

**English Translation of Original Japanese**

*This is a translation of the original notice in Japanese. In the event of any discrepancy, the original notice in Japanese shall prevail.*

**ASAHI BREWERIES, LTD.**

(Ticker Code: 2502)

**March 4, 2010**

**Dear Shareholders:**

**NOTICE OF THE 86<sup>th</sup> ANNUAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the Annual Shareholders' Meeting of Asahi Breweries, Ltd. (the "Company"), which will be held as described below.

*If you can attend the meeting, please submit the enclosed voting form directly at the meeting.*

*If you are unable to attend the meeting in person, you may exercise your voting rights via either postal mail or Internet. Please review the attached "REFERENCE MATERIALS FOR SHAREHOLDERS' MEETING" on pages 78 to 107 and exercise your voting rights no later than 5:30 p.m., Thursday, March 25, 2010 (JST).*

**Voting via Postal Mail**

Please indicate your consent/dissent concerning the items shown on the enclosed voting form, and return the form to us by the deadline noted above.

**Voting via Internet**

After accessing our voting site at <<http://www.webdk.net>>, enter the voting code and password provided on the enclosed voting form. Following the instructions on your screen, enter your consent/dissent concerning the items to be voted on by the deadline noted above. (This site can also be accessed on the Internet via cellular phone.)

If you exercise your voting rights via the Internet, please review "Reminder to Shareholders Concerning Online Voting" on pages 108 to 109.

*\* Please note that the online voting site is available only in the Japanese language.*

Sincerely,

Hitoshi Ogita, President and Representative Director  
ASAHI BREWERIES, LTD.  
23-1, Azumabashi 1-chome, Sumida-ku, Tokyo

## **1. DATE AND TIME**

March 26 (Friday), 2010 at 1:00 p.m. (JST)

## **2. PLACE**

Banquet Room “Tsuru”  
Main Banquet Floor of Hotel New Otani  
4-1, Kioi-cho, Chiyoda-ku, Tokyo

## **3. PURPOSES**

### **Items to Be Reported:**

Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and reports of the audit results of the consolidated financial statements by the Independent Auditor and the Board of Corporate Auditors for the 86<sup>th</sup> term, from January 1, 2009 to December 31, 2009.

### **Items to Be Resolved:**

**Item 1:** Appropriation of surplus

**Item 2:** Election of fourteen (14) Directors

**Item 3:** Renewal of the Plan against Large-Scale Purchases of the Shares in the Company

# BUSINESS REPORT

From January 1 to December 31, 2009

## 1. Overview of Operations of Asahi Breweries Group

### (1) Business Progress and Results

The Japanese economy showed signs of recovery with the help of the government's economic stimulus measures. Overall conditions remained harsh, however, due to the effects of the global financial crisis that began in the United States. Employment conditions deteriorated and consumer spending was sluggish.

In the alcoholic beverages industry, although the new-genre market grew substantially as a result of the adoption by consumers of a more defensive spending attitude in response to the recessionary conditions, the markets for beer and happoshu (low-malt beer) both declined. Taxable shipment volumes for all types of beer and beer-type beverages declined by 2.1%. Outside this segment, most alcoholic beverage categories recorded nearly flat growth, although the market for whisky and other spirits performed well.

In the soft drinks industry, the total sales volume dropped by an estimated 3%. This reflected the economic downturn and such factors as unseasonable weather during the summer months.

Against this backdrop, during 2009, the final year of the "Third Medium-Term Management Plan," the Company and its consolidated subsidiaries and affiliates (collectively, the "Asahi Breweries Group" or "the Group") focused on reinforcing the Group's business platform to establish an earnings base for generating future growth. Besides measures to strengthen each of the Group's businesses, this included moves to build an optimized production structure independent of the operational framework.

The Asahi Breweries Group posted net sales of ¥1,472,468 million, a year-on-year increase of 0.7%. Operating income declined by 12.4% to ¥82,777 million and recurring profit fell by 6.1% to ¥90,546 million. Net income totaled ¥47,644 million, an increase of 5.8% compared with the previous year.

	Asahi Breweries Group (Consolidated)	Asahi Breweries, Ltd. (Non-consolidated)
Net sales	¥1,472,468 million (up 0.7% year-on-year)	¥985,468 million (down 3.3% year-on-year)
Operating income	¥82,777 million (down 12.4% year-on-year)	¥78,513 million (down 13.8% year-on-year)
Recurring profit	¥90,546 million (down 6.1% year-on-year)	¥79,303 million (down 10.5% year-on-year)
Net income	¥47,644 million (up 5.8% year-on-year)	¥30,036 million (down 23.0% year-on-year)

The following provides an overview of the Group's operations by business segment.

### **Alcoholic Beverages Segment**

In its domestic alcoholic beverages business, the Company promoted brand cultivation and reinforcement initiatives by developing product offerings matched to customer needs and undertaking sales promotion activities. At the same time, it focused on creating a resilient earnings structure with reduced susceptibility to changing conditions.

#### ***- Beers and Beer-type Products Business***

In the beer sector, the Company focused on further enhancement of the value of its "Asahi Super Dry" flagship brand through two conceptually linked information provision and sales promotion projects. The first was a consumer campaign (the "Embodiment of Freshness" project) highlighting different scenarios for drinking at home and the second was an environmental protection initiative (the "Refreshingly Sustainable" project) under which the Company donated a portion of its proceeds from sales to local organizations nationwide dedicated to preserving the natural and cultural assets of Japan. In other moves, the Company launched "Asahi The Master," a pilsner-type beer designed to cater to a broad range of customers, in May 2009.

In the happoshu sector, the "Asahi Style Free" brand for health-conscious customers generated year-on-year growth in sales. It remained a popular choice within the "zero-carbohydrate"\*<sup>1</sup> segment, which contracted in 2009. In March, the Company launched "Asahi Cool Draft" in a bid to energize the market.

In the new-genre sector, the Company used a large-scale sampling campaign and aggressive sales promotion activities to help establish "Clear Asahi" as one of the leading products in the growing "new genre (malt-type)"\*<sup>2</sup> segment. The Company also developed products aiming to offer original value for this market, introducing "Asahi Off" in February and "Asahi Mugishibori" in September.

\*<sup>1</sup> "Zero-carbohydrate" is defined as a sugar content of less than 0.5g per 100ml based on the Japanese labeling standards for nutritional content.

\*<sup>2</sup> "New genre (malt-type)" is defined by the Company as a genre classified as "liquors (happosei) (1)" that are happoshu with less than 50% malt and mixed with barley spirits.

#### ***- Shochu, Low-Alcohol Beverages, Whisky and Other Spirits, and Wine Business***

In the shochu sector, the Company actively undertook sales promotion activities for the core brands "Kanoka" and "Satsuma Tsukasa" to reinforce their respective positions in the growing markets for mixed shochu (blends of Ko- and Otsu-type shochu) and imo-shochu.

In the low-alcohol beverages sector, the Company generated favorable sales with "Asahi Slat," a form of chu-hai (shochu cocktail) that gained popularity for its

combination of a fresh, fruity taste, thanks to its rich pulp, and the lowest level of calories<sup>\*3</sup>. It created a rich lineup of products with the mainstay brands “Asahi Cocktail Partner” and “Asahi Shunka Shibori.”

In the whisky and other spirits sector, sales of the core brand “Black Nikka Clear Blend” continued to expand steadily, posting positive growth for the third successive year. In April 2009, “Taketsuru 21-Year Pure Malt” won accolades at the “World Whiskies Awards (WWA) 2009”<sup>\*4</sup> as the world’s best blended malt whisky. This was followed in October by the receipt of a trophy, which is the highest award, in the whiskies category at the “International Spirits Challenge (ISC) 2009”<sup>\*5</sup>. These awards generated global recognition of the “Nikka” brand’s high quality.

In the wine sector, the Company continued to promote sales of domestically produced wine through renewal of the “Sankaboshizai-Mutenka Yuki Wine” line of antioxidant-free organic wines as part of its development of the “Sainte Neige” brand. In imported wines, efforts focused on reinforcing brand appeal while seeking to expand sales through cultivation of a varied product lineup. The Company began handling the “Champagne Lanson” label, while also promoting such key labels as “Baron Philippe de Rothschild” and “Maison Louis Latour.”

<sup>\*3</sup> This comparison refers to products available in the canned chu-hai market as of December 2009.

<sup>\*4</sup> The WWA is an international competition exclusively for whiskies sponsored by the specialized UK publication *Whisky Magazine*.

<sup>\*5</sup> The ISC is an international competition for all spirits sponsored by *Drinks International*, a UK publisher specializing in alcoholic beverages.

### **- International Alcoholic Beverages Business**

The Company formed a long-term and constructive business alliance with China’s Tsingtao Brewery Co., Ltd. through partial acquisition of shares of this company. The Company sought to strengthen its strategic partnership with Tsingtao Brewery in the Chinese beer business by making the best use of the latter’s brand power and formidable business platform in the Chinese beer market and the Group’s production, quality control and product development expertise.

In a reflection of lower sales of beer and beer-type beverages, net sales recorded in the alcoholic beverages business segment amounted to ¥958,155 million, a decline of 3.8% compared with the previous year. Operating income fell by 13.1% year on year to ¥78,879 million, reflecting a downturn in sales of beer and beer-type beverages. Another significant factor in the decline was an increase in costs due to changes in accounting standards related to the useful lives of manufacturing equipment.

### **Soft Drinks Segment**

#### **- Domestic Soft Drinks Business**

In the domestic soft drinks business, Asahi Soft Drinks Co., Ltd. pursued a growth

strategy while implementing further structural reforms and seeking to establish growth in new areas to realize dramatic growth in this sector.

Efforts focused on channeling marketing resources to further strengthen and develop key brands such as “WONDA” and “Mitsuya Cider” at the heart of the growth strategy. “WONDA” recorded growth in its sales volume for the fifth consecutive year. Sales of “Mitsuya Cider” increased for the sixth consecutive year as the overall brand was energized by the favorable sales of “Mitsuya Cider All Zero,” which launched in May 2009. Asahi Soft Drinks set a new volume sales record for the seventh successive year as a result.

Restructuring efforts in this segment targeted quality improvements and earnings structure reforms. Besides working to stem growth in raw materials costs and boost logistical efficiency, the Group installed a new state-of-the-art production line with PET bottle in-house manufacturing equipment at its Akashi Plant.

Initiatives to establish growth in new areas featured active promotion of new product concepts as well as efforts to establish growth platforms for the development of new sectors using existing sales channels<sup>\*6</sup>.

<sup>\*6</sup> Sales channels comprise all direct and indirect sales routes for soft drink sales, including supermarkets, discount outlets, convenience stores, vending machines, mail-order sales and sales through affiliated distributors.

### ***- International Soft Drinks Business***

In its international soft drinks business, the Group provided management support to Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. of China, which continued to perform well. In South Korea, the Group initiated radical reforms to rebuild the earnings structure of its subsidiary Haitai Beverage Co., Ltd. and implemented a new growth strategy based on the rebuilding of core brands. In April 2009, the Group’s wholly owned subsidiary Schweppes Australia Pty Limited began implementing policies to reinforce its position in the Australian market by introducing new brands and strengthening existing brands.

In a reflection of the sales contribution from Schweppes Australia Pty Limited, the soft drinks business segment posted net sales of ¥355,162 million, a gain of 12.1% compared with the previous year. Operating income increased by 12.9% from the previous year to ¥694 million due to positive growth in Japan, although this was partially offset by higher goodwill amortization costs related to the acquisition of Schweppes Australia Pty Limited.

