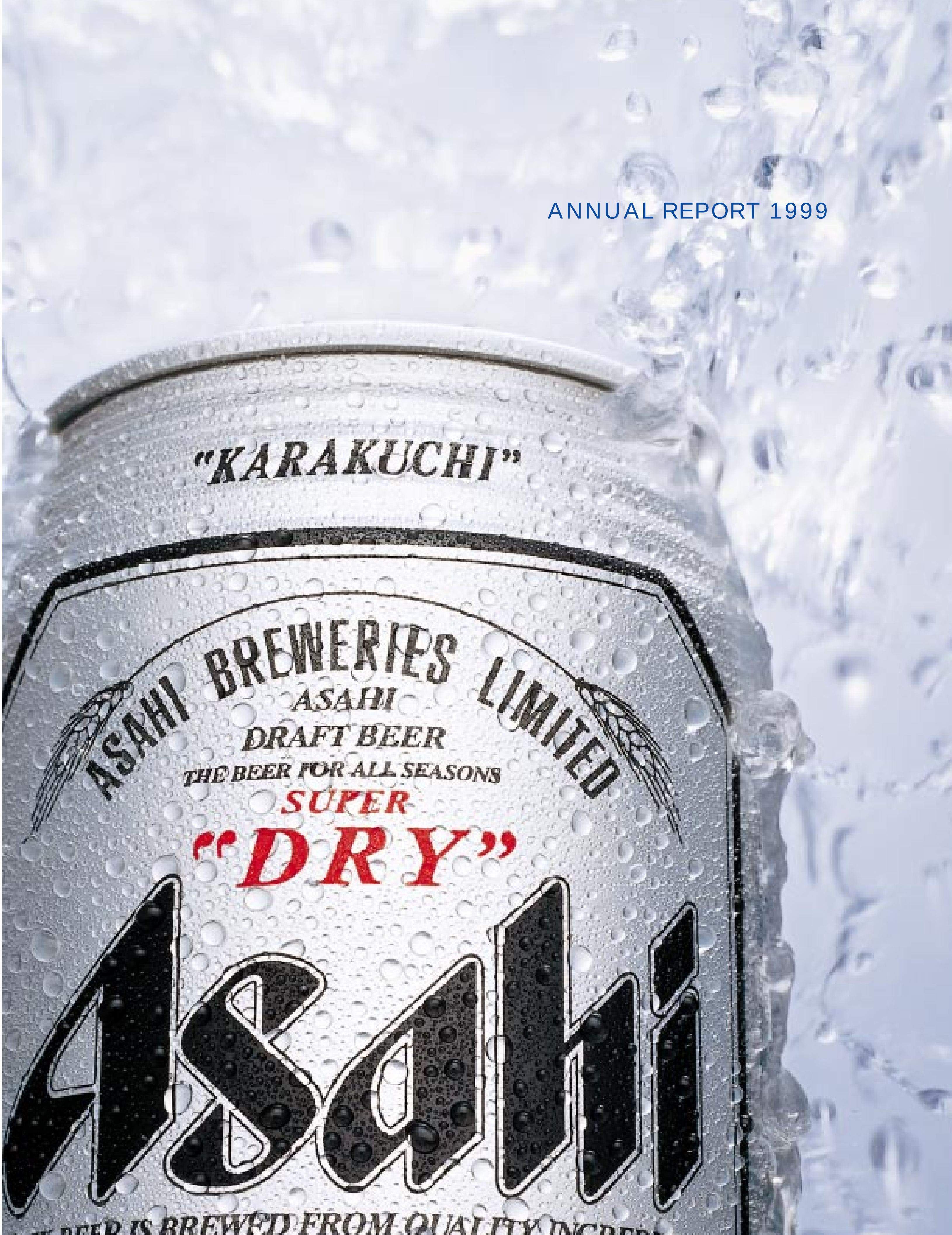
ANNUAL REPORT 1999



Profile

Founded in 1889, Asahi Breweries, Ltd., is Japan's leading innovator in the beer industry. In 1998, Asahi captured the largest share of the domestic beer market with its flagship beer, *Asahi Super Dry,* which is now firmly established as Japan's most popular beer. Asahi emphasizes the coordination of production, inventory control, and marketing activities under its Total Fresh Management principles to ensure the reliable and timely supply of products to consumers.

We have started to move toward a profit-oriented management style, in which we will place emphasis on financial restructuring and leveraging the brand value of *Asahi Super Dry*.

Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries

December 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note)	Increase (Decrease)
	1999	1998	**1999**	%
For the year:				
Net sales	**¥1,396,898**	¥1,357,217	**$13,641,582**	**2.9**
Operating income	**80,122**	91,893	**782,441**	**(12.8)**
Net income	**4,082**	579	**39,863**	**605.0**
Net cash provided by operating activities	**93,820**	87,837	**916,211**	**6.8**
Capital investments	**63,149**	103,449	**616,689**	**(39.0)**
At year-end:				
Total shareholders' equity	**383,474**	387,089	**3,744,863**	**(0.9)**
Total assets	**1,405,507**	1,519,014	**13,725,652**	**(7.5)**
Per share data (in yen and U.S. dollars):				
Net income	**¥ 8.20**	¥ 1.19	**$0.08**	**589.1**
Cash dividends applicable to the year	**12.00**	12.00	**0.12**	**0**
Shareholders' equity	**777.04**	777.60	**7.59**	**(0.1)**

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥102.40 to U.S.$1, the exchange rate prevailing at December 31, 1999.

Contents

Armed with *Asahi Super Dry,* Asahi Breweries plans management reform to maintain profit growth.

1ST & 3RD

Shigeo Fukuchi, President and Chief Operating Officer

Asahi Super Dry captured the largest share of the domestic beer market and is the third-largest-selling beer in the world.

Could you tell us about Asahi's latest medium-term management plan?

In September 1999, we announced the Asahi Innovation Program*, a five-year management plan that commences this year. The plan is divided into two stages. In the first two years, we will implement corporate governance reforms and financial strengthening measures to reinforce our business structure, while in the last three years the focus will be on using cash flows, which we anticipate will improve substantially, to increase the competitiveness and growth potential of the Asahi Beer Group. By following the plan's strategies, we believe we will create value for our shareholders and all other stakeholders.

*The Asahi Innovation Program is a parent company management plan. A management plan for consolidated members of the Asahi Beer Group will be announced in the second half of 2000.

World's Largest-Selling Beers

	Brand name	Company Name
1	Budweiser	Anheuser-Busch Companies
2	Bud Light	Anheuser-Busch Companies
3	Asahi Super Dry	Asahi Breweries
4	Skol	Companhia Cervejaria Brahma
5	Corona Extra	Grupo Modelo
6	Brahma Chopp	Companhia Cervejaria Brahma
7	Heineken	Heineken
8	Antarctica	Antarctica
9	Miller Light	Miller Brewing Company
10	Coors Light	Adolph Coors Company

(IMPACT The U.S. Market 1998 Edition)

What is the background to the introduction of the plan?

As the popularity of *Asahi Super Dry* continued to rise, it became apparent a few years ago that we had a real opportunity to make our mainstay product the number one beer in Japan. We decided to aggressively expand our marketing activities and succeeded in capturing the largest share of the domestic beer market for the first time in 1998. According to *IMPACT, Asahi Super Dry* is now the third-largest-selling beer in the world.

However, as a result of aggressive investment in marketing, our operating profit did not rise in line with sales increases. Under the Asahi Innovation Program, we will move toward a profit-oriented management style, under which we will place greater emphasis on financial restructuring and leveraging the brand value of *Asahi Super Dry*.

What is your evaluation of Asahi's performance in 1999?

Demand for beer in Japan fell approximately 7% below the previous year's level, although demand for both beer and *happo-shu** combined remained approximately the same. In contrast to the general trend, our beer shipments increased 2.4%. In fact, we were the only major brewer to post an increase in beer shipments and saw our share of the domestic market increase for the eighth consecutive year. This reflects the success of marketing built around *Asahi Super Dry*. It was our objective in 1999 to reinforce the market lead we captured in 1998, and our sales results show that we have done just this.

**Happo-shu* is a beer-like alcohol. As the malt ingredients constitute less than those in beer, it is not classified as beer under Japan's Liquor Tax Law and is therefore taxed at a lower rate than beer. Accordingly, the price of *happo-shu* is lower than beer.

35%

What assets do you have at your disposal to realize business growth?

While our productivity levels and sales support are regarded as far superior to those of our main domestic rivals, our most valuable, and visible, asset is undoubtedly *Asahi Super Dry*—that is to say, its brand value. To maintain the strong sales growth that we have enjoyed for some years now, our most important task is to further polish the image of our flagship beer.

The market power of *Asahi Super Dry* reflects not only the quality of the beer but also the inherent value of our total operations: our sales support, market communication, and quality control. So if we are to sustain this momentum, we must aim for the highest standards in all aspects of our operations, from personnel skills to financial strength.

How do you intend to heighten the brand equity of *Asahi Super Dry*?

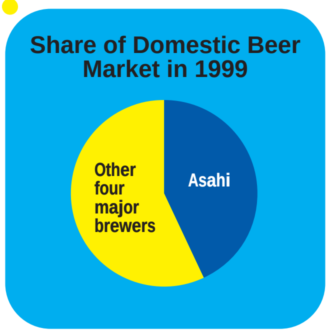
We will direct additional management resources toward its promotion and implement new programs to raise customer satisfaction. Although *Asahi Super Dry* sales now account for more than 40% of the domestic beer market, we cannot be complacent given the pace of change in Japan's marketplace today.

Consumers are always looking for something new in a beer. We have tried to meet expectations based on our understanding of consumer values and lifestyle trends, and this is what we will continue to do but in new and innovative ways.

In 2000, we launched a Company-wide action program called "Power to 21," which was designed to encourage all employees to think about how we can raise the appeal of *Asahi Super Dry*. We hope that our efforts will help revive demand for beer in Japan.

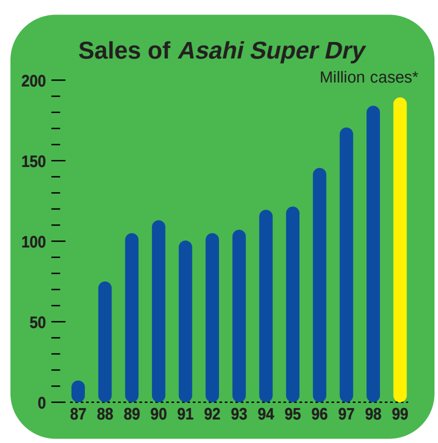
43%

Head Office



Which aspects of your business most need to be strengthened?

Improving our financial structure will remain a priority management issue. Having made the investment necessary to secure the largest share of the domestic beer market, we now look forward to a period of reaping healthy cash flows from our operating activities. In order to facilitate the transition to profit-oriented management under the Asahi Innovation Program, we brought forward our debt-reduction schedule, reducing consolidated interest-bearing debt from ¥613 billion to ¥502 billion in 1999. We intend to eliminate the remainder of our nonconsolidated interest-bearing debt by the end of 2004, reduce our exposure to financial risks in noncore businesses, and create a stable financial foundation to support long-term growth.



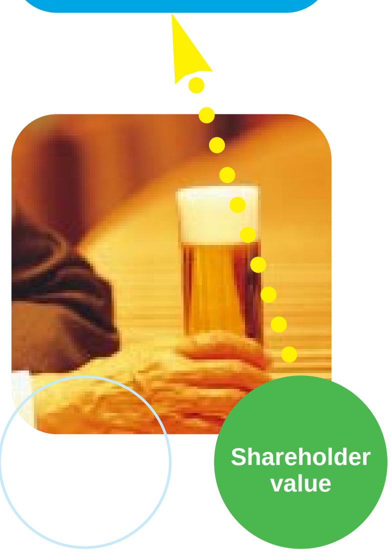
*One case equals 20 633ml bottles.

How do you plan to improve profitability?

Capturing the position of Japan's top-selling beer has greatly enhanced the marketability of *Asahi Super Dry*. This, in turn, has allowed us to increase sales with minimal increases in promotional expenses, particularly in the commercial market segment. Heightened brand power leads to marketing cost savings, it seems. We will review our investment in sales and promotion activities to make sure that we are making full use of this competitive advantage.

In quantitative terms, *Asahi Super Dry* accounts for roughly 95% of our total sales, yet 20% of our sales and promotion budget was directed toward specialty brands, some of which have limited customer bases. We will discontinue seven specialty brands in 2000 and concentrate to improve the brand equity of *Asahi Super Dry*.

Pursuing corporate governance reform:
- **Flexibility and speed**
- **Improving corporate value and Group performance**
- **Accountability and transparency**



Which factors in the operating environment do you expect will most affect your medium-term plans?

Deregulation measures scheduled to be implemented in 2003 should result in a drastic shake-up of the existing distribution structure over the medium term. Most significantly, the percentage of liquor sold through supermarket chains, convenience stores, and discount outlets should rise at an even greater rate than now.

The expansion of large-scale retailers in the distribution arena will be a bonus for us. This is because brand image is the most important asset in this segment, and the image of *Asahi Super Dry* is second to none.

Looking at the recent *happo-shu* boom, breweries that have released *happo-shu* brands could not expand their shares of the combined beer and *happo-shu* market. New *happo-shu* products have actually eroded sales of brewers' own flagship beers and effectively weakened their brand value. It is predicted that *happo-shu* sales will stagnate in 2000 and that the market will become one that is distinct from beer. Meanwhile, *Asahi Super Dry* is the only beer that is expected to reach annual sales in excess of 200 million cases. We attribute this to our marketing focus on *Asahi Super Dry*.

What management reorganization measures will be implemented in 2000?

We are pursuing corporate governance reform with the aim of improving management flexibility and speed. The centerpiece of management structure reform is an executive officer system that clearly delineates the responsibility for management decision making and strategy implementation between directors and executive officers.

The board of directors has been reduced to 10 members, and three outside directors have been appointed in a move to improve management's social accountability and transparency. In addition, we have established a Nomination Committee and a Compensation Committee as subordinate bodies to the board of directors and introduced stock option plans as part of management compensation. These measures should improve our focus on shareholder value.

What measures will be undertaken to improve Group performance?

Restructuring measures have been planned with an emphasis on total Group performance. We envision the Asahi Beer Group expanding primarily as a producer of food, beverage, and health products, supported by a number of related operations. To realize our goals, we need to strengthen the profitability of our core businesses, concentrate management resources in carefully selected fields, and foster new businesses in growth fields.

Group restructuring, including liquidations, will proceed with the prime evaluation factor being the contribution to the realization of profit-oriented management. Mergers, acquisitions, and equity investments are some of the options that will be explored to reinforce key Group companies. Plans are also being implemented to bolster the efficiency of distribution among Group companies and improve information sharing.

What is your outlook for 2000?

I believe that beer will begin to make a comback in 2000. Slowing *happo-shu* sales and greater marketing activities by the major breweries are two of the factors that should contribute to the turnaround. Although total shipments of beer and *happo-shu* are projected to remain at the same levels as in 1999, the shift from beer to *happo-shu* witnessed in recent years is expected to slow.

Regardless of new product introductions and measures taken by competitors to revitalize their flagship beers, I am confident that *Asahi Super Dry* will increase its share of the domestic beer market and strengthen its position as Japan's most popular beer.

In 2000, the first year of our medium-term management plan, we look forward to further increasing the brand value of *Asahi Super Dry* and working toward new targets that will create new value for our shareholders.

