623 million and ¥30,450 million respectively, and deferred income tax liabilities included in current liabilities and non-current liabilities amounting to ¥0 million and ¥4,831 million respectively.



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## 12. Net Assets

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

Under the Japanese Corporate Law ("the Law"), companies are required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations in a legal earnings reserve until the total of the legal earnings reserve and additional paid-in capital equals 25% of common stock.

Under the Law, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or can be capitalized by a resolution of the Board of Directors.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Law, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by a resolution of the shareholders' meeting as long as the total amount of the 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 Law.

At the annual shareholders' meeting held on March 26, 2013, the shareholders resolved cash dividends amounting to ¥6,524 million (\$75,352 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2012, and are recognized in the period in which they were resolved.

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## 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 ¥691 million (\$7,981 thousand) as of December 31, 2012.

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## 14. Adjustment of Goodwill

The adjustment of goodwill recognized as other expense mainly comprises loss attributable to circumstances that the Company found out after the acquisition of Flavoured Beverages Group Holdings Limited (currently Independent Liquor (NZ) Limited), an alcohol beverage company in New Zealand acquired in 2011, that there was false information in the financial information provided by the seller side, which served as the basis for the purchase price of the company. The Company filed lawsuit of a claim for damages on February 14, 2013 in order to recover the damages incurred. The amount of expense recognized by the Company for accounting purposes differs from the amount of damages incurred in the legal sense, which will be determined by the Court based on legal principles and expert evidence.

## 15. 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 are classified as corporate assets because they do not generate cash flows independently from other assets or groups 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, 2012 consisted of the following:

Use	Location	Type of assets
Others	—	Goodwill

A portion of the goodwill reported in the soft drink business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥3,070 million (\$35,459 thousand).

The Company used the value in use which was calculated by discounting future cash flows at an interest rates of 7.3%.

No loss on impairment was recognized for the year ended December 31, 2011.

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 due to their fair market value substantially declining. A portion of the goodwill reported in the soft drink business and the food business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥13,573 million, which consisted of buildings and structures of ¥366 million, land of ¥1,229 million and goodwill of ¥11,978 million.

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

## 16. Information on Certain Leases

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

A summary of the assumed amount for acquisition cost, accumulated depreciation and net book value at December 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Machinery, furniture and fixtures and others				
Acquisition cost	¥19,090	¥33,268	¥44,758	\$220,490
Accumulated depreciation	16,231	26,150	30,323	187,468
Net book value	2,859	7,118	14,435	33,022

Future lease payments as of December 31, 2012, 2011 and 2010, net of interest, under such leases were summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Due within one year	¥2,105	¥5,346	¥ 8,401	\$24,313
Due after one year	535	2,188	6,844	6,179
	¥2,640	¥7,534	¥15,245	\$30,492

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, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Lease payments	¥5,593	¥8,594	¥11,343	\$64,599
Depreciation equivalents	5,050	7,918	10,479	58,328
Amounts representing interest	179	417	660	2,067

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

## 17. Shareholder's Equity

Changes in the number of common stock issued and treasury stock outstanding during the years ended December 31, 2012, 2011 and 2010 were as follows:

### Common stock issued

	2012	2011	2010
Balance at the beginning of the year	483,585,862	483,585,862	483,585,862
Decrease due to retirement of treasury stocks	—	—	—
Balance at the end of the year	483,585,862	483,585,862	483,585,862

### Treasury stock outstanding

	2012	2011	2010
Balance at the beginning of the year	17,950,000	18,220,056	18,576,966
Increase due to purchase of odd stock	7,673	7,246	13,827
Decrease due to exercise of stock options	(346,100)	(276,800)	(300,900)
Decrease due to stock exchanges	—	—	(69,271)
Decrease for other reasons	(89)	(502)	(566)
Balance at the end of the year	17,611,484	17,950,000	18,200,056

## 18. Stock Option Plans

The following tables summarize the contents of stock options as of December 31, 2012, 2011 and 2010.

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

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

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

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

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

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

The following table summarizes the volume and movement of stock options for the year ended December 31, 2012.

Exercisable stock options

Company name	Asahi Group Holdings, 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, 2012	—	—	99,600	86,000	415,300	578,900	619,000
Stock options exercised	—	—	98,600	53,000	133,300	54,200	7,000
Forfeitures	—	—	1,000	—	—	—	—
Stock options outstanding at December 31, 2012	—	—	—	33,000	282,000	524,700	612,000

The following table summarizes the price information of stock options as of December 31, 2012.

Company name	Asahi Group Holdings, 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	¥ —	¥ —	¥1,718	¥1,746	¥1,758	¥1,748	¥1,757

The following table summarizes the volume and movement of stock options for the year ended December 31, 2011.

Exercisable stock options

Company name	Asahi Group Holdings, 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, 2011	—	74,700	251,400	88,000	484,500	580,500	619,000
Stock options exercised	—	52,200	151,800	2,000	69,200	1,600	—
Forfeitures	—	22,500	—	—	—	—	—
Stock options outstanding at December 31, 2011	—	—	99,600	86,000	415,300	578,900	619,000

The following table summarizes the price information of stock options as of December 31, 2011.

Company name	Asahi Group Holdings, 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	¥ —	¥1,570	¥1,558	¥1,566	¥1,566	¥1,557	¥ —

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

Exercisable stock options

Company name	Asahi Group Holdings, 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, 2010	18,000	196,600	330,000	133,000	517,900	587,500	620,000
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 table summarizes the price information of stock options as of December 31, 2010.

Company name	Asahi Group Holdings, 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	¥1,748	¥1,708	¥1,694	¥1,709	¥1,724	¥1,740	¥1,740

## 19. Segment Information

### (1) GENERAL INFORMATION ABOUT REPORTABLE SEGMENTS

Each reportable segment of Asahi Group is a business unit in the Asahi Group, for which separate financial information is available. Reportable segments are reviewed periodically at the Board of Directors Meeting in order to determine the allocation of management resources and evaluate business results by each reportable segment.

The Asahi Group mainly engages in the manufacturing and sale of Alcohol Beverages, Soft drinks and Food for the domestic market, and the manufacture and sale of Alcohol Beverages and Soft Drinks for the Overseas market. Therefore, the reportable segments of Asahi Group are composed of four segments, "Alcohol Beverages", "Soft Drinks", "Food" and "Overseas".

The type of primary products and services of each reportable segment and "Others" are as follows.

