Proven Value for Dynamic Growth

ANNUAL REPORT 2005

Contents

Forward-Looking Statements

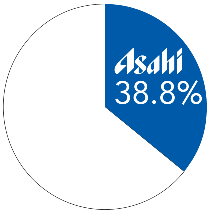
The current plans, forecasts, strategies and performance presented in this annual report include forward-looking statements based on assumptions and opinions arrived at from currently available information. Asahi Breweries cautions readers that future actual results could differ materially from these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

Profile

Asahi Breweries, Ltd. has maintained the biggest share of the domestic market for making beer-type beverages*—beer, happoshu (low-malt beer) and new genre beverages (no-malt beer)—for five consecutive years since 2001. *Asahi Super Dry*, our flagship product, is ranked among the world's top-ten beer brands (ninth in 2005**) and is highly regarded by customers all over the world.

The Asahi Breweries Group leverages its competitive edge in the beer-type beverages market to advance into businesses involving alcoholic beverages other than beer—such as shochu, RTD (ready-to-drink) beverages, whisky and spirits, and wine—as well as the soft drinks, food and healthcare, and overseas business categories. We aim to broadly contribute to people's lives in the areas of food and health.

Share of the domestic market for beer-type beverages (beer, happoshu and new genre beverages) for FY2005



* Beer-type beverages: Beer, happoshu and new genre beverages. While happoshu and new genre beverages are both beer-flavored products, happoshu, in terms of malt content, is lower than beer, and new genre beverages do not contain malt in their ingredients. Under Japan's Liquor Tax Laws, higher tax rates apply for products with higher malt content, and accordingly, pricing of beer, happoshu and new genre beverages decrease accordingly, in that order. (Please refer to the page 67 for tax rates on beer-type beverages)

** Source: Impact Databank 2005 Edition

As the **No.1 Beer Company** in Japan

Corporate Philosophy

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

Corporate Outline (as of fiscal year ended December 2005)

Company name: Asahi Breweries, Ltd.

Date of establishment: September 1, 1949

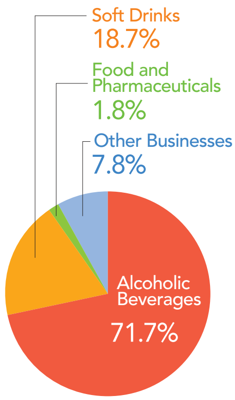
Paid-in capital: ¥182,531 million

Number of employees:
(Parent) 3,607
(Consolidated) 14,878

Number of subsidiary companies:
(Consolidated) 53
(Non-consolidated subsidiary under equity method) 1
(Affiliated companies under equity method) 16

Net sales:
(Parent) ¥1,054,161 million
(Consolidated) ¥1,430,027 million

Composition of net sales by business segment



Business Segment

Alcoholic Beverages Business

In beer-type beverages (beer, happoshu and new genre beverages), which account for more than half of Japan's market for alcoholic beverages, we boast powerful brands in each category. In 2005, we launched *Asahi Shinnama* and *Asahi Shinnama 3* in the new genre beverages category, which is growing fast in the home-use market, in addition to launching our *Asahi Super Dry* beer and *Asahi Honnama* happoshu products.

We also intend to expand sales of alcoholic beverages other than beer-type beverages, such as shochu, RTD beverages, whisky and spirits, and wine. In our overseas operations, we are conducting aggressive sales activities in China, Southeast Asia, Europe and North America.

Soft Drinks Business

Asahi Soft Drinks Co., Ltd., our main corporation in this business, manufactures and sells products including *WONDA* canned coffee, *Asahi Juroku-Cha* and *Asahi Wakamusha* tea-based beverages, and *Mitsuya Cider* carbonated beverage in the domestic soft drinks market. In 2005, we acquired two chilled-beverage makers toward reinforcing our foundation in the soft drinks business. Additionally, we have been building a solid track record in our overseas business through activities such as: the establishment, in 2004, of an equity method subsidiary in a joint venture with Tingyi Holding Corporation, which is a leading food business group in China, and Itochu Corporation (Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.); and the acquisition of further shares of Korea's Haitai Beverage Co., Ltd., to turn it into a consolidated subsidiary.

Food and Healthcare Business

Asahi Food & Healthcare Co., Ltd., our main corporation in this business, manufactures and sells products such as *MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bar, *EBIOS* quasi-drug made from brewer’s yeast and *Actio* supplement tablets. We are also developing dietary support food products based on the results of our research on the functional properties of brewer's yeast and agriculture-related businesses.

Other Businesses

Other businesses include restaurants, and logistics and sales support operations, and contribute to the Group's overall sales.

Strategy

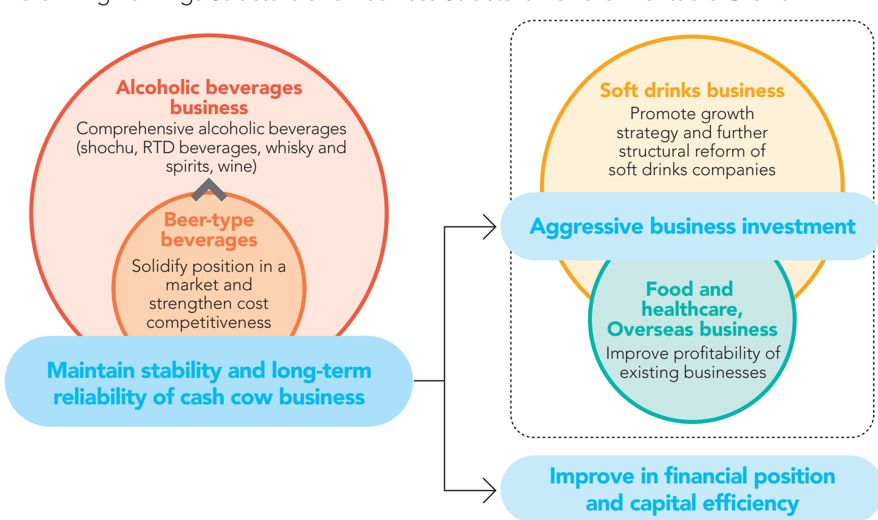
The Asahi Breweries Group is currently promoting its Second Group Medium-Term Management Plan covering fiscal 2004 to 2006. The goal of the plan is to accomplish profitable growth for the entire Group.

Our primary objective under the plan is to achieve even greater profitability for beer-type beverages in the domestic alcoholic beverages market, while concurrently seeking to expand sales and profits for other alcoholic beverages toward realizing long-term stability in our cash cow operations. We will then allocate ample cash generated by our domestic alcoholic beverages business to: undertake investments, including acquisitions for Group operations centered on the soft drinks, food and healthcare, and overseas businesses, in order to cultivate new sources of profit; provide returns to shareholders through dividend payouts and the purchase of treasury stock; and reduce debt.

Expanding Capabilities for Stronger Performance

The Second Group Medium-Term Management Plan (FY2004—FY2006)

Reforming Earnings Structure and Business Structure Toward Profitable Growth



Achieve consistent sales and earnings growth, and improve corporate value

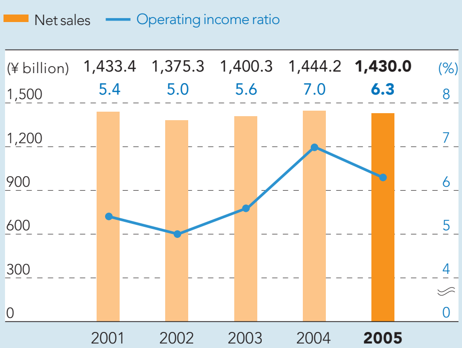
By improving the overall profitability of the alcoholic beverage business, and establishing a source of long-term stable cash flow, we will finance proactive business investments to strengthen each business area.

Financial Highlights

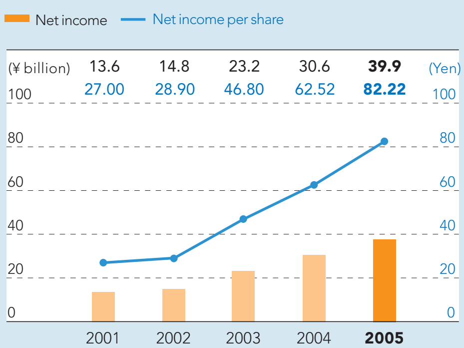
	Millions of yen 2005	2004	2003	Thousands of U.S. dollars (Note) 2005
For the year:				
Net sales	¥1,430,027	¥1,444,226	¥1,400,302	$ 12,111,688
Operating income	90,249	101,273	78,984	764,368
Operating income ratio (%)	6.3	7.0	5.6	6.3
Net income	39,870	30,596	23,210	337,681
Net cash provided by operating activities	87,245	112,930	115,358	738,926
Capital investments	43,941	40,134	38,184	372,162
At year-end:				
Total assets	1,218,227	1,250,818	1,244,410	10,317,837
Interest-bearing debt	289,202	303,089	336,285	2,449,411
Total shareholders' equity	454,892	417,828	398,153	3,852,731
Per share data (in yen and U.S. dollars):				
Net income -Primary	¥ 82.22	¥ 62.52	¥ 46.80	$ 0.70
-Fully diluted	80.98	60.64	44.58	0.69
Cash dividends applicable to the year	17.00	15.00	13.00	0.14
Total shareholders' equity	951.12	860.66	810.19	8.06
Key ratios:				
ROE (%)	9.1	7.5	5.9	
ROA (%)	7.4	7.7	5.6	
Total assets turnover (times)	1.2	1.2	1.1	
Shareholders' equity ratio (%)	37.3	33.4	32.0	
Interest coverage ratio (times)	22.5	24.0	16.8	
Debt-to-equity ratio (%)	63.6	72.5	84.5	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118.07 to U.S. $1, using the exchange rate prevailing at December 31, 2005.

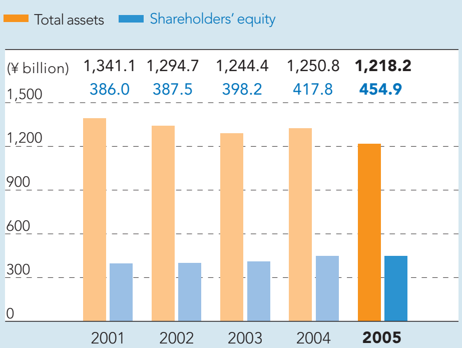
Net sales / Operating income ratio



Net income / Net income per share

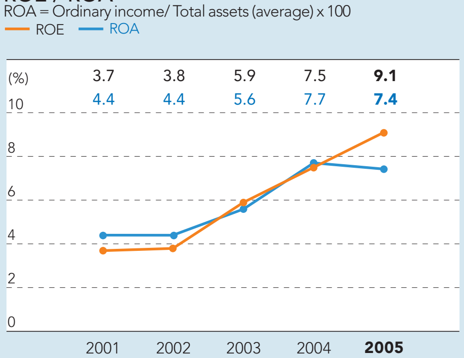


Total assets / Shareholders' equity



ROE / ROA

ROA = Ordinary income/ Total assets (average) x 100



To Our **Shareholders** and **Friends**

Enhancing Corporate Value

by Reforming Business Structure and Revenue Model

Fiscal 2005 Highlights

- Achieved record-high net income for the fifth consecutive year on a consolidated basis.
- Returned profit to shareholders by raising annual dividend by ¥2 per share and purchasing treasury stock.
- Shifted to new management with Kouichi Ikeda as new Chairman and CEO and Hitoshi Ogita as new President and COO (effective March 30, 2006).

Kouichi Ikeda
Chairman and CEO

Hitoshi Ogita
President and COO

I. Review of Fiscal 2005

Net Income Reaches Record-High Levels

In fiscal 2005, the second year of the Second Group Medium-Term Management Plan, the Asahi Breweries Group reported net sales of ¥1,430.0 billion, down 1.0% from the previous term, operating income of ¥90.2 billion, down 10.9%, and a highest ever net income of ¥39.9 billion, up 30.3%. Favorable performances by the Group's core businesses led by Asahi Soft Drinks Co., Ltd. and Asahi Food & Healthcare Co., Ltd., together with the results of acquisitions completed under the Medium-Term Management Plan, contributed to net sales and operating income. However, these results fell short of covering the losses suffered by Asahi Breweries, Ltd., caused by a slump in the overall beer-type beverages market following the introduction of a new trading system. The Group nevertheless achieved record-high levels in net income as our Chinese soft drink joint venture—an equity method-based subsidiary—contributed to non-operating income and the decrease in losses on disposal of real estate led to an improvement in extraordinary loss.

Our challenge in 2005 focused on accomplishing growth in our domestic alcoholic beverages business, as well as our Group and overseas businesses, by pursuing concrete measures for these three businesses to ensure that we attained the goals of the Medium-Term Management Plan.

In the domestic alcoholic beverages business in 2004, the first year of the Medium-Term Management Plan, we made considerable progress in reforming our profit structure, including product strategies and cost reduction, and Asahi Breweries, Ltd. successfully met its target for operating income originally intended for the plan's final year. In 2005, while we enjoyed some measure of success in terms of expanding the share of our core brands in the RTD beverages and shochu markets, our efforts fell short of accomplishing overall growth for the alcoholic beverages business centered on beer-type beverages.

On the other hand, we made steady progress in restructuring Group business consisting of soft drinks, and food and healthcare, and other businesses. In particular, Asahi Soft Drinks Co., Ltd. achieved 10.4% year-on-year growth in net sales, significantly exceeding the industry average, due to the growth of its main brands and brisk sales in new products. The company also maintained its structural reform efforts, and as a result, saw profits reach record-high levels and exceed the quantitative target set in the plan.

Asahi Food & Healthcare Co., Ltd. reversed its losses and returned to the black, exceeding projections for growth in net sales set by the plan led by the Pola Foods brand, acquired in 2003.

Additionally, in 2005, we acquired the stock of LB, Ltd. (Saitama) and LB, Ltd. (Nagoya), and incorporated their chilled beverage business into our portfolio of Group businesses, thereby expanding the scope of our soft drinks business. We also endeavored to bolster the foundations of our food and healthcare business by adding the health food products company, Sunwell Co., Ltd., to our Group.

In our overseas business, we were rewarded in our efforts to enhance the profitability of companies engaged in the alcoholic beverages business in China, Europe and the U.S., and developed new markets centered on Asia.

Reaching for
ever higher corporate value
through profitable growth

Vigorously upholding our commitment to reforming the business and profit structure

In the overseas soft drinks business, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., a joint venture company in China, accomplished growth that significantly exceeded initial projections, thanks in part to Group technical and marketing support.

Returns to Shareholders

Following our basic principle of issuing dividend payments corresponding to a consolidated payout ratio of around 20%, we raised our year-end dividend for the fiscal year ended December 2005 by ¥2.0 to ¥9.5 per share. Combined with the half-year dividend of ¥7.5, the annual dividend was ¥17.0 per share. As a follow-up to our acquisition of ¥6.8 billion in treasury stock in fiscal 2004, we acquired ¥10.0 billion worth of treasury stock in fiscal 2005 and retired 20 million shares of treasury stock thus accumulated. We are determined to continue practicing management that places a premium on our shareholders.

II. Plans and Business Direction for Fiscal 2006

Primary Allocation of Management Resources to Domestic Alcoholic Beverages Business Centered on Beer-Type Beverages

In fiscal 2006, we will strive to achieve consolidated net sales totaling ¥1,495.0 billion, an increase of 4.5% from the previous term. We forecast that operating income will rise 16.3% to a record-breaking ¥105.0 billion, based on projections for steady growth in revenues at Asahi Soft Drinks Co., Ltd. and Asahi Food & Healthcare Co., Ltd., and on our aggressive efforts to reverse business trends to seize the initiative at Asahi Breweries, Ltd. We expect net income will also mark a record high of ¥44.5 billion, an increase of 11.6% from the previous term. At the time we formulated the Second Group Medium-Term Management Plan, our targets of ¥1,160.0 billion in net sales and ¥115.0 billion in operating income included projected increases in sales and profit generated by our M&A activities. We have adjusted our performance targets to reflect subsequent developments in our M&A activities.

In fiscal 2006, the final year of the Medium-Term Management Plan, we will build on the accomplishments and challenges of the past two years to put the final touches on our reform efforts by forging ahead in restructuring our business and profit structure, while at the same time effectively directing our free cash flows to further enhance corporate value.

The biggest challenge lies in our domestic alcoholic beverages business, where we are aware of the crucial need to strengthen our growth potential. In 2006, we will allocate management resources with a primary focus on the beer-type beverages (beer, happoshu, new genre beverages) that constitute the core of the business, in an effort to reconstruct the foundations for growth. In particular, with regard to the slowdown in customer migration to cheaper products in the home-use market and the recovery in consumption in the commercial-use market, our top priority will be to realize a full-scale return to beer centered on *Asahi Super Dry*. We will also endeavor to increase sales of happoshu and new genre beverages with a focus on our existing brands.

In the domestic soft drinks business, Asahi Soft Drinks Co., Ltd. will take the initiative in maintaining our effort to pursue growth strategies centered on core brands, restructure sales and SCM systems, and bolster cost competitiveness to strengthen our structure for sustainable expansion.

In the food and healthcare business, Asahi Food & Healthcare, Co., Ltd., which successfully returned to profitability in fiscal 2005, will endeavor to further bolster its profit base. The company will seek to expand sales of main products, such as *MINTIA* breath mint tablets, while entering new areas, including dietary support products and agriculture-related businesses.

With respect to our overseas business, in our beer business in China, we will assist local beer companies in which we invested to raise their competitiveness in regions where they are located. In the fast-growing ASEAN countries and East Asia region, including Taiwan and Korea, we will seek to strengthen our business foundations by further expanding growth and establishing an optimal supply chain.

We will also seek corporate acquisitions beyond the three-year period of the Medium-Term Management Plan to maintain active businesses investments and thereby ensure sustainable growth for the Asahi Breweries Group through the next decade.

We plan to attain our target operating income ratio of 7%, as laid out in the management indicators under our Medium-Term Management Plan, by endeavoring to recover profit levels centered on Asahi Breweries, Ltd. Due to the steady improvement in our net income levels, we are now set to attain our ROE target of 10%. We will continue to reinforce our efforts toward enhancing capital efficiency.

III. Changes in Top Management

Aiming for Group-Wide Growth under a New Management Team

The year 2006 is the final year of the Group's Medium-Term Management Plan and an important year in which to formulate the next management plan. To ensure we accomplish our performance plans and acheive Group-wide growth from a long-term perspective, the Asahi Breweries Group implemented a change in top management, effective March 30, 2006. The previous President and COO, Kouichi Ikeda, will assume the position of chairman and CEO while Hitoshi Ogita will be named president and COO. As top manager, Mr. Ogita led Asahi Soft Drinks Co., Ltd. to a dramatic turnaround in performance. His experience will be utilized in managing the entire Group centered on Asahi Breweries, Ltd.

Under this new management team, the Asahi Breweries Group will achieve steady profit growth to meet the expectations of our shareholders and all our stakeholders. Recognizing that all stakeholders are our customers, we will continue to pursue our management principle of customer satisfaction. To do so, we will work toward consistent growth by continuously striving to provide high-quality products that give delicious enjoyment to all our customers. With respect to the various activities we undertake to fulfill our corporate social responsibility (CSR), including environmental protection and social contribution (please see CSR page18), we will maintain our efforts in communicating with stakeholders. We appreciate your ongoing support for the Asahi Breweries Group.

Kouichi Ikeda
Chairman and CEO

Hitoshi Ogita
President and COO

Profile of the New President and COO: Hitoshi Ogita

Hitoshi Ogita

Born January 1, 1942. Joined Asahi Breweries, Ltd. in 1965 after graduating from Kyushu University, Department of Economics. Established his career mainly in the areas of sales and marketing, holding positions such as general manager and senior general manager at branches throughout Japan. Assumed post of vice president at Asahi Soft Drinks Co., Ltd. in September, 2002. After taking the post of president in March 2003, he began management reform to lift the company out of stagnation. Since then, Asahi Soft Dinks Co., Ltd. has demonstrated a dramatic turnaround through aggressive management reforms and cost reductions, reporting record-breaking revenues for three consecutive years up to fiscal 2005. Ogita is highly regarded both inside and outside the company for his ability to take action and demonstrate leadership that brings out the best of each employee. His appointment as president and COO is expected to provide impetus in formulating the new Medium-Term Management Plan and is welcomed by all board members and employees.

What
are the Current Challenges?

How
will Asahi Breweries Achieve Its Goals?

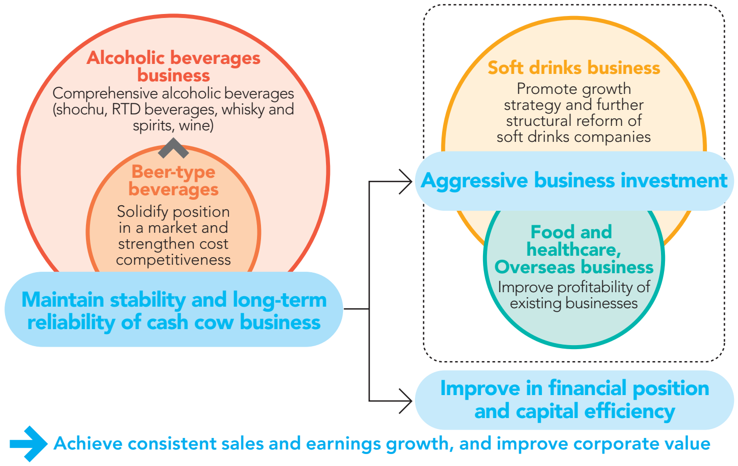
Q.1 What is your assessment of the progress and accomplishments of the business investment plans in the Medium-Term Management Plan?

