Asahi

ANNUAL REPORT 2000

Highlights in Asahi's History

December 1998

Asahi achieves the leading market share in domestic beer sales in Japan.

Asahi Super Dry becomes the world's number-three best-selling beer.

January 1989

The Company is renamed Asahi Breweries, Ltd.

March 1987

Japan's first dry draft beer, *Asahi Super Dry,* is introduced. The product is heralded as a revolutionary breakthrough in the beer industry, inciting a boom in dry beer popularity.

September 1949

Asahi Beer, Ltd., is established.

November 1889

Osaka Beer Brewing Company is established, the predecessor of Asahi Beer, Ltd.

December 2000

Asahi Breweries, Ltd., posts record-breaking net sales and achieves its ninth consecutive increase in annual shipments of *Asahi Super Dry*. The Company's share of Japan's domestic beer market exceeds 45% for the first time in its history. Asahi sets its sights on further consolidated growth as a comprehensive alcoholic and non-alcoholic beverages group under its medium-term Group management plan, enacted in October 2000.

2000 Topics

January 2000
Local production of *Asahi Super Dry* commences in Europe through Prazske Pivovary A.S., in Prague, the Czech Republic.

May 2000
Asahi implements the Mt. Fuji Environmental Protection Campaign 2000, to which portions of the sales of *Asahi Draft Beer Fujisan* are donated.

July 2000
Asahi attains the brewing industry's first ISO 9002 certification for the quality control of its draft beer for restaurants and drinking establishments as well as its draft beer tap and equipment maintenance operations.

August 2000
Asahi implements barrier-free tour access to all nine of its domestic breweries.

2000
Certification of the ISO 14001 international environmental management standard was attained for all of Asahi's domestic plants (with the exception of the Tokyo Plant, which is scheduled for relocation).

CONTENTS

Yuzo Seto,
Chairman and Chief Executive Officer

Shigeo Fukuchi,
President and Chief Operating Officer

Operational Highlights

- Asahi sets a new record for beer sales, with 199.2 million cases sold. Asahi's share of the domestic beer market climbs to 46%.
- *Asahi Super Dry* sales volumes increase for the ninth consecutive year.
- In October 2000, Asahi drafts its medium-term Group management plan, aimed at becoming a comprehensive alcoholic and non-alcoholic beverages group.
- Asahi takes a further step toward its goal of becoming a total alcoholic beverages provider by making the Nikka Whisky Distilling Co., Ltd., a wholly owned subsidiary.
- Asahi announces its entry into the *happo-shu* (low-malt beer) market. (Sales commence on February 21, 2001.)
- Asahi adopts environmental accounting and enhances the environmental efforts of the entire Asahi Breweries Group.

Financial Highlights

Asahi Breweries, Ltd. and Consolidated Subsidiaries

December 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note)	Increase (Decrease)
	2000	1999	**2000**	**%**
For the year:				
Net sales	**¥1,399,108**	¥1,396,898	**$12,192,662**	**0.2**
Operating income	**76,550**	80,122	**667,102**	**(4.5)**
Net income (loss)	**(15,707)**	4,082	**(136,880)**	**(484.8)**
Net cash provided by operating activities	**61,007**	93,820	**531,651**	**(35.0)**
Capital investments	**66,518**	63,149	**579,678**	**5.3**
At year-end:				
Interest-bearing debt	**503,371**	502,327	**4,386,675**	**0.2**
Total shareholders' equity	**356,009**	383,474	**3,102,475**	**(7.2)**
Total assets	**1,389,827**	1,405,507	**12,111,782**	**(1.1)**
Per share data (in yen and U.S. dollars):				
Net income (loss)	**¥ (31.54)**	¥ 8.20	**$(0.27)**	**(484.6)**
Cash dividends applicable to the year	**12.00**	12.00	**0.10**	**0**
Total shareholders' equity	**715.04**	770.04	**6.23**	**(8.0)**

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥114.75 to U.S.$1, the exchange rate prevailing at December 31, 2000.

Achieving Record Sales in Fiscal 2000 and Continuing as a Top-Selling Beer Maker with *Asahi Super Dry*

We are pleased to report to our shareholders and other stakeholders that Asahi Breweries, Ltd., successfully solidified its dominant position in the beer market in Japan during 2000 despite sluggish sales in Japan's overall beer market. There was a 4.5% decrease in total beer sales in Japan in 2000 as well as a drop in demand for both beer and ***happo-shu**** [1] combined. With its economy stagnant, Japan's beer companies all faced tough competition. Even under these circumstances, we achieved record annual sales of ¥1.40 trillion ($12.2 billion). Our flagship brand, *Asahi Super Dry,* reached yet another milestone with a 1.3% jump in shipments, securing its top-selling position in the market for the ninth consecutive year.

Strengthening Our Financial Position with Further Restructuring in 2000

During fiscal 2000, we placed greater emphasis on implementing financial restructuring measures, while introducing a new accounting system in compliance with International Accounting Standards. We posted a consolidated net loss of ¥15.7 billion ($136.9 million) despite increased sales, primarily due to our financial decisions to drastically reduce the hidden losses on securities and fortify our pension funds. These measures are designed to

*[1] ***Happo-shu***

Happo-shu is a low-malt beer, classified as a non-beer alcoholic beverage under Japan's Liquor Tax Law. It is taxed at a lower rate than beer, and the price of *happo-shu* is proportionately lower than that of beer. Its home use has gained market share in the past few years.

lay the foundation for a strong turnaround in our financial conditions. We are already on the road to recovery, while aiming to complete the ongoing operational restructuring based on our medium-term Group management plan by 2002, which includes the withdrawal from unprofitable businesses. We are continuing to implement bold financial restructuring plans to ensure future growth and higher profitability. The decision to post a net loss for fiscal 2000 was necessary to quickly eliminate financial risks on a long-term basis.

Developing a Business Model for Higher Profitability and Growth through the Implementation of Our Medium-Term Group Management Plan

Looking forward, we predict that our industry will face significant changes in Japan. These changes include a maturation of the alcoholic beverages market as the younger population decreases, a greater diversification of customer tastes and preferences, and an increase in the number of convenience stores and supermarkets able to sell alcohol by 2003, due to the lifting of many regulations pertaining to liquor sales

Asahi Breweries Group's Medium-Term Management Plan

New Group Business Configuration

Business Structure	Operational Content	New Products and Major Projects
KEY BUSINESSES	BEER LIQUOR SOFT DRINKS	•Launch of *happo-shu* •Launch of *chu-hi* and other liqueur and cocktail products •Establishment of a restaurant and drinking establishment consulting firm •Merging of Asahi's Sales Division with that of the Nikka Whisky Distilling Co., Ltd.
SECONDARY KEY BUSINESSES	FOODS PHARMACEUTICALS BEER (Overseas) SOFT DRINKS (Overseas)	•Penetration into the self-medication market •Penetration into the environment and biotechnology markets •Business expansion in China and Southeast Asia •Development of overseas beverage business
SUPPORTING BUSINESSES	LOGISTICS CAN MANUFACTURE BOTTLE MANUFACTURE INFORMATION SYSTEMS DISTRIBUTION RAW MATERIALS RESTAURANTS OTHER	•Enhancement of such competitive strengths as technology, quality, and cost-effectiveness

*2 ***Chu-hi***

Chu-hi is a mixed drink of liquor and flavored soda. As part of becoming a total alcoholic beverages group, in May 2001 Asahi will introduce *Asahi Chu-hi Gorichu,* which was developed together with Nikka Whisky.

Asahi Chu-hi Gorichu

licensing. Other changes that are greatly affecting our Company on all fronts include the introduction of International Accounting Standards and the demand for management that meets global standards. We developed the medium-term Group management plan in anticipation of these changes and in an effort to promote new growth. Following this plan, the Asahi Breweries Group is poised to attain greater profitability and growth as it advances into the future.

The Next Phase of Growth: A Comprehensive Alcoholic and Non-Alcoholic Beverages Group

The guiding vision behind the medium-term Group management plan is the endeavor to promote food and health businesses that enrich the lifestyles of our customers. For our next phase of growth, we aim to transform ourselves from a beer-oriented business into a comprehensive alcoholic and non-alcoholic beverages group. First, the plan positions our primary business operations as the development and marketing of alcoholic and non-alcoholic products, including beer, liquor, and soft drinks. Through the combined efforts of our Group, we will promote a new phase of growth through offering such drinks as *happo-shu* and ***chu-hi****2 as well as soft drinks, while further strengthening our flagship brand, *Asahi Super Dry.* To expand profits, the plan also calls for our secondary business pillar to strategically expand our food and pharmaceuticals businesses as well as overseas beer and beverage sales.

According to the plan, we will take bold steps to boost our main businesses by promptly withdrawing from unprofitable and inefficient ventures. At the same time, we intend to improve the overall efficiency of our Group's support businesses, which include our distribution companies, bottle and can suppliers, and restaurant partners.

Strengthening Our Position within *the Total Alcoholic Beverages Market**3 Is the Key to Success

The domestic combined beer and *happo-shu* market is expected to level off in 2001. Under the present

*3 **Competition in the total alcoholic beverages market**
We have strategically shifted our focus from being a beer-oriented company to a more comprehensive alcoholic and non-alcoholic beverages manufacturer. This shift will allow us to secure a competitive edge within the maturing domestic market. We will proceed to create new growth opportunities for our entire Group by developing business within other liquor and beverage categories, including *happo-shu* and *chu-hi,* while maintaining the phenomenal brand strength of *Asahi Super Dry* as our core product.

circumstances, we anticipate an intensely competitive environment to arise within the industry—primarily pivoting around the total alcoholic beverages market—just as we have previously seen in the combined beer and *happo-shu* market. The key to winning in such competitive markets extends beyond simply having a wider variety of products. It is critical that we dominate the market in multiple product categories. The new direction in 2001 and beyond will be to build as many strongholds within the total alcoholic beverages market as possible.

Gaining Top Share in the Combined Beer and *Happo-shu* Market in 2001

One of the highlights of the Company's business for 2001 is Asahi's entry into the ***happo-shu* market** *[4]. We already announced the introduction of *Asahi Honnama,* our first *happo-shu* product, in February 2001. We intend to gain the top market share in the combined market for beer and *happo-shu,* jump-starting our future growth as a market leader. In addition, we will attempt to facilitate our transition into the total alcoholic beverages market by merging our Sales Division with that of the Nikka Whisky Distilling Co., Ltd. We are confident that our advance into the beer, *happo-shu,* liquor, wine, and lower-priced alcoholic beverage categories will strengthen our position in the total alcoholic beverages market.

Restructuring under Our Profit-Oriented Management System

We are serious about restructuring our Company under a profit-oriented management system that will yield strong financial results. By reforming our management system and corporate structure, we plan to further reduce costs and improve profitability. One area that we focused on during fiscal 2000 was corporate governance. In March 2000, we reorganized the board of directors and executive officers and increased the number of outside directors to three. Such changes will facilitate our business by

Asahi Honnama

*[4] ***Happo-shu* market**
Entering the *happo-shu* market is one essential part of our strategy. The lower-priced *happo-shu* category has already captured more than 20% of the combined beer and *happo-shu* market, largely due to the continuing economic recession in Japan. We are still in the process of creating a distinct niche for *happo-shu,* placing it in its own category separate from that of beer. In our efforts to become a comprehensive alcoholic and non-alcoholic beverages group, it is vital that we launch and cultivate products that customers will support.

[*5] **"Sendo Gift"**
In the "Sendo Gift" (Fresh Gift) program, customers wanting to give their friends, etc., something special will be able to send a gift kit in the mail that contains an order card. When the recipients mail these cards to Asahi, we will manufacture *Asahi Super Dry* specifically for them in the quantities requested. We will then deliver the freshly brewed beer within three days of its manufacture.

allowing us to make and execute quicker decisions in the ever-changing business environment.

This year, we will introduce a performance evaluation system for each of our Group companies. Each company will be evaluated according to financial indices, such as rates of return on investments, and objective standards that evaluate the accomplishment of management objectives. Each company executive will receive a salary incentive when certain performance levels have been met.

Strategically Maintaining *Asahi Super Dry* as the Market Leader in Japan

It is of critical importance that we continue to increase the brand value of our core product, *Asahi Super Dry,* to secure its leading role in the marketplace. Capitalizing on this well-known brand under the slogan "Dry & Hard," we will strengthen our claims of the brand's uniquely "dry" taste and extremely "fresh" quality. A new marketing program in Japan that we are excited about is our **"Sendo Gift"**[*5] (Fresh Gift) program. This program is truly a first in the industry and represents our commitment to providing the freshest products.

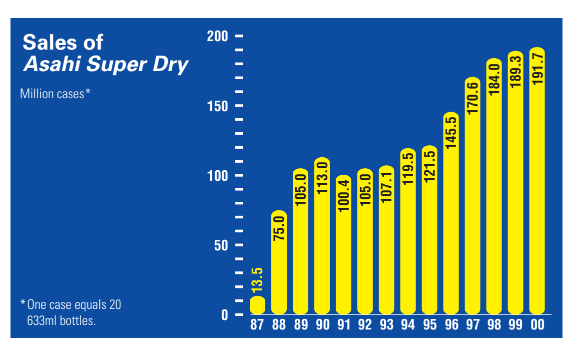
Finally, we have launched **"Club Dry,"** our new Japanese Web site for *Asahi Super Dry* fans (http://www.club-dry.com). This Web site will function as another spoke in our marketing program to strengthen brand value and increase sales.