"Alcohol Beverages" includes the manufacture and sale of Alcohol products such as Beer, Happoshu, Shochu and Whisky, the restaurant business, the wholesale business and others. "Soft Drinks" includes the manufacture and sale of Soft Drinks and others. "Food" includes the manufacture and sale of food and chemicals. "Overseas" includes the manufacture and sale of Alcohol products such as Beer, Soft Drinks and others. "Others" includes the distribution business and others.

### (2) BASIS OF MEASUREMENT OF REPORTED SALES, SEGMENT PROFIT OR LOSS, SEGMENT ASSETS AND OTHER MATERIAL ITEMS

The accounting methods of each reportable segment are the same as those set forth in the "Significant accounting policies". The amount of segment profit corresponds to that of operating income. Intersegment sales and transfer prices are calculated based on market value.

### (3) INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS, SEGMENT ASSETS AND OTHER MATERIAL ITEMS

Segment information for the year ended December 31, 2012

Year ended December 31, 2012	Millions of yen							
	Reportable segment				*1 Others	Total	*2 Adjustment	*3 Consolidated
	Alcohol Beverages	Soft Drinks	Food	Overseas				
Sales:								
External customers	¥922,250	¥370,836	¥101,627	¥157,932	¥26,432	¥1,579,077	¥ —	¥1,579,077
Intersegment	21,767	4,614	1,871	22	48,024	76,298	(76,298)	—
Total sales	944,017	375,450	103,498	157,954	74,456	1,655,375	(76,298)	1,579,077
Segment income (loss)	¥113,306	¥ 7,379	¥ 3,669	¥ (3,873)	¥ 607	¥ 121,088	¥ (12,651)	¥ 108,437
Segment assets	¥683,588	¥338,340	¥ 88,064	¥498,079	¥17,145	¥1,625,216	¥106,972	¥1,732,188
Other								
Depreciation	¥ 30,253	¥ 14,455	¥ 3,368	¥ 8,915	¥ 309	¥ 57,300	¥ 2,066	¥ 59,366
Amortization of goodwill	—	2,374	298	7,457	—	10,129	—	10,129
Equity in earnings (loss) of affiliates	—	—	(142)	10,580	—	10,438	179	10,617
Investment in affiliates	—	—	—	174,531	—	174,531	1,458	175,989
Increase in property, plant and equipment and intangible assets	18,096	15,884	5,211	9,966	220	49,377	793	50,170

Year ended December 31, 2012	Thousands of U.S. dollars							
	Reportable segment				*1 Others	Total	*2 Adjustment	*3 Consolidated
	Alcohol Beverages	Soft Drinks	Food	Overseas				
Sales:								
External customers	\$10,651,998	\$4,283,160	\$1,173,793	\$1,824,117	\$305,290	\$18,238,358	\$ —	\$18,238,358
Intersegment	251,409	53,292	21,610	254	554,678	881,243	(881,243)	—
Total sales	10,903,407	4,336,452	1,195,403	1,824,371	859,968	19,119,601	(881,243)	18,238,358
Segment income (loss)	\$ 1,308,686	\$ 85,227	\$ 42,377	\$ (44,733)	\$ 7,011	\$ 1,398,568	\$ (146,119)	\$ 1,252,449
Segment assets	\$ 7,895,449	\$3,907,831	\$1,017,140	\$5,752,818	\$198,025	\$18,771,263	\$1,235,528	\$20,006,791
Other								
Depreciation	\$ 349,423	\$ 166,955	\$ 38,901	\$ 102,968	\$ 3,569	\$ 661,816	\$ 23,862	\$ 685,678
Amortization of goodwill	—	27,420	3,442	86,128	—	116,990	—	116,990
Equity in earnings (loss) of affiliates	—	—	(1,640)	122,199	—	120,559	2,067	122,626
Investment in affiliates	—	—	—	2,015,835	—	2,015,835	16,840	2,032,675
Increase in property, plant and equipment and intangible assets	209,009	183,460	60,187	115,108	2,541	570,305	9,159	579,464

In accordance with a change in governance, Asahi group changed the segment of Asahi Group Engineering Ltd., a non-consolidated subsidiary which is accounted for using the equity method, from "Alcohol Beverages" to "Adjustment" for the year ended December 31, 2012.

For the year ended December 31, 2011, Asahi Group Engineering Ltd. was included in the segment "Alcohol Beverages", because it did not materially impact on the total segment information.

\*1 "Others" includes the distribution business and others.

\*2 Adjustment is as follows:

- (a) Adjustment to Segment income (loss) of ¥(12,651) million (\$146,119 thousand) includes corporate expenses of ¥(12,435) million (\$143,624 thousand) which is not allocated to reportable segments and the elimination of inter-segment transactions, etc. of ¥(216) million (\$2,495 thousand).
- (b) Adjustment to Segment assets of ¥106,972 million (\$1,235,528 thousand) includes corporate assets of ¥124,707 million (\$1,440,367 thousand) which is not allocated to reportable segments, and the inter-segment receivables and payables elimination of ¥(17,736) million (\$204,851 thousand). Corporate assets are primarily the assets held by the Company.
- (c) Adjustment to Depreciation of ¥2,066 million (\$23,862 thousand) is the depreciation related to corporate assets.
- (d) Adjustment to Equity in earnings (loss) of affiliates of ¥179 million (\$2,067 thousand) is the equity in earnings (loss) of affiliates related to corporate assets.
- (e) Adjustment to Investment in affiliates of ¥1,458 million (\$16,840 thousand) is the investment in affiliates related to corporate assets.
- (f) Adjustment to the Increase in property, plant and equipment and intangible assets of ¥793 million (\$9,159 thousand) is the amount of purchases of property, plant and intangible assets related to corporate assets.

\*3 Segment income (loss) was reconciled with Operating income presented in the Consolidated statement of income.

#### (4) INFORMATION ABOUT PRODUCTS AND SERVICES

Year ended December 31, 2012

Information about products and services is omitted here since it is the same as that disclosed in (1) General Information about Reportable Segments.

#### (5) INFORMATION ABOUT GEOGRAPHICAL AREAS

Year ended December 31, 2012

##### (a) Sales

Millions of yen			Thousands of U.S. dollars		
Japan	Others	Total	Japan	Others	Total
<b>¥1,416,790</b>	<b>¥162,287</b>	<b>¥1,579,077</b>	<b>\$16,363,941</b>	<b>\$1,874,417</b>	<b>\$18,238,358</b>

\*1 Sales are classified into a country or an area on the basis of the customer's location.