In the Second Group Medium-term Management Plan, we have upheld the goals of raising profitability of our domestic alcoholic beverages business, generating stable long-term reliability in our cash cow business, and investing part of the cash flow into our soft drinks, food and healthcare, and overseas businesses, thereby accomplishing a diversified source of revenue.

The plan laid out guidelines for allocating ¥100 billion, which was taken from a ¥200 billion free cash flow to be generated during 2004 to 2006, for acquisitions and other business investments over the same period, and so far we have invested approximately ¥55 billion.

The Second Group Medium-Term Management Plan (FY2004—FY2006)

Reforming Earnings Structure and Business Structure Toward Profitable Growth



By improving the overall profitability of the alcoholic beverage business, and establishing a source of long-term stable cash flow, we will finance proactive business investments to strengthen each business area.

In 2004, we acquired further shares of Korea's Haitai Beverages Co., Ltd., to making it a consolidated subsidiary, and in China, we established the soft drink company, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., in a joint venture with Itochu Corporation and Tingyi Holding Corporation, a leading Chinese foods-business group. By investing a total of ¥40 billion in the two companies, we have reinforced the foundation of our overseas soft drink business. In 2005, Tingyi-Asahi-Itochu Beverages contributed strongly to Group performance as an equity method subsidiary that exceeded the plan's initial projections.

In 2005, we also invested a total of ¥15 billion to acquire stock of health foods-maker Sunwell Co., Ltd. and chilled beverage-makers LB, Ltd. (Saitama) and LB, Ltd. (Nagoya). We will seek to expand their businesses by generating synergies among Group companies.

Looking ahead, we will strive to build a diversified growth structure by implementing business investments within our business domains of food and health, contributing to Group performance, without limiting ourselves to the three-year period of the plan.

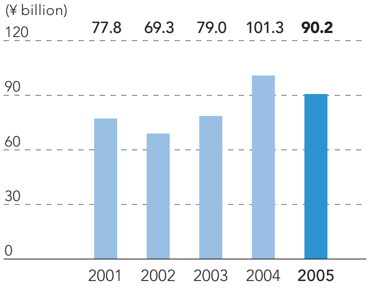
Q.2 What were the factors behind the consecutive annual increase in net income?

First of all, we succeeded in improving profitability through an uncompromising effort to reduce costs, most prominently in the alcoholic beverages and soft drinks businesses. During the two years since 2004, when the Second Group Medium-Term Management Plan was launched, the alcoholic beverages business reduced manufacturing and logistics costs, as well as fixed costs such as personnel. In the soft drinks business, we also achieved cost reductions exceeding our initial target by reviewing the production line and strengthening supply chain management (SCM). In addition, the integration and reorganization of overlapping wineries, shochu distillaries and Group logistics companies also contributed to improved profitability.

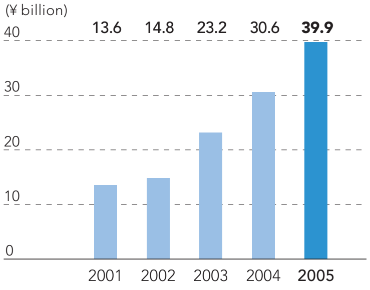
Secondly, the Asahi Breweries Group has essentially completed disposing of extraordinary losses related to financial restructuring over the past several years, which is expected to further raise our levels of net income.

In the Third Medium-term Management Plan, which is about to be formulated, we will continue to enhance the cost-competitiveness of the entire Group and build a solid revenue structure that does not depend solely on increased revenues.

Operating income



Net income



Q.3 What is the strategy of Asahi Breweries for the domestic alcoholic beverages market, the priority area for fiscal 2006?

In the domestic beer-type beverages market in 2005, combined sales of beer, happoshu (low-malt beer) and new genre beverages (no-malt beer) decreased a little more than 3% from the previous term. While new genre products continued to expand in market size, beer remained stagnant, suffering from a rebound effect that accompanied the introduction of a new trading system. However, we have begun to see consumer trends that depart from the preference for low-priced products we had seen over the past few years, including a recovery in consumption in the commercial-use beer market and growth in premium beers. In 2006, we hope to accelerate these trends and concentrate our management resources into achieving growth of beer sales, particularly centered on *Asahi Super Dry*. We will also endeavor to heighten brand recognition of *Asahi Honnama* happoshu, which was improved in quality in late January, and *Asahi Shinnama 3*, which was launched in the new genre market in November last year.

With respect to shochu, RTD beverages, whisky and spirits, and wine, we will invest our management resources into bolstering core brands, such as *Kanoka* shochu and *Asahi Cocktail Partner* RTD beverage, seeking to pursue effective sales promotion activities that further utilize existing brand power.

Sales plan by category (Asahi Breweries, Ltd.)

(¥ billion)

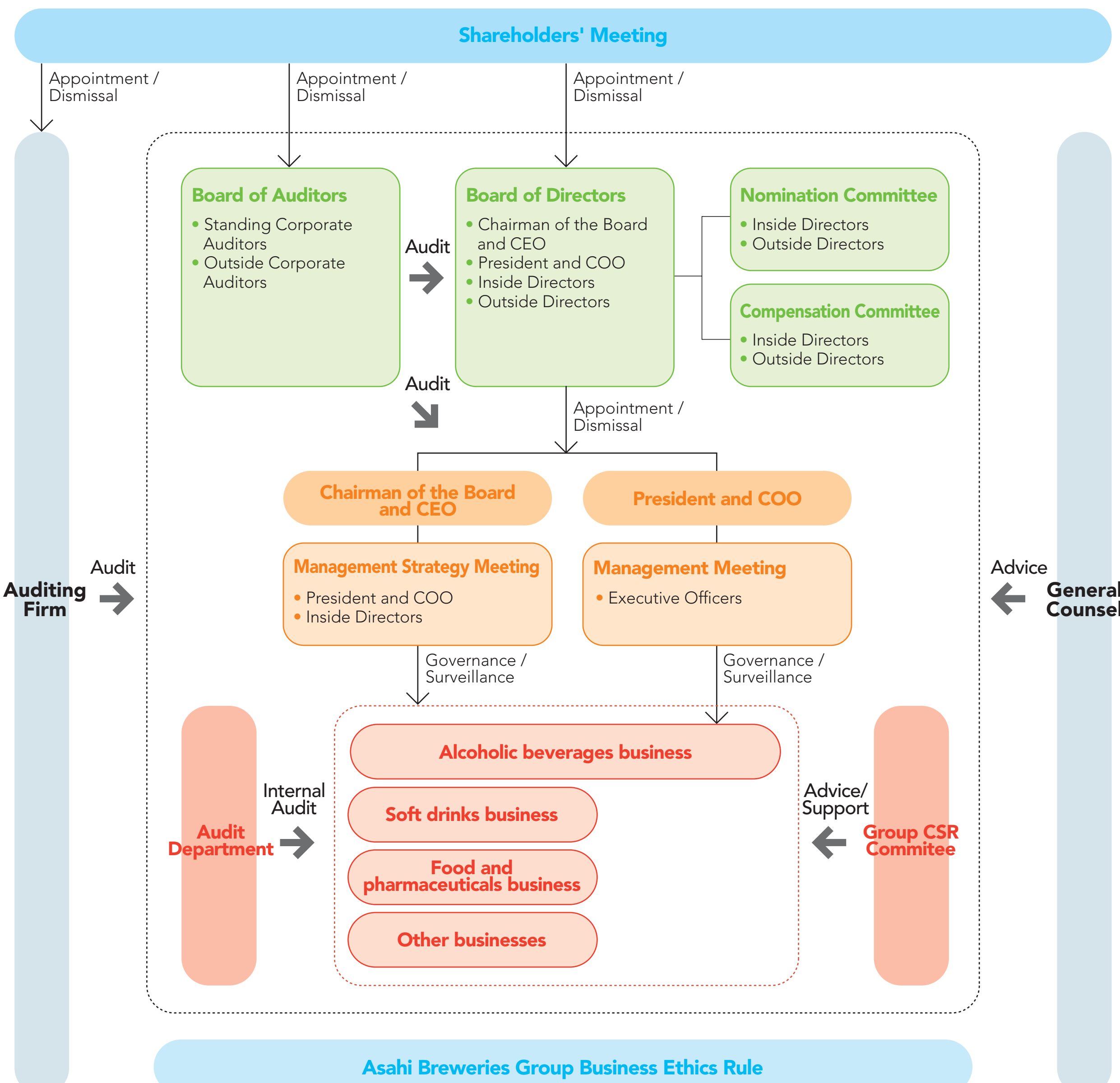
	2006	2005	Year-on-year
Beer	748.3	726.2	+3.0%
Happoshu (low-malt beer)	141.1	147.4	-4.3%
New genre (no-malt beer)	59.0	45.9	+28.7%
Shochu	60.1	55.1	+9.1%
RTD beverages	38.2	32.7	+16.8%
Whisky and spirits	28.2	28.2	0.0%
Wines	15.1	14.5	+4.1%
Others	3.0	2.9	+2.7%

Creating a Corporate Governance Structure to Effectively Respond to Change

Basic Policy

The Asahi Breweries Group has consistently reinforced its corporate governance to maintain stakeholder trust and achieve sustainable growth by focusing on enhancing management fairness and transparency, timely decision-making and thorough compliance. To ensure accomplishment of the goals of the Second Group Medium-Term Management Plan, we will strengthen the governance functions and accountability of our Board of Directors and promote full compliance with our Business Ethics Rule by all employees, while further pursuing efforts to create a structure worthy of stakeholder trust.

Corporate Governance Structure



Toward Enhancing Business Fairness and Transparency

Management Structure

Asahi Breweries has a Board of Directors that consists of twelve Directors who perform company management and a Board of Auditors made of five Auditors, including three Outside Corporate Auditors, who monitors and supervises that management. The structure also includes an Executive Officer system with 31 Executive Officers who provide daily operational execution. Each is assigned responsibility for their respective roles and collectively they strive to meet shareholder expectations by undertaking fairness and transparency.

Board of Directors and System of Outside Directors

The Board of Directors meet regularly on a monthly basis, and special meetings are also held as required. During the one-year period from January 2005 to December 2005, the Board of Directors held 12 regular meetings and one special meeting. In these meetings, three Outside Directors reviewed the functions of the Board of Directors from a broader perspective. Through this system of outside review, we intend to enhance management fairness and transparency while further strengthening Group management capabilities.

Nomination and Compensation Committees

To ensure fairness and transparency in the appointment and compensation of senior officers, the Group established a Nomination Committee and a Compensation Committee under the Board of Directors. Each committee comprises a total of four officers, of which two are Inside Directors and two are Outside Directors.

The Nomination Committee, which recommends candidates for Directors, Executive Officers and Standing Auditors to the Board of Directors, held 2 meetings between April 2005 and March 2006. The Compensation Committee, which submits agendas regarding compensation structure and proposed compensation for Directors and Executive Officers to the Board of Directors, met 3 times between April 2005 and March 2006. We will continually enhance the fairness and transparency of management through the effective and appropriate actions of these bodies.

Stock Option System

To maintain our management focus on shareholders, we have adopted a stock option system for Directors, Auditors and Executive Officers that promotes decision making and operational execution from the shareholders' point of view.

Auditors, Internal Audit Department and Accounting Auditor

The Company's management monitoring system focuses on the supervision of operational execution by Directors and audits conducted by Auditors and the Board of Auditors.
With respect to audits conducted by Auditors, we have appointed three Outside Corporate Auditors, who comprise the majority of the five Auditors, to ensure further transparency. For internal control, we maintain an Audit Department that reports directly to the President as the internal organ for conducting audits based on our annual auditing plan to ensure the efficient and proper operation of the entire Group.

Auditors, the internal Audit Department and Accounting Auditor work in collaboration by exchanging information through briefings and by transmitting copies of auditing reports periodically and as needed.

The accounts of Asahi Breweries have been audited by KPMG AZSA & Co., which has an auditing contract with the Company. In fiscal 2005, audit fees payable to the Auditor amounted to ¥65 million for an attestation agreement and ¥29 million in other compensation.

Compensation and Retirement Benefits for Senior Officers

During fiscal 2005, compensation paid to Directors of Asahi Breweries, Ltd. totaled ¥261 million, including ¥26 million paid to Outside Directors. Compensation for Auditors totaled ¥67 million, including ¥18 million for Outside Auditors. Executive bonuses paid out of profit totaled ¥74 million for Directors, including ¥7 million paid to Outside Directors, and ¥17 million for Auditors, including ¥5 million for Outside Auditors. Retirement benefits, based on a resolution adopted at the General Shareholders' Meeting, amounted to ¥16 million for an Auditor who retired during the previous fiscal year.

Ensuring Timely Decision-Making

Executive Officer System

Asahi Breweries introduced an Executive Officer System to ensure the timely execution of operations. In addition to supervising the execution of our operations and decision-making, the mission of our Directors also includes formulating Group management strategies while strengthening and developing the Group through strategic Group management decisions. Accordingly, Group headquarter functions have been established at the Asahi Breweries' headquarters to provide staff for Group management. We also transformed the authority of executing operations to the Executive Officers to ensure timely execution of operations.

Management Strategy Meeting and Management Meeting

In operational execution, decision-making responsibilities are guided and implemented through two meetings. The Management Strategy Meeting, directed by the CEO, is the venue for discussing the business of the entire Group. The Management Meeting, directed by the COO, reviews our backbone alcoholic beverages business. These meetings maintain the accountability of the Directors for the entire Group and the responsibility of the COO and Executive Officers for the alcoholic beverages business, thereby accelerating decision making and clarifying responsibilities.

Compliance with Laws and Social Codes

Formulation of the Business Ethics Rule

In November 1999, we formulated the Asahi Breweries Group Business Ethics Rule, which provides concrete guidance on compliance issues contained in the Group's Corporate Philosophy and Guidelines for Corporate Activity. The Rule lays out codes of conduct from the perspective of compliance with corporate ethics required of senior officers and employees of the Group in their daily operations and applies to all senior officers and employees of the Asahi Breweries Group, including contract employees and temporary staff. In order to promote thorough understanding of both the significance and the spirit of compliance, every employee attends a training seminar on business ethics and then signs an agreement to adhere to the Ethics Rule.

We have surveyed all Group employees every year since 2002 to determine the level of internal understanding of compliance. The survey fulfills the "Check" function in the PDCA (Plan-Do-Check-Act) cycle used in promoting compliance management.

Clean Line System

In January 2003, the Asahi Breweries Group introduced a Clean Line System, for in-house reporting under the Corporate Ethics Committee in its role of overseeing compliance for the entire Group. Under this system, employees can report problems related to violations of laws and internal rules that arise in the workplace, either directly to the Corporate Ethics Committee or to a lawyer working under contract with the Company in the event they do not feel comfortable or safe discussing specific issues with their immediate superiors. The system provides a structure for investigating facts on internal problems that arise, while protecting individuals who submit reports.

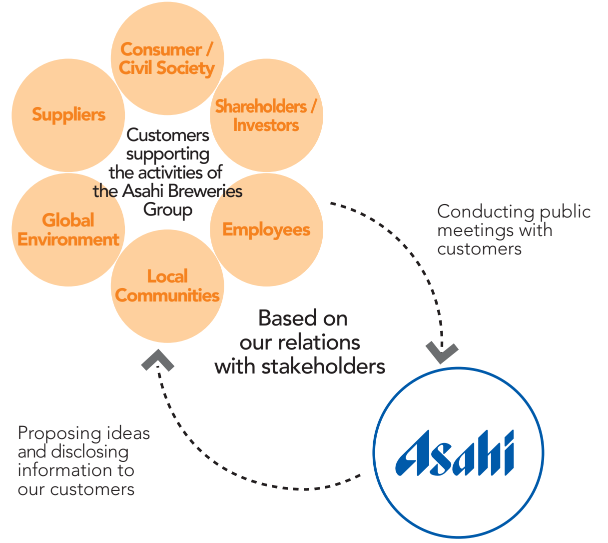
Earning Society's Trust

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

Our stakeholders, including shareholders, suppliers, communities and employees, are all important "customers" who use our products. We actively solicit feedback and comments on our activities and will take action to ensure we satisfy all our customers by working and communicating from the customer's perspective. We believe this continuing cycle of customer satisfaction (CS) and relations (R) enables the Asahi Breweries Group to fulfill its corporate social responsibility (CSR).

Today, these diverse customers expect more from us than just providing quality products. As a group, we strive to fulfill every aspect of our responsibilities to society and the environment and thereby earn public trust.

Based on this conviction, in 2003, the Group launched the CSR Committee, which reports directly to the President, and revised the Asahi Breweries Group Business Ethics Rule. In 2004, the Group laid out six priority CSR initiatives for the near future, and the CSR Committee was joined by representatives of major Group companies, expanding it into the Group CSR Committee. Furthermore, an important goal of the Second Group Medium-Term Management Plan for fiscal 2004 to 2006 is to increase public trust in the entire Group by fulfilling our corporate social responsibilities. Through active commitment to CSR, we intend to live in harmony with society as a corporate citizen while promoting the sustainable development of the Group.



Please see more details on the CSR activities of the Asahi Breweries Group on the corporate website.
URL:http://www.asahibeer.co.jp/english/responsibility/index.html

Accomplishments for Fiscal 2005

The Establishment of the Fund for the Prevention of Underage Drinking

In order to fulfill its corporate social responsibility as a maker of alcoholic beverages, Asahi Breweries promotes educational activities to encourage moderate and responsible drinking. One of our major efforts focuses on addressing the issue of alcohol consumption by minors who are in their formative stages of mental and physical growth and who have a lower capacity than adults for metabolically breaking down alcohol. Consequently, exposure to underage drinking is associated with risks such as physiological disorders, as well as greater likelihood of developing alcohol dependency.

As part of these efforts, in March 2005 we created the Fund for the Prevention of Underage Drinking. Funding is primarily granted to medical and socio-cultural research groups aiming to prevent underage drinking and to organizations, individuals and facilities that hold prevention forums and seminars. Each year, 10 million yen is divided between selected applicants after their proposals were submitted and rigorously reviewed by our Screening Committee, which comprises board members of Asahi Breweries and various experts. In fiscal 2005, the first year of the fund, we selected nine highly original organizations whose research or activities are expected to positively impact society.

Asahi Breweries plans to hold reporting sessions in which these organizations will announce some of the results of their activities, and the contents of these reporting sessions will be released through our corporate Web site.

Promoting Reduction of Environmental Burden at Sales Branches

Asahi Breweries has set forth its concepts and policies on environmental responsibility in its Basic Environmental Principles, which serve as action guidelines for all Group employees. Based on these concepts and principles, we have sought to obtain ISO14001 certification for the Asahi Breweries headquarters and plants.

Furthermore, at our sales branches where the environmental burden is relatively low, in 2004, Asahi Breweries introduced the Asahi Way, a unique environmental management system that provides centralized management of environmental protection activities, measurable targets and progress monitoring at each site. Since then, Asahi Breweries has been promoting activities to reduce the environmental burden through eight initiatives including reduction of copying paper; promotion of green procurement; reduction and recycling of waste; power saving; eco-safe driving; and education on environmental awareness, in accordance with activities undertaken at each of our 86 sales branches.

In fiscal 2005, our Hokkaido branch accomplished 100% recycling utilizing this system. In fiscal 2006, we plan to expand the Asahi Way to 117 business sites, including those of Asahi Soft Drinks Co., Ltd. and Asahi Food & Healthcare Co., Ltd., in a groupwide effort to promote reductions in environmental burden.

Board of Directors, Auditors, and Executive Officers

Board of Directors

Kouichi Ikeda
Chairman of the Board and
Chief Executive Officer

Hitoshi Ogita
President and
Chief Operating Officer

Yoshihiro Goto
Senior Managing Director
and Senior Managing
Executive Officer

Akira Ohara
Senior Managing Director
and Senior Managing
Executive Officer

Masatoshi Takahashi
Senior Managing Director
and Senior Managing
Executive Officer

Yoshifumi Nishino
Managing Director
and Managing
Executive Officer

Naoki Izumiya
Managing Director
and Managing
Executive Officer

Hikaru Kawamura
Managing Director
and Managing
Executive Officer

Kazuo Motoyama
Director and
Executive Officer

Nobuo Yamaguchi
Director

Yukio Okamoto
Director

Tomoyo Nonaka
Director

Auditors

Standing Corporate Auditors
Sugao Nishikawa
Hiroshi Fujita

Outside Auditors
Takahide Sakurai
Naoto Nakamura
Tadashi Ishizaki

Executive Officers

Senior Managing Executive Officers
Masaru Kuraguchi

Managing Executive Officers
Masahiko Osawa
Hideyuki Ishibashi
Tsugiya Iwasaki
Osamu Sasaki
Masanori Kameno
Nobukazu Yoshioka
Toshifumi Ishii
Yoshito Tomita
Yuji Ninomiya

Executive Officers
Akira Matsunobu
Seikou Takahashi
Sakae Mitani
Nobuo Nagura
Masato Miyake
Fumio Yamasaki
Shigeru Hada
Shin Iwakami
Susumu Nihei
Osamu Takahashi
Kaoru Koi
Kenji Taniguchi
Katuyuki Kawatura
Makoto Sugiura
Kazutami Kouzu
Masafumi Tanino
Yoshihisa Kitagawa
Muneshige Kinoshita
Shuji Fukushima
Noriyuki Karasawa
Toshihiko Nagao

(As of March 30, 2006)

Asahi at a Glance

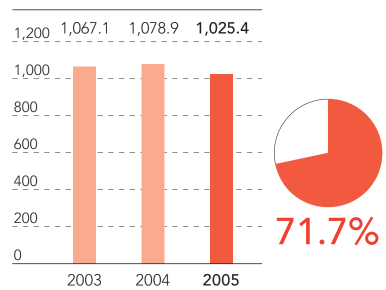
The Asahi Breweries Group's business segments, as represented in their consolidated accounting, are alcoholic beverages, soft drinks, food and pharmaceuticals, and other businesses.