Bolstering Sales in 2001: Increasing Liquor Sales by Fully Taking Advantage of Nikka Whisky's Resources

At the beginning of 2001, we officially made Nikka Whisky a wholly owned subsidiary to strengthen the sales force for our liquor business. By merging our Sales Division with that of Nikka Whisky, we are now able to fully capitalize on each other's sales networks, which will ultimately create a highly efficient sales system. We are also implementing several plans that will be in effect by April 2001, which aim to give us a competitive edge in liquor sales. Under these plans, we will improve our sales

Asahi Super Dry

Wielding the vitality of its fresh new approach to management, Asahi has devoted itself to the pursuit of quality and implemented dynamic marketing campaigns aimed at enhancing the enjoyment of beer. As a result of its painstaking efforts, during fiscal 2000 the Company reaffirmed the unrivaled position of its flagship *Asahi Super Dry* brand as Japan's top-selling beer, achieving a 1.3% increase in sales, to 191.7 million cases, maintaining its more than 40% market share for the second consecutive year and further expanding its overall market share.



training programs and review the deployment of our sales force. We will also add a restaurant sales function to Asahi Draft Beer Service companies that provides draft beer maintenance. Further, we will establish two new companies in April 2001. The first is a retail marketing company that will strengthen point of sale activities at liquor stores, and the second is a restaurant consulting company that will strengthen our strategic sales activities in the restaurant and food service market.

We Take Pride in Our Environmental Awareness and Cultural Activities

We are keenly aware of the social responsibility that corporations have toward solving environmental issues. We expanded our basic environmental policy and revised it in January 2000 to further strengthen the entire Asahi Breweries Group's commitment to helping the environment. Since 1999, we have **implemented environmental accounting***6, which clearly quantifies the costs and effects of all environmental conservation efforts and assists us in making investment decisions.

We also recognize our Company to be a member of the community. We will continue to act as a good corporate citizen, making positive contributions to society in the form of providing aid to victims of natural disasters, giving support to orphaned children, and supporting local community initiatives. We are proud of the volunteer work that is performed by our employees in these programs. Our Group has also established a continuous support system, which presents matching gift sets to various foundations—a program through which the Company supports its employees' own fund-raising activities—and dispatches employees to international non-governmental organizations (NGOs) for training and research. We have also achieved partnerships with local non-profit organizations that help promote the arts. These partnerships enable us to assist in locating young artists and sponsoring collaborative exhibitions for both traditional and modern artists.

*6 **Implementation of environmental accounting**
Asahi implemented environmental accounting based on the new guidelines published in *Guidelines for Introducing an Environmental Accounting System (2000),* released by Japan's Environmental Agency. We believed that these guidelines would become nationally accepted standards, and we published our own environmental accounting report in 1999. To increase the reliability and effectiveness of our environmental accounting process, we will continue to conduct periodic reviews.
More information: http://www.asahibeer.co.jp/english/eco2000e/index.html

Our Personnel System Encourages Employees to Cultivate Their Own Talents

We believe that our employees are our greatest assets. Our employees can selectively participate in various training programs according to their career paths and interests. We also offer other training programs, targeting individuals who show promise as future leaders within the Asahi Breweries Group. The goal of these training programs is to prepare our employees to cope with the myriad of changes with which we are faced. In addition, we have adopted a system that appoints highly capable employees and encourages them to advance in our organization, regardless of age or gender.

Implementing Programs That Increase Our Corporate Value

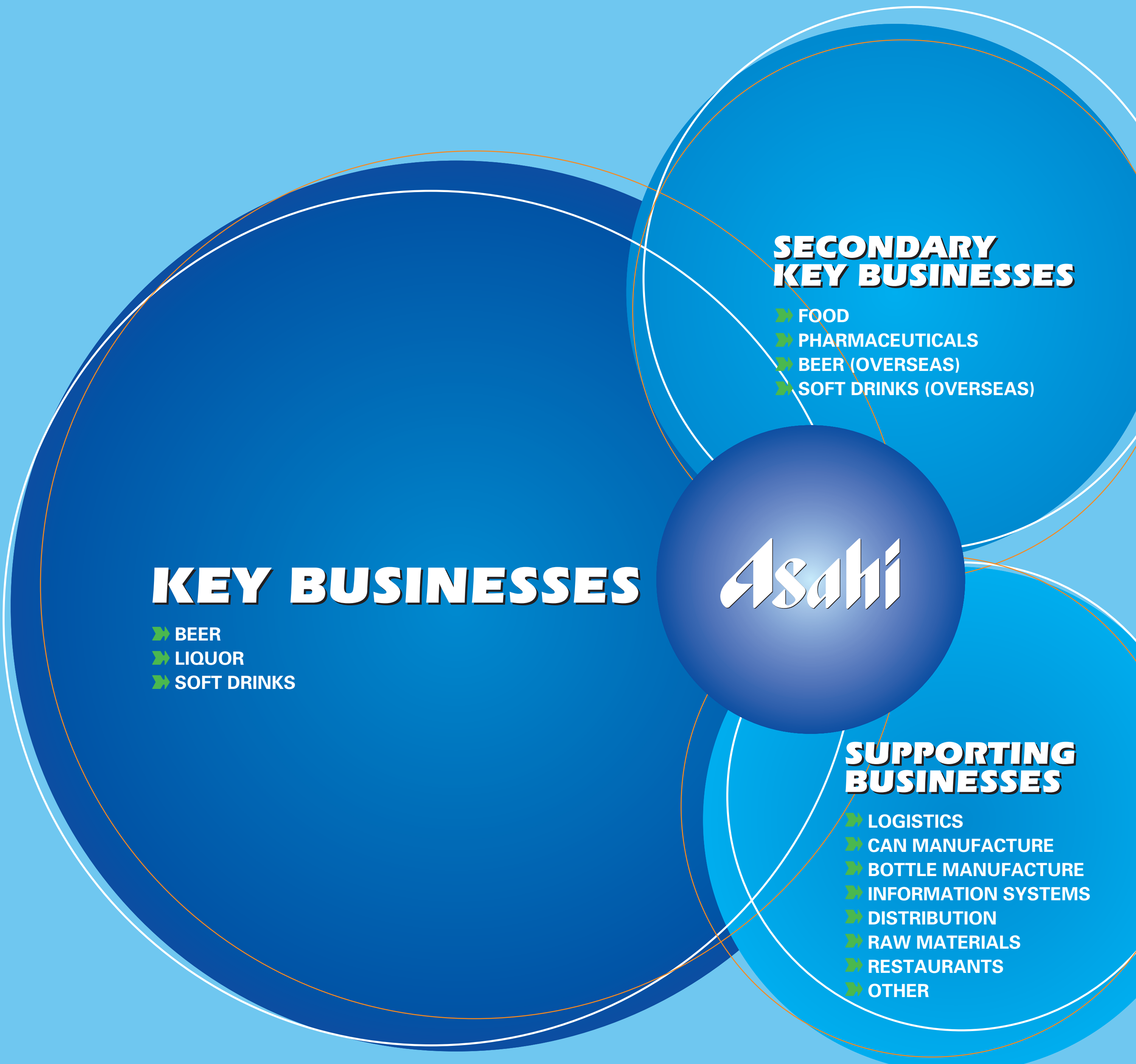
We aim to solidify our position in the combined beer and *happo-shu* market by creating an overwhelming presence for the Asahi brand during fiscal 2001. We are actively promoting our general liquor business, as evidenced by our alliance with Nikka Whisky, and we are currently making strides in other alcoholic beverage categories. We plan to generate maximum profits while continuing to increase our corporate value. As always, the Asahi Breweries Group is confident that its efforts will create greater value for our shareholders.

March 31, 2001

Yuzo Seto
Yuzo Seto
Chairman and Chief Executive Officer

Shigeo Fukuchi
Shigeo Fukuchi
President and Chief Operating Officer

The Asahi Breweries Group will take on the challenge of creating a fun and affluent lifestyle culture for a new era through its food and health-related businesses.



KEY BUSINESSES

Regarding Asahi's key businesses, in alcoholic beverages, by making Nikka Whisky a wholly owned subsidiary Asahi and Nikka Whisky have integrated their sales networks, sales branches, and marketing operations, which has enabled more efficient business operations. We have also restructured our business organization into an effective framework. We will establish such subsidiaries as a retail marketing company and a consulting firm for restaurants and drinking establishments as well as enhance the business functions of our Asahi Draft Beer Service companies. We are further pursuing efficiency in our soft drinks operations by reforming corporate governance at Asahi Soft Drinks Co., Ltd., and strengthening its managerial organization. Through these efforts, we will create a firm foundation for lucrative business operations in the alcoholic and non-alcoholic beverages markets.

SECONDARY KEY BUSINESSES

In its secondary key businesses, Asahi will allocate significant resources to the self-medication business to help evolve its food and pharmaceuticals businesses into growth fields that will become the main sources of future revenue. Concurrently, it will strive to develop new businesses as well. Furthermore, in overseas business we will concentrate our business resources in China and Southeast Asian markets and pursue profitability for our beer operations in each region.

SUPPORTING BUSINESSES

Asahi will pursue greater efficiency in its supporting businesses by restructuring its restaurant and transportation businesses and closing non-performing and inefficient businesses.

KEY BUSINESSES

BEER & *HAPPO-SHU* (LOW-MALT BEER)

Asahi's policy for its primary business of beer and *happo-shu* in fiscal 2001 is to "achieve a dominating presence in the combined beer and *happo-shu* market, which is at the heart of our comprehensive alcoholic beverages strategy." Through this resolute mind-set, we will strive to attain the top share of Japan's combined beer and *happo-shu* market.

During fiscal 2000, amid the protracted economic downturn in Japan the market for low-priced *happo-shu* expanded while most beer labels struggled just to match the previous year's sales figures. Against this backdrop, Asahi succeeded in securing an uncompromising position in the beer market and increased sales of its flagship *Asahi Super Dry* product for the ninth consecutive year. We also introduced *Asahi Super Malt,* the low alcohol content and whole malt ingredients of which successfully appealed to our customers, and sold a total of 3.2 million cases. Through such a remarkable performance, in fiscal 2000 Asahi recorded its fifth consecutive annual increase in business results since 1996, setting a new record for annual net sales. Our share of the beer market also exceeded 45% for the first time in our history, and our endeavors to claim the leading position in the market resulted in a resounding success.

In fiscal 2001, Asahi will continue to enhance the brand value of *Asahi Super Dry,* the Company's key strategic product. We will work to further strengthen the brand's identity, which constitutes its core value, and ensure its continuing dominant position as the brand of choice. Through these efforts, we will cement *Asahi Super Dry's* ties to its customers and ensure their unceasing loyalty.

Also, under the marketing slogan "Dry & Hard" we will develop stylish advertising and promotional campaigns that will immediately strike a chord with *Asahi Super Dry* devotees everywhere. Through these efforts, we will further pursue the brand's unique *"karakuchi"* (dry) taste and "fresh" quality image.

Furthermore, in the commercial-use market we will adopt a more proactive sales approach as well as thoroughly implement quality control operations with the support of the Asahi Draft Beer Service companies—which provide maintenance for draft beer tap equipment—thereby enhancing the tasty *karakuchi* flavor enjoyed at quality drinking and dining establishments.

Asahi Breweries (unconsolidated)

	Billions of Yen	
	2000	1999
Net sales	**¥1,054.6**	¥1,052.5
Operating income	**70.5**	69.4
Net income (loss)	**(9.7)**	1.0

Asahi Super Malt

Asahi Kuronama

Asahi Honnama

Asahi Super Dry

Moreover, although Asahi was not active in this market during fiscal 2000, the overall market for *happo-shu* grew approximately 16% compared with the previous term, thus attaining a 22% share of the combined beer and *happo-shu* market. As part of its comprehensive alcoholic beverages strategy, in February 2001 Asahi introduced its new *Asahi Honnama* product to the *happo-shu* market. The result of the careful blend of Asahi's own unique technology with such ingredients as barley and deep ocean water, this dynamic product delivers a top-quality, full-bodied taste. Amid increasingly intense brand competition in the market, we are implementing courageous and unique advertising and sales promotion programs aimed primarily at consumers of other *happo-shu* brands. Our marketing efforts have proved highly effective, and initial shipments have proceeded at a lively pace.

As the total alcoholic beverages market matures, consumer tastes grow more complex, and alcoholic beverage distribution undergoes considerable change, the competition in the alcoholic beverages industry is anticipated to shift its focus of emphasis to an all-encompassing alcoholic beverages market paradigm, comprising not merely beer and *happo-shu* but a complex variety of alcoholic beverage categories. Against this backdrop, Asahi will aim to achieve a dominant presence in the combined beer and *happo-shu* market in fiscal 2001 and develop dynamic product strategies and sales activities that will form a powerful base from which to expand into other categories of alcoholic beverage products.

A NEW PRODUCT

Asahi *happo-shu: Asahi Honnama*

As the type of *happo-shu* with the lowest taxation rate is categorized as having a malt content of 25% or less—a level too low to support the nutritional needs of yeast—achieving sufficient fermentation has presented a challenge to brewers. In the case of *Asahi Honnama,* this obstacle was overcome by using such ingredients as barley extract and deep ocean water, which are abundant in nutrients and minerals. Asahi is confident of the appeal of this dynamic new product.