March 2000

Shigeo Fukuchi

Shigeo Fukuchi
President and Chief Operating Officer

Value in Being the Best ...

Sales

“Our focus will remain on responding quickly to the needs of selected market segments. It is important that we place ourselves in our customers’ shoes if we are to raise the appeal of *Asahi Super Dry*.”

Improving the freshness of *Asahi Super Dry* is our overriding objective. In line with this, we are developing strategies to boost the confidence that customers have in our ability to meet their expectations.

A lot of our communication is now done via our intranet, which has improved the efficiency of the market proposal development process and reinforced how important speed and accuracy is in today’s business environment. We aim to tap latent market demand brought about by current lifestyle trends not only for *Asahi Super Dry* but also for wine and other Asahi Beer Group products. Marketing proposals that target specific types of customers are one aspect of our plans.

Most importantly, I like the taste of *Asahi Super Dry* and would like as many people as possible to get the same enjoyment as I do from drinking it.

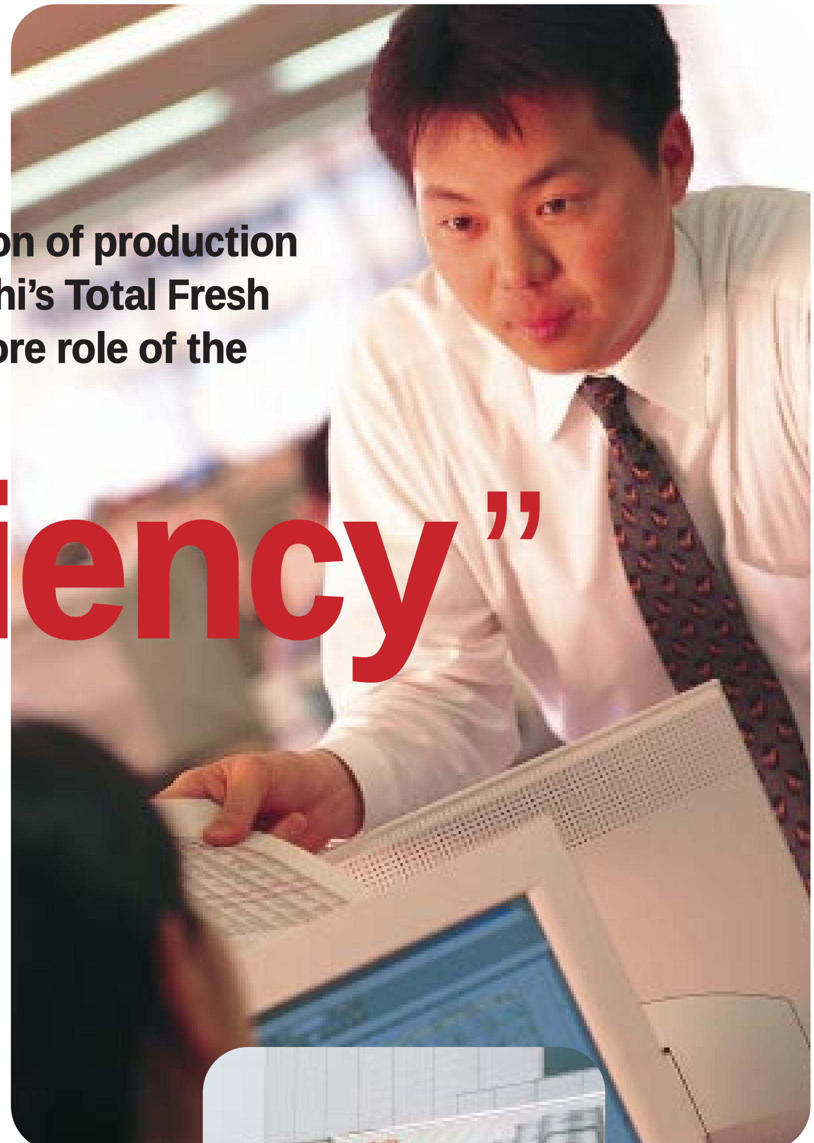
“Enjoyment”

Shutoken Regional Headquarters
Sales Department, Chain Stores Chief,
Naomi Kusaka

Key Factors for Success

- **Establish a dominant position as a supplier to emerging distribution channels**
- **Heighten the visibility of *Asahi Super Dry* in retail outlets and create displays that enhance brand appeal**

“Improving the synchronization of production and sales activities under Asahi’s Total Fresh Management principles is a core role of the distribution division.”



“Efficiency”

Regional Logistics Department, East Japan Region
Assistant Section Manager, **Kazuhiko Nomura**

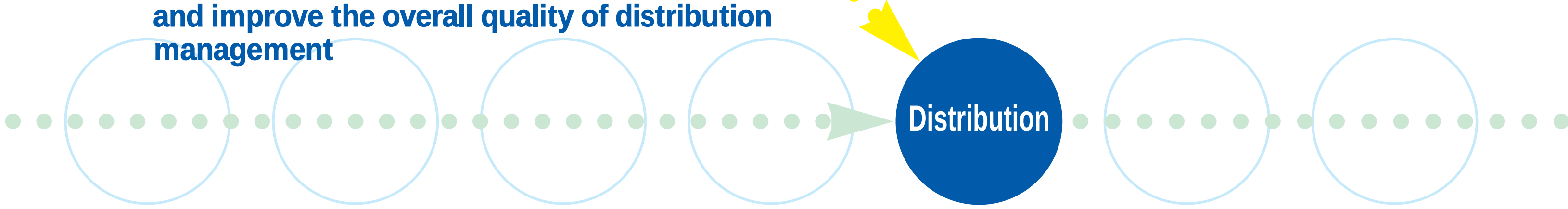
The key word in distribution management is undoubtedly efficiency. Our ability to anticipate and respond to change determines our competitiveness. We have worked closely with production to coordinate a number of measures designed to lower inventory levels and thereby improve the quality of freshness management. These include overnight and direct-from-the-factory delivery programs. Customers have been most appreciative of these initiatives, which is most satisfying for us.

The second issue is that of cost reduction. Investment in supply chain management (SCM) infrastructure and the expansion of our continuous replenishment program are the main topics in this area. We have set new targets for both and are working toward them.

We will continue to encourage younger employees to take initiative in proposing ways to improve freshness management and distribution efficiency. Their input has improved our flexibility and speed.

Key Factors for Success

- **Create an SCM infrastructure that provides exceptional service to distributors**
- **Reduce delivery lead times and inventory levels and improve the overall quality of distribution management**



"The principal aim of our research is to develop technologies that will reinforce the competitive superiority of *Asahi Super Dry.*"

"Enhancement"

Brewing Technology Section, Brewing Research & Development Lab.
Manager, **Noboru Kagami**

Freshness is the quality that most influences the level of enjoyment consumers derive from drinking *Asahi Super Dry*. Consequently, our R&D is mainly directed at technologies that preserve the flavor of our beer until the time of drinking.

We have been continuously working to improve the flavor stability of our beer. In 2000, both our R&D and production staff will undertake projects to try and find new ways to enhance existing quality assurance measures. The work will cover every stage of production, from ingredient selection through brewing. To improve quality, it is important that we constantly set ourselves new, well-defined targets and frequently assess our progress.

Technology has been an important part of the success of *Asahi Super Dry*. I want to achieve the targets we have set this year so we will continue to be successful.

Key Factors for Success

- **Develop beer and other alcoholic beverages, foods, and pharmaceutical products that meet customers' needs**
- **Develop technologies that raise production efficiency while maintaining the highest quality assurance levels**
- **Develop technologies aimed at new businesses concerning food and health**

Technology

Key Factors for Success

- Develop a flexible production system that is capable of responding immediately to changes in demand
- Achieve the highest levels of reliability and product quality
- Minimize costs and introduce new technologies to improve the return on investment in brewing facilities

"*Asahi Super Dry* requires close attention to come out just right. Our mission is to control the production levers just right so that customers can enjoy the beer's true taste."

"Control"

Brewing Section, Ibaraki Brewery
Manager, **Masayuki Aizawa**

We are responsible for providing a stable supply of beer and ensuring that every time a customer opens a can or bottle of Asahi beer, they will enjoy the same refreshing taste. This requires the careful control of ingredient selection, yeast quality, and other quality management factors. We have introduced a freshness management system and strengthened our quality assurance system, but these measures come to nothing if the brewing yeast is not kept properly.

Asahi Super Dry is a beer that requires close attention during the brewing process, and yeast used in its production must be handled skillfully.

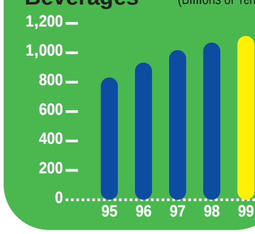
There is a sense of achievement in seeing a beer that depends on sophisticated production technology coming out of the tap with a taste as fresh as intended.

ALCOHOLIC BEVERAGES

STRATEGIC OBJECTIVES

- **Further strengthen the brand power of *Asahi Super Dry***
- **Develop the image of new *Asahi Super Malt***
- **Expand our business activities in North America, Europe, and China**

Sales of Alcoholic Beverages (Billions of Yen)



BEER

Brewers in Japan faced an operating environment characterized by a continued shift toward distribution through mass-retail outlets, accelerating consolidation in the wholesale distribution segment, and intensifying price competition. Overall domestic beer sales failed to exceed the previous year's levels in any month, resulting in a year-on-year decline of 7% on a tax volume basis. Combined sales of beer and *happo-shu* also dropped below the level posted in the previous fiscal year.

Despite these unfavorable conditions, Asahi was the only major brewer to record an increase in beer shipments, 2.4%. Moreover, Asahi increased its share of the domestic beer market for the eighth consecutive year.

Asahi Super Dry flexed its recently acquired marketing muscle as Japan's top-selling beer, with sales advancing 2.7%, to 189.3 million cases. It was the sixth consecutive year in which *Asahi Super Dry* bettered its previous sales volume records. Sales of *Asahi Super Dry* now account for more than 40% of the domestic beer market. In an innovative marketing ploy that has turned many heads in Japan, Asahi collaborated with Toyota Motor Corp., Matsushita Electric Industrial Co., Ltd., and several other leading Japanese companies to develop a multicorporate brand called WiLL. Asahi's first contribution to this brand is *WiLL Smooth Beer*. Asahi plans to launch a second item in the *WiLL* line in the near future.

In total, beer sales rose 2.5% during fiscal 1999, to ¥1,038.1 billion.

WHISKY

Most of Asahi's operations in alcoholic beverages other than beer are handled by the **Nikka Whisky Distilling Co., Ltd.**

The decline in whisky prices, prompted by revisions to liquor tax laws in 1997 and 1998, has acted to revitalize interest in this liquor and resulted in growth in demand from retail customers overtaking that of commercial customers. To capitalize on this trend, Nikka Whisky has concentrated on developing a lineup of attractively priced whiskeys for the household sector, centering on offerings under its *Black Nikka Clear Blend* label. At the same time, Nikka Whisky has catered to connoisseurs by expanding a lineup of single malt whisky products distilled in Hokkaido and Sendai. Moreover, Nikka Whisky's Yoichi Distillery has also stimulated interest in the company's products through a program where customers can make their own original whisky.

OTHER ALCOHOLIC BEVERAGES

In wine, Asahi leveraged its profile and aggressively expanded marketing activities, centering on retail sales locations and eating and drinking establishments. Although there was an estimated double-digit decline in total domestic wine sales, Asahi's wine shipments and sales slipped only 2% and 4%, respectively. Imported wines from companies from France (Maison Ginestet S.A.) and Italy (Casa Vinicola Zonin S.P.A.) as well as *Asahi Ume Wine,* Japanese plum wine, sold very well during the year. In fiscal 2000, Asahi aims to increase wine sales 20%. Meanwhile, Nikka Whisky stepped up its marketing of wines under the French label *Le Piat D'Or* as well as *Nikka Cidre* and posted increases in sales to convenience stores, supermarkets, and other chain stores.

Sales of other alcoholic beverages, including *High-Club* and the Chinese liquor *Kiraku,* jumped 15.8% from the previous year's level.

As a result of this overall performance, consolidated sales of alcoholic beverages grew 4.3%, to ¥1,114.4 billion.

Asahi Super Dry | Asahi Kuronama | WiLL Smooth Beer | Château Gruaud Larose | Acciaiolo | Black Nikka Clear Blend | Nikka Cidre Sweet | Nikka Cidre Starking Delicious

Asahi Super Malt

In January 2000, Asahi released *Asahi Super Malt*, a light pure-malt beer that caters to the growing number of beer drinkers seeking a natural product brewed with health in mind.

The same yeast that is used to brew *Asahi Super Dry* has been adopted to make *Asahi Super Malt*, giving it a fresh, clean taste. *Asahi Super Malt* meets the market's demand for a healthier beer both in essence and appearance, incorporating the use of only natural ingredients. We are the first Japanese brewer to offer this combination of natural and healthy ingredients in the brewing of a beer. To extend its appeal to a broad customer base, *Asahi Super Malt* will also be sold in a 300ml can. We aim to sell five million cases in 2000.

NEW
Asahi Super Malt

Overseas Business Activities

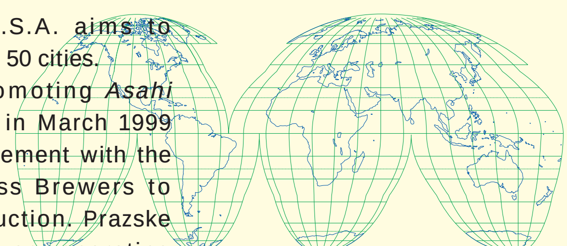
Asahi is steadily strengthening its sales networks in North America, Europe, and China and aims to return a profit from its overseas business operations.

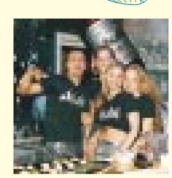
In particular, Asahi is expecting enormous potential in the Chinese market. Asahi's ability to tap this market received a boost in July 1999 when Shenzhen Tsingtao Beer Asahi Co., Ltd., a joint venture between Asahi and Chinese brewer Tsingtao Brewery Company Ltd., commenced brewing operations. Located in Guangdong Province, Shenzhen Tsingtao Beer Asahi, along with Yantai Brewery, in which Asahi has an equity stake, will supply *Asahi Super Dry* to the market along the Chinese coast.

In the United States, Asahi Beer U.S.A., Inc., continued to aggressively expand the distribution networks for *Asahi Super Dry*, conducting marketing activities in 20 major U.S. cities. In 2000, Asahi Beer U.S.A. aims to increase this number to 50 cities.

With a view to promoting *Asahi Super Dry* in Europe, in March 1999 Asahi reached an agreement with the British company Bass Brewers to undertake local production. Prazske Pivovary A.S.—a brewery operating under the Bass umbrella in Prague, the Czech Republic—began shipping *Asahi Super Dry* in January 2000.

In other overseas activities, Asahi strengthened its ties with Kuang Chuan Dairy Co., Ltd., in Taiwan and opened a representative sales office in Hong Kong.

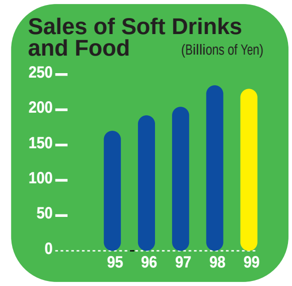




SOFT DRINKS

STRATEGIC OBJECTIVES

- **Thoroughly implement brand marketing strategies**
- **Improve the quality and safety of products**
- **Strengthen our environmental conservation activities, including measures to obtain ISO 14001 and HACCP certifications**



REVIEW

Although general economic conditions were lackluster throughout fiscal 1999, sales of teas, mineral water, and other soft drinks began to pick up in the second half of the year, particularly in eastern Japan, where a hot summer boosted demand. Also, concerns about Y2K computer problems increased demand at the end of the year, due to consumer stockpiling.