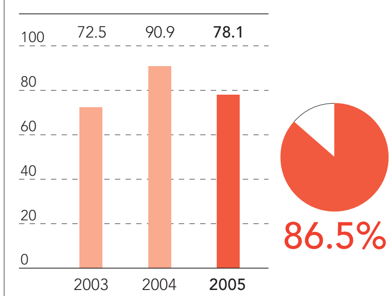
Entities that generate major profit for each segment are: Asahi Breweries, Ltd., for the alcoholic beverages business; Asahi Soft Drinks Co. Ltd., for the soft drinks business; and Asahi Food & Healthcare Co., Ltd., for the food and pharmaceuticals business.

Please refer to the comparison chart at the top of the next page. →

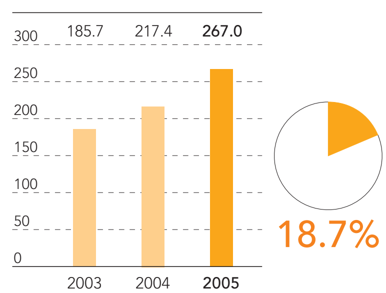
Net Sales (¥ billion) | Operating Income (¥ billion)

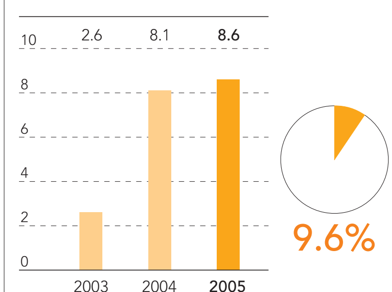
Alcoholic Beverages



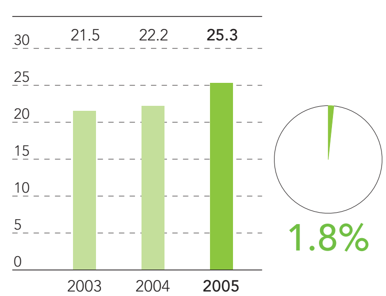


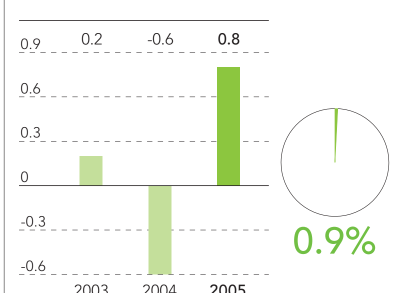
Soft Drinks



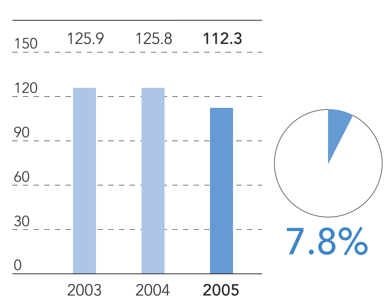


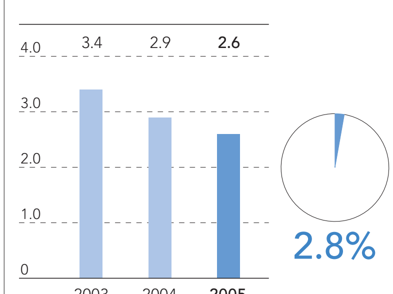
Food and Pharmaceuticals





Other Businesses





Note: Operating Income for Elimination and/or Corporate is not included.

Net sales for business segments and Asahi business entities are as follows:

Segment (¥ billion)

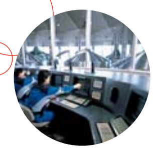
	2005	2004	Year-on-year
Alcoholic beverages	**1,025.4**	1,078.9	-5.0%
Soft drinks	**267.0**	217.4	+22.8%
Food and pharmaceuticals	**25.3**	22.2	+14.1%
Other businesses	**112.3**	125.8	-10.7%

Company / Businesses (¥ billion)

	2005	2004	Year-on-year
Asahi Breweries	**1,054.2**	1,116.4	-5.6%
Asahi Soft Drinks	**225.1**	204.0	+10.4%
Asahi Food & Healthcare	**26.8**	22.3	+19.9%
Other (including cancellation/deletion)	**123.9**	101.5	+22.1%

Business Outline	Highlights of the Year
Manufacturing and sales of beers including domestic beers centered on *Asahi Super Dry* and international-brand beers, the *Asahi Honnama* happoshu series, and the *Asahi Shinnama 3* new genre beverage. In addition to such beer-type beverages, we also undertake manufacturing and sales of other alcoholic beverages including shochu, RTD (ready-to-drink) beverages, whisky and spirits, and wine. In the overseas markets, we undertake the manufacturing and sales of *Asahi Super Dry* in each of the regions in North America, Europe and Asia, through operations that include local licensing agreements and joint ventures.	• *Asahi Honnama Gold* happoshu, and *Asahi Shinnama* and *Asahi Shinnama 3* new genre beverages were launched for sale. • Core brand products in shochu and RTD beverages demonstrated growing sales. • A new operational base was established in Bangkok, Thailand, and local production of *Asahi Super Dry* began in the United Kingdom.
Manufacturing and sales of canned coffee such as *WONDA* and tea-based beverages such as *Asahi Juroku-Cha* and *Asahi Wakamusha*, and soft drinks including *Mitsuya Cider* and *Bireley's*. In overseas markets, we undertake the manufacturing and sales of soft drinks centering on the Chinese and Korean markets.	• Main business entity Asahi Soft Drinks Co., Ltd. reported record-breaking revenues in operating income. • Business performance of China's Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. exceeded initial targets. • The stock of two chilled drinks makers, LB, Ltd. (Saitama) and LB, Ltd. (Nagoya) was acquired, and the companies were transformed into subsidiaries.
Manufacturing and sales of *MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bar, *EBIOS* quasi-drug made from brewer's yeast and *Actio* supplement tablet. Development of dietary support food products based on research results concerning the functional properties of brewer's yeast, and agriculture-related businesses.	• Main business entity Asahi Food & Healthcare Co., Ltd. improved revenues and returned to the black. • Acquired stock of healthcare foods maker Sunwell Co., Ltd.
Group company sales support operations, such as logistics and sales support businesses, and operation of restaurants.	• Endeavored to enhance profitability and bolster competitiveness through store improvements and management reforms in the restaurant business; integrated and reorganized Group companies in the logistics business.

Alcoholic Beverages Business



Review of Consolidated Operations

Market Trends

In the domestic beer-type beverages—beer, happoshu (low-malt beer) and new genre beverages (no-malt beer)—market in 2005, total taxable shipments declined by 3.1% year-on-year. Beer decreased by 7.9% due to factors including a rebound from the temporary demand generated by the introduction of the new trading system. Happoshu dropped 24.8% under the influence of the expanding new genre market, which nearly tripled in size. Consequently, in the total beer-type beverages market, beer accounted for 56.4%, happoshu 27.8% and new genre beverages 15.8%.

On the other hand, the markets for Otsu-type shochu and RTD (ready-to-drink) beverages continued to expand. The shochu market is estimated to have grown slightly year-on-year with the RTD market expanding by approximately 5%, while both the whisky and spirits market and the wine market are estimated to have each decreased by approximately 2% to 3%.

Review of Performance

Total sales for the alcoholic beverages business in fiscal 2005 decreased 5.0%, from fiscal 2004, to ¥1,025,447 million, and operating income decreased 14.1% to ¥78,089 million.

In 2005, we made an all-out effort to promote sales and promotion of *Asahi Super Dry* by focusing on product freshness. However, though we succeeded in raising our share of the market, taxable shipments of beer decreased 7.5% year-on-year due to stagnation in the overall market.

In the happoshu and new genre market, we launched *Asahi Honnama Gold*, a new happoshu, in February and *Asahi Shinnama*, a new genre beverage, in April. In addition, we responded quickly to changing customer preferences and values by launching *Asahi Shinnama 3*, which offers enhanced flavor and newly designed packaging, in November. Through these activities, combined taxable shipments of happoshu and new genre beverages increased 1.6% year-on-year.

Asahi Super Dry

Asahi Honnama

Asahi Shinnama 3

Asahi Cocktail Partner

Sankaboshizai-Mutenka Wine (antioxidant-free wine)

Kanoka

Taketsuru 12 years

Combined taxable shipments for beer-type beverages as a whole decreased 5.1% year-on-year due to the decline in the beer category.

In other alcoholic beverages, such as shochu, RTD beverages, whisky and spirits, and wine, we invested our management resources in core brands in each category with measurable success. In concrete terms, sales for *Kanoka* shochu increased 31% year-on-year. In the RTD beverages category, sales of *Asahi Cocktail Partner* increased 26%.

In the whisky and spirits, and wine categories, we bolstered the sales promotion measures of our core bands, sought to renew them and launched new products.

As a result, total sales for alcoholic beverages, excluding beer-type beverages, increased 4.9% year-on-year to ¥133.4 billion.

In our overseas alcoholic beverages business, we took aggressive action by identifying Asia as our priority market, centered on the high-growth market of China. We also established a business base in Bangkok, Thailand, to reinforce our operations in the ASEAN and Oceania regions. Meanwhile, in Europe we sought to strengthen our business base by starting production of *Asahi Super Dry* at Shepherd Neame Ltd. in the U.K.

Targets and Strategies

Market Outlook

In 2006, the market for domestic beer-type beverages is expected to remain roughly in line with or slightly below 2005 levels. The decline in beer consumption is expected to be limited to about 1% amid a slowdown in customer defection to low-priced products, such as happoshu and new-genre beverages, and signs of a recovery in consumption in the commercial-use market. Happoshu is projected to decrease by about 8% based on the new genre market expanding by nearly 14%.

In overseas markets, consumption is expected to rise in China ahead of the 2008 Beijing Olympics, as well as in other Asian countries, where the ASEAN Free Trade Area is likely to bring about economic growth.

Performance Outlook and Strategies for the Alcoholic Beverages Business

In 2006, we intend to achieve performance targets of ¥1,067.0 billion in sales and ¥91.5 billion in operating income for total alcoholic beverages.

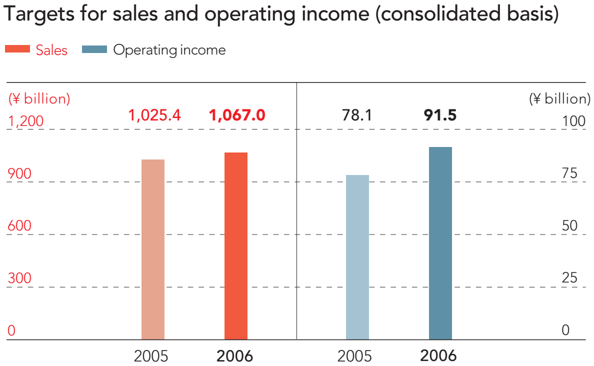
In the domestic alcoholic beverages business, we will invest our management resources in regaining the growth momentum for beer-type beverages with a particular emphasis on beer, our core product. Specific plans include: promotional events at mass retailers; year-round sales of "freshness pack" products; an advice and training program for restaurants and bars to ensure keg draft beer is served at peak flavor in the commercial-use market; and expanded sales of our premium beer. We expect these measures to result in a 3% year-on-year increase in total sales of beer, led by *Asahi Super Dry*. Combined sales of happoshu and new-genre beverages are expected to increase 4.6%, centered on efforts to revitalize the sales of existing brands through effective promotion measures. Our goal is to increase total sales for beer-type beverages by 3.4%.

We will aim to raise total sales of domestic alcoholic beverages, excluding beer-type beverages, by 8.4% to ¥144.6 billion compared to previous fiscal year. In 2006, we will invest our management resources in bolstering our main shochu brand, *Kanoka*, and core RTD beverages brands, including *Asahi Cocktail Partner*, which have shown steady progress, to propel sales growth for the entire category.

We will maintain our efforts to cut expenses by seeking to reduce manufacturing and logistics costs, as well as fixed costs such as personnel and promotion expenses. We will also endeavor to further lower our breakeven point through overall enhancements on our supply chain by establishing an optimal production system.

Meanwhile, in our overseas alcoholic beverages business, we will continue pursuing aggressive action in pursuit of greater profitability centered on China and other Asian countries.

Targets for sales and operating income (consolidated basis)



Sales plan by alcoholic beverages category (Asahi Breweries, Ltd.)

(¥ billion)

	2006	2005	Year-on-year
Beer	**748.3**	726.2	+3.0%
Happoshu (low-malt beer)	**141.1**	147.4	-4.3%
New genre (no-malt beer)	**59.0**	45.9	+28.7%
Shochu	**60.1**	55.1	+9.1%
RTD beverages	**38.2**	32.7	+16.8%
Whisky and Spirits	**28.2**	28.2	0.0%
Wines	**15.1**	14.5	+4.1%
Others	**3.0**	2.9	+2.7%

Soft Drinks Business

Review of Consolidated Operations

Market Trends

In 2005, the domestic soft drinks market remained steady under favorable conditions brought about by fair weather throughout the year. In addition, soft drink makers aggressively launched new tea-based and other drinks, and sales volume in the overall market is estimated to have risen approximately 2% year-on-year. Against this backdrop, Asahi Soft Drinks Co., Ltd., maintained remarkable performance with shipments increasing 10% year-on-year, significantly exceeding the industry average.

By category, annual market growth is estimated to have been 20% for mineral water, 5% for Japanese tea (green tea) and 4% for canned coffee.

Review of Performance

In fiscal 2005, we accomplished increased sales and profits in the soft drinks business for the third consecutive year. Sales rose 22.8% year-on-year to ¥267,003 million and operating income rose 6.4% to ¥8,632 million, marking a record high and thereby enabling us to exceed our targets for fiscal 2005 in the Second Medium-Term Management Plan.

The most significant factor was considerable and continuous sales growth in the domestic soft drinks market by Asahi Soft Drinks Co., Ltd., our main business corporation. The Company was successful in its product strategy of bolstering core brands *WONDA*, *Mitsuya* and *Asahi Juroku-Cha* and introducing new brands to high-growth markets, as well as in reforming its cost structure. The core brands, *WONDA* and *Mitsuya*, and the new product, *Asahi Super H_2O*, did particularly well, while *Asahi Fujisan no Vanadium Tennensui* (vanadium natural mineral water from Mt. Fuji) also won a strongly favorable response in the mineral water market.

In the overseas soft drinks business, we expanded our business centering on Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. in China and Haitai Beverage Co., Ltd. in Korea. Particularly, sales of tea-based drinks, fruit juice and mineral water by Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., an affiliate based on the equity method, fared especially well, exceeding expectations to achieve significant growth and contributed to overall performance.

In addition, in 2005, the Group acquired the stock of LB, Ltd. (Saitama) and LB, Ltd. (Nagoya), who produce and sell chilled beverages, and turned them into consolidated subsidiaries in May and September, respectively.

Targets and Strategies

Market Outlook, and Performance Targets and Strategies

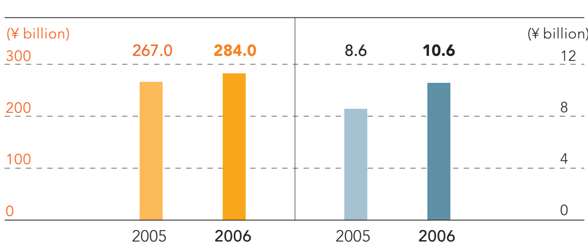
The overall domestic soft drinks market for 2006 is expected to remain stable, and its sales volume is forecasted to stay at the same level as in 2005. With this projection, the Group's profit goal is to attain net sales of ¥284.0 billion and operating income of ¥10.6 billion for the entire soft drinks business.

In the domestic soft drink market, Asahi Soft Drinks Co., Ltd. will target continued expansion through pursuing aggressive product strategies, reforming its operating and Supply Chain Management (SCM) systems, and reinforcing cost competitiveness. In terms of products, in addition to its three core brands, *WONDA*, *Mitsuya* and *Asahi Juroku-Cha*, the Company will also focus on expanding sales of *Asahi Super H2O* and *Asahi Wakamusha*, both introduced to the market in 2005, and *Asahi Fujisan no Vanadium Tennensui*, which is performing favorably.

LB, Ltd. (Saitama) and LB, Ltd. (Nagoya), which will make a full-year contribution to performance from 2006, will continue seeking to expand business as Asahi Breweries Group's main corporations in the chilled beverages market, endeavoring to raise operational efficiency and expand sales and profits by generating synergies among Group companies through collaboration in production and logistics with Asahi Soft Drinks Co., Ltd.

Meanwhile, in the overseas market, Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., in China, and Haitai Beverage Co., Ltd., in Korea, will be central in the ongoing effort to bolster profitability and establish foundations for growth in business development centering on Asia.

Targets for sales and operating income (consolidated basis)



Sales plan by soft drink category (Asahi Soft Drinks Co., Ltd.)

(¥ billion)

	2006	2005	Year-on-year
Carbonated beverages	51.2	50.4	+2.3%
Fruit and vegetable drinks	20.0	19.8	+0.9%
Coffee	64.5	60.4	+6.8%
Tea-based drinks	58.6	58.0	+1.0%
Other soft drinks	36.2	34.1	+6.1%

WONDA *Asahi Juroku-Cha* *Mitsuya Cider* *Asahi Super H2O* *Asahi Wakamusya*

Food and Pharmaceuticals Business

Review of Consolidated Operations

Review of Performance

Sales in the food and pharmaceuticals business rose 14.1% year-on-year to ¥25,286 million. The business also returned to the black, as operating income increased by ¥1,404 million to ¥805 million. This was primarily due to significantly improved profit demonstrated by Asahi Food & Healthcare Co., Ltd., the main business corporation.

Asahi Food & Healthcare Co., Ltd. pursued aggressive growth strategies and cost reductions. With respect to product sales, the Company saw steady growth in all four priority products: *MINTIA* breath mint tablets, *BALANCEUP* nutritionally balanced snack bar, *EBIOS* quasi-drug made from brewer's yeast and *Actio* supplement, for which concentrated expansion efforts were made. The success of *MINTIA* and *BALANCEUP* resulted from cultivating the Pola Foods brand acquired in 2003. The Company was also able to achieve sales growth in the food product materials business, including brewer's yeast extract and freeze-dried ingredients, as well as in the direct marketing business.

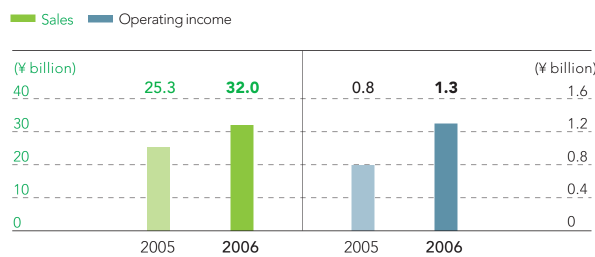
Apart from these activities, the Group acquired the stock of health food company Sunwell Co., Ltd. in March 2005 to expand sales channels and reinforce products in the area of supplements.

Targets and Strategies

In fiscal 2006, we will aim to achieve net sales of ¥32.0 billion and operating income of ¥1.3 billion for the food and pharmaceuticals business as a whole.

Asahi Food & Healthcare Co., Ltd. will strive to expand sales of mainstay products, such as *MINTIA*, to maintain profitability and further strengthen its sales and profit base, and will also endeavor to venture into new areas, including diet support foods based on the results of research on the functionality of brewer's yeast and agriculture-related businesses. It will concurrently continue efforts to reduce costs through structural reform. The Company's goal for fiscal 2006 is to attain net sales of ¥30.5 billion, up 13.8% year-on-year, and operating income of ¥1.0 billion, up 40.8% year-on-year.

Targets for sales and operating income (consolidated basis)



EBIOS

Actio


BALANCEUP

MINTIA

Other businesses

Review of Performance

Other businesses include logistics, sales support, information systems and restaurant operations.

In fiscal 2005, the Group endeavored to enhance profitability and strengthen competitiveness by undertaking store renovations and management reforms to match customer needs in the restaurant business and also by reorganizing and integrating Group companies in the logistics business. However, due to declining sales in the wholesale business, total sales for other businesses decreased 10.7% year-on-year to ¥112,291 million and operating income fell 12.8% to ¥2,559 million.

Overseas Business

Expanding Beer and Soft Drinks Sales in Asia, including the Fast Growing Chinese Market, as the Top Priority

The Asahi Breweries Group produces and sells beer and soft drinks in Asia, Oceania, North America and Europe. We intend to grow our overseas businesses to a pillar of future earnings for the Group by identifying China and Southeast Asia as our top priority regions and by striving to attain greater profitability and a solid foundation for growth.

*Net sales and operating income (loss) for overseas businesses are included in the alcoholic beverages business, soft drink business and other business segments.

Beer Business in North America

We emphasize profitability in our marketing activities by focusing on the West Coast, Hawaii and eastern metropolitan areas, including New York, where Japanese beer brands enjoy high demand. In January 2005, we began selling *Asahi Select*, which has been well accepted in the market.

- Products manufactured and sold: *Asahi Super Dry, Asahi Select*
- Production under license: Molson Canada, Ltd., Vancouver, Canada

Beer Business in Europe

We sell *Asahi Super Dry* in Europe with a focus on the U.K. market, where demand for foreign beer is high, as well as in the Japanese and Asian beer market segments in France, Italy, Germany and Russia. In September 2005, we began production of *Asahi Super Dry* at Shepherd Neame Ltd., in the United Kingdom.