LIQUOR

WHISKY

Black Nikka Clear Blend

As part of its efforts to become a comprehensive alcoholic and non-alcoholic beverages group, in April 2001 Asahi fused together its sales operations with those of its wholly owned subsidiary the Nikka Whisky Distilling Co., Ltd., thus achieving a more efficient sales framework. Through the high-quality products and brands of Nikka Whisky, which handles the majority of our non-beer production, we will enhance our selling power to the alcoholic beverages market and expand the scope of our access to the end user.

Examined by product category, *Black Nikka Clear Blend*—which boasted annual sales last year of one million cases— leads our approach to the retail market, which demands reasonable pricing and high quality. Leveraging this popular product, Nikka Whisky has further increased our rate of market penetration in such sales channels as convenience stores and supermarkets, thus achieving the level of strong brand recognition that will be crucial once restrictions and liquor sales licenses are relaxed.

Also, in November 2000 Nikka Whisky introduced the new pure malt whisky *Taketsuru 12 Years* to the commercial-use whisky market, which most experts agree is an extremely difficult market for newcomers. Striking just the right balance between quality and price, *Taketsuru 12 Years* brings the high quality of pure malt aged for 12 years and unbeatable affordability to Japan's struggling whisky market. Furthermore, *Taketsuru 35 Years,* a connoisseur's item that was brought to market alongside *Taketsuru 12 Years,* was completely sold out after receiving exceptionally favorable reviews. In 2001, Nikka Whisky introduced 17-year and 21-year versions to the lineup and will further develop the new face of the Nikka brand.

Taketsuru 12 Years

KEY BUSINESSES

OTHER ALCOHOLIC BEVERAGES

In its wine business, while the industry at large operated on average at more than 10% below the previous fiscal year's levels, the number of Asahi wine cases shipped during the term under review climbed 2% year on year. Revenues likewise increased 4% compared with the previous fiscal year, thus significantly outperforming the industry standard. Of particular note, domestic wine sales increased 10% compared with the previous fiscal year, having received a substantial boost from sales of *Asahi Ume Wine*—a Japanese plum wine—which were nearly triple those of the previous year. Sales of imported wine also increased year on year.

While average business results for the wine industry overall for fiscal 2001 are not expected to change significantly from the previous term, Asahi is aiming to expand its wine sales 10% compared with the previous term. Furthermore, with the merging of operations with Nikka Whisky in April 2001 wine brands handled by Asahi will be supplemented by those handled by Nikka Whisky, thus further boosting sales figures for the Company.

In imported wines, Asahi has positioned the Italian Casa Vinicola Zonin S.p.A. label to spearhead its sales expansion in fiscal 2001. Asahi will eye increased sales through this brand by implementing various tie-ins with the "Italy 2001" events in Japan.

Asahi Ume Wine

Chianti Classico

BIDAN Sho-chu · *HOUKAI Sho-chu* · *Nikka Cidre Dry* · *Nikka Cidre Sweet*

Likewise, in domestic wines we have elected to concentrate our efforts on *Asahi Ume Wine*, and we will make every effort to secure the leading market position for this fine Asahi brand.

Asahi has been working through Nikka Whisky to enhance its production capacity and product development skill in its approach to Japan's *sho-chu* market, which has approximately five times the sales volume of its whisky market. In the imported *sho-chu* market, amid the growing interest in Korean culture Nikka Whisky has aggressively taken on this area of its business by narrowing its focus down to the highly promising Korean *sho-chu* segment and jointly developing and introducing a *sho-chu* product with an authentic Korean taste together with the Bohae Brewery Co., Ltd., of South Korea.

Moreover, in the low-alcohol beverages sector, Asahi will continue to aggressively market its highly popular Nikka Cidre brand of sparkling apple wine, leveraging its more than 60 years of experience in apple-processing technology and has developed its very first *chu-hi* product to add to its lineup together with Nikka Whisky. The Company is also taking new steps to take advantage of the high future potential of this market.

Nikka Whisky (unconsolidated)

	Billions of Yen	
	2000	1999
Net sales	**¥44.3**	¥45.7
Operating income	**1.0**	0.9
Net loss	**(0.1)**	(2.5)

SOFT DRINKS

The Asahi Breweries Group recognized soft drinks operations as one of its core businesses and develops it through Asahi Soft Drinks Co., Ltd., the Group's listed subsidiary.

Asahi Soft Drinks has striven for growth through managerial reform and focused brand marketing under the slogan "Make Changes for the New Century!" During the term under review, Asahi Soft Drinks aggressively promoted sales activities for its three mainstay brands, *WONDA* (canned coffee), *Juroku-Cha* (blended tea), and *Mitsuya Cider* (clear, carbonated soft drink). In addition to television commercials and numerous consumer campaigns, Asahi Soft Drinks also enhanced vending machine operations, conducted storefront taste-sampling events, and provided streamlined space management schemes to supermarkets and convenience stores to support effective merchandise display arrangements.

Although rapid business growth has become a phenomenon of the past as the soft drinks industry approaches maturity, further expansion in market demand is expected, with the market changing its substance from luxury goods to everyday groceries as consumers' lifestyles change. Therefore, vigor in the industry is still growing.

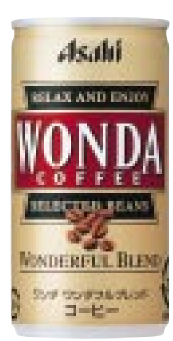
Although the revenue and profit for this business sector resulted in a decline during the term under review, it was also a term that brought several challenges into sharp relief in our endeavor to establish a base of profitability in the soft drinks business.

To overhaul this situation, Asahi Soft Drinks has enacted a new medium-term management plan, the "Corporate Reform Fulfillment Program, Freshen Up Plan 21," which will be carried out through fiscal 2004. The plan's purpose is to help Asahi Soft Drinks become a powerful company with unrivaled competitive strength, adaptability to the changing market environment, and high-level profitability. Efforts are already under way toward the fulfillment of the plan's goals. Through this plan, we will grapple with the challenges of honing our new product development abilities toward improved earnings, sharpening our business acumen so as to respond quickly to market changes, and enhancing our profit base through comprehensive management ranging from demand forecasts to the purchase of raw materials and physical distribution.

Asahi Soft Drinks has also implemented reforms to its corporate governance aiming to be a company with superb mobility, capable of responding swiftly and flexibly to changes in the operating environment, and with outstanding transparency and equity, the cornerstones of trustful relations with its stakeholders.

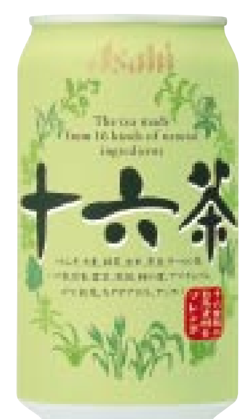
Specifically, in October 2000 Asahi Soft Drinks implemented a new managerial system by introducing an executive officer system and clearly defining managerial and operational administration. Determined to enhance the efficiency and strategic strength of its operational administration, Asahi Soft Drinks also reorganized its head office into six headquarters: Management Strategy Headquarters, Administration Headquarters, Sales Planning & Promotion Headquarters, CS Sales Planning & Promotion Headquarters, Production Headquarters, and SCM Headquarters, as well as one research center, Beverage Research & Development Laboratory. Of particular note, Asahi Soft Drinks restructured its sales force by integrating the marketing, sales, and sales strategy development departments into the new Sales Division. Also, in December 2000 it increased the number of personnel allocated to its product development operations and enhanced its developmental strength.

At the beginning of a new century, Asahi Soft Drinks, as a major member of a comprehensive alcoholic and non-alcoholic beverages group, is establishing a solid profit base to contribute to the further development of the Asahi Breweries Group by constructing strategies for new growth and enhancing overall corporate value through implementing the aforementioned reforms.



WONDA

Mitsuya Cider



Juroku-Cha

Asahi Soft Drinks (unconsolidated)

	Billions of Yen	
	2000	1999
Net sales	**¥211.7**	¥224.5
Operating income	**1.5**	6.5
Net income (loss)	**(2.3)**	2.6

SECONDARY KEY BUSINESSES

FOOD

Asahi's food-related operations are conducted primarily through its wholly owned subsidiary Asahi Beer Food, Ltd. Under the maxim "Natural and Healthy," this subsidiary provides natural brewer's yeast extract, various freeze-dried foods, and other high-quality, safe, and high-cost-performance products.

Brewer's yeast has steadily gained popularity in recent years as consumers' culinary and environmental concerns have assumed a natural inclination. Asahi Beer Food is striving to bring added value to brewer's yeast extract as a food ingredient through its own unique research and development efforts.

The market is constantly developing new instant cup noodle products, with more than 360 different products hitting the shelves of convenience stores each year. Asahi Beer Food deals in the special ingredients used in instant noodles and works together with noodle manufacturing clients in the development of new products, maintaining consistency from the procurement stage through processing. In fiscal 2000, Asahi Beer Food recorded a 109% year-on-year increase in sales volume in this product sector. In the months and years ahead, Asahi Beer Food will leverage its own manufacturing plant (Nihon FD, Inc.) and strive to develop wider applications for freeze-dried food products.

To meet the complex needs of eating and drinking establishments for commercial frozen food products, Asahi Beer Food will continue to deliver diverse products by leveraging its responsive development facilities and versatile manufacturing technologies. Asahi Beer Food leverages the business resources of the Asahi Breweries Group to pursue fine-tuned, proactive sales operations as well as striving to enhance its ability to further develop its product range.

In the retail food market, Asahi Beer Food adopted the "Beer Partner" concept of snacks that go well with *Asahi Super Dry* beer and jointly developed new products together with its partner companies. The snack food segment is a market sector for which there are high expectations, and Asahi Beer Food will continue to supply highly appealing products with the quality that consumers have come to expect of the Asahi brand.

As a secondary key business of the Asahi Breweries Group, Asahi Beer Food will continue to develop high-growth-potential, high-profile business through the development of products and business practices that contribute significantly to human health and by targeting its customers with proactive marketing programs.

"Beer Partner" Snacks

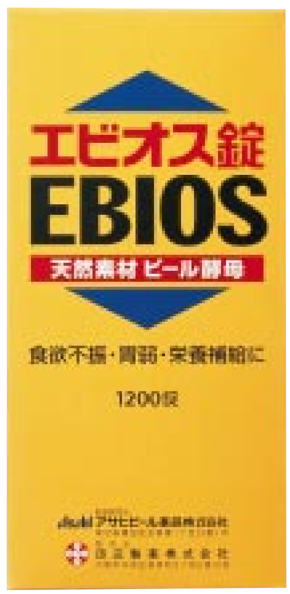
Meast **and** ***Super Meast***
Meast **and** ***Super Meast*** **brewer's yeast extract seasonings made using brewer's yeast processing technologies. These high-quality Asahi products enjoy widespread popularity as professional cooking seasonings.**

	Millions of Yen	Percentage of Net Sales
Total net sales	¥ 9,246	
Processing ingredients (brewer's yeast extract)	2,495	27%
Special ingredients (freeze-dried products)	4,004	43%
Commercial-use food products (frozen foods)	1,582	17%
Retail food products ("Beer Partner")	1,164	13%

PHARMACEUTICALS

The economic conditions surrounding Japan's pharmaceuticals market remain severe. Furthermore, the market is expected to change dramatically in the near future. Health food supplements will be deregulated in terms of their "health claims"; deregulation in the sale of pharmaceutical products will expand distribution channels; the large-scale restructuring of wholesalers will take place; many competitors will come in from other industries; and finally the lifestyles of modern consumers are changing as well.

To respond swiftly to these changes and prevail over its competitors, Asahi Beer Pharmaceutical Co., Ltd., a wholly owned subsidiary that handles Asahi's pharmaceuticals and functional foods operations, will adopt the following four specific initiatives: 1) strengthen its sales and marketing power; 2) enhance new product development abilities; 3) thoroughly implement both product and process quality as well as risk management; and 4) enhance its data-compiling strength. Through these initiatives, Asahi Beer Pharmaceutical will redefine its fundamental business strengths of sales, product development, and product quality assurance, with which it will firmly establish its identity as a "Health Producer" in the minds of consumers, and thereby secure both growth in sales and a profitable corporate structure.



Asahi Beer Pharmaceutical will conduct effective data compilation and diffusion by strengthening its intranet operations and further leveraging the Internet. At the same time, it will implement proactive and carefully calculated sales activities through which it will develop new sales routes and raise market recognition and appreciation for all of its brands with respect to each user segment and target sector.

Also, regarding our top-priority brand, *Super Brewer's Yeast,* Asahi Beer Pharmaceutical will increase the number of new customers for the product by further encouraging the boom in brewer's yeast popularity and gradually enhancing consumer recognition of its benefits. For *Actio* and *Hi-Choice,* Asahi Beer Pharmaceutical will focus its advertising and sales promotion activities and strive to substantially expand the number of retailers handling these products through the development of new products in the series as well as dynamic sales efforts. It will also strive for stable growth for its cornerstone brands *EBIOS* and *New Lactone A* by increasing sales incentives for its sales agents and wholesalers.

In product development, Asahi Beer Pharmaceutical will continue to develop new products that will form the pillars of future business as well as enhance existing products. It will further strive to differentiate itself from the competition by responding quickly and accurately to the complex demands of the market and by bringing fresh ideas to each stage in the lives of today's consumers.