### **Foods and Pharmaceuticals Segment**

In the foods and pharmaceuticals segment, the Group subsidiary Asahi Food & Healthcare Co., Ltd. sought to expand its operations and reinforce its business base by continuing to implement a basic strategy targeting growth, structural reforms and the maintenance of high levels of product safety. Asahi Food & Healthcare generated significant sales growth through aggressive sales promotion initiatives and the

continuous introduction of new and renewed product lines. These efforts supported the growth of such mainstay brands as “MINTIA” breath mints, “BALLANCEUP” nutritionally balanced snack bars, yeast-derived quasi-drug “EBIOS” tablets, “Dear-Natura” dietary supplements, “Slim Up Slim” dietary aids, and the “Ippon Manzoku Bar” range of nutritional snacks.

Wakodo Co., Ltd. pursued a business strategy targeting accelerated growth by seeking to stabilize its business base and expand its operations. Leveraging its expertise in “infant-safe quality” developed in the production of high-quality baby foods over the years, Wakodo introduced renewed product lines to reinforce the brand portfolio. Strong sales of such mainstay brands as the “Hai Hai” and “Gun Gun” powdered baby milks and the “Goo-Goo Kitchen” baby food line contributed to steady growth in sales.

In other segment developments, Group subsidiary Amano Jitsugyo Co., Ltd. focused on expanding its business and increasing its profitability with the aim of dominating the Japanese market for freeze-dried foods. Its contract manufacture-based commercial sales operations posted higher sales in 2009 as a result. Its mail-order sales operations also generated significant growth, contributing to a record overall sales performance. Closer cooperation with Group companies also helped to boost profit margins at Amano Jitsugyo.

Net sales in the foods and pharmaceuticals business segment amounted to ¥92,399 million, a gain of 16.7% compared with the previous year. Besides the contribution from Amano Jitsugyo, this result also reflected higher sales of mainstay products. Operating income soared by 41.2% from the year before to ¥2,744 million.

### Other Businesses Segment

Lower sales due to the reorganization of wholesaling operations and other factors led to a downturn in net sales of this segment by 6.1% from the year before to ¥66,751 million, while operating income declined by 11.6% to ¥889 million.

#### **Asahi Breweries Group Breakdown of Net Sales (Consolidated)**

Million yen

Segment	85 <sup>th</sup> term 2008 (previous)	86 <sup>th</sup> term 2009 (under review)	Change in amount	Change in percentage
Alcoholic Beverages	¥995,703	¥958,155	¥(37,547)	(3.8)%
Soft Drinks	316,737	355,162	38,424	12.1
Foods and Pharmaceuticals	79,202	92,399	13,197	16.7
Other Businesses	71,104	66,751	(4,353)	(6.1)
Total	1,462,747	1,472,468	9,721	0.7

Note: The above figures exclude intra-Group sales.

**Asahi Breweries, Ltd. Breakdown of Net Sales (Non-consolidated)**

Million yen

Business area	85 <sup>th</sup> term 2008 (previous)	86 <sup>th</sup> term 2009 (under review)	Change in amount	Change in percentage
Beers and Beer-Type Products	¥873,514	¥844,328	¥(29,185)	(3.3)%
(Beer)	685,729	646,517	(39,211)	(5.7)
(Happoshu)	110,314	96,239	(14,075)	(12.8)
(New Genre)	77,469	101,571	24,101	31.1
Shochu	52,710	50,265	(2,444)	(4.6)
Low-Alcohol Beverages	31,393	30,558	(835)	(2.7)
Whisky and Other Spirits	27,512	26,005	(1,507)	(5.5)
Wine	14,840	12,420	(2,419)	(16.3)
Other Alcoholic Beverages	3,235	3,877	642	19.8
Contract Manufacture	14,612	16,227	1,614	11.1
Real Estate and Others	1,794	1,785	(9)	(0.5)
Total	1,019,613	985,468	(34,144)	(3.3)

Note: "Other Alcoholic Beverages" above includes beer-tasted soft drinks and soft drinks for on-site sales.



## **(2) Management Perspectives**

The Asahi Breweries Group has crafted “Long-Term Vision 2015” to describe the direction the Group intends to follow toward 2015. The Group has also formulated “Medium-Term Management Plan 2012” to cover the realization of related initiatives over the coming three-year period.

“Long-Term Vision 2015” outlines the Group’s aim to develop as an enterprise that transforms the bounty of nature into emotionally inspiring foods and beverages based on a trusted reputation for global quality. The Group always seeks to leverage its strengths in innovation based on natural ingredients to deliver greater customer satisfaction. The Group is also committed to the challenge of matching global corporate benchmarks in terms of products, management, human resources policies and other aspects of its business performance.

During 2010, the first year of “Medium-Term Management Plan 2012,” the Group will focus its management resources on reinforcing core product brands across all its businesses and seek to improve the overall profitability of its operations by constantly reinforcing its cost competitiveness as part of efforts to achieve the goals elucidated in “Long-Term Vision 2015”.

### **The Domestic Alcoholic Beverages Business**

The slogan for the domestic alcoholic beverages business is “to move in the direction of reform.” The Company will focus on reinforcing and cultivating such flagship brands as “Asahi Super Dry” and “Clear Asahi.” Other moves to energize the market for beer and beer-type beverages will include the March 2010 launch of “Asahi Strong Off,” a new-genre beverage that offers original value by combining a rich, satisfying taste and alcohol content of 7% with a clear flavor and 60% reduction in carbohydrates<sup>\*7</sup>. In the shochu, low-alcohol beverages, whisky and other spirits and wine categories, the Company will work to boost its market presence by reinforcing and cultivating all its core brands, at the same time seeking to realize higher cost competitiveness. In addition, the Company aims to reform and strengthen its earnings structure to make it more resilient to changes in business conditions by securing lower materials costs based on Group bulk purchasing initiatives and by revising its production and sales systems.

<sup>\*7</sup> This refers to the comparison with happoshu-based products of the Company classified as “liquors (happosei) (1).”

### **Group Operations**

In the soft drinks business, the key Group subsidiary Asahi Soft Drinks Co., Ltd. is pursuing a vision of growth of the soft drinks business based on a combination of dynamism and robust enterprise. It is promoting this growth strategy by seeking to establish and cultivate brands that customers prefer while also developing innovative new brands. Expanding the vending machine network is another key element in this strategy. Asahi Soft Drinks also aims to pursue structural reforms aimed at constructing an optimized production setup and boosting cost competitiveness.

In the foods business<sup>\*8</sup>, Group subsidiary Asahi Food & Healthcare Co., Ltd. has adopted the fundamental strategies of expanding sales, strengthening corporate capabilities and creating safe and reassuring brands. Positioning itself in the three core sectors of confectionery, health foods and seasonings, this company aims to generate growth and establish a stronger business base by aggressively promoting sales and reinforcing its product development and marketing setups. Elsewhere, Wakodo Co., Ltd. is sticking with working to reinforce its business base by building a powerful position in existing businesses while also striving to achieve high quality at all times as at basis for supplying safe, reliable products. Wakodo also plans to foster new growth by developing new businesses including overseas operations and the business targeting seniors and women customers. Amano Jitsugyo Co., Ltd. is working to develop and cultivate core products and seeking at the same time to expand sales by developing new sales channels, expanding its regional sales routes and building a customer base for mail-order sales operations. This firm also aims to promote greater efficiency by revising its production and distribution systems as part of a drive to achieve levels of profitability among the highest in the industry.

In international operations, the Group is focused on improving margins in its beer operations in the key China market, while also seeking to strengthen the strategic partnership with Tsingtao Brewery Co., Ltd. Through this alliance, the Group plans to pursue a range of initiatives, including bolstering production efficiencies by manufacturing the Tsingtao brand products at Group production sites in China; initiating joint materials purchasing; and expanding the Asahi brand by making use of Tsingtao Brewery's production sites and strong domestic sales network. Elsewhere, Schweppes Australia Pty Limited will focus on reinforcing its platform for growth through aggressive marketing investments designed to generate additional growth of its core brands which continuing efforts to realize more efficient distribution and production and lower costs. Further leveraging of the Group's overseas network will help to improve the overall profitability of the Group's international beverage operations.

In accordance with "Medium-Term Management Plan 2012," the Asahi Breweries Group intends to strengthen all its brands and increase its profitability. The Group plans to optimize its finances and implement a cash flow strategy aimed at increasing its total enterprise value. Creating a stronger base for future growth is the Group's top priority. To this end, it plans to study and actualize opportunities for strategic business investments and alliances, both in Japan and abroad, targeting the alcoholic beverage and soft drink business segments, in particular. The Group will make flexible allocation to return cash flows to shareholders in the form of dividends, etc. and enhance capital efficiency. The Group remains committed to creating additional corporate value.

The Company cordially requests shareholders' continuing encouragement and support.

<sup>\*8</sup> As part of the formulation of "Long-Term Vision 2015" and "Medium-Term Management Plan 2012," the Group's food and

pharmaceuticals operations were renamed the “foods business.”

### (3) Capital Investment Activities

Consolidated capital expenditures in the year under review totaled ¥43,045 million, a large portion of which represented investments made to upgrade existing facilities and implement energy conservation measures. The above amount includes a figure of ¥10,465 million for lease assets, in line with the application of lease accounting standards. Other projects are specified below:

Major capital investments and facility upgrades in process during 2009

***Segment concerned: Soft drink operations***

Item and expenditure: Manufacturing facility for soft drinks: ¥1,451 million (at Ibaraki Brewery, Asahi Breweries, Ltd.: total projected capital investment of ¥22,500 million)

### (4) Financing Activities

The Company financed the capital investments detailed in item (3) above and other capital requirements through loans from financial institutions and the issuance of commercial paper. On July 17, 2009, the Company issued its 30th series of unsecured bonds (3-year, ¥15,000 million bond issue) and 31st series of unsecured bonds (5-year, ¥10,000 million bond issue) to raise funds for the repayment of short-term debt that had been used to finance the acquisitions of shares in Schweppes Holdings Pty Limited and Tsingtao Brewery Co., Ltd.

### (5) Status of Principal Lenders

(As of December 31, 2009)

Lender	Outstanding balance
	(Million yen)
Sumitomo Mitsui Banking Corporation	34,000
Mizuho Corporate Bank, Ltd.	20,000
The Sumitomo Trust & Banking Co., Ltd.	17,000
The Norinchukin Bank	13,900
The Dai-ichi Mutual Life Insurance Company	8,500
Fukoku Mutual Life Insurance Company	8,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,000
Sumitomo Life Insurance Company	5,500
Mitsubishi UFJ Trust and Banking Corporation	4,500

**(6) Financial and Profit/Loss Indicators****A. Financial and profit/loss indicators of Asahi Breweries Group (Consolidated)**

	83 <sup>rd</sup> term 2006	84 <sup>th</sup> term 2007	85 <sup>th</sup> term 2008	86 <sup>th</sup> term 2009 (under review)
Net sales (million yen)	1,446,385	1,464,071	1,462,747	1,472,468
Operating income (million yen)	88,713	86,955	94,520	82,777
Recurring profit (million yen)	90,109	90,217	96,474	90,546
Net income (million yen)	44,775	44,797	45,014	47,644
Earnings per share (yen)	94.02	94.94	96.31	102.49
Total assets (million yen)	1,288,501	1,324,391	1,299,058	1,433,652
Net assets (million yen)	509,774	529,782	534,627	577,702
Net assets per share (yen)	1,012.77	1,089.33	1,122.13	1,233.25

Note: Earnings per share are calculated based on the average total number of shares outstanding during the term. Net assets per share are calculated based on the total number of shares outstanding at term-end. The number of shares outstanding is exclusive of treasury stock.