- Product manufactured and sold: *Asahi Super Dry*
- Production under license: Shepherd Neame Ltd., Kent, U.K.; Staropramen Brewery of Prague, Czech Republic

Beer Business in ASEAN and Oceania Regions

We are working to increase sales of *Asahi Super Dry* as a premium beer in East Asia, Oceania and ASEAN countries where import duty tariff is lowered by the establishment of AFTA (ASEAN Free Trade Area). In Taiwan, the launch of *Asahi Kampai* resulted in great success. In October 2005, we established a Regional Office in Bangkok, Thailand to strengthen our marketing activities in the ASEAN and Oceania regions.

- Products manufactured and sold: *Asahi Super Dry, Asahi Kampai*
- Production under license: Khon Kaen Brewery Co., Ltd., Thailand

Asahi Super Dry

Asahi Kampai

Asahi Select

Beer Business in China

Asahi Breweries entered the Chinese beer market in 1994 and currently operates four joint venture companies, including Beijing Beer Asahi Co., Ltd. and Hangzhou Xihu Beer Asahi Co., Ltd. These joint venture companies produce and sell *Asahi Super Dry* brand, which belongs to a premium beer category, as well as local brands in a standard beer category that constitutes the majority of demand. In January 2005, in order to accelerate the decision making process, we opened our China Business Headquarters in Beijing as a base for the growing beer companies in which we have invested. Total production volume of the companies in which Asahi Breweries has invested reached 5,800,000 hectoliters in 2005.

- Products manufactured and sold: *Asahi Super Dry*, other Asahi brand beers and local brand beers of each joint venture company
- Volume of production and sales: 5.8 million hectoliters (actual results for 2005)
- Business corporations (joint venture companies): Hangzhou Xihu Beer Asahi Co., Ltd., Beijing Beer Asahi Co., Ltd., Yantai Beer Asahi Co., Ltd., Shenzhen Tsingtao Beer Asahi Co., Ltd.

Soft Drinks Business in China and Korea

We produce and sell various soft drinks through joint ventures with Chinese and Korean companies. With respect to our soft drinks business with Korea's Haitai Beverage Co., Ltd. and China's Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., we will endeavor to further strengthen our profit base through technical and management support provided by the Asahi Breweries Group.

- Products manufactured and sold: bottled water, tea-based beverages, fruit juice and other soft drinks
- Business corporations: Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd. (joint venture between Tsingtao Breweries Group and Asahi Breweries, Ltd.), in Shandong, China; Tingyi-Asahi-Itochu Beverages Holding Co. Ltd. (joint venture between Tingyi Holding Corporation, Asahi Breweries, Ltd. and Itochu Corp.), in China and the Cayman Islands; and Haitai Beverages Co., Ltd. (consolidated subsidiary of Asahi Breweries, Ltd.), in Seoul, Korea


Soft Drinks in Korea


Beijing Beer


Soft Drinks in China

China and Korea

Sales centers:
- Asahi Breweries, Ltd.
- Asahi Beer (Shanghai) Product Services Co., Ltd.
- Lotte Asahi Liquor Co., Ltd.

Production centers:
- Beer
- Soft drinks (Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.)
- Soft drinks (Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd.)
- Soft drinks (Haitai Beverage Co., Ltd.)

Topics 1 — Expanding Growth in the Asian/Oceania Regions, through a Marketing Base in Bangkok, Thailand

We are developing our marketing and sales activities focusing on the fast-growing ASEAN countries; East Asia, including Taiwan and Korea; and Australia. In an effort to enhance our competitive edge in these areas, in October 2005 we started our Regional Office based in Bangkok to bolster rapid decision-making process and strengthen our business activities in the markets.

These regions are the fastest growing markets in the beer business, where sales of *Asahi Super Dry* is steadily expanding. We will continue to make further growth in the ASEAN and Oceania regions.

Topics 2 — Commencement of Local Production of *Asahi Super Dry* in the United Kingdom.

We will seek to expand sales of keg beer, which account for a substantial proportion of consumption in the U.K. market, through our latest base at Shepherd Neame Ltd., in Kent, where licensed production has begun. In the U.K. market centered on London, the younger generation's strong interest in Japan has provided a favorable backdrop, encouraging recognition of *Asahi Super Dry* as a premium beer and resulting in growing demand in both the off-trade and on-trade markets. We will pursue full-scale entry into the on-trade market for keg beer and seek to expand sales by accurately responding to demand from pubs, bars and other businesses through licensed production in the U.K.

Financial Section

Eleven-Year Summary

Years ended December, 31

	Millions of yen				
	2005	2004	2003	2002	2001
For the year:					
Net sales	¥1,430,027	¥1,444,226	¥1,400,302	¥1,375,267	¥1,433,364
Operating income	90,249	101,273	78,984	69,341	77,777
Income before income (loss) taxes and minority interests	75,725	58,369	48,681	32,483	18,611
Net income (loss)	39,870	30,596	23,210	14,754	13,617
Capital investments	43,941	40,134	38,184	41,257	64,829
Depreciation	50,028	51,339	53,101	51,546	52,901
<Segment information>					
Sales:					
Alcoholic beverages	—	—	—	—	1,179,412
Soft drinks and food	—	—	—	—	201,772
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	3,058
Others	—	—	—	—	49,122
Sales: (New Segments)					
Alcoholic beverages	1,025,447	1,078,931	1,067,136	1,057,029	1,101,620
Soft drinks	267,003	217,380	185,738	173,773	192,526
Food and pharmaceuticals	25,286	22,163	21,547	14,232	14,561
Others	112,291	125,752	125,881	130,233	124,657
Operating income:					
Alcoholic beverages	—	—	—	—	92,635
Soft drinks and food	—	—	—	—	(1,485)
Pharmaceuticals	—	—	—	—	—
Real estate	—	—	—	—	1,833
Others	—	—	—	—	(816)
Operating income: (New Segments)					
Alcoholic beverages	78,089	90,872	72,452	69,145	76,809
Soft drinks	8,632	8,114	2,645	(4,086)	(2,079)
Food and pharmaceuticals	805	(599)	169	8	406
Others	2,559	2,935	3,399	3,855	2,476
Financial position:					
Total assets	1,218,227	1,250,818	1,244,410	1,294,738	1,341,103
Total shareholders' equity	454,892	417,828	398,153	387,539	385,965
Interest-bearing debt	289,202	303,089	336,285	402,206	417,167
	Yen				
Per share data:					
Net income (loss): Primary	82.22	62.52	46.80	28.90	27.00
: Fully diluted	80.98	60.64	44.58	27.46	25.25
Shareholders' equity	951.12	860.66	810.19	770.86	752.25
Cash dividends applicable to the year	17.00	15.00	13.00	13.00	13.00
	%				
Ratios:					
Net income to shareholders' equity (ROE)	9.1	7.5	5.9	3.8	3.7
Operating income per net sales	6.3	7.0	5.6	5.0	5.4
Operating income per net sales (exclusive of alcohol tax)	9.8	11.4	9.2	8.3	9.0
Shareholders' equity to total assets	37.3	33.4	32.0	29.9	28.8

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118.07 to U.S.$1, the exchange rate prevailing at December 31, 2005.

*1 Disclosure of fully diluted per share data of net income was waived due to the immateriality of dilution effect.
*2 In case of net loss, disclosure of fully diluted per share data is not required.

	Millions of yen						Thousands of U.S. dollars (Note)
	2000	1999	1998	1997	1996	1995	2005
	¥1,399,108	¥1,396,898	¥1,357,217	¥1,313,257	¥1,212,046	¥1,087,900	$12,111,688
	76,550	80,122	91,893	96,299	99,643	77,829	764,368
	(18,116)	15,038	23,273	32,798	36,291	24,480	641,356
	(15,707)	4,082	579	11,555	8,231	6,607	337,681
	66,518	63,149	103,449	100,936	48,366	33,906	372,162
	51,790	43,840	39,656	35,740	34,245	32,629	423,715
	1,127,737	1,114,441	1,068,908	1,017,915	933,072	832,106	—
	216,191	229,704	234,729	204,199	192,127	170,241	—
	—	—	—	41,891	40,158	39,746	—
	4,194	3,897	4,921	4,488	3,819	4,415	—
	50,986	48,856	48,659	44,764	42,870	41,392	—
							8,685,077
							2,261,396
							214,161
							951,054
	86,774	86,037	92,583	92,140	86,489	64,935	—
	2,009	6,972	7,641	5,290	11,686	13,668	—
	—	—	—	5,723	5,343	4,625	—
	2,717	1,623	3,060	3,453	3,326	4,071	—
	(758)	94	950	1,007	430	175	—
							661,379
							73,110
							6,818
							21,674
	1,389,827	1,405,507	1,519,014	1,616,210	1,697,268	1,727,834	10,317,837
	356,009	383,474	387,089	374,591	319,645	298,804	3,852,731
	503,371	502,327	613,194	695,569	861,955	893,300	2,449,411
	Yen						U.S. dollars (Note)
	(31.54)	8.20	1.19	25.15	19.18	15.60	0.70
	—*2	8.11	—*1	23.36	17.56	—*1	0.69
	715.04	777.04	777.60	776.68	723.99	703.45	8.06
	12.00	12.00	12.00	11.00	10.00	9.50	0.14
	%						
	(4.2)	1.1	0.2	3.3	2.7	2.2	
	5.5	5.7	6.8	7.3	8.2	7.2	
	9.2	9.7	11.5	12.3	13.7	11.9	
	25.6	27.3	25.5	23.2	18.8	17.3	

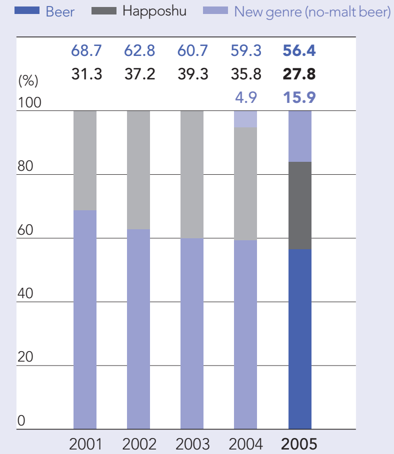
Overview

Market trends

In the alcoholic beverage industry in the fiscal year ended December 31, 2005, the market for the new genre (no-malt beer), expanded three fold from the previous fiscal year. This expansion, however, was insufficient to ensure overall market growth, and consequently, taxable shipments fell around 3% year-on-year. On the other hand, the markets for Otsu-type shochu and RTD (ready-to-drink) beverages showed continued growth, though at a slower rate than the previous fiscal year.

In the soft drinks industry, contrary to expectations for a market decline caused by a rebound effect from the record-breaking summer heat of the previous fiscal year, sales volume for the overall market is estimated to have increased by approximately 2% year-on-year due to factors including the aggressive launching of new products by soft drink companies.

Product share in the beer-type beverage market by genre



* Based on taxable shipments

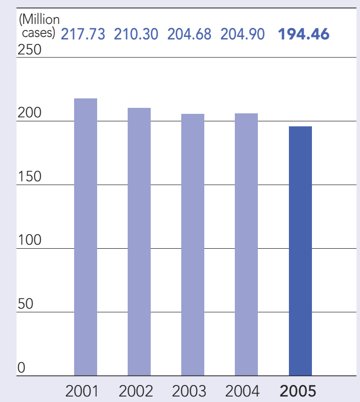
Net sales

Net sales of Asahi Breweries, Ltd. and its consolidated subsidiaries ("the Companies") decreased ¥14.2 billion, or 1.0% year-on-year, to ¥1,430.0 billion, as increased sales in both the soft drinks business and the food and pharmaceuticals business were not enough to offset the decline in the alcoholic beverages business.

In sales composition by segment, the alcoholic beverages business decreased its share slightly to 71.7% compared with the 74.7% mark of the previous fiscal year, while the soft drinks business increased its share to 18.6% compared with 15.1% in the previous fiscal year.

Sales in the alcoholic beverages business and soft drinks business include net sales from the Companies' overseas business. Sales overseas increased ¥22.2 billion year-on-year to ¥53.8 billion, mainly due to the year-round contribution from sales generated by South Korea's Haitai Beverage Co., Ltd., which became a consolidated subsidiary in 2004.

Asahi's taxable shipments of beer-type beverages

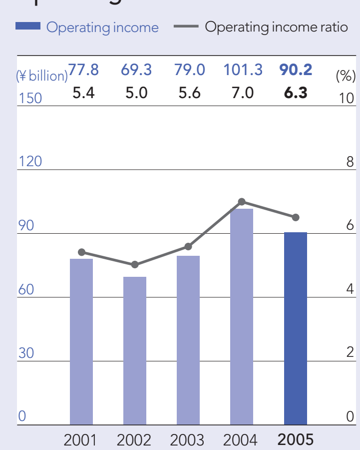


Operating income

Cost of sales decreased ¥24.6 billion, or 2.5% year-on-year, to ¥954.0 billion, and the cost-of-sales ratio slightly decreased from 67.8% in the previous fiscal year to 66.7%. This was primarily due to the lower cost-to-sales ratio involved in new genre beverages launched for sales in the fiscal year under review compared with beer and happoshu, and progress in reducing procurement costs of raw materials and other costs in the alcoholic beverages business and soft drinks business.

Selling, general and administrative expenses increased ¥21.4 billion, or 5.9%, from ¥364.3 billion in the previous fiscal year to ¥385.8 billion, primarily due to increased costs for sales promotion and advertising. Also, R&D expenses included in selling, general and administrative costs was little

Operating income and Operating income ratio



changed from the previous fiscal year at ¥8.3 billion.

As a result, operating income decreased ¥11.0 billion, or 10.9% year-on-year, to ¥90.2 billion. This resulted in a slight decrease in the operating income ratio from 7.0% in the previous fiscal year to 6.3%.

Other income and expenses

Due to reductions in interest-bearing debt, the Companies' interest expenses decreased from ¥4.3 billion in the previous year to ¥4.1 billion.

In addition, favorable performance by Tingyi-Asahi-Itochu Beverages Holding Co., Ltd., a Chinese affiliate under the equity method, led to improved investment gains. A total of ¥22.3 billion in losses, caused by the liquidation of a real estate subsidiary, reported in the previous fiscal year as a loss on sales and disposal of property, plant and equipment, moved off the books for the year under review.

As a result, other expenses decreased ¥28.4 billion to ¥14.5 billion.

Income taxes

The tax rate on income taxes, including corporate tax for fiscal 2005, declined to 44.9% from 46.0% in the previous fiscal year. The difference between the actual effective tax rate of 44.9% and the statutory tax rate of 40.4% is primarily caused by the positive effects of 3.5% in non-deductible expenses and 5.4% in valuation allowances, and the negative effect of 2.3% in reversal of valuation allowances and 2.4% in equity in net income of unconsolidated subsidiaries and affiliated companies.

Net income

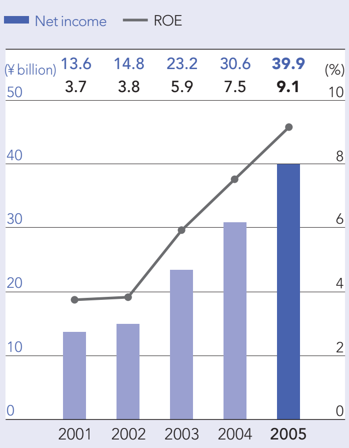
Net income increased ¥9.3 billion, or 30.3%, from the previous year to ¥39.9 billion, marking a record high for the third consecutive year, due to a significant decrease in non-operating loses. Net income ratio increased from 2.1% in the previous year to 2.8%, and ROE improved significantly from 7.5% to 9.1%. Net income per share (diluted) also marked a record high of ¥80.98.

Dividends

Asahi Breweries, Ltd. increased year-end dividend by ¥2.0 in fiscal 2005 to ¥9.5. Ordinary dividend per share, combined with the half-term dividend of ¥7.5, will result in an ordinary dividend of ¥17.0 for the full year.

Including the half-term dividend of ¥8.5 per share, the ordinary dividend per share for the next fiscal year is expected to total ¥17.0 per share, the same amount as the fiscal year under review.

Net income (loss) and ROE



Review of operations by segment

	Millions of yen		
	2005	2004	Percent change
Sales			
Alcoholic beverages	¥1,025,447	¥1,078,931	(5.0)
Soft drinks	267,003	217,380	22.8
Food and pharmaceutical	25,286	22,163	14.1
Other businesses	112,291	125,752	(10.7)
Operating income			
Alcoholic beverages	78,089	90,872	(14.1)
Soft drinks	8,632	8,114	6.4
Food and pharmaceutical	805	(599)	—
Other businesses	2,559	2,935	(12.8)

Alcoholic beverages business

In fiscal 2005, sales fell 5.0% year-on-year to ¥1,025.4 billion due to stagnation in the overall beer-type beverages market. Accordingly, operating income declined 14.1% year-on-year to ¥78.1 billion.

Asahi Breweries, Ltd.

Beer-type beverages

Although sales promotion efforts primarily for *Asahi Super Dry* resulted in raising the Company's share in the beer market, taxable shipments decreased 7.5% year-on-year due to stagnation in the overall market.

In the markets for happoshu and the new genre (no-malt beer), the Company launched happoshu *Asahi Honnama Gold* and new genre products *Asahi Shinnama* and *Asahi Shinnama 3*. *Asahi Shinnama 3*, a new version of *Asahi Shinnama* released in November 2005, has remained second in rank in retail share data for convenience stores. As a result, combined taxable shipments for happoshu and new genre products increased 1.6% year-on-year.

Combined taxable shipments for these beer-type beverages as a whole decreased 5.1% due to the effect of the decline in beer shipments and fell short of initial projections.

As a result of the above, overall sales of beer-type beverages decreased 6.9% from ¥987.4 billion in the previous fiscal year to ¥919.5 billion. The Company increased its market share of combined taxable shipments for beer-type beverages to 38.8%, retaining the top share in the domestic market for the fifth consecutive year.

Other alcoholic beverages

Overall sales for other alcoholic beverages, which comprise shochu, RTD beverages, whisky and spirits, and wine, increased 4.9% year-on-year to ¥133.4 billion.

In other alcoholic beverages, the Company concentrated its management resources into core brands in each category, while simultaneously launching several new products. As a result, we were able to reconfirm the established strengths of our core brands as standard products in both the shochu and RTD beverage categories, which represent high-growth areas.

Shochu

Sales increased 6.4% from ¥51.8 billion in the previous fiscal year to ¥55.1 billion. In particular, our core *Kanoka* brand demonstrated a 31% year-on-year increase in sales volume, significantly exceeding the industry average.

Ready-to-Drink (RTD) beverages

Sales rose 13.1% from ¥28.3 billion in the previous fiscal year to ¥32.1 billion, achieving considerable growth. In particular, sales volume for *Asahi Cocktail Partner* rose 26% year-on-year, thereby accomplishing double-digit growth for the fourth consecutive year. Sales volume for *Asahi Shunka Shibori* also grew 9% year-on-year.

Whisky and spirits

Despite the Company's efforts to reinforce core brands and renew existing brands, sales decreased 4.4% from ¥29.5 billion in the previous fiscal year to ¥28.2 billion.

Wine

As a result of efforts to renew domestic wines and reinforce sales promotion measures for mainstay imported wines, sales rose 4.7% from ¥14.4 billion in the previous fiscal year to ¥15.1 billion.

Overseas alcoholic beverages business

In the overseas alcoholic beverages business, the Company identified the Asian market, including China with its high growth potential, as a priority. The Company succeeded in establishing a solid growth base for local beer companies in which it has a capital stake by opening a China Business Headquarters in Beijing to accelerate the decision-making process.

In addition, an operational base was established in Bangkok, Thailand, in October 2005, to promote aggressive cultivation of the growth markets in ASEAN countries, including Thailand and Cambodia.

In Europe, the Company began local production in the U.K., the Company's priority market in Europe, in a further effort to actively develop the commercial market to bolster its business foundation.

Soft drinks business

In the soft drinks business, sales increased 22.8% year-on-year to ¥267.0 billion. Accordingly, operating income increased 6.4% year-on-year to ¥8.6 billion, representing three consecutive years of growth in sales and profit. Solid sales performance by Asahi Soft Drinks Co., Ltd.'s mainstay brands, mineral water and new sports drinks in the domestic market was a significant factor behind this growth.

Asahi Soft Drinks Co., Ltd.

In fiscal 2005, Asahi Soft Drinks Co., Ltd., which is responsible for the domestic soft drinks business, implemented the final phase of reform in its profit structure by pursuing growth strategies and structural reform, as well as further reinforcing its business foundation.

As part of its growth strategy, the Company endeavored to strengthen and expand its core brands *WONDA*, *Mitsuya* and *Asahi Juroku-Cha*, and concentrated on bolstering sales of *Asahi Wakamusha* in the high-growth tea-based drinks market, *Asahi Fujisan no Vanadium Tennensui* in the mineral water market and sports drink *Asahi Super H_2O* in the health drinks market, winning a strongly favorable customer response.

In structural reforms, the Company sought to improve profitability by spinning off its vending machine operations to establish Asahi Beverage Service Co., Ltd. and raising operational efficiency in addition to implementing company-wide cost reductions.

Furthermore, the Company strengthened and expanded its foundation of new business domains by acquiring the shares of LB, Ltd. (Saitama) and LB, Ltd. (Nagoya) toward expanding its chilled drinks and home delivery businesses.

Carbonated beverages

The Company maintained its aggressive advertisement campaign and sales promotion activities with respect to the *Mitsuya* brand, which celebrated its 120th anniversary in 2004, centered on *Mitsuya Cider*, together with the nationwide release of *Mitsuya Shiroi Cider*, to bolster the *Mitsuya* brand. As a result, total sales of carbonated drinks increased 7.6% year-on-year to ¥50.0 billion.