\*2 Major countries and areas included in "Others" are Oceania.

##### (b) Property, plant and equipment

Millions of yen			Thousands of U.S. dollars		
Japan	Others	Total	Japan	Others	Total
<b>¥524,153</b>	<b>¥59,246</b>	<b>¥583,399</b>	<b>\$6,053,973</b>	<b>\$684,292</b>	<b>\$6,738,265</b>

#### (6) INFORMATION ABOUT MAJOR CUSTOMERS

Year ended December 31, 2012

Name of customers	Millions of yen	Thousands of U.S. dollars	Segment
	Sales	Sales	
Kokubu & Co., Ltd.	<b>¥178,388</b>	<b>\$2,060,383</b>	Alcohol Beverages, Soft Drinks, Food
Itochu-Shokuhin Co., Ltd.	<b>¥186,428</b>	<b>\$2,153,246</b>	Alcohol Beverages, Soft Drinks, Food

#### (7) INFORMATION ABOUT LOSS ON IMPAIRMENT OF FIXED ASSETS BY REPORTABLE SEGMENT

Year ended December 31, 2012

	Millions of yen						Total
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	
Loss on impairment of fixed assets	<b>¥—</b>	<b>¥3,070</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>	<b>¥3,070</b>

	Thousands of U.S. dollars						Total
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	
Loss on impairment of fixed assets	<b>\$—</b>	<b>\$35,459</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$35,459</b>

## (8) INFORMATION ABOUT AMORTIZATION AND THE UNAMORTIZED BALANCE OF GOODWILL BY REPORTABLE SEGMENT

Year ended December 31, 2012

	Millions of yen						
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	¥—	¥ 2,374	¥ 298	¥ 7,881	¥—	¥—	¥ 10,553
Unamortized balance of goodwill	—	54,875	6,056	142,834	—	—	203,765

	Thousands of U.S. dollars						
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	\$—	\$ 27,420	\$ 3,442	\$ 91,025	\$—	\$—	\$ 121,887
Unamortized balance of goodwill	—	633,807	69,947	1,649,734	—	—	2,353,488

## (1) SEGMENT INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011

Year ended December 31, 2011	Millions of yen							
	Reportable segment					*1	*2	*3
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Total	Adjustment	Consolidated
<b>Sales:</b>								
External customers	¥921,657	¥324,782	¥98,033	¥ 94,220	¥24,044	¥1,462,736	¥ —	¥1,462,736
Intersegment	20,767	5,033	2,032	17	46,516	74,365	(74,365)	—
Total sales	942,424	329,815	100,065	94,237	70,560	1,537,101	(74,365)	1,462,736
Segment income(loss)	¥101,025	¥11,389	¥ 4,158	¥ (2,913)	¥ 760	¥ 114,419	¥ (7,229)	¥ 107,190
Segment assets	¥698,124	¥199,237	¥86,783	¥446,596	¥16,774	¥1,447,514	¥ 82,394	¥1,529,908
<b>Other</b>								
Depreciation	¥ 36,519	¥ 11,069	¥ 2,807	¥ 6,933	¥ 304	¥ 57,632	¥ 503	¥ 58,135
Amortization of goodwill	—	2,804	303	3,265	—	6,372	—	6,372
Equity in earnings (loss) of affiliates	80	—	(177)	5,473	—	5,376	104	5,480
Investment in affiliates	864	—	101	158,624	—	159,589	486	160,075
Increase in property, plant and equipment and intangible assets	11,157	17,773	6,090	4,380	91	39,491	734	40,225

\*1 "Others" includes the distribution business and others.

\*2 Adjustment is as follows:

(a) Adjustment to Segment income (loss) of ¥(7,229) million includes corporate expenses of ¥(7,826) million which is not allocated to reportable segments and the elimination of inter-segment transactions, etc. of ¥597 million.

(b) Adjustment to Segment assets of ¥82,394 million includes corporate assets of ¥98,031 million which is not allocated to reportable segments, and the inter-segment receivables and payables elimination of ¥(15,637) million. Corporate assets are primarily the assets held by the Company.

(c) Adjustment to Depreciation of ¥503 million is the depreciation related to corporate assets.

(d) Adjustment to Equity in earnings (loss) of affiliates of ¥104 million is the equity in earnings (loss) of affiliates related to corporate assets.

(e) Adjustment to Investment in affiliates of ¥486 million is the investment in affiliates related to corporate assets.

(f) Adjustment to the Increase in property, plant and equipment and intangible assets of ¥734 million is the amount of purchases of property, plant and intangible assets related to corporate assets.

\*3 Segment income (loss) was reconciled with Operating income presented in the Consolidated statements of income.

## (2) INFORMATION ABOUT PRODUCTS AND SERVICES

Year ended December 31, 2011

Information about products and services is omitted here since it is the same as that disclosed in (1) General Information about Reportable Segments.

## (3) INFORMATION ABOUT GEOGRAPHICAL AREAS

Year ended December 31, 2011

### (a) Sales

Domestic sales in Japan amounted to more than 90% of net consolidated sales. Therefore, sales are not disclosed by geographical region.

### (b) Property, plant and equipment

The balance of property, plant and equipment located in Japan amounted to more than 90% of the total balance of property, plant and equipment. Therefore, property, plant and equipment are not disclosed by geographical region.

## (4) INFORMATION ABOUT MAJOR CUSTOMERS

Year ended December 31, 2011

Name of customers	Millions of yen	
	Sales	Segment
Kokubu & Co., Ltd.	¥158,021	Alcohol Beverages, Soft Drinks, Food
Itochu-Shokuhin Co., Ltd.	¥167,360	Alcohol Beverages, Soft Drinks, Food



## (5) INFORMATION ABOUT AMORTIZATION AND THE UNAMORTIZED BALANCE OF GOODWILL BY REPORTABLE SEGMENT

Year ended December 31, 2011

	Millions of yen						Total
	Alcohol Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	
Amortization of goodwill	¥—	¥2,804	¥ 302	¥ 3,690	¥—	¥—	¥ 6,796
Unamortized balance of goodwill	—	33,860	6,354	144,194	—	—	184,408

Segment information for the year ended December 31, 2010, which was prepared under the previous standard and formally reported is as follows:

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.