Asahi Soft Drinks Co., Ltd., which is responsible for the Asahi Beer Group's operations in soft drinks, was listed on the First Section of the Tokyo Stock Exchange on August 31, 1999. The company focused its energy on boosting the recognition of its three mainstay brands, *WONDA* (canned coffee), *Juroku-Cha* (blended tea), and *Mitsuya* (soft drinks), by launching several new products and conducting product renewal and consumer marketing campaigns.

However, a downturn in demand for English tea drinks had a significant impact on soft drink shipments. Consequently, sales of soft drinks fell 2.0%, to ¥224.7 billion. Due to increased management efficiency, net income jumped 53.2%, to ¥2.6 billion.

Looking at performance by drink type, among carbonated beverages, Asahi Soft Drinks reinforced its *Mitsuya* lineup with the introduction of transparent 500ml PET bottles for *Mitsuya Cider* (soda) which celebrated its 116th anniversary, and the introduction of its *Mitsuya Sawayaka Lemon* and *Mitsuya Green Apple White* soda products. The transparent, recyclable bottles are favored by environment- and health-conscious consumers. Advertising campaigns featuring Ichiro Suzuki, a popular baseball player, and other promotion measures were continued. Asahi Soft Drinks introduced three new products: a new *Bireley's Orange* that blends three different types of oranges—Valencia, Mandolin, and Blood oranges—*Bireley's Melon,* and *Bireley's Peagy,* a peach and grapefruit combination flavor.

Accumulated shipments of *WONDA* brand coffee, first released in 1997, surpassed 50 million cases during 1999.

Turning to Japanese teas, although accumulated shipments of *Asahi Juroku-Cha,* one of the first blended teas to be released in Japan, surpassed 100 million cases during the year, shipments fell 1% year on year, to 26.8 million cases. However, a variety of measures to bolster the image of the Chinese tea lineup, including the release of *Asahi You,* led overall shipments of such products to jump 23%, to 10.4 million cases.

Sales of conditioning drinks were boosted by launches of a new sugar-free conditioning water, *Asahi Eau⁺ V,* and an active conditioning water, *Asahi Nice One.* Their contribution, in addition to continued aggressive marketing, resulted in shipments rising 17%, to 12.3 million cases.

OUTLOOK

Looking ahead, Asahi Soft Drinks will progress with strategies to strengthen its brands under the slogan "Make Changes for the New Century!" At the same time, the company is pressing forward with plans to improve quality management and enhance the environmental soundness of its operations.

Brand Marketing

Asahi Soft Drinks' six mainstay brands are *WONDA, Asahi Juroku-Cha, Mitsuya, Bireley's, Asahi Switch,* and *Asahi Teao.* The aim behind marketing strategies for these brands is to create images that appeal to 21st-century consumer values. Strategic advertising, consumer promotion campaigns, and nationwide tasting campaigns are the main tools that will be adopted to heighten brand recognition and reinforce product positioning in competitive markets. Asahi Soft Drinks will push powerful "Brand Marketing" by focusing on three key areas: products, information, and sales, giving consideration to product returns and potential market growth.

WONDA	***Asahi Juroku-Cha***	***Mitsuya Cider*** **(Soda)**	***Bireley's Orange***	***Asahi SWITCH***	***Asahi Teao***

FOOD

STRATEGIC OBJECTIVES

- **Promoting brewer's yeast extracts to makers of *bentos* (Japanese lunch boxes), prepared side salads, and other processed foods**
- **Opening new marketing channels for brewer's yeast extracts through the use of fermentation culture media**
- **Thoroughly implementing brand marketing strategies**

REVIEW

Asahi's food-related operations are mainly carried out through a wholly owned distributor, Asahi Beer Food, Ltd. This subsidiary markets food ingredients, principally brewer's yeast extracts as well as various dried vegetable flakes, prepared frozen foods, and other processed foods.

In fiscal 1999, sales of yeast-based seasoning products used in food processing rose 12.8% year on year, with Asahi Beer Food continuing to enjoy strong support from companies supplying foods to convenience-store chains. Sales of freeze-dried foods increased 6.0%, bolstered by another year of strong exports to the United States. The expansion of the market for side dishes led to sales of frozen foods for commercial use expanding 5.8% year on year. However, sales of consumer retail products, including *otsumami shozai* (side dishes), fell 10.0%, as demand from wholesalers and consumers softened.

As a result of these performances, food sales increased 4.6% during fiscal 1999, to ¥9.4 billion.

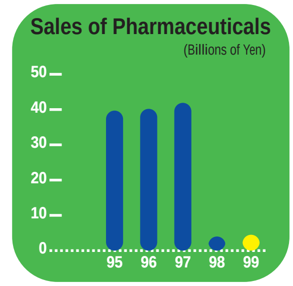
OUTLOOK

In fiscal 2000, Asahi Beer Food aims to boost its sales to more than ¥10 billion. To attain this sales target, Asahi Beer Food intends to take various measures, such as stepping up its marketing of brewer's yeast extracts to catering firms and manufacturers of pharmaceutical intermediates.

PHARMACEUTICALS

STRATEGIC OBJECTIVES

- **Create new brands and redesign concepts and positioning strategies for existing products**
- **Use ingredients and technologies to develop products that are distinctive from those of competitors**



*In 1998, Asahi sold shares held in Torii Pharmaceutical Co., Ltd., to Japan Tobacco Inc. As a result, sales of pharmaceuticals dropped approximately 90%.

REVIEW

In fiscal 1999, sales of prescription and over-the-counter (OTC) drugs increased 6.0% compared with the previous fiscal year.

Sales of Asahi Beer Pharmaceutical Co., Ltd.'s lactic acid bacteria preparations *New Lactone A* and *Lactcoat* rose 2% and 37%, respectively. In October 1999, the company launched a new marketing campaign for its *EBIOS* brewer's yeast extract, sales of which stagnated during the year. Also in October 1999, the company released a new consumer health care product, *Zakuro Jelly* (pomegranate jelly), which posted sales in excess of one million packs in the three months ended December 1999. Meanwhile, the company strengthened its

sales of these products rise 35% above the level recorded in fiscal 1998.

In consumer health care products, Asahi Beer Pharmaceutical increased sales of commercial-use bath powders for the sixth consecutive year.

OUTLOOK

In 2000, the 70th anniversary of the release of *EBIOS,* Asahi Beer Pharmaceutical aims to realize a double-digit increase in sales of its mainstay product and complement this by expanding its lineup of brewer's yeast extracts.

A brand renewal campaign will also be conducted for the *Actio* brand—which will post its fifth year on the market in 2000—to distinguish and reinforce its position in the supplement market.

In product development activities, Asahi Beer Pharmaceutical will step up its market research to gain a better understanding of market trends while exploring more effective distribution channels. Brand renewal and new product development strategies will be adjusted to ensure they are in line with consumer demands.

In 2000, Asahi Beer Pharmaceutical will continue its efforts to improve communications with consumers. The company plans to hold several health-related seminars, including an *Actio* Vitamin Seminar and a seminar on Chinese medicines.

Corporate Citizenship

The year 1999 was a particularly memorable one for Asahi in terms of its corporate citizenship activities. We reviewed our philosophy on community involvement and received praise for our contributions in a number of fields. Notably, we were awarded the Corporate Society Contribution Award by the *Asahi Shimbun, one of Japan's leading daily newspapers, in recognition of our efforts to promote economic development in harmony with the environment. Asahi's new philosophy is to respond to social trends by expanding the support it provides for emerging arts and culture.**

Since its establishment in 1949, Asahi has been an active participant in a range of community activities. We believe that companies exist to improve the quality of life in the communities they serve. We have affirmed our commitment to community involvement in Company policies and established Environment and Culture Promotion (ECP) departments to promote our corporate citizenship activities.

***The *Asahi Shimbun* is in no way affiliated with the Asahi Beer Group.**

"Quality" and "Challenge" are two key words for corporate citizenship activities as well as for our businesses. Such activities are classified under the following three themes:

1 Contributing to the development of culture for the future

2 Actively supporting the quality of life in regional communities

3 Participating in community volunteer activities

1 Supporting the Development of Arts and Culture

Asahi supports emerging artists in a wide range of fields. Innovative music, pioneering visual art, and original performance are fields in which we are prominent in our sponsorship. Such support is intended not only to enable events to be held but also to support the process of creating experimental arts. In particular, we hope to contribute to the development of various art forms by supporting young, talented artists and providing opportunities for citizens to experience their work.

Asahi Beer Lobby Concerts

Asahi has held free concerts in the lobby of its head office since 1990 at the suggestion of its employees. These concerts are intended to introduce types of music that are rarely heard, performances involving combinations of curious instruments, and music composed by relatively unknown younger musicians. As part of our 50th anniversary celebrations, Asahi employees worked with Makoto Nomura, an up-and-coming contemporary artist, to compose a piece that was performed at one of the concerts. We will continue to hold lobby concerts in Asahi's branch offices.




Lobby Concerts

Asahi Beer Music Lectures

In 1997, Asahi began a new series of events that consisted of lectures about different kinds of music held in conjunction with live performances. The aim is to promote relatively unknown music and give people new musical perspectives. Performances given at Asahi's Square A Hall in Tokyo have included chants of Buddhist monks from the Shingon sect, known as Shingon Shoumyo, as well as traditional songs sung by Japanese sake makers. In Fukuoka Prefecture, Asahi sponsored a series of lectures on the history of music and motion pictures.

Asahi Art Workshops

In 1999, Asahi introduced an art workshop program to give citizens an opportunity to work with recognized artists in fields in which they are interested. During these workshops, participants receive guidance from artists in creating various artworks. Meetings are held at a later date to discuss the creations and related topics.

2 Improving the Quality of Life in Regional Communities

This is a priority theme of our corporate citizenship activities. In addition to corporate involvement, we encourage employees to participate in community volunteer activities.

Arts and culture, social welfare, disaster response, and education are some of the fields in which we have lent our support. We aim to strengthen our ties with local communities and expand the ways in which we can promote their development.

Great Hanshin Earthquake Restoration

Five years after the Great Hanshin Earthquake struck Kobe and its surrounding areas, much work remains to be done to repair the damage to property and people's lives. Asahi has continued to support the work of nonprofit organizations, which have played a leading role in rebuilding economies in devastated areas and supporting the people most seriously affected. In particular, Asahi has focused on helping children orphaned by the earthquake, sponsoring Rainbow House concerts, providing musical instruments to orphanages, and participating in various therapy programs, including dolphin therapy.

Dolphin Therapy

Introducing Cultural Activities to Regional Communities

Asahi strives to increase the number of opportunities for people living in regional communities to attend musical performances and art exhibitions. Examples include the Shimanto River International Music Concert, in Shikoku Prefecture, and the Arcus Concept, an artist-in-residence program, in Moriya, Ibaraki Prefecture, which was introduced to promote international art exchange. We will continue to promote international cultural activities in regional communities in Japan.

3 Community Volunteer Activities

Asahi employees independently plan and participate in many community volunteer activities. Social Culture Promotion staff have been designated at all of Asahi's breweries and offices to increase the number of opportunities employees have to participate in such activities.

My Action Day Program

The My Action Day program was introduced to encourage all employees, including senior management, to participate in volunteer activities at least once a year.

Employee Culture Programs

In 1999, Asahi expanded its employee culture programs to include backstage tours of dance and music theaters. For some time, Asahi has sponsored art gallery tours to cultivate an appreciation for art among its employees.

Kids Project

The Kids Project is a Companywide voluntary program that gives Asahi employees the chance to help orphaned children and children separated from their parents. Through the Kids Project, Asahi has developed ties with many community organizations involved in a range of welfare activities. An in-house welfare committee has been established to coordinate activities between employees and such organizations. In 1999, Asahi expanded the area of coverage of its Kids Project activities to include Hokkaido and other regions. Clam-collecting and strawberry-picking trips were some of the events in which employees participated.

Kids Project

Environmental Issues

ENVIRONMENTAL POLICY

Philosophy

Beer is made from the bounties of nature, such as water, barley, and hops. At the Asahi Beer Group, we believe that it is our responsibility to help pass on a healthier planet to our children. To achieve our goals of protecting this beautiful planet and the people who live on it, we believe that our actions must demonstrate our gratitude for the natural bounty the earth provides us all.

Guidelines for Action

(1) Strive to promote waste reduction and recycling, to reduce resource use, and conserve energy
(2) Strive to reduce output and usage of substances that burden the environment, such as CO_2 and CFCs
(3) Promote systems and practices that preserve water, which is especially vital to the Asahi Beer Group
(4) Be aware of environmental concerns in product development, in the development of technologies, and procurement
(5) Contribute to society by actively supporting environmental protection activities and encouraging employees to participate as well
(6) In addition to carefully adhering to all environmental laws and regulations, develop environmental standards within each Group company
(7) Outside of Japan, be aware of local environmental concerns and actively work to promote environmental protection in each country in which the Group operates
(8) Strive to communicate openly with society by providing appropriate information on our environmental systems and practices

ENVIRONMENTAL OBJECTIVES AND TARGETS

Maintaining 100% Recycling at All Breweries

In 1996, the Ibaraki Brewery became the first Asahi production facility to realize 100% recycling of waste and by-products. In 1998, all nine breweries in Asahi's domestic production network, including the newly opened Shikoku Brewery, emulated this feat. Furthermore, the three production facilities—Kashiwa, Akashi, and Hokuriku—operated by Asahi Soft Drinks, four outlets of Asahi Beer Garden companies, A&C Create Co., and Asahi Beer Malt Co., Ltd., achieved 100% recycling in 1998. While continuing our efforts to maintain 100% recycling at breweries, we will strive to realize full recycling systems at production facilities of other Asahi Beer Group companies.

Promotion of Energy-Saving Activities

By 2000, Asahi will reduce the volume of fuel, electricity, and water used in production approximately 20% compared with the levels in 1990. To this end, we are taking the following measures:

- Installing fuel-efficient facilities combining cogeneration systems together with ammonia-absorption refrigerators to maximize the efficiency of heat and electricity usage at all our breweries
- Introducing fuel cells
- Introducing closed recycling systems, which realize 100% recycling of waste heat, such as that generated during boiling and other processes

Containment of Greenhouse Gases

By 2000, Asahi plans to reduce the volume of CO_2 emitted per unit of output 28% compared with the level in 1990.

Measures taken to achieve this objective have included:

- Expanding the number of chlorofluorocarbon (CFC)-free production facilities through the introduction of ammonia-absorption refrigerators
- Promoting conversion of liquid fuel to gaseous fuel

Promotion of Container Recycling Activities

- Maintaining a system for bottle return and recycling
- Promoting recycling of aluminum cans
- Reducing the weight and volume of containers and packaging materials

Improvement of Environmental Management Systems

- Obtaining ISO 14001 certification for all breweries by the end of 2000
- Conducting environmental audits at all breweries

WASTE RECYCLING AT BREWERIES

The achievement of realizing 100% recycling at all breweries was the result of the combined efforts of brewery employees, whose suggestions formed the basis of measures to eliminate waste generated at each sorting station.

We aim to realize 100% recycling at Nippon National Seikan Company, Ltd., and Asahi Beer Winery, Ltd.