Fruit and vegetable drinks

The Company continued developing *Soshun Kajitsu*, a product series based on the concept of "getting a head start on seasonal fruits and vegetables", in an effort to revitalize the *Bireley's* brand, creating new appeal for its brand concept within a wider audience. As a result, total sales for fruit and vegetable drinks increased 17.2% year-on-year to ¥19.8 billion.

Coffee

With respect to its core brand, *WONDA*, the Company pursued advertisement and sales promotion activities centered on its mainstay product, *WONDA Morning Shot*. Due to favorable sales of new products such as light sugar *WONDA SHOT & SHOT* and sugar-free *WONDA STRAIGHT CAFE*, an unique product offering, total sales of canned coffee increased 14.0% year-on-year to ¥60.4 billion, marking a record high in an industry where sales of canned coffee increased only slightly.

Tea-based drinks

With respect to *Asahi Juroku-Cha*, the Company focused on the healthy aspect of the product and endeavored to revitalize the brand by making it a caffeine-free drink fit for consumption by the entire family and by further reinforcing the health value of its ingredients. Following an aggressive advertisement campaign and sales promotion activities, the new product, *Asahi Wakamusha*, became the Company's first product in the green tea category to sell over 10 million cases in the past four years. However, despite the rise in sales of Japanese tea-based drinks, declines in sales of other tea-based drinks resulted in a 1.5% year-on-year decrease in total sales of tea-based drinks to ¥58.0 billion.

Other soft drinks

Sales of health drinks increased 22.9% year-on-year, due to the popularity of *Asahi Super H_2O*, based on a hypotonic design with lower osmolality than body fluids. In the mineral water category, sales of *Asahi Fujisan no Vanadium Tennensui* (vanadium natural mineral water from Mr.Fuji) continued to grow, rising 39.0% year-on-year. As a result, total sales of other soft drinks increased 30.9% year-on-year to ¥34.1 billion.

Overseas drinks business

In the overseas drinks business, the Company sought to expand the foundation of its soft drink business in China and South Korea, centering on Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. and Haitai Beverage Co., Ltd. Sales of tea-based drinks, fruit juice and mineral water fared particularly well in China, where productivity also improved significantly with technical assistance provided by the Asahi Breweries Group.

Food and pharmaceuticals business

Sales in the food and pharmaceuticals business in fiscal 2005 increased 14.1% year-on-year to ¥25.3 billion. Operating income increased ¥1.4 billion from the previous fiscal year to ¥0.8 billion.

A concentrated sales effort for the four priority products: *MINTIA* breath mint tablets, *BALANCEUP* vitamin supplement, *EBIOS* quasi-drug and *Actio* supplement, resulted in steady sales growth for each product.

In addition, sales also increased in brewer's yeast extract, freeze-dried ingredients used in the food product materials and direct marketing businesses, signifying solid progress toward transforming into a profitable business structure.

Other businesses

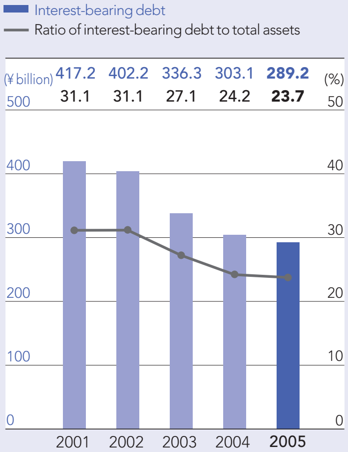
In other businesses, the Companies promoted efforts to improve profitability and bolster competitiveness, including store renovations and management reform in the restaurant business to match customer needs and reorganizing and integrating Group companies in the logistics business. Sales for other businesses nevertheless fell 10.7% year-on-year to ¥112.3 billion due to a decline in sales in the wholesale business. Operating income decreased 12.8% year-on-year to ¥2.6 billion.

Liquidity and capital resources

Asahi Breweries, Ltd. gains its capital resources principally from cash flows from its operating activities, loans from financial institutions and the issuance of bonds or stock. Daily financing needs are in principle met through short-term loans and the issuance of commercial paper.

Free cash flows decreased by ¥22.2 billion, or 31.3% year-on-year, to ¥48.8 billion. Free cash flows were mainly used for acquisition of stock in LB, Ltd.

Interest-bearing debt and Ratio of interest-bearing debt to total assets



(Saitama), LB, Ltd. (Nagoya), Sunwell Co., Ltd. and others (approximately ¥14.1 billion), and for repayment of interest-bearing debt. The outstanding balance of interest-bearing debt decreased ¥13.9 billion, or 4.6% year-on-year, to ¥289.2 billion.

The reduction of interest-bearing debt is a key corporate goal, and the Companies have consistently acted to reduce the outstanding balance each year. As a result, the outstanding amount for fiscal 2005 was reduced to roughly a fifth of its peak of ¥1,411.1 billion in fiscal 1992. Additionally, the debt-equity ratio fell from 4.9 in fiscal 1992 to 0.6 during the year under review.

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

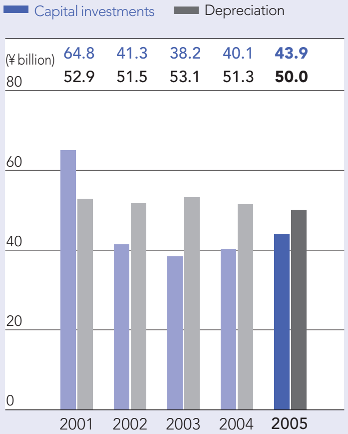
Capital investments

Capital investments increased ¥3.8 billion from ¥40.1 billion in the previous fiscal year to ¥43.9 billion, of which Asahi Breweries, Ltd., invested ¥29.0 billion, primarily for maintaining and updating alcoholic beverage production facilities along with a series of investments for quality improvement and streamlining business.

Group Companies invested primarily in reinforcing and expanding soft drink production facilities at Asahi Soft Drinks Co., Ltd.

Depreciation costs on a consolidated basis totaled ¥50.0 billion, including ¥37.4 billion for Asahi Breweries.

Capital investments and depreciation



Assets, liabilities and shareholders' equity

Total assets at fiscal year-end decreased ¥32.6 billion, or 2.6% year-on-year, to ¥1,218.2 billion. An increase in securities value due to mark-to-market accounting was not enough to offset the effect of the decrease in accounts receivable and deferred tax assets. As a result, return on assets fell slightly from 7.7% to 7.4%.

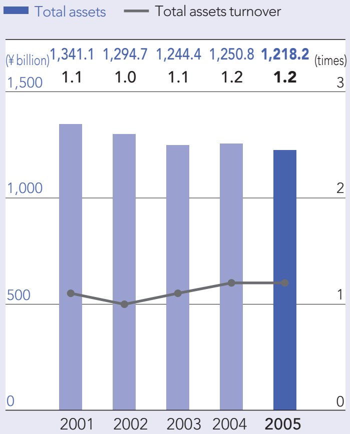
Current assets decreased ¥35.3 billion, or 8.4% year-on-year, to ¥385.5 billion. This was primarily due to the decrease in trade receivable, which fell 9.4% year-on-year to ¥253.5 billion. Trade receivable turnover for the fiscal year under review was 5.4 times compared with 5.3 times for the previous fiscal year.

Inventories increased ¥1.2 billion year-on-year to ¥86.4 billion, despite efforts mainly undertaken by Asahi Breweries, Ltd. to reduce inventories such as semi-finished products, raw materials and supplies. As a result, inventories turned over 16.7 times in the fiscal year under review compared with 16.6 times in the previous fiscal year.

Property, plant and equipment decreased ¥23.2 billion, or 3.5% year-on-year, to ¥634.4 billion. This was mainly because sales of land to dispose of real estate and capital investments remained within the scope of depreciation.

Investments and other assets increased ¥25.9 billion, or 15.0% year-on-year, to ¥198.4 billion. This was mainly due to the increase in valuation caused by a recovery in the stock market, investment of capital in Sunwell Co., Ltd. and increased investment securities from factors such as higher investment gains under the equity method.

Total assets and
Total assets turnover



Current liabilities declined ¥31.7 billion, or 6.0% year-on-year, to ¥499.9 billion. This came about despite the increase of ¥26.8 billion in short-term loans, due to decreases of ¥20.0 billion in deposits received, ¥18.4 billion in accrued corporate taxes and ¥15.5 billion in accrued alcohol taxes.

Long-term liabilities decreased ¥38.1billlion, or 13.9% year-on-year, to ¥236.4 billion, mainly due to the decrease of ¥50.0 billion in bonds.

Total shareholders' equity increased ¥37.1 billion year-on-year to ¥454.9 billion, mainly due to the increase in net unrealized holding gains on securities and increased retained earnings generated by growth in net income.

As a result, the equity ratio improved to 37.3% from 33.4% in the previous fiscal year. Return on equity rose from 7.5% to 9.1% and shareholders' equity per share increased from ¥860.7 to ¥951.1.

Cash flows

Net cash provided by operating activities decreased ¥25.7 billion year-on-year to ¥87.2 billion, mainly due to increased expenditures caused by factors such as the increase in corporate tax payments and the decrease in accrued alcohol taxes.

Net cash used in investment activities decreased ¥10.3 billion year-on-year to ¥44.5 billion, in the absence of significant expenditures involving the acquisition of stock for Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. that occurred in the previous fiscal year. In fiscal 2005, despite an increase in income on the sale of property, plant and equipment aimed at disposing real estate, expenditures related to the acquisition of stock in LB, Ltd. (Saitama), LB, Ltd. (Nagoya) and Sunwell Co., Ltd., also occurred.

Cash flows used in financing activities decreased ¥20.0 billion year-on-year to ¥35.7 billion due to expenditures for the repayment of financial debt that had a considerable effect in the previous fiscal year. In fiscal 2005, the Companies continued efforts from the previous fiscal year to repay financial debt, using a total of ¥19.6 billion for debt including short-term loans, commercial paper, long-term loans and bonds.

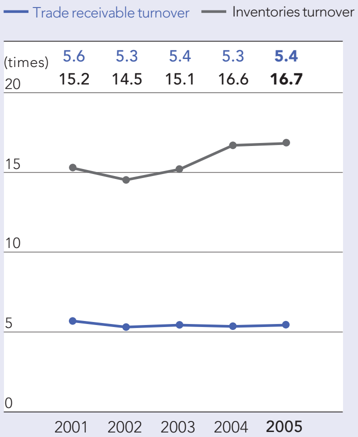
As a result, cash and cash equivalents at fiscal year-end increased ¥7.7 billion year-on-year to ¥21.3 billion.

R&D activities

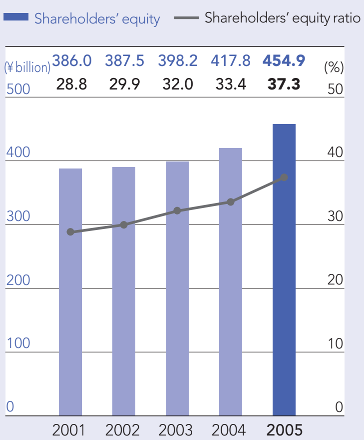
The Companies develop new alcoholic beverage products and technologies for enhancing quality, while also pursuing research and development on unique functional materials based on brewer's yeast and apple polyphenol to strengthen its health-related business, as well as developing environment-related businesses. Major accomplishments in fiscal 2005 included the following:

- Discovered that the substance behind the unpleasant "sunlight flavor", when beer is exposed to direct light, is also caused by factors other than light; reported findings at an academic conference on beer brewing held in Europe.
- Succeeded in developing plant revitalizing material using cell membranes

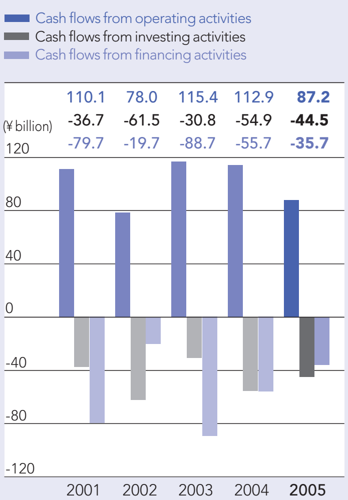
Trade receivable turnover and Inventories turnover



Shareholders' equity and Shareholders' equity ratio



Cash flows



Financial Section

separated from brewer's yeast; promotes healthy growth in vegetables and fruits such as lettuce and strawberries.
- Received the Japan Institute of Energy Award for Encouragement for developing a process to manufacture biomass ethanol using sugarcane as an environmentally sound energy source.

R&D expenses for the year under review decreased ¥25.0 million, or 0.3% year-on-year, to ¥83.0 billion.

Business Risk

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

The alcoholic beverages business accounts for approximately 72% of sales for the Asahi Breweries Group, a considerable portion of which is generated by the domestic market. Future trends in the domestic economy may have a significant effect on domestic consumption of alcoholic beverages. Furthermore, the advance of a declining population, fewer childbirths and the ongoing aging of the Japanese population may affect consumption not only of alcoholic beverages but also of soft drinks, and in turn may affect the business performance and financial condition of the Asahi Breweries Group.

2. Increased alcohol tax rates

In the event alcohol tax rates are raised, consumption of alcoholic beverages may decline due to higher sales prices, potentially affecting the business performance and financial condition of the Asahi Breweries Group.

3. Dependence on a specific product

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

4. Food safety

The Asahi Breweries Group upholds its management principle of delivering the highest quality to customers, and ensures food safety through an uncompromising system of inspection and control implemented throughout the Group. Nevertheless, the food industry currently faces various problems, including bird flu, BSE, residual agricultural chemicals, genetic engineering and the proper indication of allergy-causing substances.

The Asahi Breweries Group endeavors to proactively identify such risks and to implement countermeasures before they materialize. Nevertheless, the occurrence of incidents beyond the scope of such measures implemented by the Group may affect the business performance and financial condition of the Asahi Breweries Group.

5. Fluctuations in material prices

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

6. Effects of weather conditions, natural disasters and others

With respect to sales of Asahi Breweries Group, stagnant markets caused by abnormal or variable weather conditions may affect the volume of sales.

Furthermore, sudden occurrences of various catastrophes, natural disasters and unforeseeable accidents that could damage production and logistics facilities may result in loss of assets, the reporting of losses on unshipped products, expenditures on facility repairs and opportunity loss due to disruptions in production and logistics, and in turn, could affect the business performance and financial condition of the Asahi Breweries Group.

7. Risks related to information systems

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

8. Risks related to overseas businesses

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

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

9. Risks related to the environment

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

10. Risks related to changes in laws and regulations

In pursuing its businesses in Japan, Asahi Breweries Group is placed under regulatory control of various laws, including the Liquor Tax Law, Food Sanitation Law and Product Liability Law. The Group also operates under the control of laws and regulations in other countries in which it operates. Changes in such laws and regulations, or the unexpected introduction of laws and regulations may affect the business performance and financial condition of the Asahi Breweries Group.

11. Developments in alcohol awareness

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

12. Risks related to litigation

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

13. Risks related to the impairment of assets

Asahi Breweries Group possesses securities for maintaining long-term business relationships, and a significant drop in the market price of such securities or deterioration in the financial conditions of the related companies may affect the business performance and financial condition of the Asahi Breweries Group.

In the consolidated fiscal year under review, the Group continued its efforts to reduce the risk of impairment loss by disposing of major real estate with unrealized losses that are at risk, ahead of the compulsory application of new accounting standards for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002), and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). Nevertheless, significant additional decline in land prices resulting from the application of the new standards may affect the business performance and financial condition of the Asahi Breweries Group.

14. Retirement benefits

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

Outlook

Fiscal 2006 marks the final phase of reforms toward creating a solid profit structure and a diverse growth structure for the entire Group by building on the accomplishments and tasks of the past two years under the Second Medium-Term Management Plan. The Companies will meet this challenge and leap forward toward accomplishing growth in the next generation.

In the domestic alcoholic beverages business, the Companies will concentrate management resources for accomplishing growth in beer-type beverages—our core products—focusing on *Asahi Super Dry*, which is celebrating its 20th anniversary, and endeavor to reconstruct the foundation of growth for the entire business. With respect to shochu, RTD (ready-to-drink) beverages, whisky and spirits, and wine, the Companies will raise the market recognition of core products in each category with the goal of considerably increasing sales for the entire business.

In Group business, Asahi Soft Drinks Co., Ltd. and Asahi Food & Healthcare Co., Ltd., will pursue additional growth strategies and structural reform to achieve a further expansion in their profit structure. The Companies have made a full-scale entry into the chilled soft drinks business and will proceed to expand the business through synergies within the Group.

In overseas business, the Companies will seek to strengthen profitability and establish a foundation of growth in pursuing business centered on China and other Asian countries toward developing them into future pillars of profitability for the Group.

As a result of these measures, the Companies forecast net sales of ¥1,495.0 billion (up 4.5% from fiscal 2005 results), operating income of ¥105.0 billion (up 16.3%) and net income of ¥44.5 billion (up 11.6%).

Consolidated Balance Sheets

Asahi Breweries, Ltd. and Consolidated Subsidiaries
December 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2005	2004	2005
Current assets:			
Cash and time deposits (Note 3)	¥ 15,434	¥ 14,156	$ 130,719
Notes and accounts receivable:			
Trade	253,475	279,771	2,146,820
Other	9,859	16,033	83,501
Allowance for doubtful accounts	(9,105)	(10,439)	(77,115)
Securities (Note 5)	5	2,172	42
Inventories (Note 4)	86,423	85,191	731,964
Deferred income tax assets (Note 10)	7,306	19,862	61,879
Other current assets (Note 3)	22,055	14,034	186,796
Total current assets	385,452	420,780	3,264,606
Property, plant and equipment (Note 8):			
Land	173,745	183,045	1,471,542
Buildings and structures	392,279	391,146	3,322,427
Machinery and equipment	602,114	587,893	5,099,636
Construction in progress	4,638	4,229	39,282
	1,172,776	1,166,313	9,932,887
Less accumulated depreciation	(538,426)	(508,804)	(4,560,227)
Net property, plant and equipment	634,350	657,509	5,372,660
Investments and other assets:			
Investment securities (Note 5)	80,315	55,053	680,232
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	48,038	39,786	406,860
Long-term loans receivable	5,367	5,392	45,456
Deferred income tax assets (Note 10)	18,973	29,816	160,693
Other non-current assets	45,732	42,482	387,330
Total investments and other assets	198,425	172,529	1,680,571
	¥1,218,227	¥1,250,818	$10,317,837

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Bank loans (Note 8)	¥ 65,637	¥ 38,865	$ 555,916
Commercial paper (Note 8)	3,500	—	29,643
Long-term debt due within one year (Note 8)	52,168	59,702	441,840
Notes and accounts payable:			
Trade	92,748	84,252	785,534
Other (mainly construction)	49,948	43,568	423,037
Alcohol tax and consumption taxes payable	140,145	159,506	1,186,965
Deposits received	43,762	63,719	370,645
Income taxes payable (Note 10)	5,590	23,959	47,345
Accrued liabilities	42,845	54,525	362,878
Other current liabilities	3,598	3,594	30,473
Total current liabilities	499,941	531,690	4,234,276
Long-term debt (Note 8)	167,897	204,522	1,422,012
Employees' severance and retirement benefits (Note 9)	27,721	29,184	234,784
Allowance for retirement benefits for directors and corporate auditors	687	674	5,819
Deferred income tax liabilities (Note 10)	709	448	6,005
Long-term deposits received	38,212	36,733	323,639
Other long-term liabilities	1,192	2,911	10,096
Minority interests	26,976	26,828	228,475
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized-972,305,309 shares			
Issued-493,585,862 shares	182,531	182,531	1,545,956
Capital surplus	163,709	181,282	1,386,542
Retained earnings	106,426	74,053	901,380
Net unrealized holding gains on securities, net of taxes	16,585	4,769	140,467
Foreign currency translation adjustments (Note 2)	2,958	78	25,053
Treasury stock, at cost	(17,317)	(24,885)	(146,667)
Total shareholders' equity	454,892	417,828	3,852,731
	¥1,218,227	¥1,250,818	$10,317,837

See accompanying notes.