**B. Financial and profit/loss indicators of Asahi Breweries, Ltd. (Non-consolidated)**

	83 <sup>rd</sup> term 2006	84 <sup>th</sup> term 2007	85 <sup>th</sup> term 2008	86 <sup>th</sup> term 2009 (under review)
Net sales (million yen)	1,031,060	1,030,736	1,019,613	985,468
Operating income (million yen)	78,596	79,933	91,050	78,513
Recurring profit (million yen)	76,307	77,372	88,562	79,303
Net income (million yen)	38,902	40,513	38,994	30,036
Earnings per share (yen)	81.69	85.84	83.43	64.61
Total assets (million yen)	1,014,878	1,070,506	1,049,190	1,155,860
Net assets (million yen)	449,270	482,026	485,538	507,569
Net assets per share (yen)	954.48	1,020.24	1,044.56	1,091.53

Note: Earnings per share are calculated based on the average total number of shares outstanding during the term. Net assets per share are calculated based on the total number of shares outstanding at term-end. The number of shares outstanding is exclusive of treasury stock.

## (7) Principal Subsidiaries

Company name	Capital (Million yen)	Shareholdings (%)	Main operations
The Nikka Whisky Distilling Co., Ltd.	14,989	100.0	Production of alcoholic beverages
Sainte Neige Wine Co., Ltd.	50	100.0	Production of alcoholic beverages
Asahi Soft Drinks Co., Ltd.	11,081	100.0	Production and sales of soft drinks
Asahi Calpis Beverage Co., Ltd.	495	80.0	Sales of soft drinks
LB Co., Ltd. (Tokyo)	487	67.9	Production and sales of soft drinks
LB Co., Ltd. (Nagoya)	55	97.0	Production and sales of soft drinks
Asahi Food & Healthcare Co., Ltd.	3,200	100.0	Production and sales of foods and pharmaceuticals
Wakodo Co., Ltd.	2,918	100.0	Production and sales of foods and pharmaceuticals
Amano Jitsugyo Co., Ltd.	67	80.0	Production and sales of foods
Asahi Logistics, Ltd.	80	100.0	Cargo transportation
Asahi Food Create, Ltd.	40	100.0	Operation of bars and restaurants
Beijing Beer Asahi Co., Ltd.	7,902 (609,322 thousand RMB)	72.8	Brewing and sales of beer
Hangzhou Xihu Beer Asahi Co., Ltd.	3,882 (276,000 thousand RMB)	55.0	Brewing and sales of beer
Yantai Beer Tsingtao Asahi Co., Ltd.	3,032 (218,804 thousand RMB)	51.0	Brewing of beer
Haitai Beverage Co., Ltd.	7,974 (94,140 million KRW)	58.0	Production and sales of soft drinks
Schweppes Australia Pty Limited	13,591 (A\$200,018 thousand)	100.0	Production and sales of soft drinks
Asahi Beer U.S.A., Inc.	3,720 (US\$32,000 thousand)	100.0	Sales of beer

### Notes:

1. Shareholding Percentages include shares held indirectly.
2. The Company increased its equity stake in Beijing Beer Asahi Co., Ltd. from 47.0% to 72.8% by assumption of equity stake held by third-parties on November 12, 2009 and then increasing its paid-in capital on December 28, 2009. The firm's capital rose to ¥7,902 million (from ¥4,744 million at the previous fiscal year-end) as a result of this increase in paid-in capital.
3. An investment by Tsingtao Brewery Co., Ltd. reduced the Company's equity stake in Yantai Beer Asahi Co., Ltd. from 53.0% to 51.0% on March 24, 2009, at which time the latter company was renamed Yantai Beer Tsingtao Asahi Co., Ltd.
4. The Company's equity stake in Haitai Beverage Co., Ltd. increased from 41.0% to 58.0% following a non-compensated reduction in capital on March 13, 2009 and a paid-in capital increase on March 21, 2009. Haitai Beverage's capital decreased to ¥7,974 million (from ¥9,460 million at the previous fiscal year-end) as a result.

5. The Company made Schweppes Australia Pty Limited into a wholly owned subsidiary via the acquisition on April 3, 2009 of all outstanding shares in its parent company, Schweppes Holdings Pty Limited, in accordance with a basic agreement concluded with Cadbury plc.

#### **(8) Acquisition or Disposal of Other Company Shares, Equity Stakes and Stock Acquisition Rights**

A. Following approval of a resolution at a meeting of the Board of Directors on December 8, 2008, Asahi Breweries, Ltd. acquired all the outstanding shares of Schweppes Holdings Pty Limited, the parent company of Schweppes Australia Pty Limited, on April 3, 2009, in accordance with an agreement previously concluded with Cadbury plc. The purchase was conducted through Asahi Holdings (Australia) Pty Ltd., a wholly owned subsidiary of the Company. As a result, the Company acquired indirect ownership of 100.0% of Schweppes Australia Pty Limited shares, making the latter a consolidated subsidiary of the Company.

B. Following a resolution in writing of the Board of Directors which was deemed to be passed as per Article 370 of the Companies Act on January 23, 2009, Asahi Breweries, Ltd. acquired 261,577,836 shares of common stock in Tsingtao Brewery Co., Ltd. on April 30, 2009. The Company also acquired an additional 8,550,000 shares of common stock in Tsingtao Brewery Co., Ltd. in November 2009 in accordance with a resolution approved at a meeting of the Board of Directors on October 30, 2009. This gave the Company an equity stake of 19.7% in Tsingtao Brewery Co., Ltd.

## (9) Principal Operations

(As of December 31, 2009)

The Group's principal operations and products are as listed below:

Principal operations	Principal products
Alcoholic Beverages	<i>Asahi Super Dry, Asahi The Master, Asahi Premium Draft Beer Jukusen, Asahi Style Free, Asahi Honnama Draft, Asahi Honnama Aqua Blue, Asahi Cool Draft, Clear Asahi, Asahi Off, Asahi Mugishibori</i> (beers and beer-type beverages) <i>Kanoka, Satsuma Tsukasa, Daigoro, Ichibanfuda</i> , (shochu) <i>Asahi Slat, Asahi Cocktail Partner, Asahi Shunka Shibori</i> , (low-alcohol beverages) <i>Taketsuru, Black Nikka Clear Blend, Super Nikka, Single Malt Yoichi</i> (whisky) <i>Sainte Neige, Baron Philippe, Louis Latour, Lanson, Caliterra, ALMADEN, Gancia</i> (wine)
Soft Drinks	<i>Mitsuya Cider, Wilkinson, Bireley's, WONDA, Asahi Juroku-Cha, Asahi Kaoru Ryokucha Ibuki, FAUCHON, Asahi Ikkyu-Chaba Oolong-Cha, Asahi Fujisan-no Vanadium Ten-Nen-Sui, Asahi Super H<sub>2</sub>O</i>
Foods and Pharmaceuticals	<i>EBIOS, Dear-Natura, Slim Up Slim, MINTIA, BALLANCEUP, Ippon Manzoku Bar, Hai Hai</i> (baby milk), <i>Gun Gun</i> (baby milk), <i>Goo-Goo Kitchen</i> (baby food), <i>Gyunyuya-san no Kohii</i> (coffee), <i>Oshibori Wetty</i> (wet tissues), <i>Siccarol</i> (baby skincare powder), <i>Nagomi no Umadashi, Kokusan Guzai no Omiso-shiru, Okoge no Soup, Soup Days</i>

**(10) Principal Offices and Factories**

(As of December 31, 2009)

Asahi Breweries, Ltd.	Registered head office	23-1, Azumabashi 1-chome, Sumida-ku, Tokyo
	Regional sales offices	Hokkaido Regional Headquarters (Sapporo), Tohoku Regional Headquarters (Sendai), Syutoken Regional Headquarters (Chuo-ku, Tokyo), Chubu Regional Headquarters (Nagoya), Hokuriku Regional Headquarters (Kanazawa), Kinkiken Regional Headquarters (Osaka), Chugoku Regional Headquarters (Hiroshima), Shikoku Regional Headquarters (Takamatsu), Kyushu Regional Headquarters (Fukuoka)
	Production facilities	Hokkaido Brewery (Sapporo), Fukushima Brewery (Motomiya, Fukushima Prefecture), Ibaraki Brewery (Moriya, Ibaraki Prefecture), Kanagawa Brewery (Minami-ashigara, Kanagawa Prefecture), Nagoya Brewery (Nagoya), Suita Brewery (Suita, Osaka Prefecture), Nishinomiya Brewery (Nishinomiya, Hyogo Prefecture), Shikoku Brewery (Saijo, Ehime Prefecture), Hakata Brewery (Fukuoka)
	Laboratories	Development Laboratories for Alcoholic Beverages, Research Laboratories of Brewing Technology, Research & Development Laboratories for Packaging, Development Laboratories for Food Product, Research Laboratories for Food Technology, Research Laboratories for Food Safety Chemistry, Research & Development Laboratories for Sustainable Value Creation, Research Laboratories for Fundamental Technology of Food (all in Moriya, Ibaraki Prefecture)
	Overseas offices	Coordination Division for China Business (China), North America Office (U.S.A.), Europe Branch (U.K.)



Subsidiaries	Domestic	The Nikka Whisky Distilling Co., Ltd. Headquarters: Minato-ku, Tokyo
		Sainte Neige Wine Co., Ltd. Headquarters: Yamanashi, Yamanashi Prefecture
		Asahi Soft Drinks Co., Ltd. Headquarters: Sumida-ku, Tokyo
		Asahi Food & Healthcare Co., Ltd. Headquarters: Sumida-ku, Tokyo
		Wakodo Co., Ltd. Headquarters: Chiyoda-ku, Tokyo
		Amano Jitsugyo Co., Ltd. Headquarters: Fukuyama, Hiroshima Prefecture
		Overseas

## (11) Employees

(As of December 31, 2009)

### A. Employees of the Asahi Breweries Group (Consolidated)

Business segment	Number of employees
Alcoholic Beverages	7,281 (down 88)
Soft Drinks	5,369 (up 736)
Foods and Pharmaceuticals	1,499 (up 88)
Other Businesses	3,167 (up 223)
Total	17,316 (up 959)

Note: Figures in parentheses represent increases or decreases from the end of the previous term.

### B. Employees of Asahi Breweries, Ltd. (Non-consolidated)

Full-time employees	Average age	Average years of service	Average annual compensation
3,719 (up 6)	40.3	14.7	¥8,813,974

Notes:

1. Figures in parentheses represent increases or decreases from the end of the previous term.
2. Full-time employees include 202 persons seconded to the Company from other companies.
3. In addition to the employees enumerated above, the Company employs 164 persons on a term contract basis.