While maintaining the standards at those facilities that have achieved a 100% recycling rate, we will strive to improve the performance of production facilities at all Group companies. Furthermore, we are continuing to develop value-added recycling technologies and new applications for waste and by-products.

Waste and By-Product Recycling Results at All Breweries

	1996	1997	1998
Production volume (thousand kl)	2,117	2,345	2,470
Waste generated			
Total volume (thousand tons)	359	365	367
Unit volume (kg/kl)	170	156	149
Volume of waste recycled (thousand tons)	349	357	363
Waste-recycling rate (%)	97.1	98.0	99.0*

* The overall waste-recycling rate for 1998 is less than 100%, as the complete recycling of waste at all breweries was achieved in November 1998.

Waste Breakdown (Tons)

	1998	
	Waste Volume	Recycling Volume
Spent grain	288,309	288,309
Spent yeast	3,510	3,510
Sludge/screen dregs	34,545	31,834
Malt dust	6,704	6,704
Plastic	1,894	1,626
Pallets	2,451	2,451
Plastic crates	1,198	1,198
Glass	21,920	21,920
Bottle crowns	37	37
Labels	2,467	1,810
Cardboard	1,506	1,506
Aluminum	775	775
Other metal	1,210	1,210
Oil	22	22
Furnace ash	146	139
Miscellaneous	482	387
Total	367,176	363,438
Waste-recycling rate (%)	99.0*	

ENERGY CONSUMPTION

Reducing the consumption per unit output of fuel, electricity, and water is one of our fundamental environmental objectives. We are reducing the figures for each of these three major production inputs in line with our basic philosophy and guidelines for action. To date, we have successfully met our targets, realizing a significant improvement in energy efficiency. However, we did not reach the fuel and water reduction targets for 1998. We will continue reducing the consumption per unit output of fuel, electricity, and water used in production.

For example, we introduced fuel-efficient facilities combining cogeneration systems with ammonia-absorption refrigerators at our Suita, Tokyo, and Nagoya breweries. Moreover, we are tracking the operating conditions of fuel cells that have been in operation at the newly opened Shikoku Brewery, in order to examine their potential benefits to our other breweries. We are also actively engaged in the promotion of an extensive closed boiler system at our Ibaraki and Tokyo breweries, which will facilitate the complete recycling of waste heat generated through boiling and other processes.

By 2000, we aim to reduce the consumption per unit output of fuel, electricity, and water 20% compared with the 1990 levels.

Energy Consumption at Breweries

	1990*	1996	1997	1998
Production volume (thousand kl)	1,620	2,117	2,345	2,470
Fuel				
Volume (million kcal)	635,228	781,303	839,510	926,250
Volume per unit output (thousand kcal/kl)	392	369	358	375
Electricity				
Volume (thousand kWh)	233,766	287,516	315,403	319,371
Volume per unit output (kWh/kl)	144.3	135.8	134.5	129.3
Water				
Volume (thousand m^3)	14,098	17,301	18,760	20,995
Volume per unit output (m^3/kl)	8.7	8.2	8.0	8.5

* Reference value

GREENHOUSE GASES

We are striving to reduce the volume of CO_2 emitted per unit of output by implementing fuel and electricity saving measures, employing low CO_2 emission fuel alternatives, and taking other appropriate actions. By 2000, we aim to reduce the volume of CO_2 per unit of output at breweries 28% compared with the level in 1990.

The introduction of ammonia-absorption refrigerators together with cogeneration systems at breweries in 1997 has allowed us to make a greater contribution to the prevention of global warming by eliminating CFC and hydrofluorocarbon (HFC) coolants.

Moreover, we have reduced CO_2 emissions per unit of output approximately 26%. This result reflects a successful conversion from liquid fuel to gaseous fuel. The Hakata Brewery completed the transition in 1998, and we are now preparing facilities at other breweries for the conversion.

In March 1999, the Nagoya Brewery became the first production facility in Japan to completely eliminate CFCs in all equipment, including air-conditioning systems, refrigerators, and on-site automatic vending machines.

Volume of CO_2 Emissions at Breweries

	1990*	1996	1997	1998
Production volume (thousand kl)	1,620	2,117	2,345	2,470
Emission volume				
Boiling (thousand tons)	154	194	215	234
Fermentation (thousand tons)	69	50	41	44
Production process (thousand tons)	47	64	74	74
Wastewater treatment (thousand tons)	29	40	44	44
Purchased kW of power (thousand tons)	89	90	103	109
Subtotal (thousand tons)	388	438	477	505
Emissions per unit of output (kg/kl)	239	207	204	204
CO_2 absorption through Shobara Forest, Hiroshima (thousand tons)	13	13	13	13
Net CO_2 emissions (thousand tons)	375	425	464	492

* Reference value

CONTAINER RECYCLING

Asahi consistently strives to increase the percentage of beer bottles that pass through its bottle return and recycling system. To this end, in 1998 Asahi brought out the *Asahi Super Dry* Steiny and several new products packaged in Steiny bottles, which have been designed for a new, more efficient recycling process.

Aluminum cans are the other main beer containers. In 1996, more than 70% of all aluminum beer cans sold in Japan were recycled. Asahi is an active member of the Japan Aluminum Can Recycling and Beverage Industry Environment Beautification associations, which comprise companies in the food and beverage industry that are responsible for the establishment of can recycling facilities as well as the promotion of container recycling.

Asahi Beer Bottle Return Results*

Bottle size	1996	1997	1998
Large (633ml)			
Shipment volume (thousand bottles)	660,149	699,787	726,401
Return volume (thousand bottles)	632,023	665,403	695,797
Return rate (%)	95.7	95.1	95.8
Medium (500ml)			
Shipment volume (thousand bottles)	482,814	519,209	545,891
Return volume (thousand bottles)	477,763	514,324	542,158
Return rate (%)	99.0	99.1	99.3
Small (334ml)			
Shipment volume (thousand bottles)	69,565	72,070	71,428
Return volume (thousand bottles)	67,335	70,217	70,706
Return rate (%)	96.8	97.4	99.0
Extra-large (1,957ml)			
Shipment volume (thousand bottles)	8,757	8,751	8,398
Return volume (thousand bottles)	6,843	6,926	6,579
Return rate (%)	78.1	79.1	78.3
Kegs			
Shipment volume (thousand kegs)	16,547	18,799	20,848
Return volume (thousand kegs)	16,406	18,695	20,779
Return rate (%)	99.1	99.4	99.7

*Asahi began selling beer in Steiny bottles in April 1998, and by September the distribution of products in these bottles had spread throughout Japan. However, since it takes a certain period of time for used Steiny bottles to be put back on the collection route after the products have left the brewery, we will report on the return rate of Steiny bottles in next year's Eco Report, by which time specific figures will have been made available.

STRENGTHENING ENVIRONMENT MANAGEMENT SYSTEMS

In December 1998, our Fukushima Brewery received ISO 14001 certification, an internationally recognized set of environmental management system standards. In 1999, our Ibaraki, Suita, Nishinomiya, and Hakata breweries also obtained this certification, and we aim to obtain certification for all our breweries by the end of 2000.

Upon obtaining ISO 14001 certification, each brewery will receive ongoing audits by an in-house environmental group, as well as by an outside auditing organization. In addition to the ISO 14001 related audits, we are carrying out voluntary audits in order to monitor plant environments.

Brewery Environmental Audit Inspection Categories

Items in the Asahi Environmental Management Audit checklist are divided into the following eight main categories.

1. General environmental management controls
2. Water pollution controls
3. Air/odor pollution controls
4. Sound/vibration pollution controls
5. Waste treatment measures (including recycling and resource conservation)
6. Energy conservation controls (fuel, electricity, water, and carbon gas)
7. Education, training, and regional activities
8. Other specific areas (CFCs and their substitutes, brewery foundation subsidence, PCBs)

Environmental Audit Process

1. An audit team is appointed by the Brewery Environmental Management Committee (BEMC) to perform inspections.
2. Audit results are reported to the BEMC.
3. Within one month of the report, unsatisfactory results must be remedied or plans for appropriate measures must be submitted to the BEMC.
4. Auditors confirm the remedy of all unsatisfactory results and report to the BEMC.
5. Results of all audits as well as measures to remedy unsatisfactory results are reported to the Lifestyle Environment Committee.

INVESTING FOR ENVIRONMENTAL ACTIVITIES

As there is no unified view for the disclosure level of investment for environmental activities, we will report on the specific figures at a later date, once the standards are established. However, we shall provide the amounts of various investments in environmental efforts that Asahi made during fiscal 1998.

To provide more details, we are planning to disclose our environmental accounting information in next year's Eco Report.

Investments in Environmental Facilities

	Millions of yen
	1998
Investment in property, plant and equipment for breweries	
CFC-free facility at Nagoya Brewery	2,280
Anaerobic wastewater treatment facilities	1,810
Facilities for effective utilization of surplus yeast	550
Waste-recycling treatment facilities	500
CO_2 gas collection facilities	190
Fuel cells	160
Gas boilers	115
Subtotal	5,605
Investments in environmental research facilities at R&D Headquarters	110
Total	5,715

Expenses for Environmental Protection and Conservation*

	Millions of yen
	1998
Expenses for promotion of environmental activities	
ISO 14001 certification expenses	6
"Reduce Needless Idling" campaign expenses	5
Training expenses	1
Subtotal	12
R&D expenses	33
Expenses for recycling waste and by-products at breweries	1,204
Expenses for social activities	
Preparation of Eco Report	11
Collaboration with industry organizations	29
Recycling	6
Environmental conservation and support	16
Subtotal	62
Total	1,311

*The expenses for environmental protection and conservation do not include labor costs or depreciation of investments in facilities.

DEVELOPMENT AND INTRODUCTION OF NEW TECHNOLOGIES

New Technologies

	Category	Purpose	Breweries
Energy conservation	Back pressure steam turbine	Recover energy generated due to pressure differentials	Fukushima, Nagoya, Suita, Shikoku, Hakata
	Lithium bromide absorption refrigeration unit	Recover waste heat	Nagoya, Suita, Nishinomiya, Hakata
	Vapor recompression (VRC) systems	Create closed boiler systems	Ibaraki, Tokyo
	Cogeneration systems and ammonia-absorption refrigerators	Improve total energy efficiency	Tokyo, Nagoya, Suita
	Heat-storage system	Reduce electricity consumption	Hokkaido, Ibaraki
	Methane gas based fuel cells	Use methane gas generated during production	Shikoku
Waste reduction	Anaerobic wastewater treatment system	Reduce volume of sludge by-product and conserve energy	Hokkaido, Fukushima, Ibaraki, Tokyo, Nagoya, Suita, Shikoku, Hakata
	Effective sludge utilization	Promote waste recycling	All breweries
	100% waste recycling	Promote waste recycling	All breweries
	Sludge methane gas measurement	Promote waste recycling	Hokkaido, Fukushima, Ibaraki, Tokyo, Nagoya, Suita, Shikoku, Hakata
Greenhouse gases	Carbon gas recovery facilities	Control carbon gas emissions	Fukushima, Nagoya, Suita
	Introduction of nitrogen production facilities	Control carbon gas emissions	Ibaraki, Suita, Shikoku, Hakata
	Cogeneration systems and ammonia-absorption refrigerators	Eliminate CFCs	Tokyo, Nagoya, Suita
	Conversion of liquid fuels to gaseous fuels	Control carbon gas emissions	Hakata

Lightweight Aluminum Cans

Asahi is developing lightweight aluminum cans and can ends in order to reduce requirements for materials and the energy needed to produce the base aluminum metal.

Developing New Applications for Spent Grains

The beer-brewing process generates a large amount of spent grains as a by-product. Therefore, Asahi has been supplying this material to livestock farms for use as cattle feed. However, to cultivate new users and ensure a stable demand over the long term, we acknowledge the need to develop new methods by which to process the spent grains. Together with Shin Nippon Air Conditioning, we are studying a technology that we can use to make a type of charcoal by drying, pressing, and charring this material.

This technology is beneficial from the viewpoint of safeguarding the global environment, since the resultant "spent grain charcoal" offers numerous advantages, such as the effective use of a by-product and the production of charcoals without cutting down trees.

ENVIRONMENTAL MANAGEMENT ORGANIZATION

Executive Board

Environment Committee

Chairman: Director responsible for environmental affairs
Members: General managers of related departments
Section in charge: Total Quality Headquarters, ECP Department

Functions
1. Deliberate on environmental policies and report to the Executive Board
2. Deliberate on environmental problems and propose measures to overcome such problems
3. Study methods to promote product development, work environment, and environmental conservation activities in accordance with Asahi's basic environmental policy
4. Approve environmental management activities as well as audit procedures, measures, and guidelines at breweries
5. Approve the results of brewery environmental audits

Brewery Environmental Management Committee

Chairman: Plant Manager
Members: General managers of related departments
Person in charge: Manager, Environmental Management Office

Functions
1. Discuss appropriate solutions for environmental management systems and related regulations
2. Deliberate on environmental objectives and goals
3. Verify progress for environmental management programs and the achievement of objectives
4. Verify the requirements and achievements of nonconforming items from the results of the internal environmental audits report
5. Discuss the complaints from outside stakeholders

ECP Officers Board

Chairman: Manager, ECP Department
Members: ECP Officers
Section in Charge: ECP Department

Functions
1. Deliberate environmental promotion activities
2. Discuss and deliberate on education and environmental promotion activities at worksites

Energy Conservation and Waste Reduction Promotion Team

Members: Related departments
Section in charge: Environmental Management Office, Production Department

Functions
1. Evaluate and promote energy conservation, waste reduction, and environmental conservation measures in accordance with Asahi's basic environmental policy

Environmental Management Officers Board

Chairman: Environmental Management Officer, Production Department
Members: Environmental management officers of all breweries
Section in charge: Production Department, ECP Department

Functions
1. Ensure environmental regulations are met; set energy conservation, waste reduction, and environmental preservation goals; formulate plans to achieve these goals; discuss and deliberate on environmental conditions at breweries and other related matters
2. Discuss and deliberate on education and environmental promotion activities at worksites

*The activities of the Life Cycle Assessment (LCA) Study Group were placed on hold last year, due in part to difficulties accompanying the identification of so-called "LCA inventories." The pending themes of study were from that point transferred to the ECP Department. The LCA Study Group will resume activity once the ISO standards are made clear.

Financial Section

SIX-YEAR SUMMARY

Asahi Breweries, Ltd. and Consolidated Subsidiaries — Years ended December 31

	Millions of yen						Thousands of U.S. dollars
	1999	1998	1997	1996	1995	1994	**1999**
For the year:							
Net sales	**¥1,396,898**	¥1,357,217	¥1,313,257	¥1,212,046	¥1,087,900	¥1,075,540	**$13,641,582**
Operating income	**80,122**	91,893	96,299	99,643	77,829	80,858	**782,441**
Income before income taxes	**15,038**	23,273	32,798	36,291	24,480	25,168	**146,885**
Net income	**4,082**	579	11,555	8,231	6,607	6,492	**39,863**
Capital investments	**63,149**	103,449	100,936	48,366	33,906	19,015	**616,689**
Depreciation	**43,840**	39,656	35,740	34,245	32,629	31,407	**428,125**
At year-end:							
Working capital	**¥ (132,295)**	¥ (86,602)	¥ (107,814)	¥ (120,393)	¥ (176,793)	¥ 16,152	**$ (1,291,943)**
Interest-bearing debt	**502,327**	613,194	695,569	861,955	893,300	957,227	**4,905,536**
Total shareholders' equity	**383,474**	387,089	374,591	319,645	298,798	294,530	**3,744,863**
Total assets	**1,405,507**	1,519,014	1,616,210	1,697,268	1,727,834	1,782,131	**13,725,652**

	Yen						U.S. dollars
Per share data:							
Net income	**¥ 8.20**	¥ 1.19	¥ 25.15	¥ 19.18	¥ 15.60	¥ 15.54	**$0.08**
Cash dividends applicable to the year	**12.00**	12.00	11.00	10.00	9.50	9.50	**0.12**
Shareholders' equity	**777.04**	777.60	776.68	723.99	703.45	702.73	**7.59**

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥102.40 to U.S.$1, the exchange rate prevailing at December 31, 1999.