In terms of quality, Asahi Beer Pharmaceutical will strive to enhance product quality at every stage from initial product design through final delivery and work to improve productivity (sales, production output, and profit per capita). It will also form a framework to deal not only with quality risks, but also the managerial, ethical, safety, and environmental risks that accompany the dramatic changes in the business environment.

EBIOS
(Brewer's yeast for medical use)

Super Brewer's Yeast
(Enriched with vitamins and minerals)

Actio Banaba Extract & Chrome

Actio Heme Iron

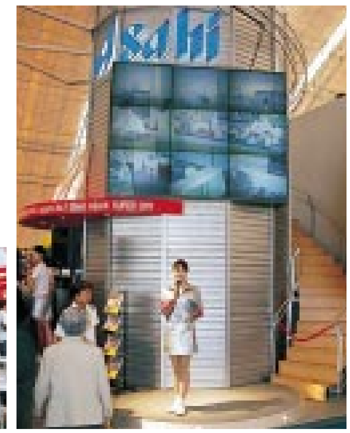
	Fiscal 2001 Business Targets (Millions of Yen)	Year-on-Year Comparison (%)
Net sales	¥4,826	109.1%
Catalog sales	130	135.4%
Total	¥4,956	109.6%

OVERSEAS ACTIVITIES

In overseas beer operations, Asahi will strive to further enhance the value of *Asahi Super Dry* in overseas markets and increase business earnings in each region.

Placing priority on the growth markets of China and Southeast Asia, we will implement a business model capable of both sales expansion and the securing of solid earnings. Also, in North America and Europe we will work to improve profitability through concentrated sales efforts in specific regions.

Furthermore, eyeing medium-term business growth we will strive to develop promising overseas soft drinks operations in Southeast Asia and China.



SUPPORTING BUSINESSES

LOGISTICS ▸ CAN MANUFACTURE ▸ BOTTLE MANUFACTURE ▸ INFORMATION SYSTEMS ▸ DISTRIBUTION ▸ RAW MATERIALS ▸ RESTAURANTS ▸ OTHER

Asahi's supporting businesses will strive to strengthen their support for key and secondary key businesses in each field by enhancing such competitive strengths as technology, quality, and cost.

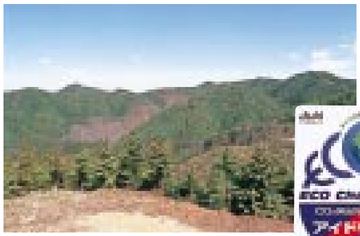
One of our primary challenges is in distribution operations. Having reviewed our current four company group cargo system, we have determined to strengthen strategic planning, increase efficiency in indirect operations, and expand Group distribution functions during fiscal 2001 by establishing Asahi Logistic System, Ltd., a new company that will serve as the executive strategic body responsible for nationwide operations.

Also, to further enhance profitability we will divide our current restaurant operations into three businesses—general restaurants, beer gardens, and new business development—and pursue efficiency according to each individual business goal. To accelerate these efforts, we will make Asahi Beer System, Ltd., a wholly owned subsidiary and integrate our current nine restaurant operation companies into three companies. Furthermore, we will proceed with the closure of non-performing and inefficient franchises and consolidate restaurant operations from the current 131 locations to approximately 80 locations.

Environmental Protection Efforts

Asahi implements Companywide environmental protection activities aimed at fulfilling its seven environmental objectives.

- **100% recycling of waste products**
- **Energy conservation**
- **Reduction of greenhouse gases**
- **Container recycling**
- **Thorough implementation of environmental management systems**
- **Thorough implementation of Group environmental management efforts**
- **Thorough environmental communication**



Shobara Forestry Stations

Stop engine-idling campaign


Litter campaign walk


Afforestation activities at Mt. Fuji

Approach to Environmental Accounting

Since 1999, Asahi has been disclosing the results of its environmental accounting, which quantitatively assesses and states the cost of environmental protection activities and their effectiveness. Concurrently, the Company has also enacted its own "AGE" integrated set of environmental impact indicators, which it will use as a road map with which to comprehensively assess the environmental impact of its business operations and seek methods for improvement.

At the New Kanagawa Brewery, 20% of Energy Usage to Be Wind Power Generated

Among Asahi's new environmental efforts, electric power from a commissioned wind power plant will be used at the new Kanagawa Brewery, construction of which is scheduled to be completed in May 2002. As a result, electricity derived from natural energy sources will comprise approximately 20% of the Kanagawa Brewery's total energy usage.

At the Kanagawa Brewery, Asahi's energy conservation and total chlorofluorocarbon (CFC) elimination efforts will be further advanced, while at the same time a pleasant surrounding environment will be created by preserving the natural flora on 50% of the brewery's grounds.

New Kanagawa Brewery

Social Contributions

Dolphin Therapy Project

The Dolphin Therapy Project, which began in 1999, organizes therapy sessions for children who fell victim to the Great Hanshin Earthquake. These sessions are centered around interaction with dolphins. The project is organized and managed by Asahi Breweries Group employees in the Kansai region. In 2000, the second year of the project, the children and volunteers were taken on a three-day, two-night therapy retreat.

Dolphin Therapy Project

Study Tour

Shaplaneer, an NGO, conducts a number of activities aimed at providing self-sufficiency and improved living conditions for the impoverished farming peoples of Bangladesh and Nepal. As part of these efforts, each year a group of participants embarks on a study tour, the purpose of which is to observe local activities and gain an understanding of international cooperation and aid programs. Asahi sends several employees on these study tours each year.

Study tour

Kids Project

Kids Project

The Kids Project is a voluntary program organized by Asahi Breweries Group employees in the Kanto region to help children who are living in children's homes for a variety of reasons. In 2000, the project marked its 10th event with its first fireworks event by the Sumida River. Recently, the project has been expanded to include Hokkaido and Kyushu.

Asahi Beer Oyamazaki Villa Museum Has Received More Than 500,000 Visitors in the Four Years since Its Opening.

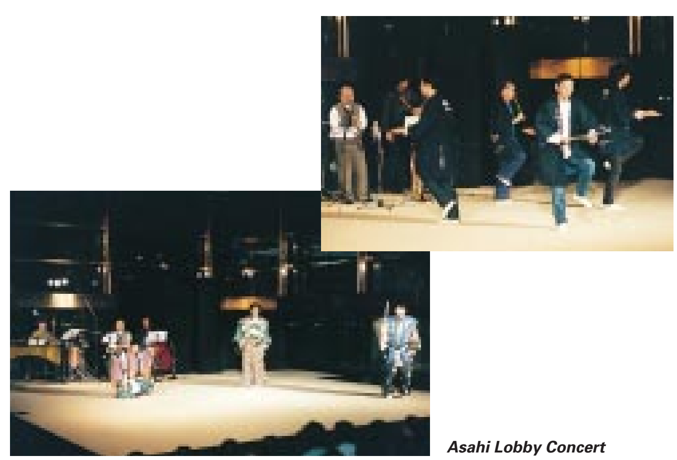
Shotaro Kaga was a leading Kansai-region industrialist, who was active during the early decades of the 20th century. An authentic restoration of a lodge built by Kaga and an adjoining annex, known as the "treasure chest of the earth" and designed by the leading architect Tadao Ando, together form the Asahi Beer Oyamazaki Villa Museum.

While the two structures are themselves works of art, the main hall houses a display of Ming pottery and a collection of antique china amassed by Tamesaburo Yamamoto, Asahi's very first president. The annex also features several European paintings, including "Water Lilies," one of Monet's later works.

Asahi Beer Oyamazaki Villa Museum

Asahi Lobby Concert

Asahi held free concerts at the lobby of its head office, regional headquarters, branch offices, and breweries, introducing various types of music composed by younger artists. These concerts are planned and organized by our employees themselves. Through these concerts, we aim to provide enjoyment and improve our relationships with the people in the surrounding areas.



Asahi Lobby Concert

SIX-YEAR SUMMARY

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

	Millions of yen						Thousands of U.S. dollars (Note)
	2000	1999	1998	1997	1996	1995	**2000**
For the year:							
Net sales	**¥1,399,108**	¥1,396,898	¥1,357,217	¥1,313,257	¥1,212,046	¥1,087,900	**$12,192,662**
Operating income	**76,550**	80,122	91,893	96,299	99,643	77,829	**667,102**
Income (loss) before income taxes	**(18,116)**	15,038	23,273	32,798	36,291	24,480	**(157,874)**
Net income (loss)	**(15,707)**	4,082	579	11,555	8,231	6,607	**(136,880)**
Capital investments	**66,518**	63,149	103,449	100,936	48,366	33,906	**579,678**
Depreciation	**51,790**	43,840	39,656	35,740	34,245	32,629	**451,329**
At year-end:							
Working capital	**¥ (161,409)**	¥ (102,298)	¥ (86,602)	¥ (107,814)	¥ (120,393)	¥ (176,793)	**$ (1,406,615)**
Interest-bearing debt	**503,371**	502,327	613,194	695,569	861,955	893,300	**4,386,675**
Total shareholders' equity	**356,009**	383,474	387,089	374,591	319,645	298,798	**3,102,475**
Total assets	**1,389,827**	1,405,507	1,519,014	1,616,210	1,697,268	1,727,834	**12,111,782**

	Yen						U.S. dollars (Note)
Per share data:							
Net income (loss)	**¥ (31.54)**	¥ 8.20	¥ 1.19	¥ 25.15	¥ 19.18	¥ 15.60	**$(0.27)**
Cash dividends applicable to the year	**12.00**	12.00	12.00	11.00	10.00	9.50	**0.10**
Total shareholders' equity	**715.04**	770.04	777.60	776.68	723.99	703.45	**6.23**

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥114.75 to U.S.$1, the exchange rate prevailing at December 31, 2000.

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The operating environment during fiscal 2000, ended December 31, 2000, remained severe amid the protracted downturn in the Japanese economy and the consequent lackluster consumer spending. Against this backdrop, Asahi Breweries, Ltd., succeeded in increasing earnings in its beer operations, including those of newly consolidated subsidiaries. As a result, despite a 5.9% decline in sales in soft drinks and food operations, consolidated net sales for the term increased ¥2.2 billion, or 0.2%, to ¥1,399.1 billion. The decline in revenues from soft drinks operations took its toll on operating income, which declined 4.5%, to ¥76.6 billion. In its efforts to improve its financial standing, the Company recorded extraordinary losses during the term owing to such factors as the substantial settlement of unrealized losses from marketable securities as well as an increase in retirement benefits reserves. As a result, the Company recorded a net loss for the term of ¥15.7 billion.

Free cash flows for the term amounted to ¥36.7 billion, a portion of which was allocated to the repayment of interest-bearing debt.

In light of the substantial decline in consolidated performance and out of concern for sustaining stable dividend payments, the Company resolved parent company shareholder dividends at ¥12.00 per share, including interim term dividends, the same amount as for the previous term.

The Company placed top priority on preventing any setbacks potentially incurred from the Year 2000 (Y2K) issue and implemented numerous countermeasures. Although certain repercussions from the Y2K issue during the previous term caused a decline in revenues in soft drinks operations, no direct incidents were experienced.

In October 2000, Asahi enacted a medium-term Group management plan, to span the four years from 2001 through 2004. The Company has established mid- to long-term business strategies and tasks for each division as well as financial strategies and goals and is now in the process of implementing specific initiatives.

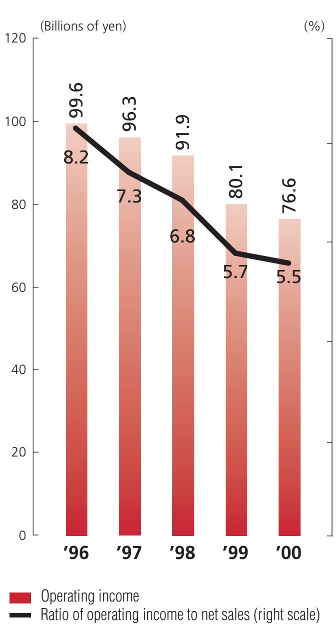
NET SALES

(1) Alcoholic beverages

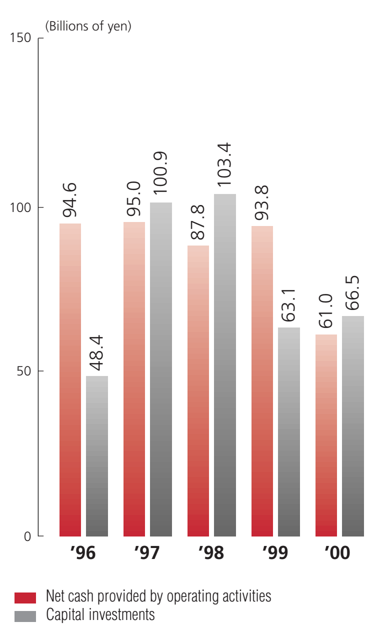
In beer operations, despite the overall decline in the industry, the Company successfully implemented numerous initiatives leveraging the market-leading status of its flagship *Asahi Super Dry* brand, resulting in a 0.2% increase in the sales volume, making Asahi the only company in the market to record an increase in beer sales. Furthermore, thanks in part to the consolidation of Asahi's affiliates in China and Europe, net beer sales increased ¥10.9 billion.