## **(12) Overview of Other Significant Asahi Breweries Group Activities**

### **Research and Development**

R&D operations have principally involved the development of new products and technologies to reinforce the Group's existing businesses and to foster new business development. Notable R&D achievements in the year under review are outlined below:

- The Company has developed an environmental technology for the low-cost production of a cellulase enzyme that can break down cellulose (the principal constituent of plant fibers and cell walls) into sugars. The technology, which uses waste paper, old newspapers and cardboard as raw materials, reduces costs by more than 90% compared with conventional methods. Applications of such technology are expected in such areas as bioethanol production.
- The Company has developed a high-value-added yeast extract by applying original yeast culture technology and a novel method of manufacturing such extracts. The new extract is made from four varieties of yeast highly enriched in glutamic acid that the Company led the world in discovering. At a time of growing global interest in healthful, preservative-free foods, it intends to expand its overall presence in the natural seasonings sector through sales of this new yeast extract.

### **Corporate Social Responsibility (“CSR”)**

The Asahi Breweries Group regards CSR activities as “proactive measures to enhance corporate value.” Based on the “Asahi Breweries Group CSR Policy,” the Group is undertaking initiatives in such priority areas as “environmental conservation activities” and “social contribution activities.”

- Among its environmental conservation activities, the Group is focusing primarily on reducing CO<sub>2</sub> emissions as key efforts to help prevent global warming. The Company now uses renewable energy not only at its corporate headquarters building, but also at all nine breweries to power all manufacturing of “Asahi Super Dry” beer in 350ml cans, and all the beer and beer-type products supplied in gift sets. Asahi Breweries is the largest consumer of green electricity in Japan's food industry. This switch to green electricity in the production of “Asahi Super Dry” was recognized at the 14<sup>th</sup> New Energy Awards 2009, where the Company received an award from the Director-General of the Agency for Natural Resources and Energy.
- Among its social contribution activities, the Group donated one yen per can of “Asahi Super Dry” sold to regional organizations throughout the country that are dedicated to preserving Japan's natural and cultural assets. Dubbed the “Refreshingly Sustainable” project, this initiative seeks to strengthen local community relations while boosting corporate value by fulfilling the Company's social responsibility through business activities. The project generated donations in two phases: a period from late March to late April, followed by a second period

from late September to late November. Total donations were approximately ¥680 million. The Company now plans to develop this initiative as a mid- and long-term policy.

## 2. Overview of the Company

### (1) Shares Outstanding

(As of December 31, 2009)

<b>A. Total number of authorized shares</b>	972,305,309
<b>B. Total number of issued shares</b>	483,585,862
<b>C. Number of shareholders</b>	119,908

(Increased by 4,458 from the end of the previous term)

### D. Major shareholders

	Shareholders' investment in the Company	
	Number of shares held (in hundreds)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	217,552	4.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	212,829	4.6
Asahi Kasei Corporation	187,853	4.0
The Dai-ichi Mutual Life Insurance Company	169,200	3.6
Fukoku Mutual Life Insurance Company	168,830	3.6
Sumitomo Mitsui Banking Corporation	90,280	1.9
The Sumitomo Trust & Banking Co., Ltd.	81,260	1.7
Sumitomo Life Insurance Company	70,900	1.5
Mizuho Corporate Bank, Ltd.	56,447	1.2
The Norinchukin Bank	55,660	1.2
Total	1,310,811	28.2

#### Notes:

1. The Company holds treasury stock numbering 18,576,966 shares. However, the Company is excluded from the above list of major shareholders.
2. Shareholding percentages are calculated based on the total number of issued shares less the number of shares in treasury stock.

**(2) Status of Share Purchase Warrants, etc.**

**A. Share purchase warrants held by Directors and Corporate Auditors of the Company, granted as part of remuneration for execution of their duties**

(As of December 31, 2009)

	1) Stock option system based on acquisition of treasury stock	2) Stock option system based on acquisition of treasury stock	3) Stock option system based on subscription rights
Date of issuance resolution	March 30, 2000	March 29, 2001	March 28, 2002
Class and number of shares subject to warrants	Common shares: 7,000	Common shares: 61,000	Common shares: 58,400
Fee for exercise of warrants	¥1,115 per share	¥1,185 per share	¥1,090 per share
Exercisable period	January 1, 2005 to March 29, 2010	January 1, 2005 to March 28, 2011	January 1, 2005 to March 27, 2012
Conditions for exercise of warrants	<ul style="list-style-type: none"> <li>The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>The warrants may be passed on to heirs.</li> <li>The warrants shall be cancelled if a holder is dismissed for certain specified reasons.</li> <li>Any assignment or pledging of the warrants is prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>The warrants may be passed on to heirs.</li> <li>The warrants shall be cancelled if a holder is dismissed for certain specified reasons.</li> <li>Any assignment or pledging of the warrants is prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>The warrants may be passed on to heirs.</li> <li>The warrants shall be cancelled if a holder is dismissed for certain specified reasons.</li> <li>Any assignment or pledging of the warrants is prohibited.</li> </ul>
Situation concerning the holding of share purchase warrants by Directors and Corporate Auditors			
Directors (except Outside Directors)	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: 7,000</li> <li>Number of holders: 3</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: 54,000</li> <li>Number of holders: 6</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: 53,600</li> <li>Number of holders: 5</li> </ul>
Outside Directors	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: –</li> <li>Number of holders: –</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: 7,000</li> <li>Number of holders: 1</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: –</li> <li>Number of holders: –</li> </ul>
Corporate Auditors	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: –</li> <li>Number of holders: –</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: –</li> <li>Number of holders: –</li> </ul>	<ul style="list-style-type: none"> <li>Number of shares subject to share purchase warrants: 4,800</li> <li>Number of holders: 1</li> </ul>

	4) First Issue of share purchase warrants	5) Second Issue of share purchase warrants
Date of issuance resolution	March 28, 2003	March 30, 2004
Number of share purchase warrants	39	1,600
Class and number of shares subject to share purchase warrant	Common shares: 39,000	Common shares: 160,000
Fee for exercise of share purchase warrants	¥830 per share	¥1,205 per share
Exercisable period	March 28, 2005 to March 27, 2013	March 30, 2006 to March 29, 2014
Conditions for exercise of share purchase warrants	<ul style="list-style-type: none"> <li>• The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>• The warrants may be passed on to heirs.</li> <li>• The warrants shall be cancelled if a holder is dismissed for certain specified reasons.</li> <li>• Any assignment or pledging of the warrants is prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>• The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>• The warrants may be passed on to heirs.</li> <li>• The warrants shall be cancelled if a holder is dismissed for certain specified reasons.</li> <li>• Any assignment or pledging of the warrants is prohibited.</li> </ul>
Situation concerning the holding of share purchase warrants by Directors and Corporate Auditors		
Directors (except Outside Directors)	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 19</li> <li>• Number of shares subject to share purchase warrants: 19,000</li> <li>• Number of holders: 2</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 950</li> <li>• Number of shares subject to share purchase warrants: 95,000</li> <li>• Number of holders: 6</li> </ul>
Outside Directors	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: –</li> <li>• Number of shares subject to share purchase warrants: –</li> <li>• Number of holders: –</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 100</li> <li>• Number of shares subject to share purchase warrants: 10,000</li> <li>• Number of holders: 1</li> </ul>
Corporate Auditors	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 20</li> <li>• Number of shares subject to share purchase warrants: 20,000</li> <li>• Number of holders: 2</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 550</li> <li>• Number of shares subject to share purchase warrants: 55,000</li> <li>• Number of holders: 4</li> </ul>

	6) Third Issue of share purchase warrants	7) Fourth Issue of share purchase warrants
Date of issuance resolution	March 30, 2005	March 30, 2006
Number of share purchase warrants	1,750	2,250
Class and number of shares subject to share purchase warrants	Common shares: 175,000	Common shares: 225,000
Fee for exercise of share purchase warrants	¥1,374 per share	¥1,688 per share
Exercisable period	March 30, 2007 to March 29, 2015	March 30, 2008 to March 29, 2016
Conditions for exercise of share purchase warrants	<ul style="list-style-type: none"> <li>• The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>• The warrants may be passed on to heirs.</li> <li>• Any assignment or transfer of the share purchase warrants is subject to approval of the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• The warrants are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.</li> <li>• The warrants may be passed on to heirs.</li> <li>• Any assignment or transfer of the share purchase warrants is subject to approval of the Board of Directors.</li> </ul>
Situation concerning the holding of share purchase warrants by Directors and Corporate Auditors		
Directors (except Outside Directors)	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 1,000</li> <li>• Number of shares subject to share purchase warrants: 100,000</li> <li>• Number of holders: 6</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 1,500</li> <li>• Number of shares subject to share purchase warrants: 150,000</li> <li>• Number of holders: 9</li> </ul>
Outside Directors	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 100</li> <li>• Number of shares subject to share purchase warrants: 10,000</li> <li>• Number of holder: 1</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 100</li> <li>• Number of shares subject to share purchase warrants: 10,000</li> <li>• Number of holder: 1</li> </ul>
Corporate Auditors	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 650</li> <li>• Number of shares subject to share purchase warrants: 65,000</li> <li>• Number of holders: 5</li> </ul>	<ul style="list-style-type: none"> <li>• Number of share purchase warrants: 650</li> <li>• Number of shares subject to share purchase warrants: 65,000</li> <li>• Number of holders: 5</li> </ul>

## B. Significant items regarding other stock acquisition rights

### Overview of Euroyen conditional convertible bonds with stock acquisition rights

	1) Euroyen conditional convertible bonds with stock acquisition rights maturing in 2023	2) Euroyen conditional convertible bonds with stock acquisition rights maturing in 2028
Date of issuance resolution	May 13, 2008	May 13, 2008
Date of issue	May 29, 2008	May 29, 2008
Outstanding amount of bonds with stock acquisition rights	¥35,156 million	¥35,000 million
Details concerning the stock acquisition rights		
Number of stock acquisition rights	Total of 35,000 and the number calculated by dividing the total face value of the substitute bonds with stock acquisition rights by ¥1,000,000	Total of 35,000 and the number calculated by dividing the total face value of the substitute bonds with stock acquisition rights by ¥1,000,000
Class and number of shares subject to stock acquisition rights	Common shares: 16,611,295	Common shares: 17,073,170
Fee for exercise of stock acquisition rights	¥2,107 per share	¥2,050 per share
Exercisable period	June 12, 2008 to May 12, 2023	June 12, 2008 to May 12, 2028
Conditions for exercise of stock acquisition rights	<ul style="list-style-type: none"> <li>• Certain stock acquisition rights may not be exercised.</li> <li>• Prior to May 29, 2011, but only when the closing price of the Company's common stock for 20 of the last 30 trading days (including the last trading day) exceeds 125% of the conversion price (¥2,107) as of the last trading date of each quarter. In such cases, exercise is possible, in principle, during the following quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Certain stock acquisition rights may not be exercised.</li> <li>• Prior to May 29, 2014, but only when the closing price of the Company's common stock for 20 of the last 30 trading days (including the last trading day) exceeds 125% of the conversion price (¥2,050) as of the last trading date of each quarter. In such cases, exercise is possible, in principle, during the following quarter.</li> </ul>
Conditions under which the Company may acquire stock acquisition rights	<ul style="list-style-type: none"> <li>• On or after May 29, 2011, the Company may acquire all of the bonds after notifying the bondholders.</li> <li>• The acquisition date shall be at least 60 but no more than 75 days from the notification date.</li> </ul>	<ul style="list-style-type: none"> <li>• On or after May 29, 2014, the Company may acquire all of the bonds after notifying the bondholders.</li> <li>• The acquisition date shall be at least 60 but no more than 75 days from the notification date.</li> </ul>