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

In fiscal 1999, ended December 31, 1999, Asahi's consolidated net sales increased ¥39.7 billion, or 2.9%, to ¥1,396.9 billion.

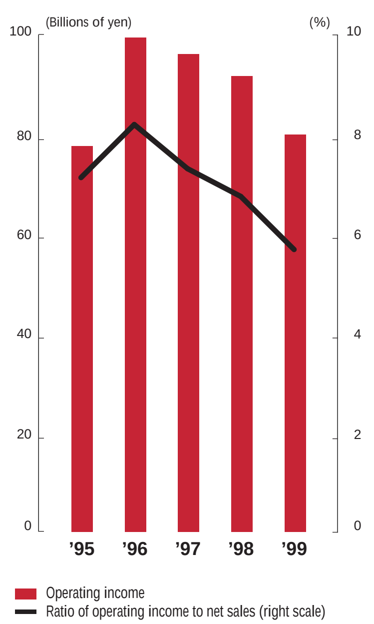
In alcoholic beverages, Asahi posted a 2.4% increase in beer shipments—in marked contrast to the 7% decline in overall domestic beer shipments—thanks to the success of marketing activities centered on its flagship beer, *Asahi Super Dry.* Shipments of imported alcohol increased 2%. In this area, Asahi focused on promoting *Black Nikka Clear Blend* whisky and other established brands to supermarkets, convenience stores, and other household market distribution outlets handled by its subsidiary Nikka Whisky Distilling.

Boosted by the inclusion of a North American beer marketing subsidiary and three domestic distribution subsidiaries in consolidated accounts, total sales of alcoholic beverages rose ¥45.5 billion, or 4.3%, during the year, to ¥1,114.4 billion.

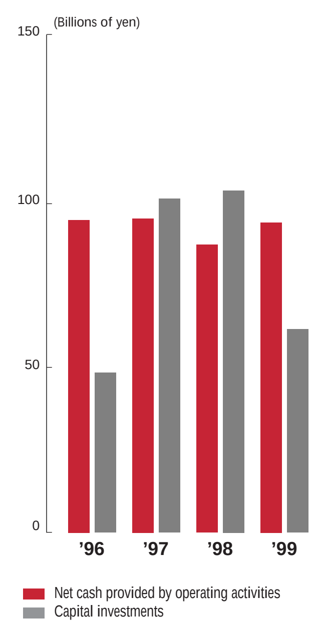
In the soft drinks and food sector, Asahi vigorously pursued a number of marketing activities to increase market share. New products were introduced to strengthen the mainstay brands *WONDA* (canned coffee), *Juroku-Cha* (blended tea), and *Mitsuya* (soft drinks), and the number of vending machines in Asahi's domestic network was increased by 17,000. However, a decline in demand for Western tea drinks resulted in shipments of soft drinks falling 3% during the year. In contrast, food sales rose 5%, mainly due to the strong performance of processed foods. As a result, sales of soft drinks and food contracted ¥5.0 billion, or 2.1%, to ¥229.7 billion.

The subsidiary Asahi Soft Drinks was listed on the First Section of the Tokyo Stock Exchange (TSE) on August 31, 1999.

Operating Income and Ratio of Operating Income to Net Sales



Cash Flows from Operating Activities and Capital Investments



Revenue from real estate operations dropped ¥1.0 billion, or 20.8%, to ¥3.9 billion, owing to a decline in real estate sales.

In other operations, although external sales of distribution subsidiaries grew considerably, revenues from restaurant operations continued to decline due to the slack economic environment, resulting in total revenues edging up only ¥0.2 billion, or 0.4%, to ¥48.9 billion.

Cost and Expenses

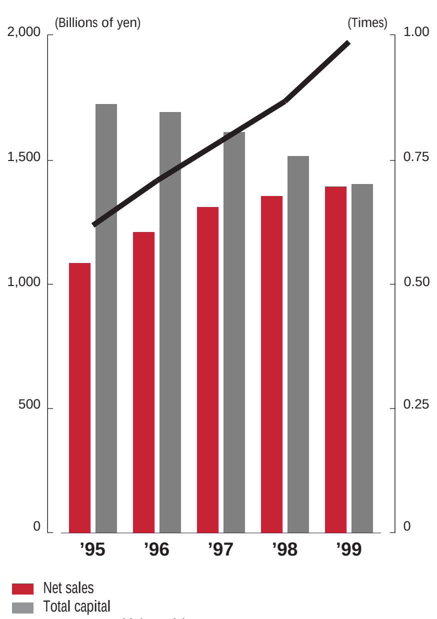
Higher sales led to an increase in the cost of sales, which grew 3.8%, or ¥15.0 billion, to ¥410.8 billion. It also resulted in the amount of alcohol tax paid increasing ¥12.6 billion, or 2.3%, to ¥567.5 billion. Selling, general and administrative expenses advanced 7.6%, or ¥23.8 billion, to ¥338.5 billion, with ¥18.7 billion of this increase accounted for by promotional expenses and commissions for beer and soft drink sales.

Operating Income and Net Income

As a result of the aforementioned activities, operating income declined ¥11.8 billion, or 12.8%, to ¥80.1 billion.

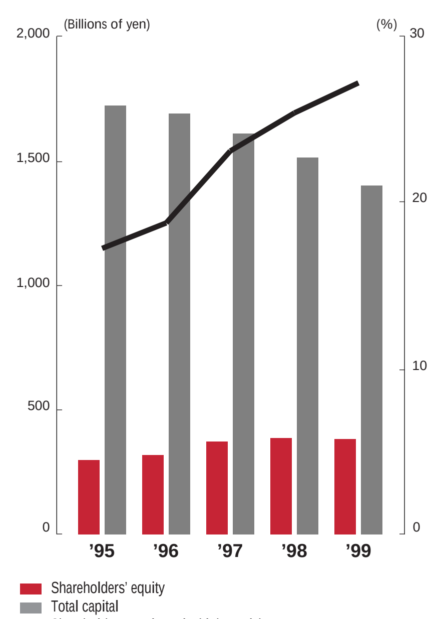
Asahi recorded a sizeable extraordinary loss due to the decision to write off all unrealized losses on financial assets held by subsidiaries during the year; however, nonoperating income was posted on the sale of shares in Asahi Soft Drinks and the securitized sale of land at the Tokyo Brewery site. As a consequence, income before income taxes dropped 35.4%, to ¥15.0 billion. Nevertheless, due to the adoption of tax effect accounting principles during the year under review, net income skyrocketed more than 600%, to ¥4.1 billion. The new accounting methods resulted in approximately ¥3.9 billion of the increase.

Total Capital Turnover Rate



*The total capital turnover rate is calculated using the average of total capital at the beginning and at the end of each fiscal term.

Changes in Shareholders' Equity Ratio



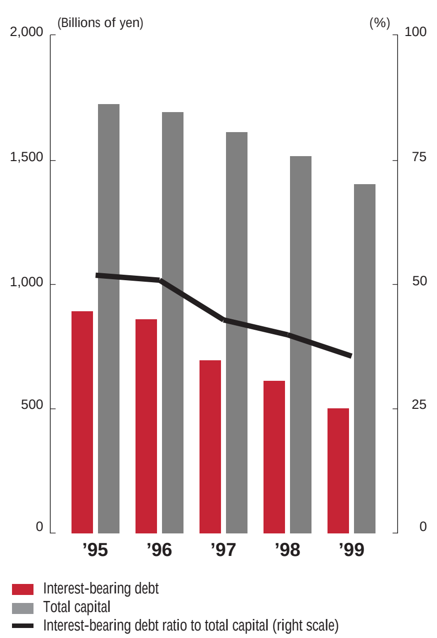
Financial Position

Total assets as of December 31, 1999, stood at ¥1,405.5 billion, down ¥113.5 billion, or 7.5%, from the previous fiscal year-end. The main reason for the decline was a planned reduction of financial assets and liabilities through the cancellation of *tokkin* (specified money trust) accounts held by subsidiaries and the sale of marketable securities.

Current assets dropped ¥107.2 billion during the year, to ¥542.6 billion, mainly due to the disposal of marketable securities to the tune of ¥26.8 billion, and the aforementioned cancellations of *tokkin* accounts, which saw the combined total of specified money trusts and time deposits and cash and cash equivalents fall ¥67.2 billion.

Property, plant and equipment increased ¥15.3 billion, to ¥699.1 billion, mainly as a result of investments to increase the production capacities of the Hokkaido and Hakata breweries.

Changes in Total Capital Employed and Interest-Bearing Debt



Investments and long-term receivables dropped ¥22.3 billion during the year, to ¥163.1 billion. This mainly reflects a decline in investment securities owing to the redemption of bonds.

Proceeds from the disposal of financial assets were used to reduce outstanding financial liabilities: specifically, bank loans were reduced ¥49.5 billion, resulting in current liabilities falling ¥61.5 billion, to ¥674.9 billion, and long-term debt was reduced ¥60.4 billion, to ¥288.8 billion.

Total shareholders' equity slipped ¥3.6 billion, to ¥383.5 billion, in line with a fall in retained earnings, and the equity ratio increased from 25.5% to 27.3%.

Cash Flows

In fiscal 1999, Asahi pursued a strategy of reducing financial assets and liabilities as well as investing in core businesses to strengthen the foundations of the Asahi Beer Group.

Looking at cash sources, net cash provided by operating activities surged ¥6.0 billion, to ¥93.8 billion, due to Asahi's strong sales results. In investing activities, a reduction in expenditure on brewery facilities led to a cash inflow of ¥19.0 billion, compared with an outflow of ¥29.0 billion in 1998. And in financing activities, there was a net cash outflow of ¥103.2 billion, reflecting debt reduction plans.

Listing of Asahi Soft Drinks

Background

Asahi Soft Drinks was listed on the First Section of the TSE on August 31, 1999, with the objective of confirming its position as a core business of the Asahi Beer Group and reinforcing its marketing independence. In line with listing plans, Asahi sold six million shares held in Asahi Soft Drinks, which increased its equity capital through a public offering of 10 million shares. Asahi sold a further six million shares after the listing, thereby reducing its equity stake in the subsidiary from 91.4% to 51.2%.

The funds raised through the listing will be used to improve domestic production facilities and strengthen the Company's financial structure.

(Impact on Financial Figures)

The sale of shares in Asahi Soft Drinks contributed ¥21.0 billion to Asahi's net profit. This figure included a ¥7.8 billion capital gain attributable to the increase in net assets of Asahi Soft Drinks through the public offering.

Medium-Term Management Strategy

In September 1999, Asahi announced a new five-year management plan under the slogan "Attaining Global Standards and Creating Value." The plan is divided into two stages. In the first two years, Asahi will reform management and strengthen its business foundations, while in the last three years, the focus will shift to the competitiveness and growth potential of the Asahi Beer Group.

Today, Japanese companies face a rapidly changing operating environment: the introduction of international accounting standards, the globalization of capital markets, market deregulation, and new global alliances are some of the developments that pose new challenges. In such an environment, Asahi intends to aggressively pursue management reforms to enhance its competitiveness. While maintaining its sight on the overriding objectives of raising customer satisfaction and product quality, the Company will strive to strengthen cash flows, increase the efficiency of capital and asset utilization, strengthen Group management, introduce global management standards, and create value for all stakeholders.

Strengthening Corporate Governance

Asahi is promoting corporate governance reforms to attain the decision making and implementation speed required to compete in a fast-paced operating environment. Specifically, the Company has introduced an executive officer system to clearly divide and define the role of senior management between directors (Group/Company policy decision making) and executive officers (strategy implementation). This distinction improves the flexibility of Group management and allows for higher-quality decisions.

At the same time, Asahi has taken steps to broaden the outlook of management and improve social accountability and transparency. To these ends, the number of external directors has been increased and a Nomination Committee and Compensation Committee have been established as subordinate bodies to the board of directors. In addition, stock option plans have been introduced as part of management compensation.

In 1999, the Group Management Strategy Headquarters was set up to support the board of directors.

CONSOLIDATED BALANCE SHEETS

Asahi Breweries, Ltd. and Consolidated Subsidiaries

December 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**1999**	1998	**1999**
Current assets:			
Cash and cash equivalents	**¥ 28,449**	¥ 16,370	**$ 277,822**
Specified money trusts and time deposits	**1,174**	80,448	**11,465**
Marketable securities (Note 4)	**120,387**	147,165	**1,175,654**
Notes and accounts receivable:			
Trade	**236,650**	244,597	**2,311,035**
Other	**22,834**	25,828	**222,988**
Allowance for doubtful accounts	**(2,187)**	(1,540)	**(21,357)**
Inventories (Note 3)	**101,089**	106,572	**987,197**
Deferred income taxes (Note 8)	**1,522**	180	**14,863**
Other current assets	**32,690**	30,165	**319,238**
Total current assets	**542,608**	649,785	**5,298,905**
Property, plant and equipment (Notes 2 and 6):			
Land	**179,907**	175,680	**1,756,904**
Buildings and structures	**361,599**	344,138	**3,531,240**
Machinery and equipment	**483,561**	458,467	**4,722,275**
Construction in progress	**21,061**	12,831	**205,674**
	1,046,128	991,116	**10,216,093**
Accumulated depreciation	**(347,060)**	(307,300)	**(3,389,258)**
	699,068	683,816	**6,826,835**
Investments and long-term receivables:			
Investment securities	**75,005**	98,728	**732,471**
Investments in unconsolidated subsidiaries and affiliated companies (Note 4)	**16,190**	17,578	**158,105**
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliated companies	**684**	1,207	**6,680**
Other	**8,187**	8,374	**79,951**
Deferred income taxes (Note 8)	**16,709**	12,733	**163,174**
Other investments	**46,241**	46,713	**451,572**
Deferred charges	**86**	80	**840**
	163,102	185,413	**1,592,793**
Foreign currency translation adjustments	**729**	—	**7,119**
	¥1,405,507	¥1,519,014	**$13,725,652**

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 1) 1999
Current liabilities:			
Bank loans (Note 6)	**¥ 115,433**	¥ 164,940	**$ 1,127,275**
Long-term debt due within one year (Note 6)	**98,068**	99,055	**957,695**
Notes and accounts payable:			
Trade	**89,683**	91,560	**875,811**
Other (mainly construction)	**55,535**	59,578	**542,334**
Alcohol tax and consumption tax payable	**153,019**	151,880	**1,494,326**
Deposits received	**107,821**	104,010	**1,052,939**
Income taxes payable (Note 8)	**6,027**	15,010	**58,857**
Accrued liabilities	**49,074**	50,039	**479,238**
Other current liabilities	**243**	315	**2,373**
Total current liabilities	**674,903**	736,387	**6,590,848**
Long-term debt (Note 6)	**288,826**	349,199	**2,820,566**
Employees' retirement benefits (Note 7)	**13,286**	13,515	**129,746**
Deferred income tax liabilities	**1,678**	—	**16,387**
Other long-term liabilities	**7,682**	9,676	**75,019**
Foreign currency translation adjustments	**—**	93	**—**
Minority interests	**35,658**	23,055	**348,223**
Commitments and contingent liabilities (Note 10)			
Shareholders' equity (Note 9):			
Common stock, par value ¥50 per share;			
Authorized—992,305,309 shares			
Issued—497,989,670 shares in 1999 and			
497,807,415 shares in 1998	**177,665**	177,559	**1,735,010**
Additional paid-in capital	**169,456**	169,351	**1,654,844**
Retained earnings	**36,361**	40,187	**355,088**
Treasury stock, at cost	**(8)**	(8)	**(78)**
Total shareholders' equity	**383,474**	387,089	**3,744,863**
	¥1,405,507	¥1,519,014	**$13,725,652**