Consolidated Statements of Income

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales (Note 14)	¥1,430,027	¥1,444,226	¥1,400,302	$12,111,688
Costs and expenses (Note 14):				
Cost of sales	440,220	424,901	413,326	3,728,466
Alcohol tax	513,776	553,709	545,837	4,351,453
Selling, general and administrative expenses	385,782	364,343	362,155	3,267,401
	1,339,778	1,342,953	1,321,318	11,347,320
Operating income (Note 14)	90,249	101,273	78,984	764,368
Other income (expenses):				
Interest and dividend income	1,352	1,505	1,554	11,451
Interest expenses	(4,069)	(4,284)	(4,800)	(34,463)
Equity in net income (loss) of unconsolidated subsidiaries and affiliated companies	4,426	(734)	327	37,486
Compensation for transfer of plant	695	598	1,543	5,887
Gain (loss) on sale of securities-net	(736)	(1,469)	209	(6,234)
Loss on sale and disposal of property, plant and equipment-net	(9,717)	(30,865)	(13,520)	(82,299)
Impairment loss of long-lived assets of a foreign subsidiary	—	—	(2,855)	—
Loss on liquidation of businesses	—	—	(4,288)	—
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	—	(666)	(644)	—
Loss on devaluation of investment securities	(337)	(272)	(1,199)	(2,854)
Expense for modification of vending machines due to issuance of new bank bill	—	(1,668)	—	—
Restructuring charges	(3,598)	—	—	(30,473)
Loss on write-down of land	(3,181)	—	—	(26,942)
Other-net	641	(5,049)	(6,630)	5,429
	(14,524)	(42,904)	(30,303)	(123,012)
Income before income taxes and minority interests	75,725	58,369	48,681	641,356
Income taxes (Note 10):				
Current	18,542	33,742	22,830	157,042
Deferred	15,479	(6,910)	2,452	131,100
	34,021	26,832	25,282	288,142
Income before minority interests	41,704	31,537	23,399	353,214
Minority interests in net gain of consolidated subsidiaries	(1,834)	(941)	(189)	(15,533)
Net income	¥ 39,870	¥ 30,596	¥ 23,210	$ 337,681

	Yen			U.S. dollars (Note 1)
	2005	2004	2003	2005
Amounts per share of common stock:				
Net income	¥82.22	¥62.52	¥46.80	$0.70
Diluted net income	80.98	60.64	44.58	0.69
Cash dividends applicable to the year	17	15	13	0.14

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2005, 2004 and 2003

	Number of shares of common stock (thousands)	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2002	513,586	¥182,531	¥180,894	¥32,423	¥ 64	¥ 975	¥ (9,348)
Net income				23,210			
Cash dividends paid (¥19.50 per share)				(9,729)			
Bonuses to directors and corporate auditors				(112)			
Increase resulting from merger			389				
Increase resulting from increase in consolidated subsidiaries				454			
Increase resulting from decrease in consolidated subsidiaries				3,973			
Increase resulting from increase in unconsolidated subsidiaries accounted for by the equity method				403			
Decrease resulting from merger of consolidated subsidiaries				(212)			
Increase due to changes in fair market values of available-for-sale securities					1,730		
Adjustments from translation of foreign currency financial statements						(811)	
Purchase of treasury stock							(8,706)
Disposal of treasury stock			(2)				27
Balance at December 31, 2003	513,586	182,531	181,281	50,410	1,794	164	(18,027)
Net income				30,596			
Cash dividends paid (¥14.00 per share)				(6,833)			
Bonuses to directors and corporate auditors				(124)			
Increase resulting from increase in consolidated subsidiaries				6			
Decrease resulting from increase in consolidated subsidiaries				(2)			
Increase due to changes in fair market values of available-for-sale securities					2,975		
Adjustments from translation of foreign currency financial statements						(86)	
Purchases of treasury stock							(6,871)
Disposal of treasury stock			1				13
Balance at December 31, 2004	513,586	182,531	181,282	74,053	4,769	78	(24,885)
Net income				39,870			
Cash dividends paid (¥15.00 per share)				(7,279)			
Bonuses to directors and corporate auditors				(185)			
Decrease resulting from decrease in consolidated subsidiaries				(33)			
Increase due to changes in fair market values of available-for-sale securities					11,816		
Adjustments from translation of foreign currency financial statements						2,880	
Purchases of treasury stock							(10,042)
Retirement of treasury stock	(20,000)		(17,571)				17,571
Disposal of treasury stock			(2)				39
Balance at December 31, 2005	493,586	¥182,531	¥163,709	¥106,426	¥16,585	¥2,958	¥(17,317)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities, net of taxes	Foreign currency translation adjustments	Treasury stock, at cost
Balance at December 31, 2004	$1,545,956	$1,535,377	$627,196	$40,391	$661	$ (210,765)
Net income			337,681			
Cash dividends paid ($0.13 per share)			(61,650)			
Bonuses to directors and corporate auditors			(1,567)			
Decrease resulting from decrease in consolidated subsidiaries			(280)			
Increase due to changes in fair market values of available-for-sale securities				100,076		
Adjustments from translation of foreign currency financial statements					24,392	
Purchases of treasury stock						(85,051)
Retirement of treasury stock		(148,818)				148,818
Disposal of treasury stock		(17)				331
Balance at December 31, 2005	$1,545,956	$1,386,542	$901,380	$140,467	$25,053	$(146,667)

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Breweries, Ltd. and Consolidated Subsidiaries
Years ended December 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 75,725	¥ 58,369	¥ 48,681	$ 641,356
Depreciation (Note 14)	50,028	51,339	53,101	423,715
Decrease in provision for employees' severance and retirement benefits	(1,614)	(1,039)	(2,149)	(13,669)
Increase (decrease) in allowance for doubtful accounts	(2,497)	(1,263)	5,175	(21,148)
Interest and dividend income	(1,352)	(1,505)	(1,554)	(11,451)
Interest expenses	4,069	4,284	4,800	34,463
Equity in net loss (income) of unconsolidated subsidiaries and affiliated companies	(4,426)	734	(327)	(37,486)
Loss (gain) on sale of securities-net	736	1,469	(209)	6,234
Loss on devaluation of investment securities	337	272	1,199	2,854
Loss on liquidation of unconsolidated subsidiaries and affiliated companies	—	666	644	—
Loss on liquidation of businesses	—	—	4,288	—
Loss on sale and disposal of property, plant and equipment-net	10,037	30,865	13,520	85,009
Impairment loss of long-lived assets of a foreign subsidiary	—	—	2,855	—
Loss on write-down of land	3,181	—	—	26,942
Decrease (increase) in notes and accounts receivable	28,024	(12,809)	(1,067)	237,351
Decrease (increase) in inventories	(999)	4,316	4,881	(8,461)
Increase (decrease) in notes and accounts payable (excluding construction)	6,765	2,770	(2,793)	57,297
Increase (decrease) in accrued alcohol tax payable	(15,494)	1,938	4,345	(131,227)
Increase (decrease) in accrued consumption taxes payable	(3,849)	8	1,662	(32,599)
Bonuses paid to directors and corporate auditors	(197)	(127)	(113)	(1,670)
Other	(18,110)	5,788	(4,324)	(153,385)
Subtotal	130,364	146,075	132,615	1,104,125
Interest and dividends received	1,432	1,621	1,533	12,128
Interest paid	(4,029)	(4,392)	(4,400)	(34,124)
Income taxes paid	(40,522)	(30,374)	(14,390)	(343,203)
Net cash provided by operating activities	87,245	112,930	115,358	738,926
Cash flows from investing activities:				
Payments for time deposits	(113)	(1,046)	(259)	(957)
Proceeds from time deposits	549	1,279	2,406	4,650
Proceeds from sales of securities	2,464	—	—	20,869
Payments for purchases of property, plant and equipment	(35,080)	(36,021)	(35,467)	(297,112)
Proceeds from sale of property, plant and equipment	11,548	3,960	2,564	97,806
Payments for purchases of intangible assets	(3,391)	(5,888)	(4,822)	(28,720)
Proceeds from sales of intangible assets	1,500	—	—	12,704
Payments for purchases of investment securities	(11,782)	(39,114)	(4,442)	(99,788)
Proceeds from sale of investment securities	845	12,180	2,173	7,157
Payment for purchases of investment in subsidiaries results in change in scope of consolidation	(11,003)	(784)	—	(93,190)
Proceeds from sales of investment in subsidiaries results in change in scope of consolidation	632	7,780	—	5,353
Payments for loans receivable	(1,313)	(809)	(1,646)	(11,121)
Proceeds from collections of loans receivable	1,473	978	8,784	12,476
Other	(877)	2,634	(44)	(7,429)
Net cash used in investing activities	(44,548)	(54,851)	(30,753)	(377,302)
Cash flows from financing activities:				
Increase (decrease) in bank loans	25,921	(17,360)	(55,459)	219,539
Proceeds from long-term debt	17,605	30,765	46,500	149,106
Repayments of long-term debt	(13,104)	(17,242)	(46,143)	(110,984)
Proceeds from bonds and convertible debentures issued	—	10,000	10,000	—
Redemption of bonds	(49,996)	(47,397)	(25,451)	(423,443)
Payments for purchases of treasury stock	(10,042)	(6,872)	(8,706)	(85,051)
Cash dividends paid	(7,279)	(6,833)	(9,729)	(61,650)
Cash dividends paid to minority in consolidated subsidiaries	(489)	(2)	(2)	(4,142)
Contribution from minority in consolidated subsidiaries	1,293	2,504	—	10,951
Other	386	(3,230)	295	3,269
Net cash used in financing activities	(35,705)	(55,667)	(88,695)	(302,405)
Effect of exchange rate change on cash and cash equivalents	660	(230)	(366)	5,590
Net increase (decrease) in cash and cash equivalents	7,652	2,182	(4,456)	64,809
Cash and cash equivalents at beginning of year	13,657	11,562	15,986	115,669
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	—	(87)	19	—
Increase in cash and cash equivalents due to merger	—	—	13	—
Cash and cash equivalents at end of year (Note 3)	¥ 21,309	¥ 13,657	¥ 11,562	$ 180,478

See accompanying notes.

1 Basis of Presenting Consolidated Financial Statements

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

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

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2005, which was ¥118.07 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2004 and 2003 financial statements to conform to the presentation for 2005.

2 Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (40 domestic and 13 overseas subsidiaries for 2005, 41 domestic and 14 overseas subsidiaries for 2004, and 40 domestic and 13 overseas subsidiaries for 2003). All significant intercompany transactions and account balances are eliminated in consolidation.

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

The difference of investment cost and net assets is amortized over 5 to 10 years on a straight-line basis.

Equity method

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

Consolidated statements of cash flows

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

Allowance for doubtful accounts

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

Securities

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

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

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

Inventories

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

Property, plant and equipment

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

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

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

Income taxes

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

Employees' severance and retirement benefits

The Companies had provided two types of employees' severance and retirement benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

In the year ended December 31, 2005, the Company changed from those two types of employee's severance and retirement benefit plans to defined benefit pension plans and unfunded lump-sum payment plans.

In addition, the Company established a defined contribution pension plan and an advance payment system for the employees' retirement plan in the year ended December 31, 2005. As a result of this change, the projected benefit obligation decreased by ¥3,958 million ($33,522 thousand) and prior service costs of same amount were incurred.

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

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

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

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

Allowance for retirement benefits for directors and corporate auditors

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

Prior to January 1, 2003, retirement benefits for directors and corporate auditors were charged to expenses on a cash basis.

Effective January 1, 2003, allowance for retirement benefits for directors and corporate auditors is provided based on the Companies' pertinent rules at the estimated amount required had all directors and corporate auditors retired at the balance sheet date.

The change was made to achieve better allocation of cost of such retirement benefits over the corresponding period of service by the directors and corporate auditors.

Due to this change in the accounting policy of allowance for retirement benefits for directors and corporate auditors, ¥91 million is recorded under selling, general and administrative expenses, and ¥581 million, which represents the retirement benefits for services prior to January 1, 2003, is recorded as other expenses. As a result, operating income for the year ended December 31, 2003 decreased by ¥91 million and income before income taxes and minority interests by ¥410 million compared with what would have been reported using the previous method.

Translation of foreign currency accounts and financial statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.

Foreign currency translation adjustments resulting from translation of foreign currency financial statements were presented separately in the shareholders' equity and minority interests in the consolidated balance sheets.

Derivative financial instruments

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

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

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

Amounts per share of common stock

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

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

Impairment of Fixed Assets

In the year ended December 31, 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

The Company will adopt these standards for the year beginning January 1, 2006.

The Company cannot currently estimate the effect of adopting the new accounting standard, because the Company has not yet completed its analysis.

3 Cash and Cash Equivalents

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and time deposits	¥15,434	¥14,156	$130,719
Less: Time deposits with maturities exceeding three months	(124)	(499)	(1,050)
Other current assets (short-term loans receivable)	5,999	—	50,809
Cash and cash equivalents	¥21,309	¥13,657	$180,478

4 Inventories

Inventories at December 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥16,482	¥15,739	$139,595
Work in process	39,098	39,392	331,143
Raw materials	19,830	17,832	167,951
Supplies	5,489	5,854	46,489
Merchandise	5,524	6,374	46,786
Total	¥86,423	¥85,191	$731,964

5 Securities

A. The following tables summarize book values and fair values of held-to-maturity debt securities with available fair value as of December 31, 2005 and 2004:

	Millions of yen		
	2005		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	¥27	¥32	¥5
	27	32	5
Securities with fair values not exceeding book values:			
Foreign securities	26	24	(2)
	26	24	(2)
Total	¥53	¥56	¥3

	Millions of yen		
	2004		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	¥115	¥140	¥25
	115	140	25
Securities with fair values not exceeding book values:			
Foreign securities	1	1	(0)
	1	1	(0)
Total	¥116	¥141	¥25

	Thousands of U.S. dollars		
	2005		
Type	Book value	Fair value	Difference
Securities with fair values exceeding book values:			
Foreign securities	$229	$271	$42
	229	271	42
Securities with fair values not exceeding book values:			
Foreign securities	220	203	(17)
	220	203	(17)
Total	$449	$474	$25

B. The following tables summarize acquisition costs and book values of available-for-sale securities with available fair value as of December 31, 2005 and 2004:

	Millions of yen		
	2005		
Type	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥25,024	¥53,376	¥28,352
Others	—	—	—
	25,024	53,376	28,352
Securities with book values not exceeding acquisition costs:			
Equity securities	1,993	1,557	(436)
Corporate bonds	1	1	(0)
	1,994	1,558	(436)
Total	¥27,018	¥54,934	¥27,916

	Millions of yen		
	2004		
Type	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥14,887	¥24,189	¥9,302
Others	5	5	0
	14,892	24,194	9,302
Securities with book values not exceeding acquisition costs:			
Equity securities	9,892	8,633	(1,259)
Corporate bonds	1	1	(0)
	9,893	8,634	(1,259)
Total	¥24,785	¥32,828	¥8,043

	Thousands of U.S. dollars		
	2005		
Type	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$211,942	$452,071	$240,129
Others	—	—	—
	211,942	452,071	240,129
Securities with book values not exceeding acquisition costs:			
Equity securities	16,880	13,187	(3,693)
Corporate bonds	8	8	(0)
	16,888	13,195	(3,693)
Total	$228,830	$465,266	$236,436

C. Total sales of available-for-sale securities sold in the years ended December 31, 2005, 2004 and 2003 amounted to ¥804 million ($6,810 thousand), ¥1,323 million and ¥2,173 million, and the related gains amounted to ¥422 million ($3,574 thousand), ¥496 million and ¥288 million and the related losses amounted to ¥78 million ($661 thousand), ¥125 million and ¥79 million, respectively.

D. The following tables summarize book values of securities with no available fair values as of December 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
(a) Held-to-maturity debt securities			
Type	Book value	Book value	Book value
Non-listed foreign securities	¥ 5,118	¥4,517	$43,347
(b) Available-for-sale securities			
Type	Book value	Book value	Book value
Non-listed equity securities	¥ 8,984	¥ 8,908	$76,090
Preference shares	10,000	10,000	84,696
Others	1,232	857	10,434
(c)Investments in unconsolidated subsidiaries and affiliated companies	¥46,666	¥38,600	$395,240

E. Available-for-sale securities with maturities and held-to-maturity debt securities as of December 31, 2005 and 2004 are as follows:

Type	Millions of yen 2005 Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	¥1	¥ 182	¥–	¥–	¥ 183
Others	–	3	–	–	3
Held-to-maturity debt securities:					
Foreign securities	5	5,159	–	–	5,171
Total	¥6	¥5,344	¥–	¥–	¥5,357

Type	Millions of yen 2004 Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	¥ –	¥ 345	¥–	¥–	¥ 345
Others	–	3	–	–	3
Held-to-maturity debt securities:					
Foreign securities	2,172	2,458	3	–	4,633
Total	¥2,172	¥2,806	¥3	¥–	¥4,981

Type	Thousands of U.S. dollars 2005 Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Available-for-sale securities:					
Corporate bonds	$9	$1,541	$ –	$–	$1,550
Others	–	25	–	–	25
Held-to-maturity debt securities:					
Foreign securities	42	43,695	59	–	43,796
Total	$51	$45,261	$59	$–	$45,371

6 Research and Development Expenses

Research and development expenses are expensed when incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses are ¥8,292 million ($70,230 thousand), ¥8,318 million and ¥7,413 million for the years ended December 31, 2005, 2004 and 2003, respectively.

7 Derivative Financial Instruments

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

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

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. The

Company's Finance Department reports information on derivative transactions to the Manager and Executive Officer of the Finance Department whenever necessary.

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

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

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

Information on the derivative financial instrument contracts utilized by the Companies outstanding at December 31, 2005 and 2004 are not disclosed as all such contracts are effectively hedging the transactions.

8 Bank Loans, Commercial Paper and Long-term Debt

Bank loans at December 31, 2005 and 2004 were represented by short-term notes or overdrafts, bearing interest at average rates of 0.74% per annum for 2005 and 1.08% per annum for 2004.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,693,910 thousand). There was an outstanding balance of ¥3,500 million ($29,643 thousand) at December 31, 2005.

Long-term debt at December 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Domestic debentures:			
0.48% debentures due in 2005	¥ —	¥ 5,000	$ —
0.50% debentures due in 2005	—	15,000	—
0.63% debentures due in 2006	5,000	5,000	42,348
0.66% debentures due in 2006	25,000	25,000	211,739
1.48% debentures due in 2006	20,000	20,000	169,391
0.45% debentures due in 2007	10,000	10,000	84,696
0.55% debentures due in 2007	30,000	30,000	254,087
0.61% debentures due in 2008	10,000	10,000	84,696
0.84% debentures due in 2009	20,000	20,000	169,391
0.70% convertible debentures due in 2005	—	29,997	—
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:			
Secured loans due through 2013 at interest rates of mainly 1.25% to 5.35%	14,193	14,451	120,208
Unsecured loans due through 2011 at interest rates of mainly 0.28% to 5.07%	85,872	79,776	727,296
	220,065	264,224	1,863,852
Amount due within one year	(52,168)	(59,702)	(441,840)
	¥167,897	¥204,522	$1,422,012

Assets, at book value, pledged as collateral for short-term bank loans and long-term loans totaling ¥14,193 million ($120,208 thousand) and ¥14,978 million, respectively, at December 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Land	¥28,550	¥28,774	$241,808
Buildings and structures	9,687	9,406	82,045
Machinery and equipment	3,707	5,366	31,398
	¥41,944	¥43,546	$355,251

The aggregate annual maturities of long-term debt at December 31, 2005 were as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 52,168	$ 441,840
2007	53,822	455,848
2008	63,145	534,810
2009	29,678	251,359
2010	20,371	172,533
2011 and thereafter	881	7,462
	¥220,065	$1,863,852

9 Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of December 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	¥80,280	¥82,991	$679,935
Less fair value of pension assets	(37,289)	(30,914)	(315,821)
Less fair value of employees' retirement benefit trust	(26,962)	(18,092)	(228,356)
Unrecognized pension assets	4,552	—	38,553
Unrecognized actuarial differences	3,345	(4,801)	28,331
Unrecognized prior service cost	3,795	—	32,142
Employees' severance and retirement benefits	¥27,721	¥29,184	$234,784

The discount rates used by the Companies are mainly 2.0% for the years ended December 31, 2005 and 2004, respectively.

Included in the consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Service costs – benefits earned during the year	¥4,623	¥4,531	¥4,423	$39,155
Interest cost on projected benefit obligation	1,579	1,644	1,668	13,373
Expected return on plan assets	(955)	(822)	(709)	(8,088)
Amortization of actuarial differences	960	1,281	1,523	8,131
Amortization of prior service cost	(202)	—	—	(1,711)
Others	264	—	—	2,236
Severance and retirement benefit expenses	¥6,269	¥6,634	¥6,905	$53,096

The rates of expected return on plan assets used by the Companies are mainly 2.0% for the years ended December 31, 2005, 2004 and 2003, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains/losses are recognized in the statements of income using the straight-line method over 10 years, beginning the following fiscal year of recognition. Prior service costs are recognized in the statements of income using the straight-line method over 10 years.

10 Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rates of approximately 40.4% for the year ended December 31, 2005 and 41.8% for the years ended December 31, 2004 and 2003.

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

	2005	2004	2003
Statutory tax rate	40.4%	41.8%	41.8%
Non-deductible expenses	3.5%	2.8%	3.8%
Non-taxable dividend income	(0.1%)	(0.1%)	(0.2%)
Per capita inhabitants' taxes	0.4%	0.5%	0.7%
Valuation allowance	5.4%	7.7%	15.1%
Reversal of valuation allowance	(2.3%)	(6.8%)	(2.3%)
Cumulative effects of loss incurred by consolidated subsidiaries recognized in 2003	—	—	(7.5%)
Tax credit	—	(1.2%)	—
Adjustment on deferred tax assets due to change in income tax rate	—	2.0%	1.9%
Amortization of the difference of investment cost and net assets	(0.7%)	(1.2%)	(1.4%)
Equity in net loss (income) of unconsolidated subsidiaries and affiliated companies	(2.4%)	0.5%	(0.3%)
Others	0.7%	(0.0%)	0.3%
Effective tax rate	44.9%	46.0%	51.9%

Effective for years commencing on January 1, 2005 or later, according to the revised local tax law, income tax rate for enterprise taxes was reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 41.8% and 40.4% for current items and non-current items, respectively, at December 31, 2003. As a result of this change, deferred tax assets decreased by ¥906 million, deferred tax liabilities decreased by ¥0 million, income taxes-deferred increased by ¥946 million and net unrealized holding gains on securities, net of taxes increased by ¥39 million in 2003.