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

Year ended December 31, 2010	Millions of yen					Consolidated
	Alcohol Beverages	Soft Drinks	Food	Others	Elimination and/or Corporate	
<b>Sales:</b>						
External 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

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

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

Year ended December 31, 2010	Millions of yen			Consolidated
	Japan	Others	Elimination and/or Corporate	
<b>Sales:</b>				
External 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

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 consolidated identifiable assets. Therefore, countries or areas except for Japan is displayed as "Others".

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

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

## 20. Business Combinations

Business combinations resulting from acquisitions during the year ended December 31, 2012

### (1) OUTLINE OF THE TRANSACTIONS

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

Calpis Co., Ltd. ("Calpis")

Soft drinks business

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

Calpis has been successfully growing its business by focusing on lactobacilli and fermentation technologies and its core lactic acid beverage, Calpis—Japan's first lactic acid drink which has been popular among consumers for many years—and its brand which is associated with a healthy image and has been widely accepted in the market. Additionally, Calpis is highly recognized for its initiatives in high-value added health beverages, foods and feedstuff businesses which utilize microbial technology developed from lactic acid bacteria and fermentation technologies handed down for over 90 years. Furthermore, Calpis has been developing a more solid earnings foundation for its domestic business, and focusing on expanding its overseas beverage operations since becoming a wholly owned subsidiary of Ajinomoto in 2007.

Partnerships between Asahi and Calpis date back to May 2001 when Asahi Soft Drinks and Calpis started sharing vending machines to sell each other's products. In December 2007, Asahi Calpis Beverage Co., Ltd. was established to integrate the beverage vending machine operations of the two companies, and further collaborate to achieve Asahi's Midterm Management Plan.

The acquisition of Calpis will strengthen Asahi's domestic beverage business platform to establish its position as the third largest soft drink company in Japan. By combining the management resources of Asahi and Calpis, the two companies will be able to jointly seek to further strengthen and expand both the domestic and overseas beverage businesses.

(c) **Effective date of the business combination**

October 1, 2012

(d) **Legal form of the business combination**

Share acquisition by cash

(e) **Name of the company after the business combination**

Calpis Co., Ltd.

(f) **Share of the voting rights acquired**

100%

(g) **Main reason determining the acquiring company**

Due to share acquisition by Asahi Group Holdings, Ltd.

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

From October 1, 2012 to December 31, 2012

**(3) ACQUISITION COST OF THE ACQUIRED COMPANY**

The acquisition cost of the acquired company is ¥95,206 million (\$1,099,630 thousand).

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

(a) **Amount of goodwill**

¥26,331 million (\$304,123 thousand)

(b) **Reason for recognizing goodwill**

Estimated future excess earnings power based on expected future business operations.

(c) **Amortization and amortization term**

Straight-line method over 20 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 43,426	\$ 501,571
Fixed assets	84,729	978,621
Total assets	¥128,155	\$1,480,192
Current liabilities	¥ 36,102	\$ 416,979
Long-term liabilities	23,178	267,706
Total liabilities	¥ 59,280	\$ 684,685

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

**(6) ESTIMATED IMPACT ON THE CONSOLIDATED FINANCIAL RESULT IF THE BUSINESS COMBINATION HAD BEEN COMPLETED AT THE BEGINNING OF THE FISCAL YEAR (JANUARY 1, 2012)**

The Company did not calculate the estimated impact due to the difficulty of the calculation.

## 21. Consolidated Statement of Comprehensive Income

(1) Comprehensive income for the year ended December 31, 2010 was as follows:

	Millions of yen
Comprehensive income attributable to owners of the parent	¥48,294
Comprehensive income attributable to minority interests	(1,656)
Total	¥46,638

(2) Other comprehensive income for the year ended December 31, 2010 was as follows:

	Millions of yen
Valuation difference on available-for-sale securities	¥(2,247)
Deferred gains or losses on hedges	706
Foreign currency translation adjustment	28
Share of other comprehensive income of associates accounted for using the equity method	(3,392)
Total	¥(4,905)

## 22. Related Party Transactions

There were no related party transactions for the years ended December 31, 2012 and 2011.

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 were as follow:

	Millions of yen
Sales of investment in an affiliate	¥43,498
Allocation of new shares to shareholder	43,494

Condensed financial information of whole 98 equity-method affiliates including Tingyi-Asahi Beverages Holding Co. Ltd ("TAB") and its 88 affiliates, 59 equity-method affiliates including TAB and its 51, 40 equity-method affiliates including TAB and its 33 affiliates for the years ended December 31, 2012, 2011 and 2010, respectively, is disclosed as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Total current assets	¥225,326	¥163,997	¥173,693	\$2,602,518
Total fixed assets	640,066	555,345	439,630	7,392,770
Total current liabilities	315,474	245,840	192,534	3,643,728
Total long-term liabilities	70,828	74,053	38,998	818,064
Total shareholders' equity	480,038	400,800	383,246	5,544,444
Net sales	695,175	632,151	602,844	8,029,279
Income before income taxes and minority interests	68,759	49,489	58,923	794,167
Net income	52,522	34,459	44,466	606,630

## 23. Subsequent Events

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, 2012, were approved at the general shareholders' meeting of the Company held on March 26, 2013:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥14.0 per share)	¥6,524	\$75,352

Purchase of treasury stock

Concerning acquisition of treasury stock, the Company, at a Board of Directors' meeting held on February 13, 2013, resolved the acquisition method of treasury stock in accordance with the provision of Article 156 of the Japanese Corporate Law ("the Law") as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Law.

### 1. Reason for purchasing treasury stock

The Company is purchasing its own shares to further improve the return to shareholders, as well as to enable the implementation of flexible capital policies that meet the changes in the business environment.

### 2. Details purchase of treasury stock

Type of stock to be purchased	Common stock of Asahi Group Holdings, Ltd.
Total number of stocks to be acquired	20,000,000 stocks (maximum) (4.29% of the number of stocks outstanding excluding treasury stock)
Total amount of purchase	¥30,000 million (\$346,500 thousand) (maximum)
Purchase period	From February 14, 2013 through August 13, 2013
Method of purchase	Purchase in the market through entrustment

The Company has completed the purchase resolved at its Board of Directors meeting held on February 13, 2013.