### (3) Directors and Corporate Auditors of the Company

#### A. Directors and Corporate Auditors

(As of December 31, 2009)

Name	Position	Areas of responsibility and significant concurrent positions held by Director or Corporate Auditor
Kouichi Ikeda	Chairman of the Board and Representative Director	Chairman of the Board of Asahi Beer Arts Foundation Director of New Otani Co., Ltd
Hitoshi Ogita	President and Representative Director	
Masatoshi Takahashi	Senior Managing Director Senior Managing Executive Officer	Domestic Marketing Headquarters of the Company Outside Director of Orion Breweries, Ltd.
Masahiko Osawa	Senior Managing Director Senior Managing Executive Officer	Senior General Manager of International Headquarters of the Company Representative Director and Chairman of the Board of Haitai Beverage Co., Ltd. Vice Chairman of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.
Naoki Izumiya	Senior Managing Director Senior Managing Executive Officer	Group Headquarters (Audit Department, Human Resources Department, General & Legal Affairs Management Department and Social & Environmental Management Department) of the Company Director of Asahi Food & Healthcare Co., Ltd. Director of Wakodo Co., Ltd. Director of Amano Jitsugyo Co., Ltd. Director of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. Director of Haitai Beverage Co., Ltd.
Kazuo Motoyama	Senior Managing Director Senior Managing Executive Officer	Group Headquarters (Corporate Planning Department, Public Relations Department, Department of Agribusiness Development and Logistics Department) of the Company Director of Asahi Soft Drinks Co., Ltd. Director of Asahi Logistics, Ltd. Director of Schweppes Australia Pty Limited.
Shin Iwakami	Senior Managing Director Senior Managing Executive Officer	Group Headquarters (Quality Assurance Department) and Research & Development Headquarters of the Company Chairman of the Board of Asahi Breweries Foundation Director of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.
Akiyoshi Koji	Managing Director Managing Executive Officer	Group Headquarters (Finance Department, IT Strategy & BPM Department and Institute of Lifestyle & Culture) of the Company Supervisor of Tsingtao Brewery Co., Ltd.

Name	Position	Areas of responsibility and significant concurrent positions held by Director or Corporate Auditor
Noriyuki Karasawa	Managing Director Managing Executive Officer	Group Headquarters (Procurement Department) and Senior General Manager of Production Headquarters of the Company Director of The Nikka Whisky Distilling Co., Ltd. Director of LB Co., Ltd. (Tokyo) Director of LB Co., Ltd. (Nagoya)
Toshihiko Nagao	Director Executive Officer	Senior General Manager of Liquor Sales & Marketing Headquarters
Nobuo Yamaguchi	Outside Director	Chairman of the Board and Representative Director of Asahi Kasei Corporation Outside Director of Nippon Television Network Corp. Outside Director of The Shoko Chukin Bank, Ltd. Outside Corporate Auditor of The Yomiuri Shimbun Holdings
Mariko Bando	Outside Director	President of Showa Women's University Director of Showa Women's University Director of The Institute of Women's Culture, Showa Women's University Chairman of the Board of Rural Women Empowerment and Life Improvement Association Outside Director of Asahi Mutual Life Insurance Co.
Naoki Tanaka	Outside Director	President of the Center for International Public Policy Studies Chairman of Financial System Council, Financial Services Agency Member and Deputy Chairman of Fiscal System Council, Ministry of Finance
Yoshihiro Goto	Standing Corporate Auditor	Corporate Auditor of Asahi Soft Drinks Co., Ltd. Corporate Auditor of Wakodo Co., Ltd.
Yoshifumi Nishino	Standing Corporate Auditor	Corporate Auditor of The Nikka Whisky Distilling Co., Ltd. Corporate Auditor of Asahi Food & Healthcare Co., Ltd. Corporate Auditor of Amano Jitsugyo Co., Ltd.
Takahide Sakurai	Outside Corporate Auditor	Senior Advisor to The Dai-ichi Mutual Life Insurance Company Outside Director of Imperial Hotel, Ltd.

Name	Position	Areas of responsibility and significant concurrent positions held by Director or Corporate Auditor
Naoto Nakamura	Outside Corporate Auditor	Partner and Attorney at Law, Nakamura, Tsunoda & Matsumoto Law Offices Outside Corporate Auditor of Mitsui & Co., Ltd.
Tadashi Ishizaki	Outside Corporate Auditor	Professor, Faculty of Commerce, Chuo University

Notes:

1. Directors Nobuo Yamaguchi, Mariko Bando and Naoki Tanaka are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
2. Director Nobuo Yamaguchi is Chairman of the Board and Representative Director of Asahi Kasei Corporation. Asahi Kasei is one of the major shareholders of the Company.
3. Corporate Auditors Takahide Sakurai, Naoto Nakamura and Tadashi Ishizaki are Outside Corporate Auditors as defined in Item 16, Article 2 of the Companies Act.
4. Corporate Auditor Yoshihiro Goto was formerly Director in charge of finance of the Company and has considerable expertise in finance and accounting.
5. Corporate Auditor Naoto Nakamura who is an attorney at law is jurisprudent, among others, to corporate legal affairs; he also has considerable expertise in finance and accounting.
6. Corporate Auditor Tadashi Ishizaki has carried out research on accounting for many years as a university professor; he has considerable expertise in finance and accounting.
7. Toshihiko Nagao and Naoki Tanaka were newly elected as Directors at the 85<sup>th</sup> Annual Shareholders' Meeting held on March 26, 2009, and all assumed their respective offices.

8. In addition to the above, the retirement from significant concurrent positions held by Directors or Corporate Auditors during the year under review are detailed below.

Name	Position	Significant concurrent positions held by Director or Corporate Auditor	Date of retirement
Kazuo Motoyama	Senior Managing Director Senior Managing Executive Officer	Corporate Auditor of Asahi Soft Drinks Co., Ltd.	Mar. 24, 2009
		Director of Amano Jitsugyo Co., Ltd.	Mar. 27, 2009
		Corporate Auditor of Asahi Food & Healthcare Co., Ltd.	Mar. 31, 2009
		Corporate Auditor of Wakodo Co., Ltd.	Mar. 31, 2009
Shin Iwakami	Senior Managing Director Senior Managing Executive Officer	Director of Asahi Soft Drinks Co., Ltd.	Mar. 24, 2009
		Director of Asahi Food & Healthcare Co., Ltd.	Mar. 31, 2009
		Director of Wakodo Co., Ltd.	Mar. 31, 2009
Akiyoshi Koji	Managing Director Managing Executive Officer	Director of Haitai Beverage Co., Ltd.	Mar. 19, 2009
		Director of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.	May 8, 2009
Nobuo Yamaguchi	Outside Director	Chairman of the People's Political Association	Oct. 21, 2009
Takahide Sakurai	Outside Corporate Auditor	Outside Director of Seven Bank, Ltd.	June 18, 2009

(Reference) Executive Officers other than the above are as follows.

Position	Name
Managing Executive Officer	Yuji Ninomiya, Akira Matsunobu, Seikou Takahashi, Fumio Yamasaki, Kenji Taniguchi, Katsuyuki Kawatsura, Masafumi Tanino, Takayoshi Kanaya
Executive Officer	Makoto Sugiura, Yoshihisa Kitagawa, Norio Naito, Toshio Mori, Hideaki Takemoto, Shoji Tsumura, Takami Maruyama, Toshio Kodato, Katsutoshi Takahashi, Shinichi Hirano, Seiichi Ishikawa, Kenkichi Aoki, Hirohisa Shibuya, Suguru Nohara, Hiroshi Katagiri, Kazunori Shibata, Shiro Ikeda

## B. Remuneration paid to Directors and Corporate Auditors

Category	Directors' and Corporate Auditors' compensation		Directors' and Corporate Auditors' bonuses		Total amount (yen)
	Number of persons remunerated	Total amount of remuneration paid (yen)	Number of persons remunerated	Total amount of remuneration paid (yen)	
Directors	13	435,930,000	13	106,800,000	542,730,000
[of which, Outside Directors]	[ 3 ]	[28,800,000]	[ 3 ]	[8,100,000]	[36,900,000]
Corporate Auditors	5	94,950,000	–	–	94,950,000
[of which, Outside Auditors]	[ 3 ]	[31,950,000]	–	–	[31,950,000]

### Notes:

1. A resolution authorizing payments associated with the termination of the retirement bonus system to be paid at the time of retirement was passed at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007. As of the end of the fiscal year under review, the anticipated total amount of future payments was as follows:

Total of ¥136,500,000 to six Directors (including ¥19,500,000 to one Outside Director)

Total of ¥33,000,000 to three Outside Corporate Auditors

Final payments totaling ¥75 million are due to be paid to one Director who is scheduled to retire at the conclusion of the 86<sup>th</sup> Annual Shareholders' Meeting to be held on March 26, 2010.

2. The total amount of Directors' remuneration is limited to ¥760 million (including ¥50 million for Outside Directors) per year according to the resolution passed at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007.
3. The total amount of Corporate Auditors' remuneration is limited to ¥120 million (including ¥40 million for Outside Corporate Auditors) per year according to the resolution passed at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007.

### C. Outside Directors and Outside Corporate Auditors

- Major activities of Outside Directors and Outside Corporate Auditors

Category	Name	No. of Board of Directors meetings attended	No. of Board of Corporate Auditors meetings attended	Form of participation
Outside Director	Nobuo Yamaguchi	10/11	—	Mr. Yamaguchi participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
	Mariko Bando	11/11	—	Ms. Bando participated in discussions as necessary, primarily from the perspective of her wealth of experience as an educator.
	Naoki Tanaka	8/9	—	Mr. Tanaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as an expert in economic policy.
Outside Corporate Auditor	Takahide Sakurai	11/11	8/8	Mr. Sakurai participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
	Naoto Nakamura	9/11	7/8	Mr. Nakamura participated in discussions as necessary, primarily from his expert perspective as an attorney at law.
	Tadashi Ishizaki	11/11	8/8	Mr. Ishizaki participated in discussions as necessary, primarily from his expert perspective as a scholar of accounting.

Notes:

1. In addition to the resolutions at the above meetings of the Board of Directors held during the term, two resolutions in writing were deemed to be passed as per Article 370 of the Companies Act.
2. Naoki Tanaka was newly elected as a Director at the 85<sup>th</sup> Annual Shareholders' Meeting held on March 26, 2009, and the number of meetings held during his tenure is therefore different from that for other Outside Directors and Outside Corporate Auditors.

- Summary of agreements limiting liability

The Company has entered into an agreement with each of its Outside Directors and Outside Corporate Auditors limiting his/her liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act, to either ¥20,000,000 or the minimum amount stipulated by applicable laws and regulations, whichever is higher.

#### **(4) Independent Auditor**

##### **A. Name of the Independent Auditor**

KPMG AZSA & Co.

##### **B. Remuneration paid to the Independent Auditor for the fiscal year under review**

	Amount payable
Remuneration paid for the fiscal year under review	¥192 million
Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Auditor	¥287 million

Notes:

1. In its agreement with the Independent Auditor, the Company makes no distinction between the remuneration that it pays for auditing services governed by the Companies Act and for auditing services governed by the Financial Instruments and Exchange Act. Consequently, the amount ¥192 million shown above is a sum of these two amounts.
2. All subsidiaries which are subject to statutory audit by an independent auditor have been audited by KPMG AZSA & Co.