CONSOLIDATED STATEMENTS OF INCOME

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Years ended December 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	**1999**
Net sales (Note 14)	**¥1,396,898**	¥1,357,217	¥1,313,257	**$13,641,582**
Costs and expenses (Note 14):				
Cost of sales	**410,784**	395,753	382,039	**4,011,563**
Alcohol tax	**567,528**	554,917	530,612	**5,542,266**
Selling, general and administrative	**338,464**	314,654	304,307	**3,305,313**
	1,316,776	1,265,324	1,216,958	**12,859,142**
Operating income (Note 14)	**80,122**	91,893	96,299	**782,441**
Other income (expenses):				
Interest and dividend income	**7,791**	12,203	21,459	**76,084**
Interest expense	**(20,134)**	(28,685)	(38,550)	**(196,621)**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**132**	—	—	**1,289**
Gain (loss) on sale of marketable securities	**14,494**	(5,635)	(7,173)	**141,543**
Gain (loss) on sale and disposal of property, plant and equipment—net	**5,817**	(4,095)	(7,966)	**56,807**
Gain on sale of investment in affiliated companies	**21,003**	—	—	**205,107**
Loss on surrender of specified money trusts	**(46,252)**	—	—	**(451,680)**
Loss on liquidation of unconsolidated subsidiaries (Note 11)	**(33,968)**	(1,726)	(20,463)	**(331,719)**
Loss on devaluation of marketable securities	**—**	(18,431)	(5,065)	**—**
Loss on liquidation of specified money trusts	**—**	(13,141)	—	**—**
Other—net	**(13,967)**	(9,110)	(5,743)	**(136,396)**
	(65,084)	(68,620)	(63,501)	**(635,586)**
Income before income taxes	**15,038**	23,273	32,798	**146,885**
Income taxes (Notes 2 and 8)	**10,622**	22,101	18,680	**103,730**
	4,416	1,172	14,118	**43,125**
Minority interests in net income of consolidated subsidiaries	**(334)**	(593)	(2,384)	**(3,262)**
Amortization of goodwill arising from consolidation	**—**	(153)	(329)	**—**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**—**	153	150	**—**
Net income	**¥ 4,082**	¥ 579	¥ 11,555	**$ 39,863**

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income	**¥ 8.20**	¥ 1.19	¥25.15	**$0.08**
Diluted net income	**8.11**	—	23.36	**0.08**
Cash dividends applicable to the year	**12.00**	12.00	11.00	**0.12**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Years ended December 31, 1999, 1998 and 1997

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 1996	441,514	¥144,559	¥136,378	¥38,719
Net income				11,555
Cash dividends paid (¥10.50 per share)				(4,705)
Bonuses to directors and corporate auditors				(202)
Shares issued upon conversion of convertible debentures	40,817	24,191	24,168	
Balance at December 31, 1997	482,331	168,750	160,546	45,367
Net income				579
Cash dividends paid (¥11.50 per share)				(5,555)
Bonuses to directors and corporate auditors				(204)
Shares issued upon conversion of convertible debentures	15,476	8,809	8,805	
Balance at December 31, 1998	497,807	177,559	169,351	40,187
Cumulative effect of adopting deferred income tax accounting (Note 2)				**(812)**
Net income				**4,082**
Cash dividends paid (¥12.00 per share)				**(6,223)**
Bonuses to directors and corporate auditors				**(178)**
Shares issued upon conversion of convertible debentures	**182**	**106**	**105**	
Increase resulting from increase in consolidated subsidiaries				**220**
Decrease resulting from increase in consolidated subsidiaries				**(915)**
Balance at December 31, 1999	**497,989**	**¥177,665**	**¥169,456**	**¥36,361**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 1998	$1,733,975	$1,653,819	$392,451
Cumulative effect of adopting deferred income tax accounting (Note 2)			**(7,930)**
Net income			**39,863**
Cash dividends paid ($0.12 per share)			**(60,771)**
Bonuses to directors and corporate auditors			**(1,738)**
Shares issued upon conversion of convertible debentures	**1,035**	**1,025**	
Increase resulting from increase in consolidated subsidiaries			**2,148**
Decrease resulting from increase in consolidated subsidiaries			**(8,935)**
Balance at December 31, 1999	**$1,735,010**	**$1,654,844**	**$355,088**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Years ended December 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	**1999**
Cash flows from operating activities:				
Net income	**¥ 4,082**	¥ 579	¥ 11,555	**$ 39,863**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation (Note 14)	**43,840**	39,656	35,740	**428,125**
Loss (gain) on sale and disposal of property, plant and equipment—net	**(5,817)**	4,095	7,966	**(56,807)**
Loss on liquidation of unconsolidated subsidiaries (Note 11)	**33,968**	1,726	20,463	**331,719**
Loss (gain) on sale and revaluation of securities—net	**(14,494)**	24,066	15,119	**(141,543)**
Gain on sale of investment in affiliated companies	**(21,003)**	—	—	**(205,107)**
Loss on liquidation of specified money trusts	**46,252**	13,141	—	**451,680**
Allocation of unrealized exchange loss	**—**	—	3,215	**—**
Minority interests in net income of consolidated subsidiaries	**334**	593	2,384	**3,262**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(132)**	(153)	(150)	**(1,289)**
Other	**29**	436	133	**283**
Changes in operating assets and liabilities:				
Decrease (increase) in notes and accounts receivable	**15,081**	(9,968)	(22,341)	**147,275**
Decrease (increase) in inventories	**6,752**	(7,968)	(4,584)	**65,938**
Decrease (increase) in other current assets	**(2,078)**	1,736	(3,640)	**(20,293)**
Increase (decrease) in notes and accounts payable (excluding construction)	**(6,912)**	8,486	22,228	**(67,500)**
Increase in alcohol tax and consumption tax payable	**1,098**	2,586	19,848	**10,723**
Increase (decrease) in deposits received	**3,787**	(2,417)	8,268	**36,982**
Increase (decrease) in income taxes payable	**(8,985)**	9,610	(10,863)	**(87,744)**
Increase (decrease) in accrued and other liabilities	**(1,982)**	1,633	(10,355)	**(19,356)**
Net cash provided by operating activities	**93,820**	87,837	94,986	**916,211**
Cash flows from investing activities:				
Capital investments (Note 14)	**(63,149)**	(103,449)	(100,936)	**(616,689)**
Proceeds from disposal of property, plant and equipment	**12,283**	9,553	8,850	**119,951**
Increase (decrease) in accounts payable relating to construction	**(4,758)**	(18,692)	31,671	**(46,465)**
Decrease in marketable and investment securities	**64,004**	33,301	79,509	**625,039**
Proceeds from sale (acquisition) of investment in subsidiary	**13,208**	32,439	—	**128,984**
Decrease in specified money trusts	**33,204**	24,976	7,956	**324,258**
Decrease (increase) in long-term loans receivable	**(32,336)**	(531)	2,316	**(315,781)**
Increase in other investments	**(3,450)**	(6,620)	(4,098)	**(33,692)**
Net cash provided by (used in) investing activities	**19,006**	(29,023)	25,268	**185,605**
Cash flows from financing activities:				
Proceeds from long-term loans from banks	**46,524**	18,453	18,673	**454,336**
Repayments of long-term loans from banks	**(110,863)**	(33,168)	(54,869)	**(1,082,647)**
Redemption of bonds	**(52,531)**	(56,527)	(73,700)	**(512,998)**
Proceeds from bonds and convertible debentures issued	**33,600**	82,210	8,000	**328,125**
Decrease in bank loans	**(31,479)**	(70,122)	(14,274)	**(307,412)**
Equity finance of subsidiary	**17,791**	—	—	**173,740**
Cash dividends paid	**(6,223)**	(5,555)	(4,705)	**(60,771)**
Net cash used in financing activities	**(103,181)**	(64,709)	(120,875)	**(1,007,627)**
Effect of exchange rate change on cash and cash equivalents	**(131)**	(338)	326	**(1,279)**
Net increase (decrease) in cash and cash equivalents	**9,514**	(6,233)	(295)	**92,910**
Cash and cash equivalents at beginning of year	**16,370**	22,603	22,898	**159,863**
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	**2,565**	—	—	**25,049**
Cash and cash equivalents at end of year	**¥ 28,449**	¥ 16,370	¥ 22,603	**$ 277,822**
Supplemental disclosures of cash flow information:				
Conversion of convertible debentures to common stock	**¥ 211**	¥ 17,614	¥ 48,359	**$ 2,061**
Cash paid during the year for:				
Interest	**16,079**	32,192	41,983	**157,021**
Income taxes	**24,211**	11,056	32,199	**236,436**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asahi Breweries, Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

ASAHI BREWERIES, LTD. (the "Company"), a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen in accordance with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying consolidated financial statements have been translated from the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the Minister of Finance of Japan. In preparing the accompanying financial statements, certain modifications, including the presentation of the statements of shareholders' equity and cash flows, have been made to facilitate understanding by readers outside Japan.

The financial statements are stated in Japanese yen. The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at December 31, 1999, which was ¥102.40 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 1998 and 1997 financial statements to conform to the presentation for 1999.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements have included the accounts of the Company and its significant subsidiaries (27 domestic and 2 overseas subsidiaries for 1999, 21 domestic and 1 overseas subsidiary for 1998 and 22 domestic and 1 overseas subsidiary for 1997).

The excess of investment cost over net assets at the date of acquisition is analyzed, and the portion regarded as land value increase is allocated to the cost of land. The remaining portion that cannot be identified is deferred and amortized over five years on a straight-line basis.

All significant intercompany accounts and transactions have been eliminated.

Equity method—Investments in certain unconsolidated subsidiaries 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.

Cash and cash equivalents—Cash and cash equivalents include cash and time deposits with a maturity of three months or less.

Allowance for doubtful accounts—The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It is determined by adding individually estimated uncollectible amounts to an amount calculated by a formula as permitted by the Corporation Tax Law of Japan with respect to the remaining receivables.

Securities—All securities included in both current assets and non-current investments are stated at cost determined by the moving-average method. Securities included in specified money trusts are valued at the moving-average cost on a portfolio basis. If a decline in value below cost of a security is judged to be material and other than temporary, the carrying value of the individual security is written down.

Inventories—Inventories are stated at cost. Cost is determined mainly by the weighted-average method for all inventories except for property for sale, which is determined on an individual basis.

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 based on the straight-line method due to the amendments to the Corporation Tax Law. Also due to the amendments, the Company shortened the estimated useful lives of buildings, excluding building fixtures, effective January 1, 1999. The effect of this change was to increase depreciation by ¥828 million ($8,086 thousand) and to decrease income before income taxes by ¥804 million ($7,852 thousand). 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.

Income taxes—Effective January 1, 1999, the Company adopted the new accounting standard, which recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Under the new accounting standard, the provision for income taxes is computed based on the pretax income or loss included in the consolidated statements of income. The asset and liability approach is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Before January 1, 1999, income taxes were provided for the amounts currently payable for each year based on the taxable income, and deferred income taxes were recognized only insofar as they related to the temporary differences arising from the elimination of unrealized intercompany profits.

The effects for the year ended December 31, 1999 were to increase total current assets, noncurrent assets, non-current liabilities, net income and retained earnings by ¥1,280 million ($12,500 thousand), ¥2,776 million ($27,109 thousand), ¥1,677 million ($16,377 thousand), ¥3,907 million ($38,154 thousand) and ¥4,183 million ($40,850 thousand), respectively.

Employees' retirement benefits—Non-contributory funded plans of the Company and its domestic consolidated subsidiaries cover a certain portion of the amount which would be required had all eligible employees voluntarily retired at the balance sheet date. The liabilities under the unfunded plan are provided at 40% of the remaining amount.

Annual contributions, which consist of normal costs as well as of amortization of prior service costs over approximately 13 years and 9 months, are charged to income when paid.

Translation of foreign currency accounts—Current monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing on the balance sheet date. The resulting translation gains or losses are included in "Other income (expenses), Other—net." Non-current assets and liabilities denominated in foreign currencies are translated at the historical exchange rate.

Translation of foreign currency financial statements—Through 1996, the balance sheet accounts of foreign consolidated subsidiaries were translated at the rate of exchange in effect at the balance sheet date, except long-term monetary assets and liabilities and deferred items, which were translated at historical rates. Income and expense accounts, except amortized deferred items, were translated at average exchange rates in effect during the year. Net income for the year and retained earnings at the end of the year of foreign consolidated subsidiaries were translated at the rate of exchange in effect at the balance sheet date. Differences arising from translation were presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

From 1997, due to the application of the revised Accounting Standards for Foreign Currency Transactions, the balance sheet accounts of foreign consolidated subsidiaries are translated at the rate of exchange in effect at the date of the subsidiary's balance sheet, except for (1) common stock, additional paid-in capital, and legal reserve, which are translated at historical rates, and (2) retained earnings, which constitute an accumulation of translated amounts of net income in the respective years. Income, expenses and net income for the year of foreign consolidated subsidiaries are translated at the rate of exchange in effect at the subsidiary's balance sheet date. Differences arising from translation are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements. The effect on the consolidated financial statements of the application of the revised standards was immaterial.

Amounts per share of common stock—Computations of net income per share of common stock are based on the weighted average number of shares in issue during each year. For the computation of diluted net income per share, the average number of shares was increased by the number of shares that would have been outstanding assuming all convertible debentures were converted on January 1 of each year. Related interest expense, net of income tax, has been eliminated.

Cash dividends per share represent actual amounts applicable to the respective years.

3. INVENTORIES

Inventories at December 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Finished goods	**¥ 12,710**	¥ 11,292	**$124,121**
Work in process	**40,787**	40,441	**398,311**
Raw materials	**31,076**	30,553	**303,477**
Supplies	**9,518**	7,898	**92,949**
Merchandise	**6,215**	13,973	**60,693**
Property for sale	**783**	2,415	**7,646**
	¥101,089	¥106,572	**$987,197**

4. MARKET VALUE INFORMATION—THE PARENT COMPANY ONLY

At December 31, 1999 and 1998, book value, market value and net unrealized loss of quoted securities included in marketable securities and investments in the accompanying balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Book value:			
Current assets—corporate shares	**¥109,396**	¥107,856	**$1,068,320**
Investment securities—shares of subsidiaries and affiliated companies	**13,604**	6,500	**132,852**
	¥123,000	¥114,356	**$1,201,172**
Market value:			
Current assets—corporate shares	**¥ 90,655**	¥ 66,347	**$ 885,302**
Investment securities—shares of subsidiaries and affiliated companies	**39,541**	11,966	**386,143**
	¥130,196	¥ 78,313	**$1,271,445**
Net unrealized gain (loss)	**¥ 7,196**	¥ (36,043)	**$ 70,273**

5. DERIVATIVE TRANSACTIONS—THE PARENT COMPANY ONLY

The Company enters into forward currency exchange contracts and interest rate swap contracts in order to minimize interest expense, currency exchange rate risk and interest rate risk within the limits of the balance of debentures and bonds.