In liquor operations, the Company concentrated on the growing market for whisky for home use and focused its marketing efforts on low-priced products, resulting in an 11%

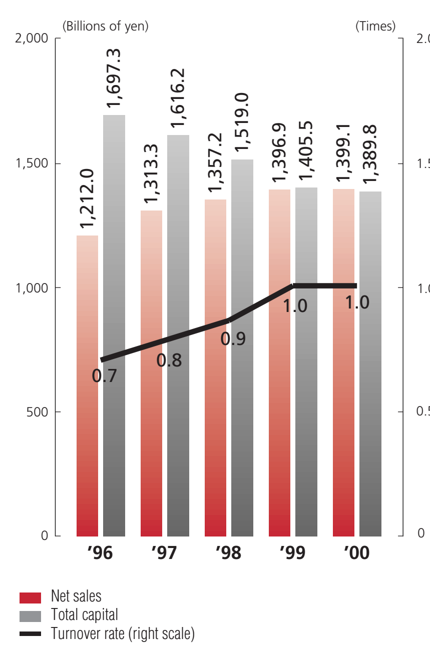
Operating Income and Ratio of Operating Income to Net Sales



Cash Flows from Operating Activities and Capital Investments



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.

increase in sales volume. As a result, Nikka Whisky's share of the domestic market increased for the third consecutive year. However, due to the shift in emphasis to low-priced, home-use products net sales for Nikka Whisky declined 2.9%.

Owing to these factors, net sales of alcoholic beverages increased ¥13.3 billion, or 1.2%, to ¥1,127.7 billion.

(2) Soft Drinks and Food

In soft drinks operations, the Company placed top priority on canned coffee, blended tea, and carbonated beverages and implemented dynamic marketing campaigns. However, due to the sluggishness in the tea and health drinks markets, sales volumes for the term declined 6%.

Food sales remained at approximately the same level as the previous term. Net sales in soft drinks and food operations declined ¥13.5 billion, or 5.9%, to ¥216.2 billion.

(3) Real Estate

In real estate operations, Asahi newly consolidated one of its real estate subsidiaries, which helped contribute to a ¥0.3 billion, or 7.6%, increase in net sales, to ¥4.2 billion.

(4) Other

Owing to the growth in external sales in the Company's logistics operations, net sales from other operations increased ¥2.1 billion, or 4.4%, to ¥51.0 billion.

COSTS AND EXPENSES

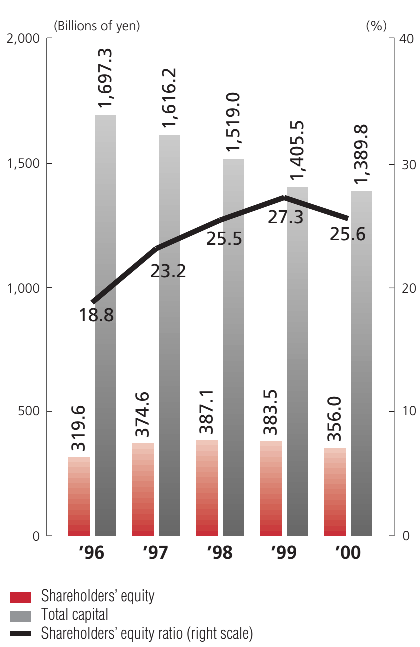
Cost of sales and alcohol tax for the term increased ¥10.4 billion, or 1.1%, to ¥988.7 billion, exceeding the rate of return by 0.2%. As a result, the cost of sales ratio (including alcohol tax) edged up 0.7 percentage point, from 70.0% to 70.7%. This was due to such factors as the use of non-genetically modified (non-GM) materials in its beer operations, the relative increase in the cost ratio in whisky operations due to declining market prices, and the increase in the burden of fixed charges due to the decline in net sales in soft drinks and food operations.

Conversely, although the costs of 12 newly consolidated subsidiaries added to expenses for the term, the Company's cost-cutting efforts—which were focused on sales promotion expenses in alcoholic beverages operations—resulted in a decline in selling, general and administrative costs of ¥4.6 billion, or 1.4%, to ¥333.8 billion. As a result, the ratio of selling, general, and administrative costs to net sales declined 0.3 percentage point, to 23.9%.

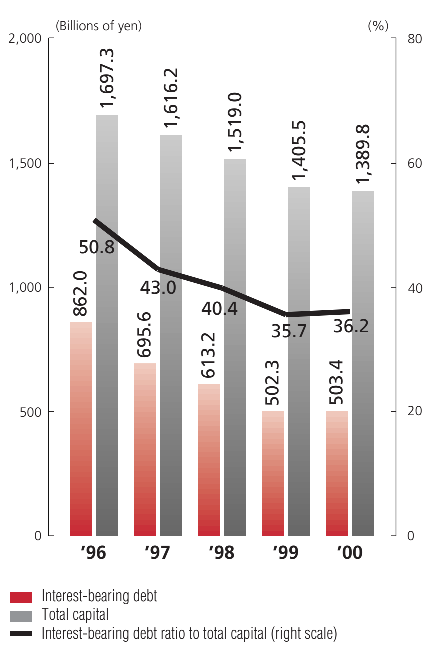
OPERATING INCOME AND NET INCOME

As a result of the aforementioned factors, operating income declined ¥3.6 billion, or 4.5%, to ¥76.6 billion, and the operating income ratio decreased 0.2 percentage point, to 5.5%.

Changes in Shareholders' Equity Ratio



Changes in Total Capital Employed and Interest-Bearing Debt



Operating income for each segment is as follows.

- Alcoholic beverages increased a modest ¥0.7 billion, or 0.9%, to ¥86.8 billion, due to the aforementioned factors.
- Despite various initiatives to curb costs, soft drinks and food plummeted ¥5.0 billion, or 71.2%, to ¥2.0 billion, due to the decline in net sales and the increase in sales promotion expenses.
- Real estate operations increased ¥1.1 billion, or 67.4%, to ¥2.7 billion, due to the consolidation of the Company's real estate subsidiary.
- Other operations resulted in an operating loss of ¥0.8 billion, due to the decline in earnings in restaurant operations, which suffered from lackluster consumer spending.

Other expenses, net, increased ¥29.6 billion, to ¥94.7 billion.

Among the negative factors accounting for this increase was the recording of ¥40.8 billion in loss on sale of marketable securities made to resolve unrealized losses from marketable securities, which had been a long-standing financial issue for the Company. This worked out to an increase in loss of ¥55.3 billion since a gain on sales was recorded for the previous term. Also, ¥18.1 billion in employees' retirement benefit expense was recorded in preparation for the implementation of the new accounting standards for retirement benefits starting in fiscal 2001. The term under review also lacked the ¥21.0 billion in gain on sale of investment in affiliated companies that was recorded in the previous term, and a ¥6.6 billion loss on sale and disposal of property, plant and equipment—net was also recorded.

Among the positive factors for the term, the loss on liquidation of specified money trusts that was recorded in the previous term declined ¥46.3 billion, loss on the liquidation of unconsolidated subsidiaries declined ¥33.5 billion, and interest expenses declined ¥7.7 billion. As a result, loss before income taxes amounted to ¥18.1 billion, an increase in loss of ¥33.2 billion. A net loss of ¥15.7 billion was recorded, a loss of ¥19.8 billion from the previous year's level. Net income (loss) per share declined ¥39.74, to a loss of ¥31.54. Parent company shareholders' dividends were resolved as stated previously.

FINANCIAL POSITION

Asahi's revenues have been increasing for the past few terms, and, viewed from the perspective of the efficient use of total capital employed, progress has been made in putting its financial position on an even sounder footing, and its efforts to contain and reduce both assets and liabilities have had concrete results. As a result, total assets at fiscal year-end amounted to ¥1,389.8 billion, down ¥15.7 billion, or 1.1%, from the previous fiscal year-end. In comparison with the situation at fiscal 1995 year-end, total assets are 80% and interest-bearing liabilities are 56% of the respective figures for that term. Due to these factors, together with the increase in revenues that the Company has seen, the total capital turnover rate has risen annually from 0.63 in 1995 to reach 1.0.

Current assets declined ¥43.9 billion over the previous term-end, to ¥498.7 billion. This was principally due to two factors, the first being one of the countermeasures that Asahi took to combat the Y2K issue, namely the factoring of notes and accounts receivable at year-end and their conversion into cash. This precaution was not employed during the term under review, and consequently the balance of cash and time deposits declined, with the balance of notes and accounts receivable increasing. The second factor was the year-on-year decline in marketable securities of ¥51.9 billion, due to disposals by the parent company to divest itself of unrealized losses on its portfolio.

Property, plant and equipment increased ¥44.8 billion over the previous fiscal year-end to reach ¥743.9 billion, due to the construction of a new soft drinks plant and increases in investments at Asahi's domestic plants as well as an increase in assets, principally plant, resulting from the newly consolidated status of the companies in China.

Investments and long-term receivables fell ¥17.0 billion over the previous fiscal year-end, to ¥146.1 billion. This fall was principally due to a decrease in investment securities to finance the redemption of managed bonds.

Total liabilities increased slightly, to ¥994.5 billion, a year-on-year increase of ¥8.1 billion, or 0.8%. Of this, short-term and long-term interest-bearing debt amounted to ¥503.4 billion, a slight year-on-year increase of ¥1.0 billion. In cash flow terms, progress was made with the payment of obligations, and the increase is attributable to the fresh stating of ¥46.0 billion of obligations belonging to newly consolidated companies.

Operating liabilities and other liabilities rose slightly, to ¥491.1 billion, an increase of ¥7.1 billion year on year. Of this, although notes and accounts payable, deposits received,. and other factors fell ¥11.0 billion, there was an increase in the reserve for employees' retirement benefits of ¥18.1 billion, due to provisions made in advance of the aforementioned fiscal 2001 application of new accounting standards for such reserves.

Total shareholders' equity fell ¥27.5 billion, to ¥356.0 billion, with the equity ratio falling 1.7 percentage points, from 27.3% to 25.6%. This was largely due to the fall in net income described previously and a reduction in retained earnings accompanying the addition of the accumulated losses of newly consolidated companies.

CASH FLOWS

As the Company has changed its method of accounting for cash flows effective the year ended December 31, 2000, it is not possible to directly compare this fiscal year's cash flows with those of prior fiscal years. Please refer to Note 2 in the notes to the consolidated financial statements for further information.

Cash and cash equivalents at end of year declined ¥3.7 billion over the previous fiscal year-end, to ¥24.7 billion.

Net cash provided by operating activities declined ¥32.8 billion, to ¥61.0 billion. Cash inflows after corporate income tax and interest paid, net, amounted to ¥88.3 billion, after such non-cash items as depreciation, the reserve for employees' retirement benefits, and losses on valuation of securities were figured into the pretax loss. Although a pretax loss of ¥18.1 billion was recorded for the term, there were increases in outflows generated by an increase of ¥8.0 billion in depreciation, and among other non-cash outflows there was a loss on sale of securities of ¥41.0 billion and an increase in provision for employees' retirement benefits of ¥18.4 billion.

In operating assets and liabilities and other assets and liabilities, the Company saw a cash outflow of ¥27.3 billion in the fiscal year under review, due principally to the increase in accounts receivable of ¥19.1 billion.

Net cash used in investing activities amounted to ¥24.3 billion, in contrast with the previous term when ¥19.0 billion in net cash was provided by investing activities, a net difference of ¥43.3 billion.

Of this, there was an outflow of capital investments of ¥52.9 billion, used in the acquisition of beer and beverage plants as well as other fixed assets. Of cash inflows, there was an inflow of ¥24.5 billion from the collection of assets managed by a consolidated subsidiary, Asahi Beer International Finance B.V.

Marketable securities, net, amounted to an inflow of ¥1.4 billion. Returns were small in comparison with losses of ¥41.0 billion on the sale of marketable securities due to short positions exercised post-sale on certain marketable securities sold.

Net cash used in financing activities amounted to ¥53.4 billion, of which through repayments and new procurements ¥46.7 billion was used in the redemption of bonds and repayments of long-term loans from banks, with the remainder allocated to cash dividends paid and other outflows.

Cash outflows for the term were below the ¥103.2 billion for the previous fiscal year due principally to the repayment of interest-bearing liabilities falling within the scope of free cash flow generated by operating and investing activities.

THE NIKKA WHISKY DISTILLING CO., LTD., AND ASAHI BEER SYSTEM, LTD.: NOW WHOLLY OWNED SUBSIDIARIES

Asahi acquired the stocks of minority shareholders in its subsidiaries, the Nikka Whisky Distilling Co., Ltd., and Asahi Beer System, Ltd., in a straight share swap on February 1, 2001, making both companies wholly owned subsidiaries. It was decided that from April 1, 2001, the operating departments of Nikka Whisky will be integrated with those of Asahi, and a transfer of business contract has been signed to that effect.

The objective of the Nikka Whisky stock swap and operational integration is the reconstruction of the Company's alcoholic beverages business along distribution channel lines, rather than the present category-based structure, as competition in the alcoholic beverages industry is forecast to intensify still further.

Asahi settled on the straight share swap with Asahi Beer System, having determined that the value of it remaining a publicly traded company had diminished and believing that the subsidiary had a mission to fulfill as a key company in the promotion of business restructuring in the slack restaurant industry through the closure of unprofitable outlets, the merger of operating companies, and other steps.

As a result of the two share swaps, Asahi's shareholders' equity and the two subsidiaries' stock have both increased ¥16 billion.