Significant components of deferred income tax assets and liabilities as of December 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred income tax assets			
Deferred income tax assets:			
Allowance for doubtful accounts	¥ 6,159	¥ 7,393	$ 52,164
Severance and retirement benefits	16,556	16,737	140,222
Accrued expenses for enterprise tax	242	2,077	2,050
Depreciation	530	429	4,489
Temporary difference for investment in subsidiaries	—	10,882	—
Loss on write-down of land	1,271	—	10,765
Loss on devaluation of investment securities	4,212	4,297	35,674
Loss on securities contributed to employees' retirement benefit trust	1,470	1,470	12,450
Net operating loss carry forwards	12,444	9,948	105,395
Unrealized gain on sale of non-current assets eliminated on consolidation	7,105	11,357	60,176
Accrued expenses	1,004	—	8,503
Others	7,158	6,684	60,625
	58,151	71,274	492,513
Valuation allowance	(18,955)	(16,676)	(160,540)
Total deferred income tax assets	39,196	54,598	331,973
Deferred income tax liabilities:			
Reserve deductible for Japanese tax purposes	(1,634)	(1,783)	(13,839)
Net unrealized holding gains on available-for-sale securities	(11,284)	(3,247)	(95,570)
Others	(715)	(338)	(6,056)
Total deferred income tax liabilities	(13,633)	(5,368)	(115,465)
Net deferred income tax assets	¥25,563	¥49,230	$216,508

The net deferred tax assets for the year ended December 31, 2005 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥7,306 million ($61,879 thousand) and ¥18,973 million ($160,693 thousand), respectively, and deferred income tax liabilities included in other current liabilities and long-term debt amounting to ¥6 million ($51 thousand) and ¥709 million ($6,005 thousand), respectively.

The net deferred tax assets for the year ended December 31, 2004 is consisted of deferred income tax assets included in current assets and fixed assets amounting to ¥19,862 million and ¥29,816 million, respectively, and deferred income tax liabilities included in long-term debt amounting to ¥448 million.

11 Shareholders' Equity

Under the Code, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

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.

12 Commitments and Contingent Liabilities

At December 31, 2005, the Companies were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, affiliated companies, employees and others, including letters of awareness and keep-well agreements, in the amount of ¥6,808 million ($57,661 thousand).

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, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Machinery, furniture and fixtures and others		
Acquisition cost	¥71,858	¥83,803	$608,605
Accumulated depreciation	36,608	43,974	310,053
Net book value	35,250	39,829	298,552

Future lease payments as of December 31, 2005 and 2004, net of interest, under such leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥12,600	¥17,178	$106,716
Due after one year	24,209	24,345	205,040
	¥36,809	¥41,523	$311,756

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, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Lease payments	¥15,824	¥20,761	¥23,524	$134,022
Depreciation equivalents	14,163	17,663	19,979	119,954
Amounts representing interest	1,497	1,707	2,095	12,679

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

14 Segment Information

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

Business segment information for the years ended December 31, 2005, 2004 and 2003 was as follows:

	Millions of yen					
Year ended December 31, 2005	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,025,447	¥267,003	¥25,286	¥112,291	¥ —	¥1,430,027
Intersegment	42,527	4,291	1,526	60,223	(108,567)	—
Total sales	1,067,974	271,294	26,812	172,514	(108,567)	1,430,027
Operating expenses	989,885	262,662	26,007	169,955	(108,731)	1,339,778
Operating income	¥ 78,089	¥ 8,632	¥ 805	¥ 2,559	¥ 164	¥ 90,249
Identifiable assets	¥ 826,747	¥168,874	¥17,708	¥105,764	¥ 99,134	¥1,218,227
Depreciation	40,170	6,789	886	2,180	3	50,028
Capital investments	34,813	6,776	1,034	1,318	—	43,941

Year ended December 31, 2004	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,078,931	¥217,380	¥22,163	¥125,752	¥ —	¥1,444,226
Intersegment	49,781	4,367	207	63,301	(117,656)	—
Total sales	1,128,712	221,747	22,370	189,053	(117,656)	1,444,226
Operating expenses	1,037,840	213,633	22,969	186,118	(117,607)	1,342,953
Operating income (loss)	¥ 90,872	¥ 8,114	¥ (599)	¥ 2,935	¥ (49)	¥ 101,273
Identifiable assets	¥ 886,843	¥133,759	¥16,939	¥129,082	¥ 84,195	¥1,250,818
Depreciation	42,119	5,299	847	3,069	5	51,339
Capital investments	31,189	4,160	1,756	3,014	15	40,134

Year ended December 31, 2003	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
Sales:						
Outside customers	¥1,067,136	¥185,738	¥21,547	¥125,881	¥ —	¥1,400,302
Intersegment	49,529	4,149	216	61,480	(115,374)	—
Total sales	1,116,665	189,887	21,763	187,361	(115,374)	1,400,302
Operating expenses	1,044,213	187,242	21,594	183,962	(115,693)	1,321,318
Operating income	¥ 72,452	¥ 2,645	¥ 169	¥ 3,399	¥ 319	¥ 78,984
Identifiable assets	¥ 910,917	¥ 93,630	¥15,682	¥166,789	¥ 57,392	¥1,244,410
Depreciation	44,520	4,496	803	3,277	5	53,101
Capital investments	23,748	4,148	965	9,310	13	38,184

Year ended December 31, 2005	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Others	Elimination and/or corporate	Consolidated
	Thousands of U.S. dollars					
Sales:						
Outside customers	$8,685,077	$2,261,396	$214,161	$ 951,054	$ —	$12,111,688
Intersegment	360,184	36,343	12,925	510,062	(919,514)	—
Total sales	9,045,261	2,297,739	227,086	1,461,116	(919,514)	12,111,688
Operating expenses	8,383,882	2,224,629	220,268	1,439,442	(920,901)	11,347,320
Operating income	$ 661,379	$ 73,110	$ 6,818	$ 21,674	$ 1,387	$ 764,368
Identifiable assets	$7,002,177	$1,430,287	$149,979	$ 895,773	$839,621	$10,317,837
Depreciation	340,222	57,500	7,504	18,464	25	423,715
Capital investments	294,851	57,390	8,758	11,163	—	372,162

Corporate assets in the Elimination and/or corporate column in 2005, 2004 and 2003, amounted to ¥117,078 million ($991,598 thousand), ¥106,492 million and ¥77,737 million, respectively, which are mainly the financial assets of the Company and subsidiaries related to the group finance.

Sales outside Japan and sales to foreign customers are less than 10% of the Company's consolidated net sales for 2005, 2004 and 2003.

Change in the method of accounting for allowance for retirement benefits for directors and corporate auditors

As discussed in Note 2, effective January 1, 2003, the Company changed the method of accounting for allowance for retirement benefits for directors and corporate auditors. Compared with the method used in previous year, operating income for the year ended December 31, 2003, decreased by ¥91 million. This change affected mainly on the alcohol beverage division.

15 Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2005, were approved at a general meeting of the shareholders of the Company held on March 30, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 9.5 per share)	¥4,542	$38,469
Bonuses to directors and corporate auditors	¥ 49	$ 415

Independent Auditors' Report

To the Board of Directors of
ASAHI BREWERIES, LTD.

We have audited the accompanying consolidated balance sheets of ASAHI BREWERIES, LTD. (a Japanese corporation) and consolidated subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASAHI BREWERIES, LTD. and subsidiaries as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) Effective January 1, 2003, ASAHI BREWERIES, LTD. changed the method of accounting for allowance for retirement benefits for directors and corporate auditors as discussed in Note 2.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
March 30, 2006

Fact Sheets

Global beer market

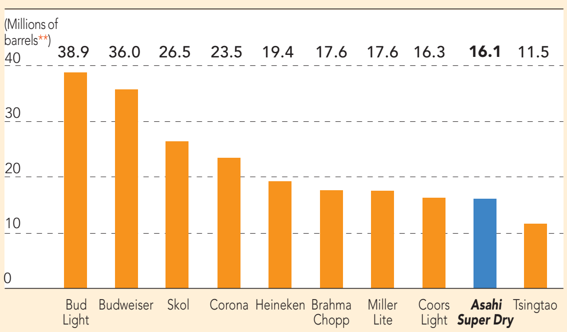
1 Beer consumption-top 10 countries*

(Millions of barrels)

	1990	1995	2000	2001	2002	2003	2004
China	59.0	132.4	190.2	193.8	203.2	211.2	240.6
United States	193.0	185.9	196.1	196.3	197.8	197.4	198.9
Germany	96.8	94.6	87.9	86.0	85.5	82.8	81.1
Brazil	46.4	68.2	70.4	71.5	73.9	72.4	74.4
Russia	28.5	16.8	47.1	52.0	57.2	63.1	70.1
Japan**	**56.7**	**60.8**	**60.5**	**60.7**	**59.1**	**55.4**	**53.6**
United Kingdom	55.5	50.4	48.2	48.3	48.7	48.6	49.2
Mexico	31.5	34.8	42.9	43.6	43.2	44.7	45.8
Spain	24.1	23.0	24.8	26.5	26.2	28.5	29.4
Poland	9.6	12.9	19.0	20.7	22.8	24.2	24.9

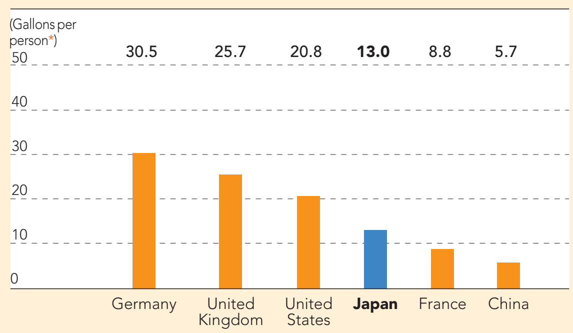
* Excludes non-alcoholic brews.
**Includes happoshu and new genre.
Source: Impact Databank 2005 Edition

2 World's top 10 beer brands* in 2004



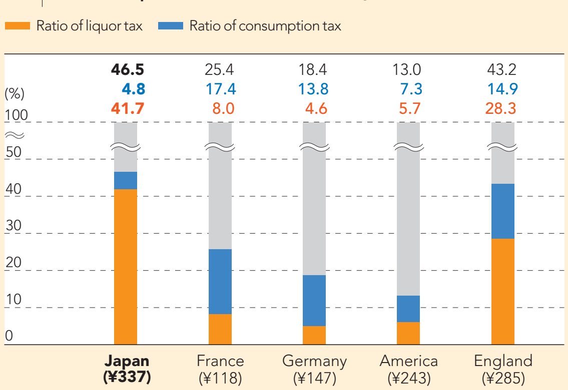
* Includes exports and license volume.
** One U.S. barrel = 1.173477653 hectoliters.
Source: Impact Databank 2005 Edition

3 Per-Capita beer consumption in major nations

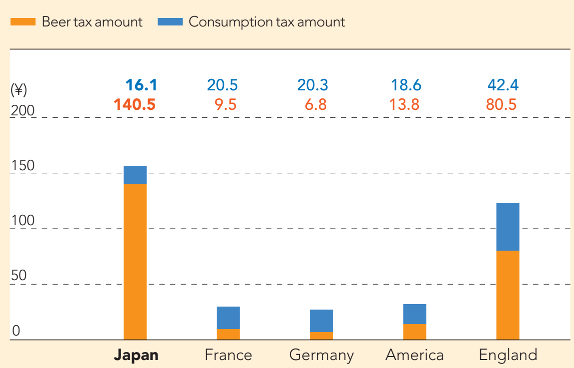


* Based on total population. One U.S. gallon = 3.785 liters.
Source: Impact Databank 2005 Edition

4 Ratio of liquor tax and consumption tax in retail prices for beer in major nations



5 Beer tax and consumption tax in major nations

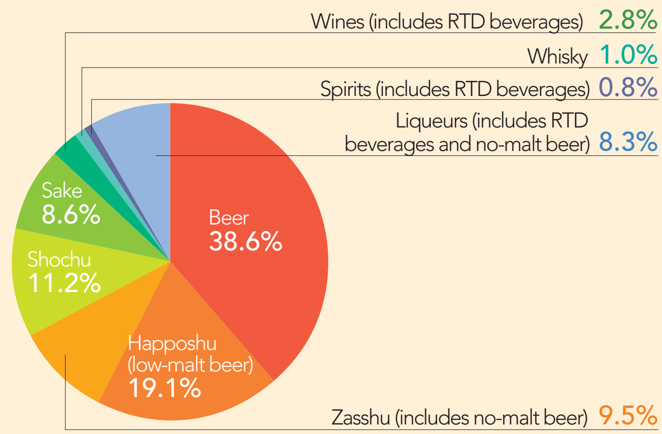


Source: Brewers Association of Japan (June 2005)
Notes: 1. Cash values (liquor tax, consumption taxes, retail price) shown in yen per 633 milliliters.
2. Foreign exchange rates were: € = ¥133.63; U.S.$1 = ¥ 110.62; £1 = ¥199.87 (based on TTM rate as of June 30, 2005).
3. Consumption tax represents the consumption tax in Japan, value-added tax in European countries, and retail sales tax in the U.S.
4. Figures for the U.S. based on survey conducted in New York City.

Japan's alcoholic beverage market

6 Taxable shipment volume in Japan

Total volume 9,336,789 kl



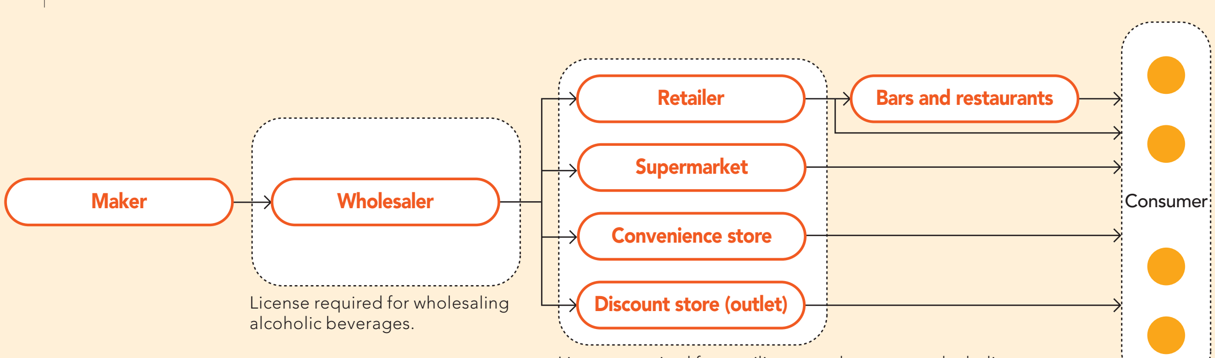
* Compiled from National Tax Agency reference materials.

7 Comparison of liquor taxes per 350 milliliters

Alcoholic beverages	Malt component ratio	Alcohol content	Tax amount before revision of the Liquor Tax Low (Yen)	Change (Yen)	Tax amount after revision of the Liquor Tax Low (Yen)
Beer*	67% and above	5.0%	77.7	-0.7	77.0
Happoshu (low-malt beer)*	Below 25%	5.5%	47.0	0	47.0
Liqueurs (no-malt beer)*	0%	5%	27.8	0.2	consolidated to 28.0
Zasshu (no-malt beer)*	0%	5%	24.2	3.8	
Liqueurs (canned chu-hi)	—	7%	27.8	0.2	
Sparkling Wine (low-alcohol)	—	8%	16.4	11.6	
Wines	—	12%	24.7	3.3	28.0

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

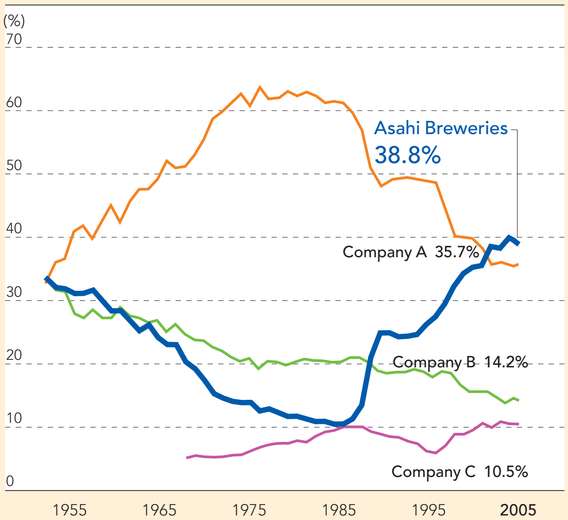
8 Distribution route of Japan's alcohol beverage industry



License required for wholesaling alcoholic beverages.

License required for retailing over-the-counter alcoholic beverages; gradual deregulation currently underway.

9 Beer, happoshu and new genre: market share in Japan by major company



Source: Asahi Breweries, Ltd.

10 Beer, happoshu and new genre: shipment volume in Japan (January—December 2005)

Asahi Breweries (Million cases)

	Volume	Year-on-year change (%)	Market share (Increase/Decrease)
Beer	139.28	-11.32 (-7.5%)	49.3% (+0.2%)
Happoshu (low-malt beer)	39.99	-14.32 (-26.4%)	28.7% (-0.6%)
New genre (no-malt beer)	15.19	15.19 (—)	19.1% (+19.1%)
Total	194.46	-10.45 (-5.1%)	38.8% (-0.8%)

Industry overall (Million cases)

	Volume	Year-on-year change (%)	Market share (Increase/Decrease)
Beer	282.34	-24.22 (-7.9%)	56.4% (-2.9%)
Happoshu (low-malt beer)	139.26	-46.00 (-24.8%)	27.8% (-8.0%)
New genre (no-malt beer)	79.42	53.94 (+211.8%)	15.8% (+11.0%)
Total	501.02	-16.27 (-3.1%)	100.0%

Asahi Breweries beer, happoshu and new genre sales

11 Sales composition by marketing channel

	2004 results			2005 results			
	Beer	Happoshu	Total	Beer	Happoshu (low-malt beer)	New genre (no-malt beer)	Total
Convenience stores	9%	16%	11%	10%	16%	18%	12%
Supermarkets	13%	34%	18%	13%	34%	35%	20%
Discount stores(outlets)	20%	25%	21%	20%	26%	23%	20%
Mass-retail outlets total	42%	75%	50%	43%	76%	76%	52%
Commercial-use liquor retailers	34%	5%	26%	34%	5%	4%	26%
General liquor shops,etc.	24%	20%	24%	23%	19%	20%	22%
Total	100%	100%	100%	100%	100%	100%	100%

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

12 Year-on-year sales ratio, by container type

	2004 results			2005 results			
	Beer	Happoshu	Total	Beer	Happoshu (low-malt beer)	New genre (no-malt beer)	Total
Bottle	-3.8%	-33.7%	-4.0%	-10.7%	-28.4%	-28.4%	-10.8%
Can	0.5%	-0.6%	0.0%	-8.2%	-26.3%	1.2%	-4.2%
Keg	5.5%	—	5.5%	-1.6%	—	—	-1.6%

Source: Asahi Breweries, Ltd.

13 Sales composition by container type

	2004 results			2005 results		
	Beer	Happoshu	Total	Beer	Happoshu	Total
Bottle	29.1%	0.3%	21.5%	28.1%	0.2%	20.2%
Can	49.5%	99.7%	62.7%	49.1%	99.8%	63.4%
Keg	21.4%	—	15.8%	22.8%	—	16.4%

Source: Asahi Breweries, Ltd.

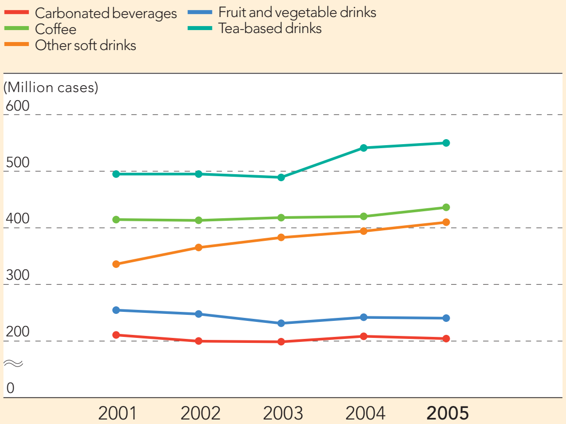
14 Listing of Asahi Group Plants

Company	Plants	Products	Locations
Asahi Breweries	9	Beer, happoshu, new genre, fruit wine, beer-taste carbonated beverages	Hokkaido, Fukushima, Ibaraki, Kanagawa, Aichi, Osaka, Hyogo, Ehime, Fukuoka
The Nikka Whisky Distilling	7	Whisky, cider, shochu, RTD baverages, syrup	Hokkaido, Aomori, Miyagi, Tochigi, Chiba, Hyogo, Fukuoka
Sainte Neige Wine	1	Wine, organic wine	Yamanashi
Satsumatsukasa Shuzo	1	Otsu-type shochu	Kagoshima
Asahi Soft Drinks	4	Coffee drinks, carbonated drinks, tea-based beverages, other soft drinks and RTD beverages	Chiba, Shizuoka, Toyama, Hyogo

Japan's soft drinks market and Asahi Soft Drinks sales

15 Sales in domestic soft drinks market, by category

Industry overall

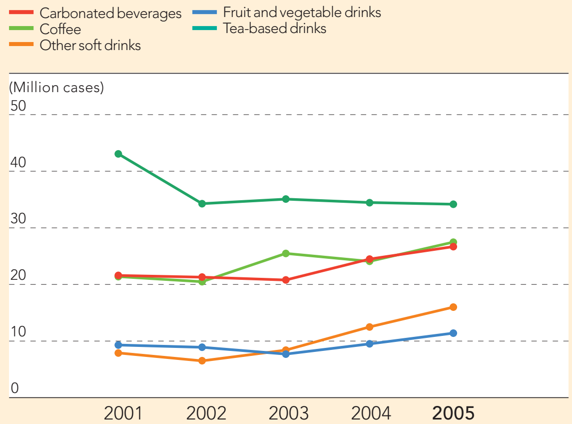


(Million cases)

	2001	2002	2003	2004	**2005**
Carbonated beverages	209.8	198.8	197.7	207.5	**203.4**
Fruit and vegetable drinks	253.8	246.9	230.5	241.0	**239.6**
Coffee	414.4	412.9	417.9	419.9	**435.8**
Tea-based drinks	495.0	495.1	489.2	541.5	**550.2**
Other soft drinks	335.4	364.8	382.5	393.8	**409.5**
Total	1,708.4	1,718.5	1,717.8	1,803.7	**1,838.5**

Source: Asahi Soft Drinks, Co., Ltd.