The contract amounts at December 31, 1999 and 1998 and unrealized gain or loss at December 31, 1999 of outstanding derivative transactions were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
(1) Currency related			
Forward currency exchange contracts:			
Buy (D.M.)			
Contracts outstanding	**¥ —**	¥ 647	**$ —**
Unrealized loss	**—**	1	**—**
(2) Interest related			
Interest rate swaps:			
Pay fixed			
Contracts outstanding	**¥47,000**	¥77,000	**$458,984**
Unrealized loss	**1,104**	3,984	**10,781**
Pay variable			
Contracts outstanding	**12,000**	12,000	**117,188**
Unrealized gain	**231**	626	**2,256**

6. BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

Bank loans at December 31, 1999 and 1998 were represented by short-term notes or overdrafts, bearing interest at average rates of 0.67% per annum for 1999 and 0.85% per annum for 1998.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,953,125 thousand). There were no outstanding balances at December 31, 1999 and 1998.

Long-term debt at December 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Domestic debentures:			
2.45% debentures due 2001	**¥ 20,000**	¥ 20,000	**$ 195,313**
2.85% debentures due 2001	**10,000**	10,000	**97,656**
2.70% debentures due 2002	**15,000**	15,000	**146,485**
3.05% debentures due 2002	**15,000**	15,000	**146,485**
0.9% convertible debentures due 2001	**10,042**	10,091	**98,066**
2.5% mortgage convertible debentures due 2001	**110**	113	**1,074**
0.95% convertible debentures due 2002	**8,419**	8,479	**82,217**
1.0% convertible debentures due 2003	**15,452**	15,549	**150,898**
7.0% Japanese yen bonds due 1999	**—**	10,000	**—**
7.3% Japanese yen bonds due 2000	**50,000**	50,000	**488,281**
2.0% debentures due 2001	**10,000**	10,000	**97,656**
2.5% debentures due 2003	**10,000**	10,000	**97,656**
0.7% convertible debentures due 2005	**29,998**	30,000	**292,949**
1.6% debentures due 2002	**10,000**	—	**97,656**
1.54% debentures due 2004	**10,000**	—	**97,656**
Various bonds and notes issued by consolidated subsidiaries	**47,384**	79,350	**462,734**
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:			
Secured loans due through 2052 at interest rates of mainly 2.2% to 5.2%	**13,799**	7,709	**134,756**
Unsecured loans due through 2008 at interest rates of mainly 0.8% to 6.2%	**111,690**	156,963	**1,090,723**
	386,894	448,254	**3,778,261**
Amount due within one year	**(98,068)**	(99,055)	**(957,695)**
	¥288,826	¥349,199	**$2,820,566**

The trust deeds, under which the convertible debentures were issued, provide, among other conditions, for the conversion prices per share into common shares. The current conversion prices per share at December 31, 1999 were as follows:

	Yen	U.S. dollars
0.9% convertible debentures due 2001	¥1,165.0	$11.38
2.5% mortgage convertible debentures due 2001	696.8	6.80
0.95% convertible debentures due 2002	1,165.0	11.38
1.0% convertible debentures due 2003	1,165.0	11.38
0.7% convertible debentures due 2005	1,763.0	17.22

At December 31, 1999, 46,283 thousand shares of common stock were issuable upon full conversion of outstanding convertible debentures at the current conversion prices.

At December 31, 1999, the domestic debentures and secured long-term loans were collateralized by "factory mortgages" pursuant to the Factory Hypothecation Law of Japan as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥31,490	$307,520
Buildings and structures (net of depreciation)	13,139	128,311
Machinery and equipment (net of depreciation)	6,142	59,980
	¥50,771	$495,811

The aggregate annual maturities of long-term debt at December 31, 1999 were as follows:

	Millions of yen	Thousands of U.S. dollars
1999	¥ 98,068	$ 957,695
2000	72,842	711,348
2001	72,510	708,105
2002	68,083	664,873
2003	31,321	305,869
2004 and thereafter	44,070	430,371
	¥386,894	$3,778,261

7. EMPLOYEES' RETIREMENT BENEFITS

Unamortized prior service costs under the non-contributory funded pension plan amounted to ¥13,224 million ($129,140 thousand) at December 31, 1999.

Charges with respect to employees' retirement benefits were ¥4,289 million ($41,882 thousand), ¥4,333 million and ¥5,157 million for the years ended December 31, 1999, 1998 and 1997, respectively.

8. INCOME TAXES

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 47% for 1999 and 52% for 1998 and 1997.

The actual effective tax rate differed from the normal effective rate, primarily as a result of expenses not deductible for tax purposes and, with respect to 1998 and 1997, the effect of temporary differences in recognizing revenues and expenses for financial statements and tax returns other than those from the elimination of unrealized intercompany profits.

Income taxes of ¥10,622 million ($103,730 thousand), ¥22,101 million and ¥18,680 million for the years ended December 31, 1999, 1998 and 1997 in the accompanying statements of income reflect the addition (in case of debit) or subtraction (in case of credit) of deferred income taxes of ¥4,336 million ($42,344 thousand) (credit), ¥1,425 million (debit) and ¥2,473 million (credit), respectively.

Significant components of deferred income tax assets and liabilities as of March 31, 1999, were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred income tax assets:		
Allowance for doubtful receivables	¥ 4,099	$ 40,029
Allowance for bonuses	236	2,305
Retirement and severance benefits	475	4,639
Accrued enterprise tax	486	4,746
Accrued expenses for write-offs of fixed assets	753	7,354
Allowance for officers' retirement benefits	157	1,533
Unrealized gain on sale of non-current assets eliminated on consolidation	13,468	131,523
Other	2,173	21,221
Total deferred income tax assets	21,847	213,350
Deferred income tax liabilities:		
Reserves deductible for Japanese tax purposes	(3,616)	(35,313)
Total deferred income tax liabilities	(3,616)	(35,313)
Net deferred income tax assets	¥18,231	$178,037
Deferred income tax liabilities:		
Revaluation gain of assets acquired in merger	¥ (1,678)	$ (16,387)
Total deferred income tax liabilities	(1,678)	(16,387)
Net deferred income tax liabilities	¥ (1,678)	$ (16,387)

9. SHAREHOLDERS' EQUITY

In accordance with the Commercial Code of Japan (the "Code"), certain issues of shares of common stock, including conversions of convertible debentures and exercise of warrants, are required to be credited to the common stock account to the extent of the greater of par value or 50% of the proceeds by resolution of the Board of Directors. The remaining amounts are credited to additional paid-in capital.

The Code provides that an amount equal to at least 10% of cash dividends and bonuses to directors and corporate auditors shall be set aside as a legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for dividends but may be used to reduce a deficit upon approval at a shareholders' meeting, or it may be capitalized by resolution of the Board of Directors.

In accordance with the new disclosure requirements effective from the year ended December 31, 1999, the legal reserve is included in retained earnings for 1999. Previously, it was presented as a separate component of the shareholders' equity. The accompanying consolidated financial statements for the years ended December 31, 1998 and 1997, have been reclassified to conform to the 1999 presentation.

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

10. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1999, the Company and its consolidated subsidiaries 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 ¥25,815 million ($252,100 thousand). The Company is also contingently liable with respect to certain trade accounts receivable sold of ¥14,975 million ($146,240 thousand).

11. LOSS ON LIQUIDATION OF UNCONSOLIDATED SUBSIDIARIES

For the year ended December 31, 1997, a loss on the liquidation of unconsolidated subsidiaries amounting to ¥20,463 million was incurred due to the liquidation of three unconsolidated subsidiaries, including Asahi Beer International Holding (Australia) Ltd.

At the liquidation, the Company wrote off the investments and waived the foreign currency long-term loans receivable from Asahi Beer International Holding (Australia), which had been hedged by long-term forward exchange contracts. The balance of the loss on the relevant forward exchange contract that had been deferred and amortized over the life of the forward contract was charged to income as a part of the loss on liquidation of unconsolidated subsidiaries.

For the year ended December 31, 1999, the loss on the liquidation of unconsolidated subsidiaries amounted to ¥33,968 million ($331,719 thousand), which the Company wrote off the investments and waived the long-term loans receivable from unconsolidated subsidiaries.

12. INFORMATION FOR CERTAIN LEASES

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

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 1999 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥ 64,252	¥29,537	¥34,715	$ 627,461	$288,447	$339,014
Furniture and fixtures	100,581	45,991	54,591	982,236	449,131	533,105
Others	3,052	1,689	1,363	29,805	16,494	13,311
	¥167,885	¥77,217	¥90,668	$1,639,502	$754,072	$885,430

Future lease payments as of December 31, 1999, net of interest, under such leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥25,888	$252,813
Due after one year	73,492	717,695
	¥99,380	$970,508

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, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Lease payments	**¥30,167**	¥26,001	**$294,600**
Depreciation equivalent	**25,450**	—	**248,535**
Amount representing interest	**4,962**	—	**48,457**

Depreciation equivalent and amount representing interest for the year ended December 31, 1998 are not available.

13. SUBSEQUENT EVENTS

On March 30, 2000, the stockholders of the Company approved the establishment of a stock option plan.

The stock option plan allows eligible directors and executive officers to purchase up to 152,000 shares of the Company's common stock at 105% of the average market closing price of the month immediately preceeding the month of the grant date.

The participants may exercise the option from January 1, 2005 to March 29, 2010.

14. SEGMENT INFORMATION

The Company operates primarily in the production and sales of alcoholic beverages, soft drinks and food, pharmaceuticals, real estate and others.

Business segment information for the years ended December 31, 1999, 1998 and 1997 was as follows:

	Millions of yen						
Year ended December 31, 1999	Alcoholic beverages	Soft drinks and food	Pharmaceuticals	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:							
Outside customers	¥1,114,441	¥229,704	¥ —	¥ 3,897	¥48,856	¥ —	¥1,396,898
Intersegment	2,700	5,346	—	353	1,070	(9,469)	—
Total sales	1,117,141	235,050	—	4,250	49,926	(9,469)	1,396,898
Operating expenses	1,031,104	228,078	—	2,627	49,832	5,135	1,316,776
Operating income	¥ 86,037	¥ 6,972	¥ —	¥ 1,623	¥ 94	¥ (14,604)	¥ 80,122
Identifiable assets	¥ 851,186	¥114,134	¥ —	¥ 92,065	¥34,013	¥314,109	¥1,405,507
Depreciation	33,856	4,353	—	1,069	2,139	2,423	43,840
Capital investments	51,708	6,530	—	780	2,107	2,024	63,149
Year ended December 31, 1998							
Sales:							
Outside customers	¥1,068,908	¥234,729	¥ —	¥ 4,921	¥48,659	¥ —	¥1,357,217
Intersegment	1,325	2,740	—	3,866	202	(8,133)	—
Total sales	1,070,233	237,469	—	8,787	48,861	(8,133)	1,357,217
Operating expenses	977,650	229,828	—	5,727	47,911	4,208	1,265,324
Operating income	¥ 92,583	¥ 7,641	¥ —	¥ 3,060	¥ 950	¥ (12,341)	¥ 91,893
Identifiable assets	¥ 842,833	¥101,565	¥ —	¥101,165	¥33,927	¥439,524	¥1,519,014
Depreciation	30,245	4,004	—	1,092	2,013	2,302	39,656
Capital investments	90,671	4,619	—	1,554	3,356	3,249	103,449
Year ended December 31, 1997							
Sales:							
Outside customers	¥1,017,915	¥204,199	¥41,891	¥ 4,488	¥44,764	¥ —	¥1,313,257
Intersegment	1,495	2,536	126	4,202	72	(8,431)	—
Total sales	1,019,410	206,735	42,017	8,690	44,836	(8,431)	1,313,257
Operating expenses	927,270	201,445	36,294	5,237	43,829	2,883	1,216,958
Operating income	¥ 92,140	¥ 5,290	¥ 5,723	¥ 3,453	¥ 1,007	¥ (11,314)	¥ 96,299
Identifiable assets	¥ 773,897	¥ 98,176	¥71,510	¥105,480	¥28,089	¥539,058	¥1,616,210
Depreciation	26,483	2,604	1,531	1,865	1,892	1,365	35,740
Capital investments	77,559	9,202	493	784	2,830	10,068	100,936

	Thousands of U.S. dollars						
Year ended December 31, 1999	Alcoholic beverages	Soft drinks and food	Pharmaceuticals	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:							
Outside customers	$10,883,213	$2,243,203	$—	$ 38,057	$477,109	$ —	$13,641,582
Intersegment	26,367	52,207	—	3,447	10,450	(92,471)	—
Total sales	10,909,580	2,295,410	—	41,504	487,559	(92,471)	13,641,582
Operating expenses	10,069,375	2,227,324	—	25,654	486,641	50,146	12,859,142
Operating income	$ 840,205	$ 68,086	$—	$ 15,850	$ 918	$ (142,617)	$ 782,441
Identifiable assets	$ 8,312,363	$1,114,590	$—	$899,072	$332,158	$3,067,471	$13,725,652
Depreciation	330,625	42,510	—	10,439	20,889	23,662	428,125
Capital investments	504,961	63,770	—	7,617	20,576	19,765	616,689

During 1998, the Company sold all of the shares it owned of a pharmaceutical subsidiary, and the subsidiary was not consolidated, nor were its operations included in the consolidated financial statements in 1998. As the subsidiary accounted for a significant part of the pharmaceuticals segment in 1997, the pharmaceutical business in 1999 and 1998 is included in the others segment.

Assets in the corporate column mainly comprise current and non-current securities of the Company.

Sales outside Japan and sales to foreign customers were less than 10% of the Company's consolidated net sales for 1999, 1998 and 1997.