Total number of stocks purchased	13,217,100 stocks
Total amount of purchase	¥30,000 million (\$346,500 thousand)
Purchase period	From February 14, 2013 through March 1, 2013

## INDEPENDENT AUDITOR'S REPORT

### Independent Auditor's Report

To the Board of Directors of  
Asahi Group Holdings, Ltd.:

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012, 2011 and 2010, the consolidated statements of income for the years then ended, the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011, the consolidated statements of changes in net assets and statements of cash flows for the years ended December 31, 2012, 2011 and 2010, and significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Group Holdings, Ltd. and its consolidated subsidiaries as at December 31, 2012, 2011 and 2010, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2012 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

March 26, 2013  
Tokyo, Japan

MARKET INFORMATION

Global beer market

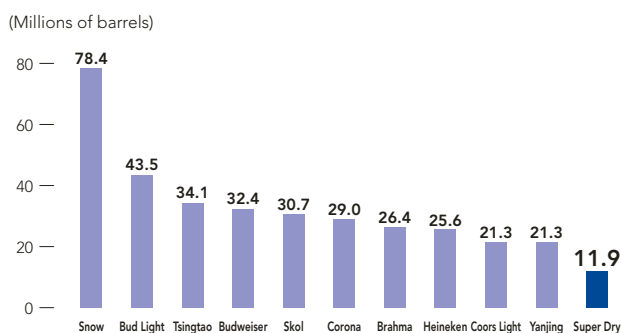
01 Beer consumption—top 10 countries\*1

(Millions of barrels\*2)

	2000	2005	2006	2007	2008	2009	2010	2011
China	190.2	263.6	288.9	324.8	351.9	368.1	383.1	417.6
United States	195.9	200.3	202.9	205.1	205.8	202.1	198.6	195.5
Brazil	70.4	77.9	81.3	87.1	88.3	89.1	98.9	104.8
Russia	47.1	74.3	81.8	94.6	94.2	84.8	83.8	81.3
Germany	87.9	81.0	81.4	78.3	77.7	76.6	74.9	74.7
Mexico	42.9	49.0	51.7	54.0	54.8	55.2	54.1	55.8
<b>Japan*3</b>	<b>60.5</b>	<b>53.9</b>	<b>54.0</b>	<b>53.4</b>	<b>52.1</b>	<b>51.0</b>	<b>49.5</b>	<b>47.7</b>
United Kingdom	48.6	48.1	47.4	45.3	43.8	43.0	39.9	38.5
Spain	24.8	26.1	27.9	30.2	30.6	27.5	29.3	29.7
Poland	19.0	26.7	27.8	28.3	27.8	27.8	27.7	28.0

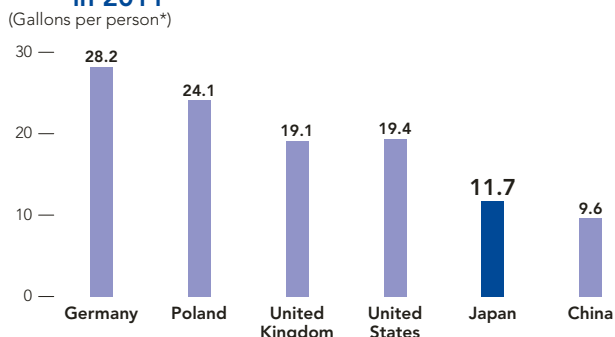
\*1 Excludes non-alcohol beverages. \*2 One U.S. barrel = 1.173477653 hectoliters. \*3 Includes happoshu and new genre.  
Source: Impact Databank 2012 Edition

02 World's top 10 beer brands\* in 2011



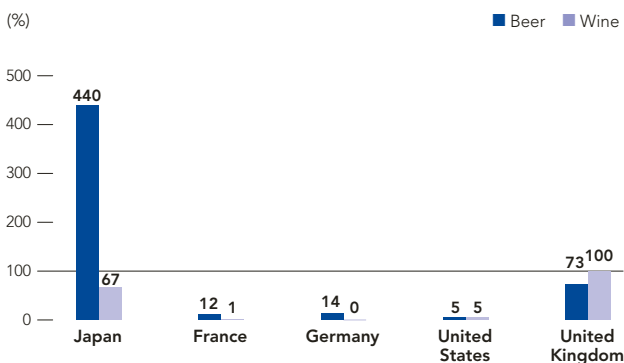
\* Includes exports and license volume.  
Source: Impact Databank 2012 Edition

03 Per capita beer consumption in major nations in 2011



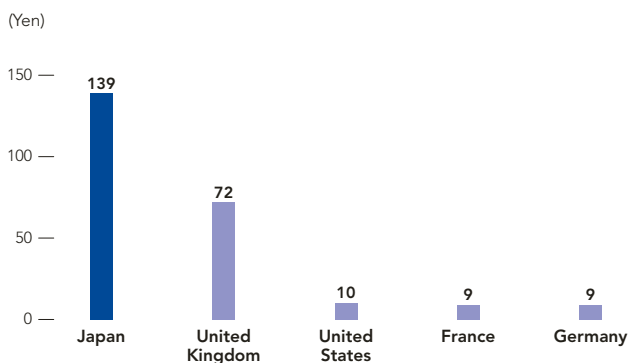
\* Based on total population. One U.S. gallon = 3.785 liters.  
Source: Impact Databank 2012 Edition

04 Tax per unit of concentration of alcohol in major countries\*2,3,4



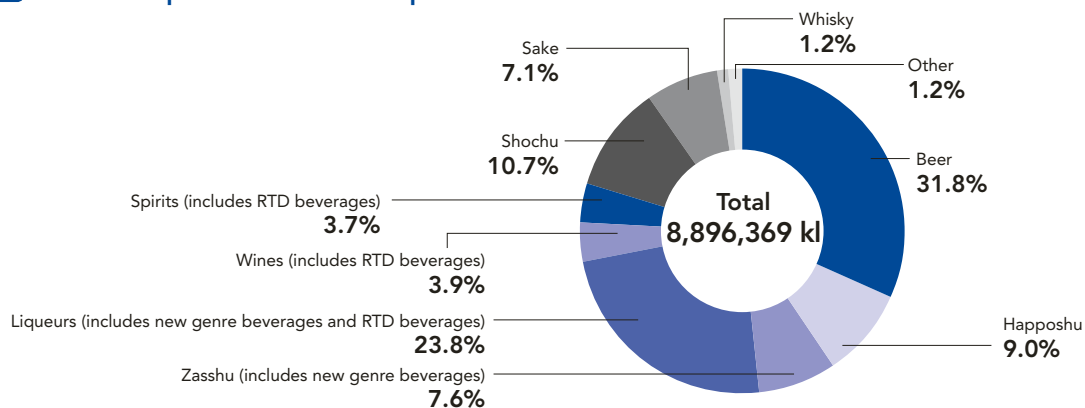
\*1 Cash values (liquor tax) shown in yen per 633 milliliters. \*2 Foreign exchange rates were: €1 = ¥98.74; U.S.\$1 = ¥79.31; £1 = ¥123.12 (based on TTM rate as of June 2012). \*3 Figures for the U.S. based on survey conducted in New York. \*4 Comparison by alcohol type against distilled alcohol where tax on distilled alcohol = 100  
Source: Brewers Association of Japan (January 2012)