##### **C. Nature of non-audit professional services provided by the Independent Auditor**

The Company also assigns professional duties to the Independent Auditor that are not statutory auditing duties as stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law. These non-audit services include the preparation of letters of comfort in connection with corporate bond issuance.

##### **D. Company Policy regarding dismissal of or decision not to reappoint the Independent Auditor**

Article 340 of the Companies Act stipulates that the Board of Corporate Auditors shall be entitled to dismiss the Independent Auditor for reasons stipulated therein. In addition, when it is reasonably recognized that the Independent Auditor is no longer able to execute its duties in an appropriate manner, the Company, with a prior consent of, or a request by, the Board of Corporate Auditors, shall offer to the Shareholders' Meeting a resolution to dismiss or not to reappoint the Independent Auditor.

### **3. Systems to Ensure Appropriate Execution of Directors' Duties in Conformity With Laws and Regulations and the Articles of Incorporation, and Other Systems to Ensure Appropriate Business Operations**

The Board of Directors passed the following resolution with respect to the above-mentioned systems:

The Company has adopted the following corporate philosophy: "The Asahi Breweries Group aims to satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and enrichment of the society worldwide." To make these aims a reality, the Company shall:

- establish, in accordance with the Companies Act and the Enforcement Regulations

of the Companies Act, the following basic policies (the “Basic Policies”) to improve systems designed to ensure appropriate business operations of the Company and its subsidiaries (the “Group Companies”) (the “Internal Control”);

- recognize that it is the Representative Director(s) who shall assume the ultimate responsibility for the improvement of the Internal Control in accordance with this resolution and demand the Representative Director(s) to cause the Directors and Executive Officers, through the respective departments they are in charge of, to develop and fully enforce individual internal regulations and manuals required based on the Basic Policies; and
- take steps to maintain and enhance the effectiveness of the Internal Control by reviewing the Basic Policies and relevant internal regulations and manuals, etc. in a timely and appropriate manner in accordance with changes in conditions and circumstances.

***<System to ensure execution of duties by Directors and employees in conformity with laws and regulations and the Articles of Incorporation of the Company>***

- A. In accordance with a statement of “fair and transparent corporate ethics” as stipulated in its Corporate Action Guidelines, the Company shall establish the “Regulations on Corporate Ethics for the Asahi Breweries Group” and procure its Directors, Corporate Auditors and employees abide by these regulations.
- B. The Company shall establish the “Corporate Ethics Committee for the Asahi Breweries Group,” which will oversee the compliance affairs of the Asahi Breweries Group. One of the committee’s members shall be an outside attorney-at-law.
- C. An Executive Officer of the Company in charge of compliance shall have the authority to manage compliance-related risks within the Asahi Breweries Group. The General and Legal Affairs Management Department shall handle day-to-day tasks of implementation of the compliance program.
- D. The Company shall assign one person as compliance-promotion personnel in each of the business establishments of the Company and the Group Companies to oversee the promotion of compliance in each business establishment. In conjunction with the Company’s Legal Section and the General Affairs Department at each business establishment of the Group Companies, all compliance-promotion personnel shall endeavor to disseminate legal knowledge and to heighten a general awareness of importance of compliance in each business establishment.
- E. The Company shall establish a “Clean Line System” for employees of the Asahi Breweries Group, enabling them to blow the whistle on illicit behavior of others to a specific section of the Company or a designated outside attorney-at-law.



- F. The Company shall establish a “Basic Policy on Procurement” addressing mutual cooperation for fair deals and social responsibilities between the Company and suppliers and a “Clean Line System for Suppliers” enabling suppliers to blow a whistle on illicit behavior of employees of the Company to a specific section of the Company. The Company shall inform and spell out these measures to its suppliers in a bid to enable the Company to improve and develop the system of the Internal Control in cooperation with its suppliers.
- G. To ensure antisocial forces do not exert any undue influence on the Group, all relevant information shall be shared within the Asahi Breweries Group and the Company shall establish an internal system on the measures. The Company shall also cooperate closely with industry bodies, local communities, the police and other external specialist organizations in this area.
- H. The operational details of the aforementioned agencies and systems shall be spelled out under a separately prepared set of internal regulations entitled “Basic Regulations on Corporate Ethics of the Asahi Breweries Group.”

***< System to ensure the preservation and management of information related to execution of duties by Directors >***

- A. Information related to execution of duties by Directors shall be properly preserved and managed in accordance with document-management regulations and other related regulations and manuals.
- B. The aforementioned information shall be preserved and managed in a way accessible by Directors and Corporate Auditors for inspection at any time.
- C. Control over the clerical tasks related to preservation and management of the foregoing information shall be determined by individual relevant regulations.

***<Regulations and other organizational structures to manage risk of loss >***

- A. The Company shall develop and adopt basic regulations related to risk management and shall affirm such regulations as the highest standards governing risk management within the Asahi Breweries Group. It shall also develop and adopt an operational manual on risk management and disseminate the same among all over the Group.
- B. In addition to having the appropriate departments manage risk in their respective areas, the Company shall establish the “Asahi Breweries Group Risk Management Committee” as a vehicle for comprehensive risk management across the entire Asahi Breweries Group. This committee shall periodically analyze and evaluate risks in accordance with the regulations and manuals cited in the previous paragraph and, when necessary, carry out comprehensive reviews of the risk management system. An utmost attention shall be paid to the risk of failing to maintain product quality. As food and drink manufacturers, the Asahi Breweries Group strongly recognizes their social responsibility to consumers to ensure the

safety of their products.

- C. In the event of any major accident, disaster or scandal, the Company shall establish a crisis-response meeting chaired by a Representative Director.

**<System to ensure efficient execution of duties by Directors>**

- A. To ensure efficient performance of duties by Directors, the Board of Directors shall divide duties in a reasonable way to be delegated to different Directors and shall appoint appropriate persons as Executive Officers in charge of different divisions.
- B. The Company shall establish standards on authority stipulating rules of delegation of power and for a mutual checks-and-balances mechanism among different divisions.
- C. The Company shall ensure effective utilization of the system of the Corporate Strategy Board and the Business Unit Management Board.
- D. To maximize operational efficiency, the Company shall utilize indices that provide an objective and rational way of measuring its management and control of operations; and it shall employ a unified system of follow-up and evaluation.

**<System to ensure appropriate operations of the corporate group consisting of the Company and its parent (if any) and its subsidiaries>**

- A. All systems required for the Internal Control, including those for compliance and risk management, shall apply comprehensively across the entire Asahi Breweries Group. As the corporate headquarters of the Group, the Company shall manage and operate the said systems of the Group Companies in accordance with the conditions and circumstances individual companies are facing.
- B. The Company's Internal Auditing Division shall conduct audits of the Group Companies. In addition, regarding the Internal Control related to financial reporting, the evaluation organization established within the Company shall conduct the evaluation on the Internal Control of the Group Companies and submit the relevant reports.
- C. Each of the Group Companies shall be required to provide reports on performance of its operations including risk-related information, to the Corporate Auditors of the Company.
- D. Decision-making authority related to business activities of the Group Companies shall be subject to the document entitled "Standards of Authority for the Group Companies."

**<Securement of employees in the event that Corporate Auditors request staff to assist in their auditing duties>**

The Board of the Corporate Auditors shall retain staff from among employees of the Company, for assistance in the day-to-day activities of the Corporate Auditors.

***<Independence of employees assigned to assist the Corporate Auditors from the Directors>***

- A. When a member of the staff of the Board of Corporate Auditors, as stipulated in the previous paragraph, receives an order from a Corporate Auditor in relation to auditing duties, he/she shall not be subject to directives or orders from Directors or other employees regarding that order.
- B. Any issuance of orders to, personnel transfers of, merit evaluations of, or reprimands of a member of the staff of the Board of Corporate Auditors shall require the prior concurrence of Corporate Auditors.

***<System for Directors' and employees' reporting to Corporate Auditors; system relating to other reporting to Corporate Auditors>***

- A. Directors and employees shall report regularly to Corporate Auditors on matters related to the Internal Control, and shall report on an as-needed basis when a significant event occurs. When necessary, the Corporate Auditors shall be entitled to request reports from the Directors and employees (including from Directors and employees of the Group Companies).
- B. Directors shall ensure that Corporate Auditors have every opportunity to participate in the Board of Directors meetings, the Corporate Strategy Board meetings and the Business Unit Management Board meetings. Directors shall provide details of the agenda items of such meetings beforehand for Corporate Auditors.
- C. Corporate Auditors shall at all times have the right to review the minutes of important meetings, documents of approval, etc.

***<Other systems ensuring effective auditing by Corporate Auditors>***

To ensure the effectiveness of auditing activities, Directors shall ensure opportunities for Corporate Auditors to exchange information and opinions regularly with members of the Internal Auditing Division of the Company and with the Independent Auditor.

#### **4. Basic Policy Concerning the Persons Who Control Decisions on the Company's Financial and Business Policy**

##### **<Basic policy>**

According to the Company's view, the persons who control decisions on its financial and business policy must properly grasp various matters concerning its business, including the initiatives to “create appealing products,” to “care about quality and craftsmanship” and to “convey the sense of joy to customers,” which form the source of the corporate value of the Company’s group (hereinafter referred to as the “Asahi Breweries Group” or the “Group”), and other tangible and intangible management resources thereof, potential effects of forward-looking measures and other items that constitute the Group's corporate value, and must enable to maintain and enhance the Group's corporate value as well as the common interests of shareholders continuously and sustainably.

The Asahi Breweries Group, as its corporate philosophy, aims to “satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and enrichment of the society worldwide.” The Group has positioned the alcoholic beverage business that mainly handles beer, the soft drink business, and the food and pharmaceutical business as its core operations and is conducting business activities accordingly.

Based on the corporate philosophy mentioned above, the Group has been striving to achieve growth for the whole of the Group and enhance its corporate value under initiatives to “create appealing products” in anticipation of customer needs, to “care about quality and craftsmanship,” as exemplified by efforts to maintain the freshness of beer through the collaboration of all of the Group's business divisions including production, distribution and sales divisions, and to “convey the sense of joy to customers” through its products and services.

Upon facing a proposal of large-scale share purchases, the Company is not always in a position to automatically object to a so-called hostile takeover, which is pursued without approval from the Board of Directors (hereinafter referred to as the “Board”) provided that such takeover is intended to contribute to the enhancement of the Company's corporate value and the common interests of shareholders of the Company. Also, the Company recognizes that the final decision as to whether to accept a proposal for an acquisition of shares in the Company that would lead to a transfer of control of the Company should be made based on the will of the shareholders as a whole.

It shall be noted, however, that there are not a few cases of large-scale share purchases that would not contribute to the enhancement of the corporate value and the common interests of shareholders of a company, including ones that would, in light of their purposes, cause obvious damage to the corporate value and the common interests of shareholders or could effectively coerce shareholders to sell their shares, ones that the purchaser does not provide information and/or time reasonably necessary for the target company’s board of directors and shareholders to review and examine details of the

proposed purchase or for the target company's board of directors to make an alternative proposal, and ones where the target company's board of directors would have to conduct negotiation with the purchaser so as to seek more favorable terms than those initially proposed by the purchaser.

The person who intends to conduct a large-scale purchase of shares in the Company must have an understanding of the source of the Group's corporate value and have the capability to maintain and enhance it in the medium and long term; otherwise, the Group's corporate value and the common interests of shareholders would be damaged.