To promote management that places greater priority on shareholder interests, in 2000 Asahi introduced stock options into the compensation packages of its directors and executive officers.

Furthermore, regarding the acquisition of treasury stock Asahi has partially altered its articles of incorporation, effective as of March 29, 2001, so as to enable the acquisition of treasury stock by buying back and retiring shares using a capital reserve with a ceiling set at 60 million shares and a total acquisition price of ¥60 billion.

CONSOLIDATED BALANCE SHEETS

Asahi Breweries, Ltd. and Consolidated Subsidiaries — December 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2000**	1999	**2000**
Current assets:			
Cash and time deposits (Note 3)	**¥ 17,322**	¥ 29,623	**$ 150,954**
Marketable securities (Note 5)	**68,450**	120,387	**596,514**
Notes and accounts receivable:			
Trade	**254,976**	236,650	**2,222,013**
Other	**20,743**	22,834	**180,767**
Allowance for doubtful accounts	**(2,523)**	(2,187)	**(21,987)**
Inventories (Note 4)	**94,812**	101,089	**826,248**
Deferred income taxes (Note 9)	**1,756**	1,522	**15,303**
Other current assets (Note 3)	**43,161**	32,690	**376,131**
Total current assets	**498,697**	542,608	**4,345,943**
Property, plant and equipment (Notes 2 and 7):			
Land	**213,329**	179,907	**1,859,076**
Buildings and structures	**369,506**	361,599	**3,220,096**
Machinery and equipment	**519,316**	483,561	**4,525,630**
Construction in progress	**25,313**	21,061	**220,593**
	1,127,464	1,046,128	**9,825,395**
Accumulated depreciation	**(383,613)**	(347,060)	**(3,343,033)**
	743,851	699,068	**6,482,362**
Investments and long-term receivables:			
Investment securities (Note 5)	**54,535**	75,005	**475,251**
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**8,238**	16,190	**71,791**
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliated companies	**1,024**	684	**8,924**
Other	**5,793**	8,187	**50,483**
Deferred income taxes (Note 9)	**27,982**	16,709	**243,852**
Other investments	**48,576**	46,241	**423,320**
Deferred charges	**—**	86	**—**
	146,148	163,102	**1,273,621**
Foreign currency translation adjustments	**1,131**	729	**9,856**
	¥1,389,827	¥1,405,507	**$12,111,782**

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Bank loans (Note 7)	**¥ 108,759**	¥ 115,433	**$ 947,791**
Long-term debt due within one year (Note 7)	**70,668**	98,068	**615,843**
Notes and accounts payable:			
Trade	**84,542**	89,683	**736,749**
Other (mainly construction)	**56,962**	55,535	**496,401**
Alcohol tax and consumption tax payable	**149,914**	153,019	**1,306,440**
Deposits received	**74,155**	77,824	**646,231**
Income taxes payable (Note 9)	**3,424**	6,027	**29,839**
Accrued liabilities	**49,300**	49,074	**429,630**
Commercial paper	**61,000**	—	**531,590**
Other current liabilities	**1,382**	243	**12,044**
Total current liabilities	**660,106**	644,906	**5,752,558**
Long-term debt (Note 7)	**262,944**	288,826	**2,291,451**
Employees' retirement benefits (Note 8)	**31,344**	13,286	**273,150**
Deferred income tax liabilities (Note 9)	**1,574**	1,678	**13,717**
Long-term deposits received	**30,518**	29,997	**265,952**
Other long-term liabilities	**8,027**	7,682	**69,952**
Minority interests	**39,305**	35,658	**342,527**
Commitments and contingent liabilities (Note 11)			
Shareholders' equity (Note 10):			
Common stock, par value ¥50 per share;			
Authorized—992,305,309 shares			
Issued—497,992,540 shares in 2000 and 497,989,670 shares in 1999	**177,666**	177,665	**1,548,288**
Additional paid-in capital	**169,457**	169,456	**1,476,749**
Retained earnings	**9,010**	36,361	**78,519**
Treasury stock, at cost	**(124)**	(8)	**(1,081)**
Total shareholders' equity	**356,009**	383,474	**3,102,475**
	¥1,389,827	¥1,405,507	**$12,111,782**

CONSOLIDATED STATEMENTS OF OPERATIONS

Asahi Breweries, Ltd. and Consolidated Subsidiaries — Years ended December 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	1999	1998	**2000**
Net sales (Note 15)	**¥1,399,108**	¥1,396,898	¥1,357,217	**$12,192,662**
Costs and expenses (Note 15):				
Cost of sales	**419,967**	410,784	395,753	**3,659,843**
Alcohol tax	**568,771**	567,528	554,917	**4,956,610**
Selling, general and administrative	**333,820**	338,464	314,654	**2,909,107**
	1,322,558	1,316,776	1,265,324	**11,525,560**
Operating income (Note 15)	**76,550**	80,122	91,893	**667,102**
Other income (expenses):				
Interest and dividend income	**5,605**	7,791	12,203	**48,845**
Interest expenses	**(12,426)**	(20,134)	(28,685)	**(108,288)**
Equity in net income of unconsolidated subsidiaries	**51**	132	153	**444**
Gain (loss) on sale of marketable securities	**(40,810)**	14,494	(5,635)	**(355,643)**
Gain (loss) on sale and disposal of property, plant and equipment—net	**(6,602)**	5,817	(4,095)	**(57,534)**
Gain (loss) on sale of investment in affiliated companies	**(4)**	21,003	—	**(35)**
Loss on liquidation of specified money trusts	**—**	(46,252)	—	**—**
Loss on liquidation of unconsolidated subsidiaries (Note 12)	**(453)**	(33,968)	(1,726)	**(3,948)**
Loss on devaluation of marketable securities	**(1,360)**	—	(18,431)	**(11,852)**
Employees' retirement benefit expense	**(18,110)**	—	—	**(157,821)**
Other—net	**(20,557)**	(13,967)	(22,404)	**(179,144)**
	(94,666)	(65,084)	(68,620)	**(824,976)**
Income (loss) before income taxes	**(18,116)**	15,038	23,273	**(157,874)**
Income taxes (Notes 2 and 9)	**1,288**	10,622	22,101	**11,224**
Income (loss) before minority interest in net loss (income) of consolidated subsidiaries	**(16,828)**	4,416	1,172	**(146,650)**
Minority interests in net loss (income) of consolidated subsidiaries	**1,121**	(334)	(593)	**9,770**
Net income (loss)	**¥ (15,707)**	¥ 4,082	¥ 579	**$ (136,880)**
	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income (loss)	**¥(31.54)**	¥ 8.20	¥ 1.19	**$(0.27)**
Diluted net income	**—**	8.11	—	**—**
Cash dividends applicable to the year	**12.00**	12.00	12.00	**0.10**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Years ended December 31, 2000, 1999 and 1998

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 1997	482,331	¥168,750	¥160,546	¥45,367
Net income				579
Cash dividends paid (¥12.00 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
Net loss				**(15,707)**
Cash dividends paid (¥12.00 per share)				**(5,975)**
Bonuses to directors and corporate auditors				**(161)**
Shares issued upon conversion of convertible debentures	**3**	**1**	**1**	
Increase resulting from increase in consolidated subsidiaries				**46**
Decrease resulting from increase in consolidated subsidiaries				**(5,554)**
Balance at December 31, 2000	**497,992**	**¥177,666**	**¥169,457**	**¥ 9,010**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at December 31, 1999	$1,548,279	$1,476,740	$ 316,871
Net loss			**(136,880)**
Cash dividends paid ($0.10 per share)			**(52,070)**
Bonuses to directors and corporate auditors			**(1,403)**
Shares issued upon conversion of convertible debentures	**9**	**9**	
Increase resulting from increase in consolidated subsidiaries			**401**
Decrease resulting from increase in consolidated subsidiaries			**(48,400)**
Balance at December 31, 2000	**$1,548,288**	**$1,476,749**	**$ 78,519**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Breweries, Ltd. and Consolidated Subsidiaries

Year ended December 31, 2000	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2000
Cash flows from operating activities:		
Loss before income taxes	¥(18,116)	$(157,874)
Depreciation (Note 15)	51,790	451,329
Increase in provision for employees' retirement benefits	18,407	160,410
Increase in allowance for doubtfull accounts	2,191	19,094
Interest and dividend income	(5,605)	(48,845)
Interest expenses	12,426	108,288
Equity in net income of unconsolidated subsidiaries	(51)	(444)
Loss on sale of securities	40,972	357,054
Loss on devaluation of marketable securities	1,360	11,852
Loss on liquidation of unconsolidated subisidaries	453	3,948
Gain on sale of property, plant and equipment—net	(1,363)	(11,878)
Loss on disposal of property, plant and equipment—net	7,965	69,412
Increase in notes and accounts receivable	(18,985)	(165,447)
Decrease in inventories	8,183	71,312
Decrease in notes and accounts payable (excluding construction)	(8,751)	(76,261)
Decrease in accrued alcohol tax payable	(1,798)	(15,669)
Decrease in accrued consumption tax payable	(1,854)	(16,157)
Bonuses paid to directors and corporate auditors	(302)	(2,632)
Other	(3,820)	(33,292)
Subtotal	83,102	724,200
Interest and dividends received	6,419	55,939
Interest paid	(16,293)	(141,987)
Income taxes paid	(12,221)	(106,501)
Net cash provided by operating activities	61,007	531,651
Cash flows from investing activities:		
Payments for time deposits	(3,937)	(34,309)
Payments for purchases of marketable securities	(88,714)	(773,107)
Proceeds from sales of marketable securities	90,105	785,229
Payments for purchases of property, plant and equipment	(52,875)	(460,784)
Proceeds from sales of property, plant and equipment	4,013	34,972
Payments for purchases of intangible assets	(2,539)	(22,126)
Payments for purchases of investment securities	(5,456)	(47,547)
Proceeds from sales of investment securities	24,495	213,464
Proceeds from collections of advances	3,609	31,451
Other	7,018	61,158
Net cash used in investing activities	(24,281)	(211,599)
Cash flows from financing activities:		
Increase in bank loans	13,724	119,599
Proceeds from long-term debt	1,465	12,767
Repayments of long-term debt	(39,906)	(347,765)
Proceeds from bonds and convertible debentures issued	50,000	435,730
Redemption of bonds	(72,014)	(627,573)
Cash dividends paid	(5,975)	(52,070)
Cash dividends paid to minority in consolidated subsidiaries	(511)	(4,453)
Other	(205)	(1,786)
Net cash used in financing activities	(53,422)	(465,551)
Effect of exchange rate change on cash and cash equivalents	(592)	(5,159)
Net decrease in cash and cash equivalents	(17,288)	(150,658)
Cash and cash equivalents at beginning of year (Note 2)	37,948	330,702
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	4,083	35,581
Cash and cash equivalents at end of year (Note 3)	¥ 24,743	$ 215,625

See accompanying notes.

Years ended December 31, 1999 and 1998	Millions of yen	
	1999	1998
Cash flows from operating activities:		
Net income	¥ 4,082	¥ 579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (Note 15)	43,840	39,656
(Gain) loss on sale and disposal of property, plant and equipment—net	(5,817)	4,095
Loss on liquidation of unconsolidated subsidiaries (Note 12)	33,968	1,726
(Gain) loss on sale and devaluation of securities—net	(14,494)	24,066
Gain on sale of investments in affiliated companies	(21,003)	—
Loss on liquidation of specified money trusts	46,252	13,141
Minority interests in net income of consolidated subsidiaries	334	593
Equity in net income of unconsolidated subsidiaries and affiliated companies	(132)	(153)
Other	29	436
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	15,081	(9,968)
Decrease (increase) in inventories	6,752	(7,968)
Decrease (increase) in other current assets	(2,078)	1,736
(Increase) decrease in notes and accounts payable (excluding construction)	(6,912)	8,486
Increase in alcohol tax and consumption tax payable	1,098	2,586
Increase (decrease) in deposits received	3,787	(2,417)
Increase (decrease) in income taxes payable	(8,985)	9,610
Increase (decrease) in accrued and other liabilities	(1,982)	1,633
Net cash provided by operating activities	93,820	87,837
Cash flows from investing activities:		
Capital investments (Note 15)	(63,149)	(103,449)
Proceeds from disposal of property, plant and equipment	12,283	9,553
Decrease in accounts payable relating to construction	(4,758)	(18,692)
Decrease in marketable and investment securities	64,004	33,301
Proceeds from sale of investment in a subsidiary	13,208	32,439
Decrease in specified money trusts	33,204	24,976
Decrease in long-term loans receivable	(32,336)	(531)
Increase in other investments	(3,450)	(6,620)
Net cash provided by (used in) investing activities	19,006	(29,023)
Cash flows from financing activities:		
Proceeds from long-term loans from banks	46,524	18,453
Repayments of long-term loans from banks	(110,863)	(33,168)
Redemption of bonds	(52,531)	(56,527)
Proceeds from bonds and convertible debentures issued	33,600	82,210
Decrease in bank loans	(31,479)	(70,122)
Equity finance of subsidiary	17,791	—
Cash dividends paid	(6,223)	(5,555)
Net cash used in financing activities	(103,181)	(64,709)
Effect of exchange rate change on cash and cash equivalents	(131)	(338)
Net increase (decrease) in cash and cash equivalents	9,514	(6,233)
Cash and cash equivalents at beginning of year	16,370	22,603
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	2,565	—
Cash and cash equivalents at end of year (Notes 2 and 3)	¥ 28,449	¥ 16,370
Supplemental disclosures of cash flow information:		
Conversion of convertible debentures to common stock	¥ 211	¥ 17,614
Cash paid during the year for:		
Interest	16,079	32,192
Income taxes	24,211	11,056

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asahi Breweries, Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED 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 ("MOF") of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows for 1999 and 1998 and the consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and not required to be filed with the MOF.