Asahi Soft Drinks



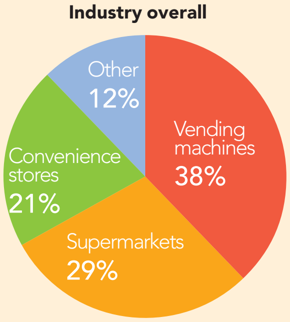
(Million cases)

	2001	2002	2003	2004	**2005**
Carbonated beverages	21.6	21.3	20.8	24.5	**26.7**
Fruit and vegetable drinks	9.3	8.9	7.7	9.5	**11.4**
Coffee	21.4	20.5	25.5	24.1	**27.5**
Tea-based drinks	43.1	34.3	35.1	34.5	**34.2**
Other soft drinks	8.8	8.1	9.8	13.5	**17.0**
Total	104.2	93.0	99.0	106.0	**116.8**

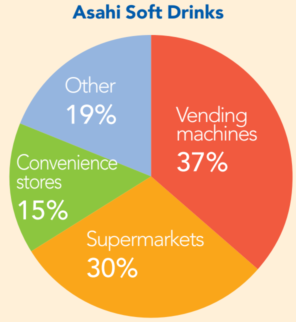
Source: Asahi Soft Drinks, Co., Ltd.

16 Sales composition in domestic soft drinks market, by marketing channel in 2005

Industry overall



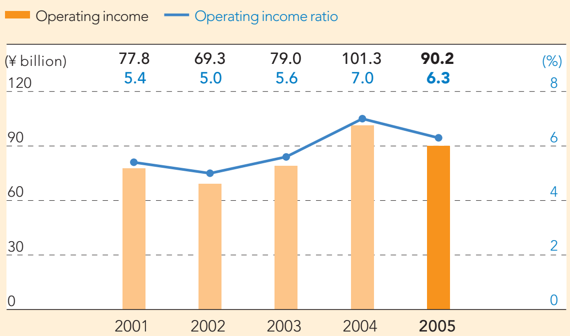
Asahi Soft Drinks



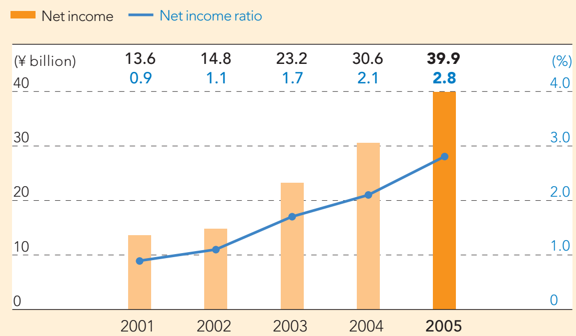
Financial Data

Profitability

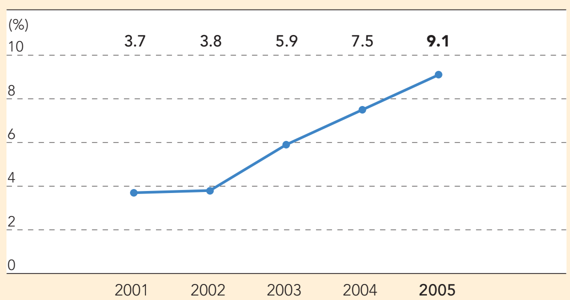
Operating income / Operating income ratio



Net income / Net income ratio

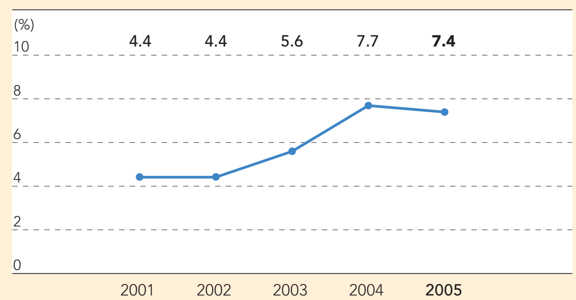


ROE



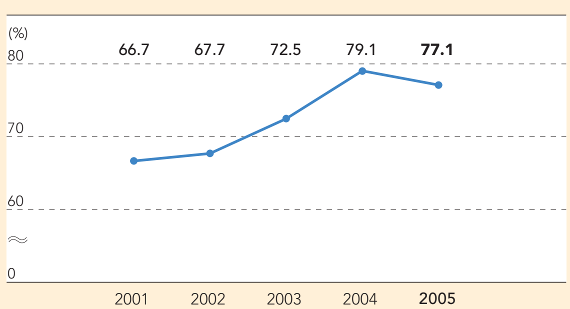
ROA

ROA = Ordinary income/Total assets (average) x100

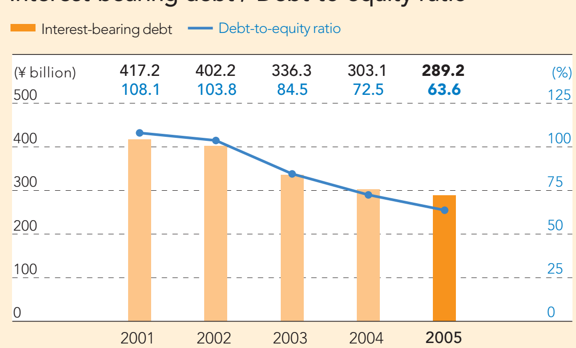


Stability

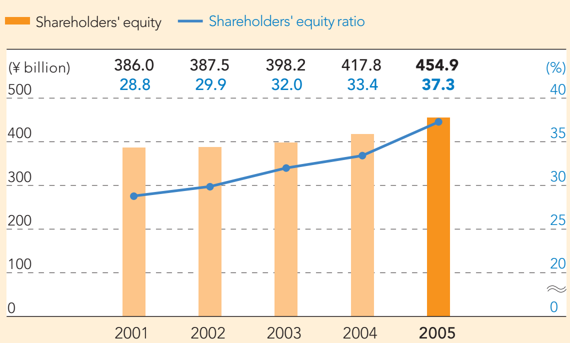
Liquidity ratio



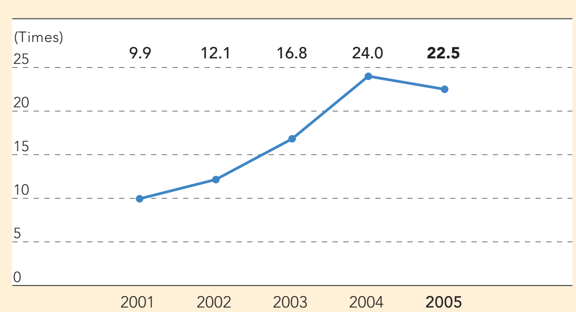
Interest-bearing debt / Debt-to-equity ratio



Shareholders' equity / Shareholders' equity ratio

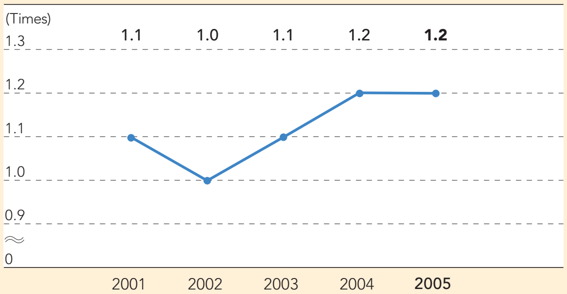


Interest coverage ratio

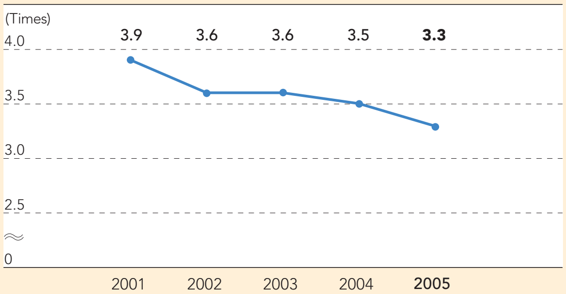


Efficiency

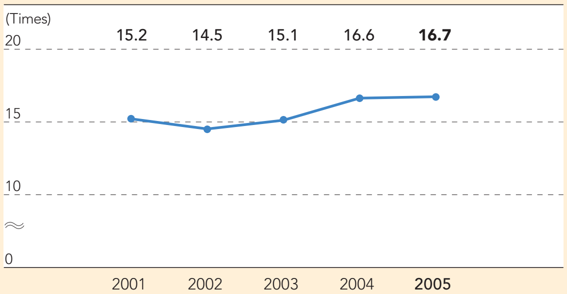
Total assets turnover



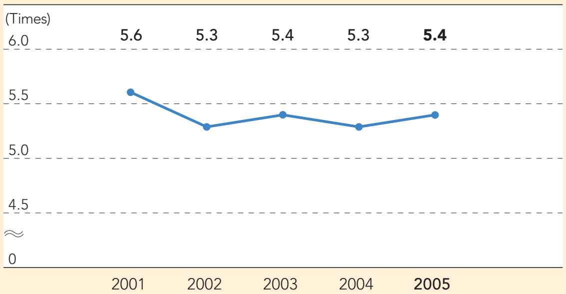
Equity turnover



Inventories turnover

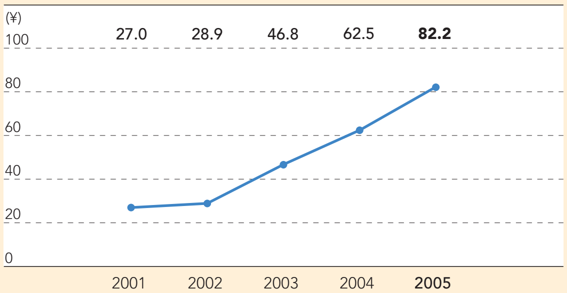


Receivables turnover

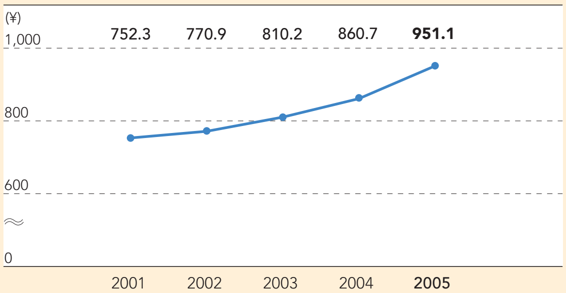


Per share data

Earnings per share

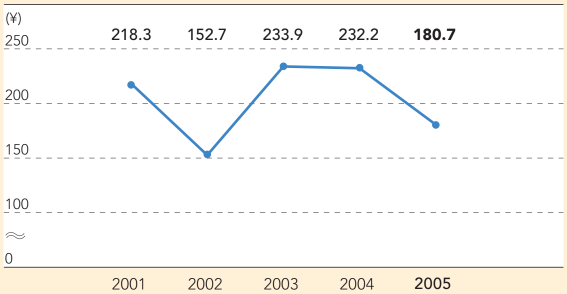


Book value per share

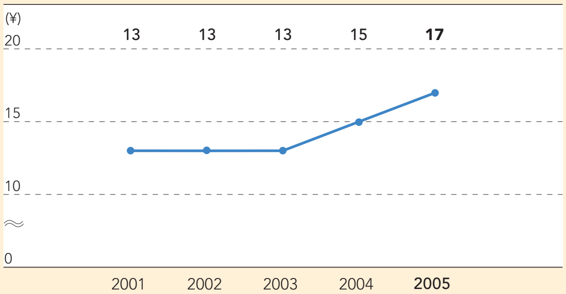


Cash flow per share

Cash flow per share = Cash flow from operating activities/ Average number of shares outstanding during the fiscal year



Dividends per share



Issuance of Bonds

Bond ratings

We have received ratings from rating agencies as follows:

Rating agency	Rating
Rating and Investment Information, Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA-
Moody's Japan K.K	A3
Standard & Poor's (S&P)	A-

* S&P's and Moody's ratings are based on disclosed information and not at the request of Asahi Breweries, Ltd.

List of bonds

	Issued	Amount (¥ million)	Coupon rate	Date of maturity
17th corporate debentures	Dec.12, 2000	20,000	1.48% per annum	Dec.12, 2006
18th corporate debentures	Aug. 8, 2001	25,000	0.66% per annum	Aug. 8, 2006
20th corporate debentures	Oct. 31, 2001	5,000	0.63% per annum	Oct. 31, 2006
22nd corporate debentures	Nov.27, 2002	30,000	0.55% per annum	Nov.27, 2007
23rd corporate debentures	Nov.27, 2002	20,000	0.84% per annum	Nov.27, 2009
24th corporate debentures	Mar.27, 2003	10,000	0.45% per annum	Mar.27, 2007
25th corporate debentures	May12, 2004	10,000	0.61% per annum	May12, 2008

Evaluation by External Research Institutions (As of March 31, 2006)

Asahi Breweries is included in the various domestic SRI funds and the following international CSR-related indices:

Dow Jones
http://www.sustainability-index.com

ETHIBEL
http://www.ethibel.org

FTSE*
http://www.ftse.com/ftse4good

* "FTSE Group is delighted to confirm that ASAHI BREWERIES, LTD. has been independently assessed according to the FTSE4Good criteria, and as of March 2004 has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the independent financial index company FTSE Group, FTSE4Good is a financial index series that is designed to identify companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series are doing more to manage their social, ethical and environmental impacts, and are better positioned to capitalize on the benefits of responsible business practice"

Major Subsidiaries

Domestic

Manufacturing

The Nikka Whisky Distilling Co., Ltd.
Issued Share Capital: ¥14,989 million
Capital Investment Percentage: 100.0%
Principal Business: Production of alcoholic beverages

Sainte Neige Wine Co., Ltd.
Issued Share Capital: ¥125 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of alcoholic beverages

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

LB, Ltd. (Saitama)
Issued Share Capital: ¥487 million
Capital Investment Percentage: 67.9%
Principal Business: Production and sales of soft drinks

LB, Ltd. (Nagoya)
Issued Share Capital: ¥55 million
Capital Investment Percentage: 97.0%
Principal Business: Production and sales of soft drinks

Asahi Food & Healthcare Co., Ltd.
Issued Share Capital: ¥3,200 million
Capital Investment Percentage: 100.0%
Principal Business: Production and sales of foods and pharmaceuticals

Transportation

Asahi Logistics Co., Ltd.
Issued Share Capital: ¥836 million
Capital Investment Percentage: 100.0%
Principal Business: Cargo transportation

Restaurants

Asahi Food Create, Ltd.
Issued Share Capital: ¥40 million
Capital Investment Percentage: 100.0%
Principal Business: Operation of bars and restaurants

(As of March 31, 2006)

Overseas

United States

Asahi Beer U.S.A., Inc.
Issued Share Capital: U.S.$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
560 White Plains Rd., Suite 320, Tarrytown, NY 10591, U.S.A.
Tel: (1) 914-332-9436
Fax: (1) 914-332-9439

Europe

Asahi Beer Europe Limited
Issued Share Capital: £15.9 million
Capital Investment Percentage: 100.0%
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

Buckinghamshire Golf Company Limited
Issued Share Capital: £24.5 million
Capital Investment Percentage: 100.0%
Principal Business: Ownership and management of a golf club
Denham Court Drive, Denham
Buckinghamshire UB9 5PG, U.K.
Tel: (44) 1895-835777
Fax: (44) 1895-835210

Asia

Hangzhou Xihu Beer Asahi Co., Ltd.
Issued Share Capital: RMB226 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

Beijing Beer Asahi Co., Ltd.
Issued Share Capital: RMB333 million
Capital Investment Percentage: 33.0%
Principal Business: Production and sales of beer

Shenzhen Tsingtao Beer Asahi Co., Ltd.
Issued share capital: RMB248 million
Capital Investment Percentage: 29.0%
Principal Business: Production and sales of beer

Asahi Beer (Shanghai) Product Services Co., Ltd.
Issued Share Capital: RMB186 million
Capital Investment Percentage: 100.0%
Principal Business: Sales of beer and soft drinks
No.1207, Westgate Mall, 1038 Nanjing Rd. (W), Shanghai, China 200041
Tel: (86) 21-6267-2052
Fax: (86) 21-6267-2082

Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd.
Issued Share Capital: RMB70 million
Capital Investment Percentage: 60.0%
Principal Business: Production and sales of soft drinks

Tingyi-Asahi-Itochu Beverages Holding Co. Ltd.
Issued Share Capital: U.S.$10 thousand
Capital Investment Percentage: 50.0%
Principal Business: Production and sales of soft drinks

Haitai Beverage Co., Ltd.
Issued Share Capital: KRW 100,000 million
Capital Investment Percentage: 41.0%
Principal Business: Production and sales of soft drinks

B&A Distribution Co., Ltd.
Issued Share Capital: THB100 million
Capital Investment Percentage: 49.0%
Principal Business: Sales and marketing of beer
17th floor, UBC II Building, 591 Sukhumvlt 33, Wattana, Bangkok 10110, Thailand
Tel: (66-2) 662-3274
Fax: (66-2) 662-3275

Asahi Breweries, Ltd. Bangkok, Asia / Pacific Regional Office
17th floor,UBC Building,591 Sukhumvit 33, Wattana, Bankok 10110, Thailand
Tel: (66-2) 262-0066
Fax: (66-2) 262-0065

(As of December 31, 2005)

Investor Information

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

Fiscal Year-end Date
December 31, on an annual basis

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

Date of Establishment
September 1, 1949

Paid-in Capital
¥182,531 million

Number of Shares of Common Stock Issued
493,585,862

Number of Shareholders
117,076

Major Shareholders

Shareholder Name	percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	5.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.2
Asahi Kasei Corporation	3.8
The Dai-ichi Mutual Life Insurance Company	3.6
Fukoku Mutual Life Insurance Company	3.4
Nomura Securities Co., Ltd.	2.0
Sumitomo Mitsui Banking Corporation	1.8
The Sumitomo Trust & Banking Co., Ltd.	1.6
State Street Bank and Trust Company 505103	1.5
Sumitomo Life Insurance Company	1.4

Major Offices and Breweries
Regional Headquarters: 10
Breweries: 9
Laboratories: 6

Number of Overseas Offices
Business Coordination Department: 1
Business Offices: 3

Number of Employees
3,607

Stock Exchange Listings
Tokyo, Osaka stock exchanges

Newspaper for Official Notice
Nihon Keizai Shimbun

Transfer Agent and Registrar
Stock Transfer Agent:
The Sumitomo Trust & Banking Co., Ltd.
4-5-33 Kitahama, Chuo-ku, Osaka

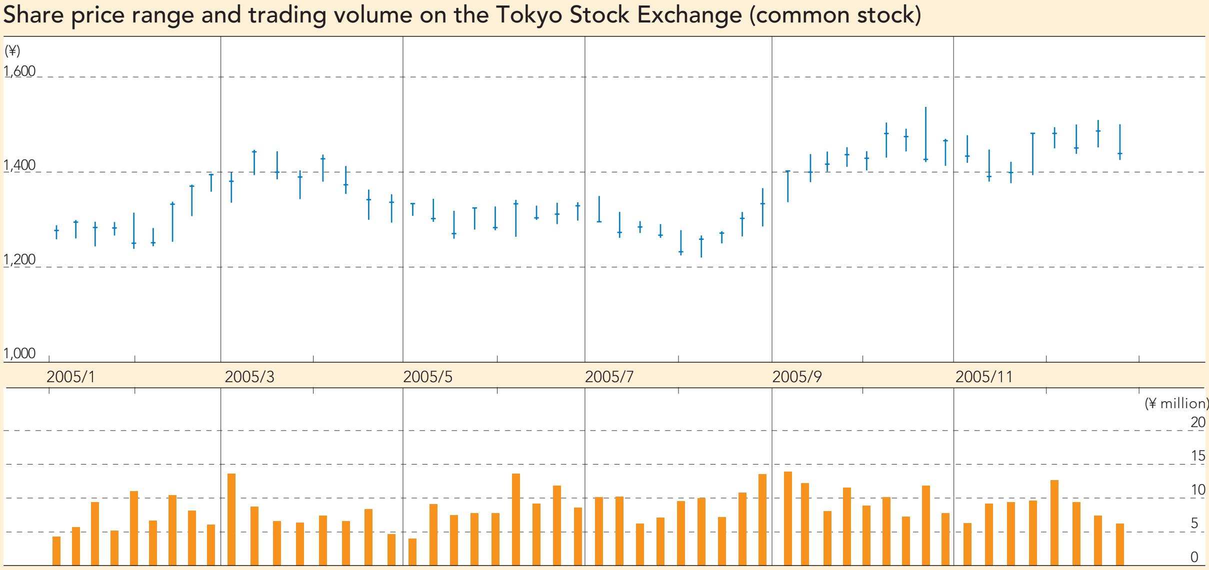
Handling Office:
The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-4-4 Marunouchi, Chiyoda-ku, Tokyo

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
KPMG AZSA & Co.

(As of December 31, 2005)

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



Asahi

ASAHI BREWERIES, LTD.

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

For more IR information, please contact our Investor Relations Office

(Public Relations Department):

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Tokyo 130-8602, Japan
Tel: +81-3-5608-5126 Fax: +81-3-5608-7121
E-mail: ir@asahibeer.co.jp