Based on the factors and matters stated above, the Company determines that it is vital to have in place a framework for preventing large-scale share purchases that would undermine the Group's corporate value and the common interests of shareholders.

*<A framework that contributes to the realization of the basic policy>*

The Company is implementing the following measures to preserve and enhance its corporate value and the common interests of shareholders. It believes that these measures will contribute to the realization of the basic policy spelled out above.

**A. Medium-Term Management Plan of the Asahi Breweries Group**

Under its Third Medium-Term Management Plan, which the Company developed and adopted in 2007, the Company has formulated a long-term Group vision in which it defines its thinking with respect to strengthening specific areas of operation and enhancing its corporate value. It declares in the plan that “the Asahi Breweries Group will make ‘food and healthcare’ its business domain, and that it will aim to become a fast-growing leader in the industry, principally in the Asian region, by continuing to provide customers with joy and inspiration throughout their lifetimes”.

To make this long-term vision a reality, the Group will seek first of all to strengthen its competitiveness in “craftsmanship-based manufacturing”. With this as a point of departure, the entire Group will endeavor to establish a new growth path and enhance the value of its corporate brands by elevating the value of the Asahi brand and by creating self-sustaining interactions and synergies between the Asahi brand and the Group's diverse array of other brands.

**B. Corporate governance**

By introducing an executive officer (Sikko-Yakuin) system on March 30, 2000, Asahi Breweries separated the management decision-making and execution functions with a view to speeding up execution of business decisions and endeavored to strengthen the supervisory function of the Board. In addition, Asahi Breweries has established a system that facilitates checks by outside directors, by electing the outside directors and by setting up as a sub-body of the Board the “Nomination Committee” and the “Compensation Committee,” both including outside directors as their members.

In order to further clarify the accountability of the management to shareholders, Asahi Breweries shortened the term of office for its directors from two years to one year at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007.

***<Efforts to prevent decisions on the Company's financial and business policy from being controlled by any person who is inappropriate according to the Basic Policy (framework of takeover defense measures)>***

With the approval of the shareholders at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007, the Company adopted a plan against large-scale purchases of the shares in the company (hereinafter, "the Plan").

The Plan, with a view to maintaining and enhancing Asahi Breweries' corporate value and the common interests of shareholders, lays down procedures for measures to be taken in the event that Asahi Breweries becomes a target of a large-scale purchase of shares or a similar move or a proposal thereof (hereinafter collectively referred to as the "Purchase"). Such measures include (1) requiring a person conducting the Purchase (hereinafter referred to as the "Purchaser") to provide necessary and sufficient information in advance, (2) securing time necessary for gathering and examining information concerning the Purchase, and (3) presenting an alternative proposal to shareholders of the Company or conducting negotiations with the Purchaser.

The Plan shall be applicable to any of the following two types of Purchase(s).

- A. A purchase of shares in the Company as a result of which the holder's (shareholder's) holding ratio will rise to 20% or more of the total outstanding shares in the Company; and
- B. A tender offer for shares in the Company as a result of which the purchaser's shareholding ratio targeted by the tender offer and the holding ratio of "persons in special relationship", when combined, will be 20% or more of the total outstanding shares in the Company.

A Purchaser contemplating a Purchase shall be requested to provide in advance of commencement of the Purchase a document containing the information necessary to evaluate the content of the Purchase and a written pledge to observe and follow the procedures set forth in the Plan in conducting the Purchase. Thereafter, the information submitted by the Purchaser will be presented to the Independent Committee whose members shall consist of Outside Directors, Outside Corporate Auditors and/or experts all of whom are independent of management of the Company. The information will be assessed and evaluated by this committee. On its own accord, the Independent Committee will obtain advice from independent third parties (including financial advisers, CPAs, lawyers, consultants and other experts) and, on the basis of such advice, will assess and evaluate the content of the Purchase, evaluate alternative proposals offered by the Company's Board of Directors, negotiate with the Purchaser, and disclose information to shareholders of the Company. If the Independent Committee determines that the information provided by the Purchaser does not meet the criteria for the Required Information (as defined in the Plan), it may, either directly or indirectly,

request the Purchaser to submit additional information within an appropriate period of time as designated by the Independent Committee. In this event, the Purchaser shall submit such additional information within the period of time provided.

The Independent Committee will make recommendations to the Board to execute the Plan to allot gratis the Stock Acquisition Rights (as defined in the Plan) to shareholders of the Company if the Independent Committee has determined that the Purchase meets either of the requirements for exercise of the Plan and it is appropriate to so exercise: e.g. in case the Purchaser has not observed and followed the procedures specified in the Plan or in case, as a result of review by the Committee, the Committee concludes the Purchase could cause obvious damage to the Company's corporate value and the common interests of shareholders in the opinion of the Committee. These stock acquisition rights shall entitle their holders to acquire one share of the common stock in the Company by exercising the rights at a price to be determined by the Company's Board of Directors - which shall be set at a level between a minimum of one (1) yen and a maximum of one-half the market value per share of the Company's stock. In addition, these rights shall contain conditions that exclude the Purchaser from exercising the rights and shall also be accompanied by provisions that enable the Company to acquire one (1) stock acquisition right in exchange for one (1) share of the Company's stock from persons other than the Purchaser.

While paying its utmost respect to the recommendation made by the Independent Committee as stated above, the Company's Board of Directors shall, as the organizational body authorized to do so under the Companies Act, promptly decide whether or not to execute the gratis Allotment of the Stock Acquisition Rights.

The Plan shall be effective from the close of the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007 until the close of the Company's annual meeting of shareholders that concerns the last one of the Company's business years that end within three years from the close of the 83<sup>rd</sup> Meeting.

Notwithstanding the above, the Company may abrogate the Plan even before the effective period expires upon a decision thereof by the Board. Also, the Board may amend or alter the Plan during its effective period subject to approval by the Independent Committee.

When the Plan is thus abrogated, amended or altered, as the case may be, the Company shall promptly disclose to the public information with regard to the background of such abrogation, amendment or alteration, as the case may be, and, in the case of amendment or alteration, the details of such amendment or alteration and other necessary matters.

Under the Plan, shareholders of the Company remain directly and specifically unaffected unless and until the gratis Allotment of the Stock Acquisition Rights is executed. On the other hand, if the Plan is set in motion and a gratis Allotment of the Stock Acquisition Rights is executed, the shares held by a shareholder of the Company will be subject to dilution unless he/she carries out the procedures required for the exercise of the Stock Acquisition Rights (note, however, no dilution shall occur in case the Company exercises option of acquisition of the Stock Acquisition Rights for shares in the Company).

*<Judgment of the Company's Board of Directors regarding the framework of takeover defense measures described above in <Framework to prevent persons who are deemed inappropriate in light of the Company's basic policy from taking control of the Company in deciding its policies on finance and business (framework of takeover defense measures)>*

The following elements having been taken into consideration and incorporated into the design of the Plan, the Board of Directors of the Company believes that the Plan conforms to the basic policy of the Company as described above and meets the corporate value and the common interests of shareholders of the Company and that it is never for the purpose of maintaining the status of Directors and Corporate Auditors of the Company.

**A. Respect for Shareholders' Will**

- The Plan was approved at the 83<sup>rd</sup> Annual Shareholders' Meeting held on March 27, 2007.
- The effective period of the Plan is limited, running until the close of the Company's annual meeting of shareholders that concerns the last one of the Company's business years that end within three years from the close of the above annual shareholders' meeting.
- The term of office of Directors is one year, allowing the shareholders to have their intentions reflected through elections of Directors every year.

**B. Respect for Judgment of Outside Parties with High Degree of Independence and Information Disclosure**

In incorporating the Plan, the Company has established the Independent Committee as a body to make a substantial judgment objectively with regard to matters concerning the operation of the Plan such as its exercise of, abrogation of, amendment to or alteration of the Plan for and on behalf of shareholders with a view to preventing arbitrary decisions by the Board. The members of the Independent Committee are appointed by the Board from among Outside Directors, Outside Corporate Auditors and/or experts who meet the requirements stipulated in the Company's internal rules for the Independent Committee.

Once a Purchase is actually commenced, the Independent Committee shall make a substantial judgment as to whether or not the Purchase would damage the Company's corporate value and the common interests of shareholders as stated above. Then, the Board shall pay its utmost respect to the Independent Committee's judgment and make a resolution under the Companies Act.

In this way, the Independent Committee shall maintain close surveillance over the Board to prevent any arbitrary decision by the Board and disclose to shareholders information concerning the details of its judgment, thus ensuring that the Plan will be handled in a transparent manner within the limits necessary for contributing to the enhancement of the Company's corporate value and the common interests of



shareholders.

**C. Setting of Reasonable and Objective Conditions**

The Plan is designed in ways not to be triggered unless and until reasonable and objective conditions are met, and ensures a structure to eliminate arbitrary triggering by the Board.

## CONSOLIDATED BALANCE SHEETS

Million yen

	As of December 31, 2009	(Reference) As of December 31, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	19,583	12,771
Notes and accounts receivable	274,558	265,048
Securities	—	301
Inventories	97,442	97,039
Deferred tax assets	11,175	9,009
Other current assets	32,952	34,218
Allowance for doubtful accounts	(7,665)	(6,044)
<b>Total current assets</b>	<b>428,047</b>	<b>412,344</b>
<b>Fixed assets:</b>		
<b>Tangible fixed assets:</b>		
Buildings and structures	189,152	196,061
Machinery, equipment and vehicles	160,924	174,038
Tools, furniture and fixtures	48,929	45,398
Land	184,433	185,201
Lease assets	9,142	—
Construction in progress	6,382	6,090
Other tangible fixed assets	142	—
<b>Total tangible fixed assets</b>	<b>599,108</b>	<b>606,791</b>
<b>Intangible fixed assets:</b>		
Goodwill	100,314	60,675
Other intangible fixed assets	40,427	15,696
<b>Total intangible fixed assets</b>	<b>140,741</b>	<b>76,371</b>
<b>Investments and other assets:</b>		
Investment securities	206,364	142,731
Long-term loans receivable	4,975	6,034
Long-term prepaid expenses	10,730	12,109
Deferred tax assets	21,021	24,212
Other investments	26,995	25,109
Allowance for doubtful accounts	(4,332)	(6,645)
<b>Total investments and other assets</b>	<b>265,755</b>	<b>203,551</b>
<b>Total fixed assets</b>	<b>1,005,605</b>	<b>886,714</b>
<b>Total assets</b>	<b>1,433,652</b>	<b>1,299,058</b>

## CONSOLIDATED BALANCE SHEETS

Million yen

	As of December 31, 2009	(Reference) As of December 31, 2008
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and trade accounts payable	100,998	99,674
Short-term borrowings	141,220	95,556
Bonds due within one year	15,000	20,000
Lease obligations	2,031	—
Alcohol tax payable	123,470	128,379
Consumption taxes payable	8,914	8,636
Income taxes payable	24,096	22,653
Other accounts payable	49,836	53,362
Accrued expenses	52,462	51,823
Deposits received	20,429	22,863
Commercial paper	30,000	7,000
Allowance for employees' bonuses	2,559	—
Other current liabilities	2,761	6,111
<b>Total current liabilities</b>	<b>573,780</b>	<b>516,061</b>
<b>Long-term liabilities:</b>		
Bonds	130,156	120,168
Long-term borrowings	75,499	59,535
Lease obligations	7,341	—
Allowance for employees' severance and retirement benefits	24,252	23,515
Allowance for retirement benefits for directors and corporate auditors	602	633
Deferred tax liabilities	4,860	6,112
Other long-term liabilities	39,457	38,404
<b>Total long-term liabilities</b>	<b>282,169</b>	<b>248,369</b>
<b>Total liabilities</b>	<b>855,949</b>	<b>764,430</b>