05 Beer tax\*1,2,3 in major nations



## Japan's alcohol beverages market

### 06 Taxable shipment volume in Japan in 2012



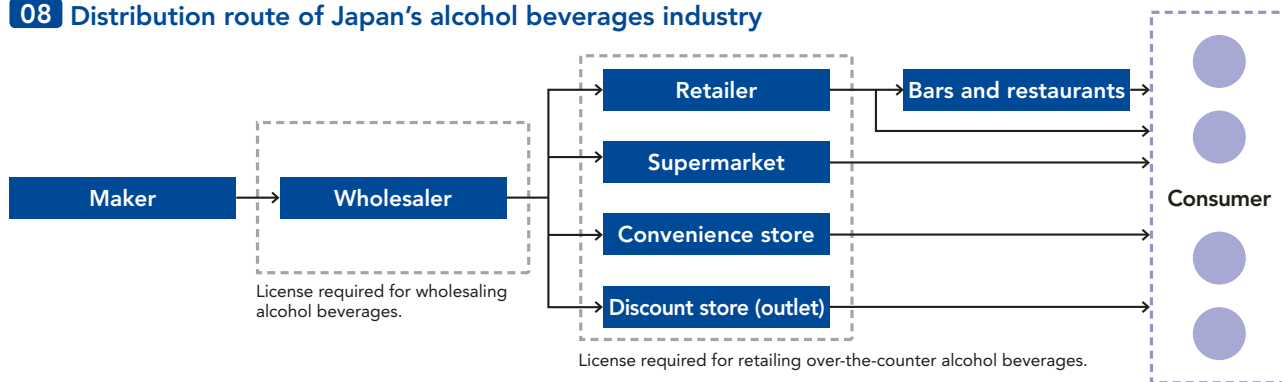
\*Compiled from National Tax Agency reference materials.

### 07 Comparison of liquor taxes per 350 milliliters

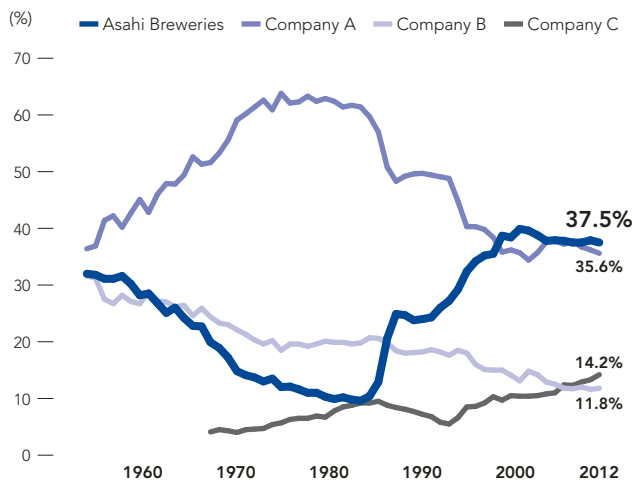
Alcohol beverages	Malt component ratio	Alcohol content	Tax amount (Yen)
Beer*	67% and above	5.0%	77
Happoshu*	Below 25%	5.5%	47
Liqueurs*	Below 50%	5.0%	28
Zasshu*	0%	5.0%	28
Liqueurs (canned chu-hi)	—	7.0%	28
Sparkling Wine (low-alcohol)	—	8.0%	28
Wines	—	12.0%	28

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

### 08 Distribution route of Japan's alcohol beverages industry



### 09 Beer, happoshu and new genre: market share in Japan by major company (1954–2012)



Source: Asahi Breweries, Ltd.

### 10 Beer, happoshu and new genre: shipment volume in Japan (January–December 2012)

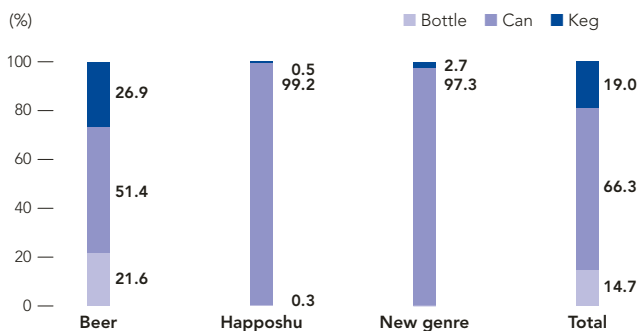
	Volume	Year-on-year change (%)		Market share (Increase/Decrease)	
Beer	111.50	-0.1	(-0.1%)	50.6%	(+0.1)
Happoshu	15.66	-1.0	(-5.9%)	25.0%	(+0.5)
New genre	37.14	-2.3	(-5.7%)	24.0%	(-1.7)
<b>Total</b>	<b>164.30</b>	<b>-3.3</b>	<b>(-2.0%)</b>	<b>37.5%</b>	<b>(-0.4)</b>

	Volume	Year-on-year change (%)		Breakdown (Increase/Decrease)	
Beer	220.45	-0.6	(-0.3%)	50.3%	(+0.3)
Happoshu	62.65	-5.4	(-7.9%)	14.3%	(-1.1)
New genre	155.02	+1.7	(+1.1%)	35.4%	(+0.7)
<b>Total</b>	<b>438.11</b>	<b>-4.3</b>	<b>(-1.0%)</b>	<b>—</b>	<b>—</b>

Sources: Brewers Association of Japan and Happoshu online website

## Asahi Breweries beer-type beverages sales

### 11 Sales composition by container type in 2012



### YEAR-ON-YEAR SALES RATIO, BY CONTAINER TYPE (2012/2011)

	Bottle	Can	Keg	Total
Beer	-3.5%	+1.7%	+0.4%	+0.2%
Happoshu	+1.7%	-6.3%	+16.2%	-6.2%
New genre	—	-6.3%	+39.1%	-5.4%
<b>Total</b>	<b>-3.5%</b>	<b>-2.2%</b>	<b>+1.3%</b>	<b>-1.8%</b>