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, 2000, which was ¥114.75 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 1999 and 1998 financial statements to conform to the presentation for 2000.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements include the accounts of the Company and its significant subsidiaries (25 domestic and 13 overseas subsidiaries for 2000, 27 domestic and 2 overseas subsidiaries for 1999, 21 domestic and 1 overseas subsidiaries for 1998). All significant intercompany transactions and account balances are eliminated in consolidation. Effective for the year ended December 31, 2000, all companies in Japan are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or through certain other means. The application of this rule to the Company's consolidated financial statements had no effect.

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

The excess of investment cost over net assets is amortized over five years on a straight-line basis.

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 flow statement—Effective from the year ended December 31, 2000, the Company prepared the 2000 consolidated cash flow statement as required by and in accordance with the new Japanese accounting standard for preparing cash flow statements. The 1999 and 1998 consolidated cash flow statements were voluntarily prepared in a form familiar to readers outside Japan. In preparing the consolidated cash flow statement for 2000, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents. Prior to 2000, however, cash and cash equivalents included only cash and time deposits with a maturity of three months or less. The effect for the beginning of 2000 was to increase cash and cash equivalents by ¥9,499 million ($82,780 thousand). The 1999 and 1998 consolidated cash flow statements have not been restated. Other differences in the consolidated cash flow statement for 2000 and those for 1999 and 1998 include the use of pretax income in 2000 instead of net income in 1999 and 1998, additional disclosure in cash flows from operating activities in 2000 of interest expenses, income taxes paid, interest and dividend income and interest and dividends received.

Allowance for doubtful accounts—The allowance for doubtful accounts is provided in amounts sufficient to cover probable 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 and to decrease income before income taxes by ¥804 million. Estimated useful lives of the assets are as follows:

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

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

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

Income taxes—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 operations. 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, non-current assets, non-current liabilities, net income and retained earnings by ¥1,280 million, ¥2,776 million, ¥1,677 million, ¥3,907 million and ¥4,183 million, respectively.

Employees' retirement benefits—The Company and its domestic consolidated subsidiaries cover 100% of the amount that would be required if all eligible employees voluntarily terminated their employment as of the balance sheet date. Certain consolidated subsidiaries, however, recognize the liabilities in the amount equal to the present value of the estimated amount of lump-sum payments and annuities. The Company and eight consolidated subsidiaries have non-contributory funded pension plans.

(Changes in accounting policies)

The Company and its domestic consolidated subsidiaries covered 40% of the amount that would have been required if all eligible employees voluntarily terminated their employment as of the balance sheet date. However, effective in the fiscal year ended December 31, 2000, the Company and its domestic consolidated subsidiaries changed the accounting policy to cover 100% of such amount. And certain consolidated subsidiaries changed the accounting policy to recognize the liabilities in the amount equal to the present value of the estimated amount of lump-sum payments and annuities. These changes were made in line with the "Medium-Term Group Management Plan" adopted in October 2000, and reflect a review of the Company's and its consolidated subsidiaries' personnel policies primarily in sales operations. This measure addresses the age structure of employees and the increased number of expected service years of employees, and pertinent deliberations with regard to future retirement benefits payable.

As a result of these changes, in the year ended December 31, 2000, operating income decreased by ¥322 million ($28,061 thousand) and loss before income taxes increased by ¥18,422 million ($160,540 thousand) compared with what would have been reported under the previous accounting policies.

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—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 the 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.

Derivative financial instruments—The Company uses interest rate swap and forward currency exchange contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates. Amounts to be paid or received under interest rate swaps are accrued as interest expense. Assets or liabilities hedged using forward currency exchange contracts are recorded at the foreign exchange rates specified in the forward contracts. No gains or losses are recorded with respect to the forward contracts. The Company does not use derivative financial instruments for speculative trading purposes. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by counterparties.

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. CASH AND CASH EQUIVALENTS

Reconciliation of cash and time deposits shown in the consolidated balance sheet and cash and cash equivalents shown in the consolidated statement of cash flows as of December 31, 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Cash and time deposits	**¥17,322**	¥29,623	**$150,954**
Less: Time deposits with maturities exceeding three months	**(4,034)**	(1,174)	**(35,155)**
Add: Short-term highly liquid investments with maturities of not exceeding three months	**11,455**	—	**99,826**
Cash and cash equivalents	**¥24,743**	¥28,449	**$215,625**

As explained in Note 2, cash and cash equivalents prior to 2000 included only cash and time deposits with a maturity of three months or less.

4. INVENTORIES

Inventories at December 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished goods	**¥11,651**	¥ 12,710	**$101,534**
Work in process	**40,030**	40,787	**348,845**
Raw materials	**26,360**	31,076	**229,717**
Supplies	**9,538**	9,518	**83,120**
Merchandise	**6,862**	6,215	**59,800**
Property for sale	**371**	783	**3,232**
	¥94,812	¥101,089	**$826,248**

5. MARKET VALUE INFORMATION

Market value information at December 31, 2000 was prepared on a consolidated basis only and market value information at December 31, 1999 was prepared for the Company only. At December 31, 2000 and 1999, 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:

Consolidated information

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
Book value:		
Current assets—corporate shares	**¥68,450**	**$596,514**
Investments and other assets	**788**	**6,867**
	¥69,238	**$603,381**
Market value:		
Current assets—corporate shares	**¥66,930**	**$583,268**
Investments and other assets	**808**	**7,041**
	¥67,738	**$590,309**
Net unrealized loss	**¥ (1,500)**	**$ (13,072)**

The parent company only

	Millions of yen
	1999
Book value:	
Current assets—corporate shares	¥109,396
Investment securities—shares of subsidiaries and affiliated companies	13,604
	¥123,000
Market value:	
Current assets—corporate shares	¥ 90,655
Investment securities—shares of subsidiaries and affiliated companies	39,541
	¥130,196
Net unrealized gain	¥ 7,196

6. DERIVATIVE TRANSACTIONS

Derivative transactions at December 31, 2000 were prepared on a consolidated basis only and derivative transactions at December 31, 1999 were prepared for the 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, 2000 and 1999 and unrealized gain or loss at December 31, 2000 of outstanding derivative transactions were as follows:

Consolidated information

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
(1) Currency-related		
Forward currency exchange contracts:		
Buy		
U.S. dollars		
Contracts outstanding	**¥ 13**	**$ 113**
Unrealized gain	**1**	**9**
Deutsche marks		
Contracts outstanding	**44**	**383**
Unrealized gain	**0**	**0**
Euros		
Contracts outstanding	**5**	**44**
Unrealized gain	**0**	**0**
(2) Interest-related		
Interest rate swaps:		
Pay fixed		
Contracts outstanding	**¥29,000**	**$252,723**
Unrealized loss	**589**	**5,133**

The parent company only

	Millions of yen
	1999
Interest-related	
Interest rate swaps:	
Pay fixed	
Contracts outstanding	¥47,000
Unrealized loss	1,104
Pay variable	
Contracts outstanding	12,000
Unrealized gain	231

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

Bank loans at December 31, 2000 and 1999 were represented by short-term notes or overdrafts, bearing interest at average rates of 1.41% per annum for 2000 and 0.67% per annum for 1999.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,742,919 thousand). There is an outstanding balance of ¥61,000 million ($531,590 thousand) at December 31, 2000 and no outstanding balance at December 31, 1999.

Long-term debt at December 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Domestic debentures:			
2.00% debentures due 2001	**¥ 10,000**	¥ 10,000	**$ 87,146**
2.45% debentures due 2001	**10,000**	10,000	**87,146**
2.85% debentures due 2001	**20,000**	20,000	**174,292**
1.60% debentures due 2002	**10,000**	10,000	**87,146**
2.70% debentures due 2002	**15,000**	15,000	**130,719**
3.05% debentures due 2002	**15,000**	15,000	**130,719**
2.50% debentures due 2003	**10,000**	10,000	**87,146**
1.11% debentures due 2004	**30,000**	—	**261,438**
1.54% debentures due 2004	**10,000**	10,000	**87,146**
1.48% debentures due 2006	**20,000**	—	**174,292**
0.90% convertible debentures due 2001	**10,042**	10,042	**87,512**
2.50% mortgage convertible debentures due 2001	**108**	110	**941**
0.95% convertible debentures due 2002	**8,419**	8,419	**73,368**
1.00% convertible debentures due 2003	**15,452**	15,452	**134,658**
0.70% convertible debentures due 2005	**29,998**	29,998	**261,420**
7.30% Japanese yen bonds due 2000	**—**	50,000	**—**
Various bonds and notes issued by consolidated subsidiaries	**27,040**	47,384	**235,643**
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%	**16,445**	13,799	**143,312**
Unsecured loans due through 2008 at interest rates of mainly 0.8% to 6.2%	**76,108**	111,690	**663,250**
	333,612	386,894	**2,907,294**
Amount due within one year	**(70,668)**	(98,068)	**(615,843)**
	¥262,944	¥288,826	**$2,291,451**

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, 2000 were as follows:

	Yen	U.S. dollars
0.90% convertible debentures due 2001	¥1,165.00	$10.15
2.50% mortgage convertible debentures due 2001	696.80	6.07
0.95% convertible debentures due 2002	1,165.00	10.15
1.00% convertible debentures due 2003	1,165.00	10.15
0.70% convertible debentures due 2005	1,763.00	15.36

At December 31, 2000, 46,280 thousand shares of common stock were issuable upon full conversion of outstanding convertible debentures at the current conversion prices.

As for 0.90% convertible debentures due 2001, 0.95% convertible debentures due 2002 and 1.00% convertible debentures due 2003, there are certain restrictions on the payment of cash dividends as defined in the indenture as long as the bonds are outstanding.

At December 31, 2000, 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	¥15,096	$131,556
Buildings and structures (net of depreciation)	11,956	104,192
Machinery and equipment (net of depreciation)	9,011	78,527
	¥36,063	$314,275

The aggregate annual maturities of long-term debt at December 31, 2000 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 70,668	$ 615,843
2002	72,887	635,181
2003	67,213	585,734
2004	59,908	522,074
2005	33,566	292,514
2006 and thereafter	29,370	255,948
	¥333,612	$2,907,294

8. EMPLOYEES' RETIREMENT BENEFITS

Unamortized prior service costs under the non-contributory funded pension plan amounted to ¥14,023 million ($122,205 thousand) at December 31, 2000.

Charges with respect to employees' retirement benefits were ¥23,658 million ($206,170 thousand), ¥4,289 million and ¥4,333 million for the years ended December 31, 2000, 1999 and 1998, respectively.

9. INCOME TAXES

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 42% for 2000, 47% for 1999 and 52% for 1998.

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, 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 ¥1,288 million ($11,224 thousand), ¥10,622 million and ¥22,101 million for the years ended December 31, 2000, 1999 and 1998, respectively, in the accompanying consolidated statements of operations reflect the addition (in case of debit) or subtraction (in case of credit) of deferred income taxes of ¥10,671 million ($92,993 thousand) (credit), ¥4,336 million (credit) and ¥1,425 million (debit), respectively.

Significant components of deferred income tax assets and liabilities as of December 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred income tax assets:		
Allowance for doubtful receivables	¥ 4,049	$ 35,285
Retirement and severance benefits	8,237	71,782
Depreciation	1,242	10,824
Accrued expenses for write-offs of fixed assets	753	6,562
Unrealized gain on sale of non-current assets eliminated on consolidation	14,045	122,397
Net operating loss carryforwards	5,228	45,560
Other	3,722	32,435
	37,276	324,845
Valuation allowance	(4,282)	(37,316)
Total deferred income tax assets	32,994	287,529
Deferred income tax liabilities:		
Reserves deductible for Japanese tax purposes	(3,256)	(28,374)
Total deferred income tax liabilities	(3,256)	(28,374)
Net deferred income tax assets	¥29,738	$259,155
Deferred income tax liabilities:		
Revaluation gain of assets acquired in merger	¥ (1,574)	$ (13,717)
Total deferred income tax liabilities	(1,574)	(13,717)
Net deferred income tax liabilities	¥ (1,574)	$ (13,717)

10. 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 of retained earnings 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. The legal reserve is included in retained earnings.

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.

11. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2000, 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 ¥16,755 million ($146,013 thousand).

12. LOSS ON LIQUIDATION OF UNCONSOLIDATED SUBSIDIARIES

For the year ended December 31, 1999, loss on liquidation of unconsolidated subsidiaries amounted to ¥33,968 million, which comprised the investments written off by the Company and waived long-term loans receivable from unconsolidated subsidiaries.