Report of Independent Public Accountants

To the Board of Directors of
ASAHI BREWERIES, LTD.:

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999, expressed in Japanese yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of ASAHI BREWERIES, LTD. as of December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
March 30, 2000

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Board of Directors, Auditors, and Executive Officers

From left: Shigeo Fukuchi, Masumi Uematsu, Yuzo Seto, and Minoru Tabuchi

BOARD OF DIRECTORS

Chairman of the Board and Chief Executive Officer

Yuzo Seto

- 1953: Graduated from Keio University; joined Asahi Breweries
- 1981: Became director and general manager of Sales & Marketing Section
- 1988: Became senior managing director, representative director, and chief operating officer of Sales & Marketing Headquarters
- 1990: Became executive vice president and representative director
- 1992: Became president and representative director
- 1999: Became chairman and representative director

President and Chief Operating Officer

Shigeo Fukuchi

- 1957: Graduated from Nagasaki University; joined Asahi Breweries
- 1981: Became general manager of Kyoto Branch
- 1984: Became general manager of Sales Promotion Department
- 1985: Became associate director and general manager of Sales Promotion Department
- 1987: Became associate director and general manager of Osaka Branch
- 1988: Became director and general manager of Osaka Branch
- 1991: Became managing director and senior general manager of Osaka Branch
- 1992: Became managing director and deputy chief operating officer of Sales & Marketing Headquarters
- 1993: Became senior managing director and deputy chief operating officer of Sales & Marketing Headquarters
- 1993: Became senior managing director
- 1996: Became executive vice president and representative director
- 1999: Became president and representative director

Executive Vice Presidents

Masumi Uematsu
Minoru Tabuchi

Senior Managing Directors

Koichi Asahi
Koichiro Takai
Sugao Nishikawa

Directors

Nobuo Yamaguchi
Yukio Okamoto
Heizo Takenaka

AUDITORS

Standing Corporate Auditors

Akira Tayama
Ken-ichiro Masui
Masaki Ogiya

Corporate Auditors

Takahide Sakurai
Matsutaro Morita

EXECUTIVE OFFICERS

Executive Officer and Vice President

Susumu Tsukada

Senior Managing Executive Officers

Ryozo Mochizuki
Kouichi Ikeda

Managing Executive Officers

Junichi Sakamoto
Tomoaki Tsukiyama
Masatoshi Uchisaka
Kenjiro Hiraki
Yoshio Hatanaka
Hiroshi Fujita
Sadao Ogura
Hitoshi Ogita
Tadashi Asahara

Executive Officers

Nagayuki Akimoto
Seigi Shiohara
Yosuke Matsumoto
Toshio Harada
Yutaka Nakamura
Masaaki Sato
Masahiko Ozeki
Masato Nakagawa
Yoshihiro Goto
Masaru Kuraguchi
Souichiro Sasaoka
Akira Ohara
Masahiko Osawa
Masatoshi Takahashi
Naoki Izumiya
Kazuo Motoyama

(As of March 31, 2000)

Major Subsidiaries

DOMESTIC

Manufacturing

■ The Nikka Whisky Distilling Co., Ltd.
Issued Share Capital: ¥14,989 million
Capital Investment Percentage: 58.1%
Principal Business: Production and sales of whisky

■ Asahi Beer Pax Co., Ltd.
Issued Share Capital: ¥3,000 million
Capital Investment Percentage: 100%
Principal Business: Production and sales of bottles

■ Asahi Beer Malt, Ltd.
Issued Share Capital: ¥90 million
Capital Investment Percentage: 91.9%
Principal Business: Processing of malt

■ Asahi Beer Winery, Ltd.
Issued Share Capital: ¥490 million
Capital Investment Percentage: 100%
Principal Business: Production and sales of wine

■ Nippon National Seikan Company, Ltd.
Issued Share Capital: ¥1,000 million
Capital Investment Percentage: 51.0%
Principal Business: Production and sales of cans and containers

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

■ Asahi Beer Food, Ltd.
Issued Share Capital: ¥300 million
Capital Investment Percentage: 100%
Principal Business: Production and sales of food

■ Asahi Beer Pharmaceutical Co., Ltd.
Issued Share Capital: ¥490 million
Capital Investment Percentage: 99.8%
Principal Business: Production and sales of pharmaceuticals and health food

Transportation

■ Asahi Cargo Service Tokyo, Ltd.
Issued Share Capital: ¥80 million
Capital Investment Percentage: 100%
Principal Business: Transportation and warehousing

■ Asahi Cargo Service Nagoya, Ltd.
Issued Share Capital: ¥10 million
Capital Investment Percentage: 100%
Principal Business: Transportation and warehousing

■ Asahi Cargo Service Osaka, Ltd.
Issued Share Capital: ¥72 million
Capital Investment Percentage: 100%
Principal Business: Transportation and warehousing

■ Asahi Cargo Service Kyushu, Ltd.
Issued Share Capital: ¥10 million
Capital Investment Percentage: 100%
Principal Business: Transportation and warehousing

Restaurants

■ Asahi Beer System, Ltd.
Issued Share Capital: ¥915 million
Capital Investment Percentage: 75.0%
Principal Business: Operation of restaurants

■ New Asahi, Ltd.
Issued Share Capital: ¥181 million
Capital Investment Percentage: 100%
Principal Business: Operation of restaurants

■ Asahi Beer Pizza Studio, Ltd.
Issued Share Capital: ¥90 million
Capital Investment Percentage: 100%
Principal Business: Operation of pizza restaurants

■ Asahi Beer Garden, Ltd.
Issued Share Capital: ¥100 million
Capital Investment Percentage: 81.3%
Principal Business: Operation of restaurants

■ Asahi Beer Garden Fukushima, Ltd.
Issued Share Capital: ¥30 million
Capital Investment Percentage: 100%
Principal Business: Operation of restaurants

■ Asahi Beer Garden Hakata, Ltd.
Issued Share Capital: ¥30 million
Capital Investment Percentage: 100%
Principal Business: Operation of restaurants

■ Asahi Beer Restaurant Service, Ltd.
Issued Share Capital: ¥110 million
Capital Investment Percentage: 100%
Principal Business: Operation of restaurants

Real Estate

■ Asahi Beer Real Estate, Ltd.
Issued Share Capital: ¥3,000 million
Capital Investment Percentage: 100%
Principal Business: Real estate leasing, sales, and development

■ Asahi Building Management, Ltd.
Issued Share Capital: ¥20 million
Capital Investment Percentage: 100%
Principal Business: Management and maintenance of real estate

Finance

■ Asahi Beer Finance Co., Ltd.
Issued Share Capital: ¥80 million
Capital Investment Percentage: 100%
Principal Business: Trading of securities and loans

Services

■ Asahi Beer Communications, Ltd.
Issued Share Capital: ¥50 million
Capital Investment Percentage: 100%
Principal Business: Facility tours and merchandise sales

■ East Japan Asahi Draft Beer Service, Ltd.
Issued Share Capital: ¥20 million
Capital Investment Percentage: 100%
Principal Business: Maintenance of draft beer equipment

■ West Japan Asahi Draft Beer Service, Ltd.
Issued Share Capital: ¥30 million
Capital Investment Percentage: 100%
Principal Business: Maintenance of draft beer equipment

■ Chuo Advertising Shinsha, Inc.
Issued Share Capital: ¥30 million
Capital Investment Percentage: 53.3%
Principal Business: Advertising representative

■ Asahi Beer Information System, Ltd.
Issued Share Capital: ¥110 million
Capital Investment Percentage: 100%
Principal Business: Computer services

OVERSEAS

United States

■ Asahi Beer U.S.A., Inc.
Issued Share Capital: US$24 million
Capital Investment Percentage: 99.0%
Principal Business: Importing, sales, and marketing of beer
Headquarters & Los Angeles Branch: 21250 Hawthorne Blvd.,
Suite 770, Torrance, CA 90503-5502, U.S.A.
*New address from June 2000: 20000 Mariner Avenue,
Suite 300, Torrance, CA 90503, U.S.A.
Tel: (1) 310-316-7775
Fax: (1) 310-316-9995

Honolulu Office

New York Branch
11 Martine Ave., Suite 770, White Plains, NY 10606, U.S.A.
Tel: (1) 914-428-3636
Fax: (1) 914-428-2444

Europe

■ Asahi Beer International Finance B.V.
Issued Share Capital: NLG29 million
Capital Investment Percentage: 100%
Principal Business: Trading of securities and loans
Strawinskylaan 3105, 7th Floor, 1077 ZX Amsterdam, The Netherlands
Tel: (31) 20-4420268
Telex: 15614 ALTRU NL
Fax: (31) 20-4064555
Inquiries should be directed to the Tokyo Head Office.

■ Buckinghamshire Golf Company Limited
Issued Share Capital: £14 million
Capital Investment Percentage: 100%
Principal Business: Ownership and management of a golf club
Denham Court Drive, Denham, Buckinghamshire UB9 5BG, U.K.
Tel: (44) 1895-835777
Fax: (44) 1895-835210

■ Asahi Beer Europe Limited
Issued Share Capital: £5.1 million
Capital Investment Percentage: 100%
Principal Business: Marketing of beer
Ground Floor, 17 Connaught Place, London W2 2EL, U.K.
Tel: (44) 20-7706-8330
Fax: (44) 20-7706-4220

Asia

■ Asahi Breweries Itochu (Holdings) Ltd.
Principal Business: Investment in Chinese breweries
Inquiries should be directed to the Tokyo Head Office.

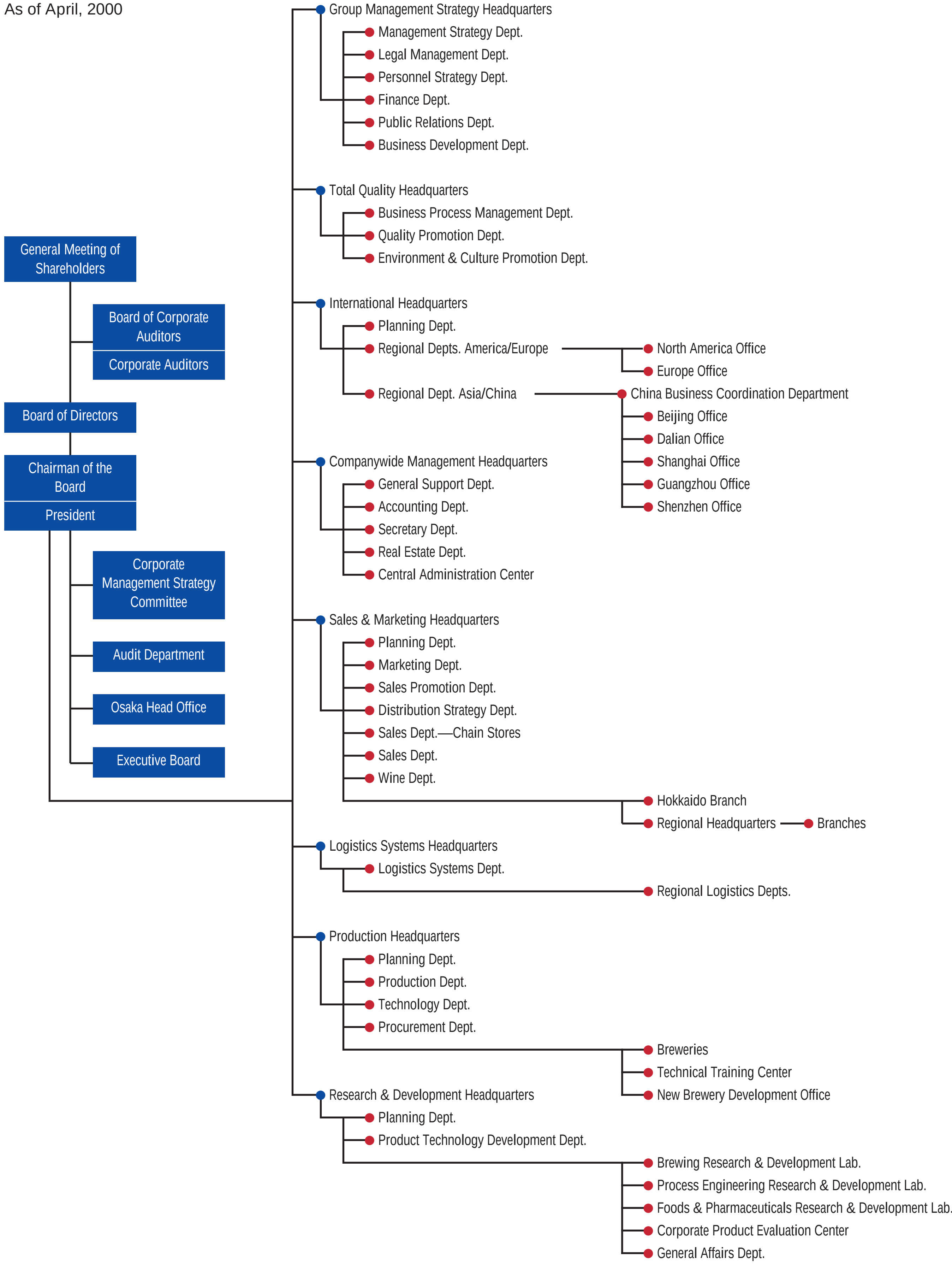
■ Asahi Breweries Itochu China (Holdings) Ltd.
Principal Business: Investment in Chinese breweries
Inquiries should be directed to the Tokyo Head Office.

■ Shenzhen Tsingtao Beer Asahi Co., Ltd.
Issued Share Capital: US$30 million
Capital Investment Percentage: 29.0%
Principal Business: Production and sales of beer
Hongqiaotou Village, Songgang Town, Baoan District,
Shenzhen City 518105, China
Tel: (86) 755-771-2999
Fax: (86) 755-771-3424/7164

Financial Information: As of December 31, 1999
Addresses and Telephone Numbers: As of March 31, 2000

Organization Chart

As of April, 2000



Investor Information

Head Office
23-1, Azumabashi 1-chome,
Sumida-ku, Tokyo 130-8602, Japan
Tel: (03) 5608-5126
Fax: (03) 5608-7121
URL: http://www.asahibeer.co.jp

Fiscal Year-End Date
December 31 on an annual basis

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

Date of Establishment
September 1, 1949

Paid-in Capital
¥177,664 million

Number of Shares of Common Stock Issued
497,989,670

Number of Shareholders
54,063

Major Shareholders
The Dai-Ichi Mutual Life Insurance Company
Asahi Chemical Industry Co., Ltd.
The Sumitomo Bank, Ltd.
Fukoku Mutual Life Insurance Company
The Sumitomo Trust & Banking Company, Limited
State Street Bank & Trust Company
Sumitomo Life Insurance Company
The Norinchukin Bank
The Chase Manhattan Bank, N.A., London
The Industrial Bank of Japan, Ltd.

Number of Domestic Offices and Facilities
Regional Headquarters: 8
Branch Offices: 46
Regional Logistics Departments: 4
Breweries: 9
Laboratories: 3 (and 1 Corporate Product Evaluation Center)

Number of Overseas Offices
Business Coordination Department: 1
Business Offices: 7

Number of Employees
4,193

Stock Exchange Listings
Tokyo, Osaka, Nagoya, and Kyoto stock exchanges

Newspaper for Official Notice
Nihon Keizai Shimbun

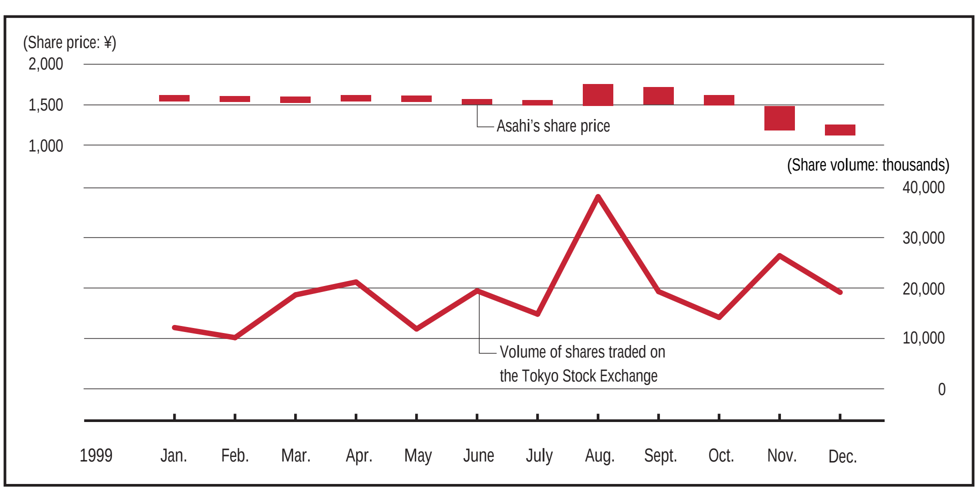
Transfer Agent and Registrar
The Toyo Trust and Banking Co., Ltd.
Corporate Agency Department
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: (03) 5683-5111

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

Auditor
Asahi & Co.

(As of December 31, 1999)

Share Price Movement



... and Strengthen Group Performance

ASAHI BREWERIES, LTD.
http://www.asahibeer.co.jp

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