### 12 Sales composition by marketing channel

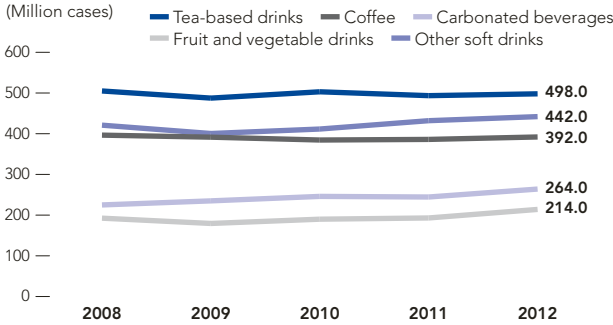
	2011 results			2012 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	8.2%	13.0%	9.8%	8.5%	13.6%	10.1%
Supermarkets	18.9%	42.2%	26.6%	19.6%	40.5%	26.3%
Discount stores (outlets)	15.6%	21.6%	17.6%	14.9%	21.7%	17.1%
Mass-retail outlets total	42.7%	76.8%	54.0%	43.0%	75.8%	53.5%
Commercial-use liquor retailers	36.2%	3.4%	25.3%	36.2%	3.8%	25.8%
General liquor shops, etc.	21.1%	19.9%	20.7%	20.8%	20.5%	20.7%
<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.

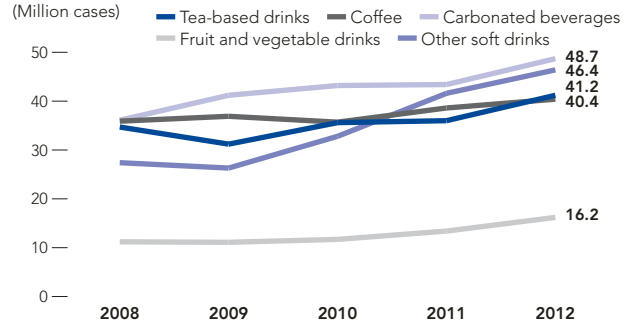
**13 Sales in domestic soft drinks market, by category**

**INDUSTRY OVERALL**



	(Million cases)				
	2008	2009	2010	2011	2012
Tea-based drinks	505.0	487.5	503.0	493.5	498.0
Coffee	396.5	391.5	384.5	386.0	392.0
Fruit and vegetable drinks	192.5	179.5	190.0	193.0	214.0
Carbonated beverages	225.0	235.0	246.0	244.5	264.0
Other soft drinks	421.0	400.5	411.5	432.0	442.0
<b>Total</b>	<b>1,740.0</b>	<b>1,694.0</b>	<b>1,735.0</b>	<b>1,749.0</b>	<b>1,810.0</b>

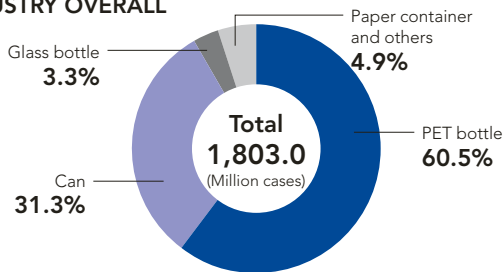
**ASAHI SOFT DRINKS**



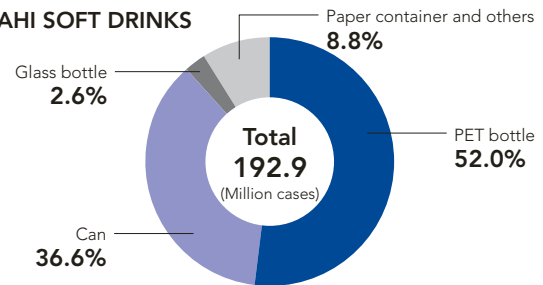
	(Million cases)				
	2008	2009	2010	2011	2012
Tea-based drinks	34.7	31.2	35.6	36.0	41.2
Coffee	35.9	36.9	35.7	38.6	40.4
Carbonated beverages	36.1	41.2	43.2	43.4	48.7
Fruit and vegetable drinks	11.2	11.1	11.7	13.4	16.2
Other soft drinks	27.4	26.3	32.8	41.6	46.4
<b>Total</b>	<b>145.3</b>	<b>146.7</b>	<b>159.0</b>	<b>172.8</b>	<b>192.9</b>

**14 Sales in domestic soft drinks market, by container type in 2012**

**INDUSTRY OVERALL**

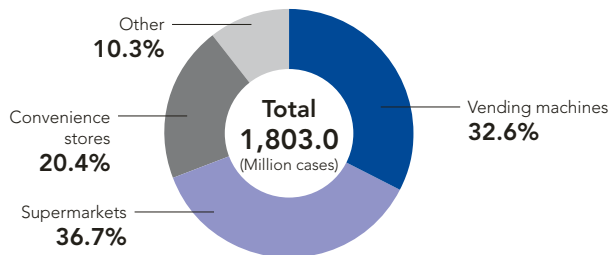


**ASAHI SOFT DRINKS**

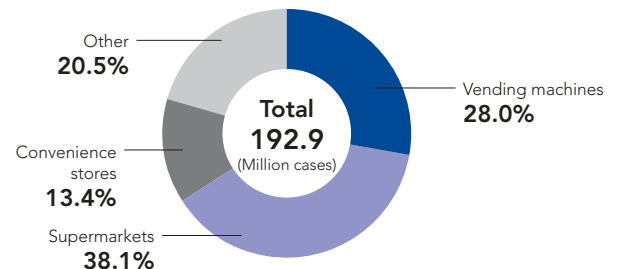


**15 Sales composition in domestic soft drinks market, by marketing channel in 2012**

**INDUSTRY OVERALL**



**ASAHI SOFT DRINKS**





## CORPORATE DATA

(As of December 31, 2012)

### Major Group companies (domestic)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2012 (¥ billion)
Domestic alcohol beverages business			
Asahi Breweries, Ltd.	20.0	100.0%	920.8
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	100.0%	333.6
Calpis Co., Ltd.	13.1	100.0%	113.7
LB Co., Ltd.	0.5	100.0%	20.4
Domestic food business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	51.3
Wakodo Co., Ltd.	2.9	100.0%	36.4
Amano Jitsugyo Co., Ltd.	0.1	100.0%	19.7