13. INFORMATION FOR CERTAIN LEASES

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

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at December 31, 2000 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	¥ 60,519	¥31,782	¥28,737	$ 527,398	$276,967	$250,431
Furniture and fixtures	109,607	56,402	53,205	955,181	491,521	463,660
Others	2,663	1,564	1,099	23,207	13,630	9,577
	¥172,789	¥89,748	¥83,041	$1,505,786	$782,118	$723,668

Future lease payments as of December 31, 2000, net of interest, under such leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥27,299	$237,900
Due after one year	64,244	559,860
	¥91,543	$797,760

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, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease payments	**¥32,466**	¥30,167	**$282,928**
Depreciation equivalents	**27,745**	25,450	**241,786**
Amounts representing interest	**4,604**	4,962	**40,122**

14. SUBSEQUENT EVENTS

On February 1, 2001, based on the resolution of the Board of Directors' meeting of October 12, 2000, for the purpose of rendering the Nikka Whisky Distilling Co., Ltd. and Asahi Beer System, Ltd. wholly owned subsidiaries of the Company, the Company issued 7,871,923 shares of common stock with par value in accordance with the simple method of share exchange. The share issuance increased the aggregate amount of common stock and additional paid-in capital by ¥393 million ($3,425 thousand).

15. SEGMENT INFORMATION

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

Business segment information for the years ended December 31, 2000, 1999 and 1998 was as follows:

	Millions of yen					
Year ended December 31, 2000	Alcoholic beverages	Soft drinks and food	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**¥1,127,737**	**¥216,191**	**¥ 4,194**	**¥50,986**	**¥ —**	**¥1,399,108**
Intersegment	**2,113**	**4,678**	**366**	**153**	**(7,310)**	**—**
Total sales	**1,129,850**	**220,869**	**4,560**	**51,139**	**(7,310)**	**1,399,108**
Operating expenses	**1,043,076**	**218,860**	**1,843**	**51,897**	**6,882**	**1,322,558**
Operating income (loss)	**¥ 86,774**	**¥ 2,009**	**¥ 2,717**	**¥ (758)**	**¥ (14,192)**	**¥ 76,550**
Identifiable assets	**¥ 869,290**	**¥108,158**	**¥111,700**	**¥24,289**	**¥276,390**	**¥1,389,827**
Depreciation	**40,008**	**4,667**	**1,508**	**1,855**	**3,752**	**51,790**
Capital investments	**51,105**	**10,203**	**231**	**2,552**	**2,427**	**66,518**
Year ended December 31, 1999						
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

	Thousands of U.S. dollars					
Year ended December 31, 2000	Alcoholic beverages	Soft drinks and food	Real estate	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	**$9,827,773**	**$1,884,018**	**$ 36,549**	**$444,322**	**$ —**	**$12,192,662**
Intersegment	**18,414**	**40,767**	**3,190**	**1,333**	**(63,704)**	**—**
Total sales	**9,846,187**	**1,924,785**	**39,739**	**445,655**	**(63,704)**	**12,192,662**
Operating expenses	**9,089,987**	**1,907,277**	**16,061**	**452,261**	**59,974**	**11,525,560**
Operating income (loss)	**$ 756,200**	**$ 17,508**	**$ 23,678**	**$ (6,606)**	**$ (123,678)**	**$ 667,102**
Identifiable assets	**$7,575,512**	**$ 942,553**	**$973,420**	**$211,670**	**$2,408,627**	**$12,111,782**
Depreciation	**348,654**	**40,671**	**13,142**	**16,165**	**32,697**	**451,329**
Capital investments	**445,359**	**88,915**	**2,013**	**22,241**	**21,150**	**579,678**

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 2000, 1999 and 1998.

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) and its consolidated subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000, 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. and its consolidated subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except as noted in the following paragraph.

As explained in Note 2, ASAHI BREWERIES, LTD. and its consolidated subsidiaries adopted new Japanese accounting standards for tax-effect accounting effective from the year ended December 31, 1999 and for cash flow statements effective from the year ended December 31, 2000. Also, effective January 1, 2000, ASAHI BREWERIES, LTD. and its consolidated subsidiaries changed the method of accounting for employees' retirement benefits as referred to in Note 2, with which we concur.

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 29, 2001

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

Yuzo Seto,
Chairman of the Board and Chief Executive Officer

Shigeo Fukuchi,
President and Chief Operating Officer

Kouichi Asahi
Executive Vice President

Sugao Nishikawa
Executive Vice President

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 Promotion Department
- 1988: Became senior managing director, representative director, and senior general manager 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

Kouichi Asahi
Sugao Nishikawa

Senior Managing Director and Senior Managing Executive Officer

Kouichi Ikeda

Managing Director and Managing Executive Officer

Sadao Ogura

Director and Executive Officer

Akira Ohara

Directors

Nobuo Yamaguchi
Yukio Okamoto
Heizo Takenaka

AUDITORS

Standing Corporate Auditors

Ken-ichiroh Masui
Masaki Ogiya
Toshio Harada

Corporate Auditors

Takahide Sakurai
Matsutaro Morita

EXECUTIVE OFFICERS

Executive Officer and Vice President

Susumu Tsukada

Senior Managing Executive Officers

Junichi Sakamoto
Tomoaki Tsukiyama

Managing Executive Officers

Hiroshi Fujita
Hitoshi Ogita
Tadashi Asahara
Yutaka Nakamura
Masahiko Ozeki

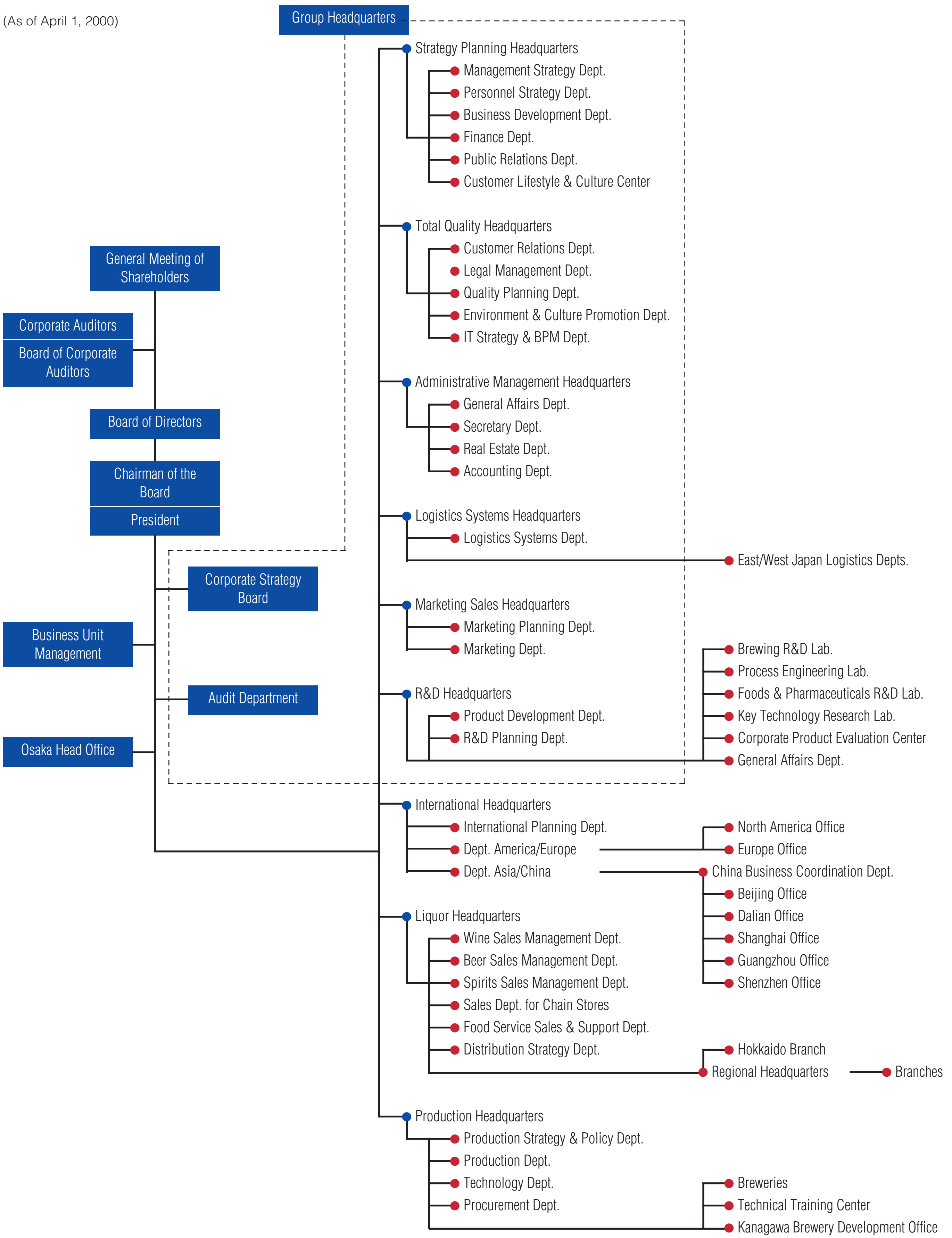
Executive Officers

Nagayuki Akimoto
Yosuke Matsumoto
Masahito Nakagawa
Yoshihiro Goto
Masaru Kuraguchi
Souichiro Sasaoka
Masaaki Okada
Masahiko Osawa
Masatoshi Takahashi
Naoki Izumiya
Kazuo Motoyama
Yuji Ninomiya
Shigemi Egasira
Tsuneshiro Kitajima
Masakuni Yoshino
Tokutaro Yoshioka
Tadashi Tamada
Hikaru Kawamura
Hisao Tominaga
Hideyuki Ishibashi

(As of March 29, 2001)

ORGANIZATION CHART

(As of April 1, 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

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

■ 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

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

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: ¥71 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

■ Asahi Beer Garden, Ltd.
Issued Share Capital: ¥100 million
Capital Investment Percentage: 81.3%
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

Finance

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

OVERSEAS

United States

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

New York Branch
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: DGl.30 million
Capital Investment Percentage: 100%
Principal Business: Trading of securities and loans
Inquiries should be directed to the Tokyo Head Office.

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

Asia

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

■ Jiaxing Haiyan Beer Xihu Asahi Co., Ltd.
Issued Share Capital: RMB33 million
Capital Investment Percentage: 55.0%
Principal Business: Production and sales of beer

■ Quanzhou Qingyuan Beer Asahi Co., Ltd. Fujian
Issued Share Capital: RMB108 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of beer

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

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

■ Yantai Beer Dong Ying Xinyi Co., Ltd.
Issued Share Capital: RMB8 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of beer

■ Asahi Beer (China) Investment Co., Ltd.
Issued Share Capital: RMB248 million
Capital Investment Percentage: 100.0%
Principal Business: Investment

■ Asahi Beer (Shanghai) Product Services Co., Ltd.
Issued Share Capital: RMB124 million
Capital Investment Percentage: 100.0%
Principal Business: Sales of beer

■ 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.

(As of December 31, 2000)

* Nikka Whisky became a wholly owned subsidiary of Asahi Breweries in a straight share swap on February 1, 2001.

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
¥177,666 million

Number of Shares of Common Stock Issued
497,992,540

Number of Shareholders
65,354

Major Shareholders
The Dai-Ichi Mutual Life Insurance Company
The Sumitomo Bank, Ltd.
Fukoku Mutual Life Insurance Company
Japan Trustee Services Bank, Ltd. (Trust account)
Asahi Chemical Industry Co., Ltd.
Sumitomo Life Insurance Company
The Industrial Bank of Japan, Ltd.
J.P. Morgan Chase & Co. (Trust account—tax exempt)
The Norinchukin Bank
Sumitomo Corporation

Number of Domestic Offices and Facilities
Regional Headquarters: 9
Branch Offices: 46
Regional Logistics Departments: 2
Breweries: 9
Laboratories: 3 (and 1 Corporate Product Evaluation Center)

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

Number of Employees
4,103

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

Newspaper for Official Notice
Nihon Keizai Shimbun

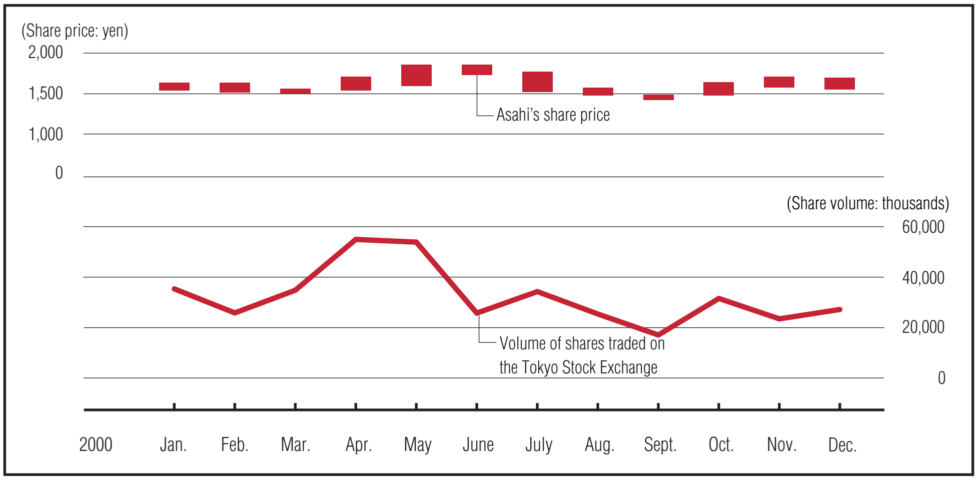
Transfer Agent and Registrar
The Toyo Trust and Banking Co., Ltd.
Corporate Agency Department
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: (03) 5683-5111

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
Asah & Co.

(As of December 31, 2000)

Share Price Movement



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