### Plants and manufacturing bases (domestic)

Company	Plants	Products	Locations
Asahi Breweries, Ltd.	9	Beer, happoshu, new genre, fruit wine and beer-taste, carbonated beverages	Hokkaido, Fukushima, Ibaraki, Kanagawa, Aichi, Osaka, Hyogo, Ehime, Fukuoka
The Nikka Whisky Distilling Co., Ltd.	7	Whisky, shochu, RTD beverages	Hokkaido, Aomori, Miyagi, Tochigi, Chiba, Hyogo, Fukuoka
Sainte Neige Wine Co., Ltd.	1	Wine	Yamanashi
Satsumatsukasa Shuzo Co., Ltd.	1	Otsu-type shochu	Kagoshima
Asahi Soft Drinks Co., Ltd.	4	Coffee drinks, carbonated drinks, tea-based beverages, other soft drinks and RTD beverages	Shizuoka, Toyama, Hyogo
Calpis Co., Ltd.	2	Calpis, Calpis Water and RTD beverages	Gunma, Okayama
LB Co., Ltd.	2	Chilled beverages such as tea-based drinks, soft drinks and other drinks Black vinegar drinks for home-delivery and other products	Saitama, 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 and 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	3F Mimet House, 5A Praed Street, London W2 1NJ, U.K.
<b>Asia</b>		
Asahi Breweries, Ltd. Bangkok Representative 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

## 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	Headquarters & Los Angeles Branch: 3625 Del Amo Blvd., Suite 250, Torrance, CA 90503, U.S.A.  New York Branch: 300 Hamilton Ave., Suite 209, White Plains, NY 10606, U.S.A.
<b>Europe</b>				
Buckinghamshire Golf Co., Ltd.	£40.0 million	100.0%	Ownership and management of a golf club	Denham Court Drive, Denham, Buckinghamshire UB9 5PG, U.K.
<b>Asia-Oceania</b>				
Asahi Beer (China) Investment Co., Ltd.	RMB737 million	100.0%	Sales of beer	No. 712 Room, Citic Square No.1168, Nanjing Rd. (W), Shanghai 200041, China
Yantai Beer Tsingtao Asahi Co., Ltd.	RMB219 million	51.0%	Production and sales of beer	100 Huanshan Road, Yantai, Shandong, China
Beijing Beer Asahi Co., Ltd.	RMB609 million	72.8%	Production and sales of beer	North 1 Yanqi Road, Yanqi Industrial Development Zone, Huairou District, Beijing, China
Asahi Holdings (Australia) Pty Ltd	AU\$214 million	100.0%	Control of operations in Oceania	Suite 104, 68-72 York Street, South Melbourne, Vic 3205, Australia
Schweppes Australia Pty Limited	AU\$372 million	100.0%	Production and sales of soft drinks	Level 5, 111 Cecil Street, South Melbourne, Vic 3205, Australia
Permanis Sdn. Bhd.	RM111 million	100.0%	Production and sales of soft drinks	Level 10 Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

# INVESTOR INFORMATION

(As of December 31, 2012)

## 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.asahigroup-holdings.com/en/>

## Date of Establishment

September 1, 1949

## Number of Employees

Consolidated: 17,956

## 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

120,251

## 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	37.0
Foreign corporations	28.0
Other corporations	16.7
Individuals, other	12.2
Treasury stock	3.6
Brokerage	2.5

## 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)	4.4%
Asahi Kasei Corporation	4.0%
The Dai-ichi Life Insurance Company, Limited	3.6%
Fukoku Mutual Life Insurance Company	3.6%
JP Morgan Chase Bank 38055	2.1%
Sumitomo Mitsui Banking Corporation	1.9%
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	1.9%
Sumitomo Mitsui Trust Bank, Limited	1.7%
MELLON BANK ABN AMRO GLOBAL CUSTODY N.V.	1.6%

\* While Asahi Group Holdings, Ltd. owns 17,611 thousand shares of treasury stock, it is not included with the major shareholders listed above.

## Stock Exchange Listings

Tokyo Stock Exchange, Osaka Securities Exchange

## Newspaper for Official Notice

Nihon Keizai Shimbun

## Transfer Agent and Registrar

### Stock Transfer Agent:

Sumitomo Mitsui Trust Bank, Limited  
4-5-33 Kitahama, Chuo-ku, Osaka

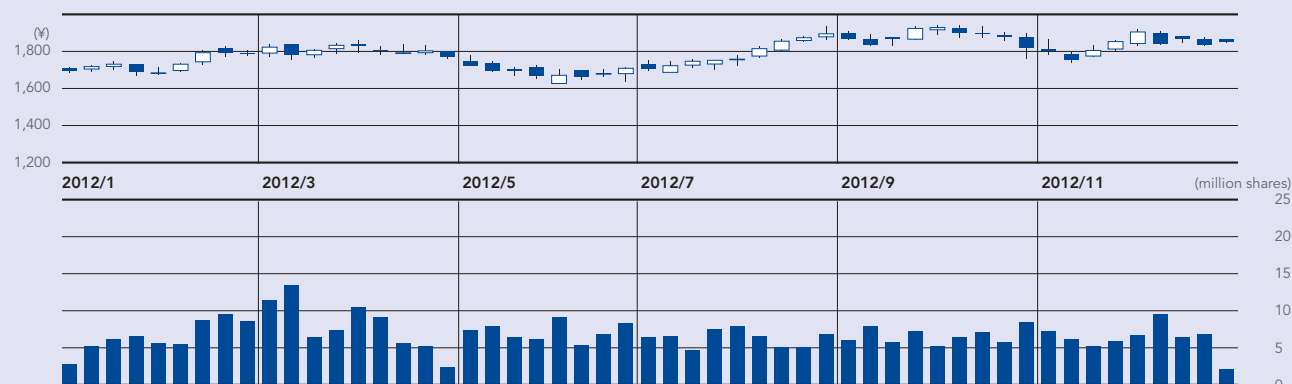
### Handling Office:

Sumitomo Mitsui Trust Bank, Limited  
Stock Transfer Agency Department  
2-3-1 Yaesu, Chuo-ku, Tokyo

## Independent Auditor

KPMG AZSA LLC

## Share Price Range and Trading Volume on the Tokyo Stock Exchange (Common Stock)



# ASAHI GROUP HOLDINGS, LTD.

<http://www.asahigroup-holdings.com/en/>

For more IR information,  
please contact our Investor Relations Section

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