	Million yen	
	As of December 31, 2009	(Reference) As of December 31, 2008
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	182,531	182,531
Capital surplus	151,048	151,147
Retained earnings	252,146	214,189
Treasury stock	(29,283)	(29,579)
<b>Total shareholders' equity</b>	<b>556,443</b>	<b>518,288</b>
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	2,444	1,111
Revaluation surplus for land	—	1,751
Deferred gains or losses on hedges	(6)	(3)
Foreign currency translation adjustments	14,591	446
<b>Total valuation and translation adjustments</b>	<b>17,029</b>	<b>3,305</b>
<b>Minority interests</b>	<b>4,229</b>	<b>13,033</b>
<b>Total net assets</b>	<b>577,702</b>	<b>534,627</b>
<b>Total liabilities and net assets</b>	<b>1,433,652</b>	<b>1,299,058</b>

## CONSOLIDATED STATEMENTS OF INCOME

	Million yen	
	For the year ended December 31, 2009	(Reference) For the year ended December 31, 2008
<b>Net sales</b>	<b>1,472,468</b>	<b>1,462,747</b>
<b>Cost of sales</b>	<b>958,444</b>	<b>953,486</b>
<b>Gross profit</b>	<b>514,024</b>	<b>509,261</b>
<b>Selling, general and administrative expenses</b>	<b>431,247</b>	<b>414,741</b>
<b>Operating income</b>	<b>82,777</b>	<b>94,520</b>
<b>Non-operating income:</b>	<b>15,943</b>	<b>13,923</b>
Interest income	328	312
Dividend income	2,426	1,485
Foreign exchange gains	1,814	—
Equity in net income of unconsolidated subsidiaries and affiliated companies	8,512	9,105
Other non-operating income	2,860	3,020
<b>Non-operating expenses:</b>	<b>8,173</b>	<b>11,969</b>
Interest expenses	4,628	5,193
Foreign exchange losses	—	1,244
Loss on sale and disposal of inventories	—	2,240
Other non-operating expenses	3,544	3,289
<b>Recurring profit</b>	<b>90,546</b>	<b>96,474</b>
<b>Extraordinary gains:</b>	<b>19,558</b>	<b>2,915</b>
Gain on sale of fixed assets	778	130
Gain on sale of investment securities	388	69
Gain on sales of subsidiaries and affiliates' stocks	16,090	—
Reversal of allowance for doubtful accounts	478	571
Compensation for recall	910	1,385
Compensation for transfer	—	758
Gain on change in equity	912	—
<b>Extraordinary losses:</b>	<b>22,027</b>	<b>16,452</b>
Loss on sale and disposal of fixed assets	9,954	4,343
Retirement benefits for directors and corporate auditors	—	50
Loss on sale of investment securities	487	37
Loss on devaluation of investment securities	788	3,598
Impairment loss on fixed assets	8,317	2,196
Expenses for business structure improvement	—	1,064
Recall-related losses	—	1,407
Previous year's sales promotion expenses	—	3,113
Gain on contribution of securities to retirement benefit trust	1,401	—
Other extraordinary losses	1,077	639
<b>Income before income taxes and minority interests</b>	<b>88,077</b>	<b>82,938</b>

Income taxes — current	42,369	39,574
Income taxes — deferred	(898)	1,548
Minority interests in net gains (losses) of unconsolidated subsidiaries	(1,037)	(3,198)
<b>Net income</b>	<b>47,644</b>	<b>45,014</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2009

Million yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Dec. 31, 2008	182,531	151,147	214,189	(29,579)	518,288
Changes during the term					
Dividends			(9,529)		(9,529)
Net income (loss)			47,644		47,644
Acquisition of treasury stock				(31)	(31)
Disposal of treasury stock		(99)		327	228
Change of scope of consolidation			(394)		(394)
Change of scope of equity method			(15)		(15)
Effect of changes in accounting policies applied to foreign subsidiaries			251		251
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term		(99)	37,957	296	38,154
Balance as of Dec. 31, 2009	182,531	151,048	252,146	(29,283)	556,443

	Valuation and translation adjustments					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation surplus for land	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Dec. 31, 2008	1,111	1,751	(3)	446	3,305	13,033	534,627
Changes during the term							
Dividends							(9,529)
Net income (loss)							47,644
Acquisition of treasury stock							(31)
Disposal of treasury stock							228
Change of scope of consolidation							(394)
Change of scope of equity method							(15)
Effect of changes in accounting policies applied to foreign subsidiaries							251
Other changes in non-shareholders' equity items during the term (net)	1,333	(1,751)	(3)	14,145	13,723	(8,803)	4,919
Total changes during the term	1,333	(1,751)	(3)	14,145	13,723	(8,803)	43,074
Balance as of Dec. 31, 2009	2,444	—	(6)	14,591	17,029	4,229	577,702

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis for Preparation of Consolidated Financial Statements

#### (1) Items in the scope of the consolidation

##### A. Number of consolidated subsidiaries: 55

###### Principal consolidated subsidiaries

Please see Item 1 of the “Business Report” {“Overview of Operations of Asahi Breweries Group, section (7) “Principal Subsidiaries”}, for a summary of the current status of principal consolidated subsidiaries.

The companies newly included in the scope of consolidation during the fiscal year under review were as follows: Asahi Holdings (Australia) Pty Ltd. and Asahi Midori Sales Co., Ltd. due to their incorporation; Schweppes Holdings Pty Limited and two other firms, following acquisitions of shares; and Shandong Asahi Green Source High-Tech Farm Co., Ltd. and Shandong Asahi Green Source Milk Products Co., Ltd. due to increases in materiality.

The companies removed from the scope of consolidation during the fiscal year under review were Wako Logistics Co., Ltd. as the result of its merger with a consolidated subsidiary of the Company and Qingdao Tsingtao Beer & Asahi Beverage Co., Ltd. as the result of a transfer of the equity stake.

##### B. Principal unconsolidated subsidiaries:

###### Demball Limited

###### Rationale for exclusion from the scope of consolidation:

The unconsolidated subsidiaries including the one mentioned above are all small in terms of total assets, sales, net profit or loss, and retained earnings (amount corresponding to equity ownership); they have no material impact as a whole on the consolidated financial statements and are thus excluded from the scope of consolidation.

#### (2) Items concerning application of the equity method

##### A. Number of companies subject to application of the equity method: 34

###### Unconsolidated subsidiary subject to application of the equity method: 1

###### Asahi Beer Engineering Co., Ltd.

###### Affiliates subject to application of the equity method: 33

These include Asahi Business Solutions Corp., Shenzhen Tsingtao Beer Asahi Co., Ltd., Asahi & Mercuries Co., Ltd., Tsingtao Brewery Co., Ltd., Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. and its 28 affiliated companies.



Companies that became subject to application of the equity method in the fiscal year under review were as follows: 2 affiliates of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. due to their incorporation; Tsingtao Brewery Co., Ltd. as the result of an acquisition of shares; and Asahi & Mercuries Co., Ltd. following an increase in materiality.

**B. Principal unconsolidated subsidiaries and affiliates not subject to application of the equity method**

Unconsolidated subsidiaries: Demball Limited  
Affiliates: Asahi Business Produce Co., Ltd.

Rationale for not applying the equity method to the unconsolidated subsidiaries and affiliates:

The companies in question have extremely slight impact on net profit or loss and retained earnings (amount corresponding to the Company's equity ownership); they have no material impact as a whole on the consolidated financial statements and thus the equity method was not applied.

**(3) Accounting period of the consolidated subsidiaries**

The accounting period of Asahi Beer U.S.A., Inc., is October 1 to September 30 and is different from that of the Company. Thus, a provisional fiscal year ending at December 31 (calculated by a reasonable procedure in accordance with legitimate accounting methods) was used for Asahi Beer U.S.A., Inc. for consolidation purposes. All other consolidated subsidiaries have the same accounting period as the Company.

**(4) Significant accounting policies**

**A. Policies and methods of valuation for significant assets**

**1) Valuation basis and method for securities:**

**Held-to-maturity debt securities**

Held-to-maturity debt securities are stated at the amortized cost.

**Other securities**

**Securities with market value**

Carried at the average market value for the month immediately preceding the consolidated balance sheet date. (Related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method.)

**Securities without market value**

Stated at cost based on the moving-average method.

2) Valuation basis and method for derivatives:

Market price method

3) Valuation basis and method for inventories:

Merchandise, finished goods and semi-finished goods are stated at cost determined mainly by the weighted-average method (write-downs to net selling value regarded as decreased profitability).

Raw materials and supplies are stated at cost determined mainly by the moving-average method (write-downs to net selling value regarded as decreased profitability).

(Change in accounting policy)

The Company has applied “Accounting Standards Relating to the Valuation of Inventory Assets” (ASBJ Statement No. 9, published July 5, 2006) beginning with the fiscal year under review. The effect of this change as compared with previous methods was to reduce gross profit by ¥3,057 million, operating income by ¥1,558 million, and recurring profit and income before income taxes and minority interests by ¥89 million each.

B. Depreciation methods for major assets:

Tangible fixed assets (excluding lease assets):

1) Production facilities of the Company

Assets acquired on or before March 31, 2007: the former straight-line method

Assets acquired on or after April 1, 2007: the straight-line method

2) Other tangible fixed assets of the Company

Assets acquired on or before March 31, 2007: the former declining-balance method

Assets acquired on or after April 1, 2007: the declining-balance method

3) Consolidated subsidiaries

Assets acquired on or before March 31, 2007: mainly the former declining-balance method

Assets acquired on or after April 1, 2007: mainly the declining-balance method

Buildings (exclusive of fixtures), acquired on or after April 1, 1998

Assets acquired on or before March 31, 2007: mainly the former straight-line method

Assets acquired on or after April 1, 2007: the straight-line method

The estimated useful lives of tangible fixed assets are based mainly on the same standards as those specified in the Corporation Tax Act.

(Additional information)

In accordance with amendments of the Corporation Tax Act related to the usage of tangible fixed assets enacted during the year ended March 2009, the Company and its domestic consolidated subsidiaries have applied revised values for the estimated

useful lives of machinery and equipment beginning with the fiscal year under review.

This change resulted in reductions in operating income, recurring profit and income before income taxes and minority interests of ¥5,884 million each.

Intangible fixed assets (excluding lease assets):

Intangible fixed assets are amortized using the straight-line method.

The estimated useful lives of the assets are based mainly on the same standards as those specified in the Corporation Tax Act.

Software for internal use is amortized by the straight-line method over a useful life of 5 years. Trademark rights are generally amortized over 20 years using the straight-line method.

Lease assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

(Change in accounting policy)

Previously, the accounting treatment of finance leases that do not transfer ownership rights was the same as that for operating leases. Beginning with the fiscal year under review, the Company has applied “Accounting Standards Relating to Lease Transactions” (ASBJ Statement No. 13, published by the First Subcommittee of the Business Accounting Council on June 17, 1993, and revised on March 30, 2007) and “Guidelines for the Application of Accounting Standards Relating to Lease Transactions” (ASBJ Guidance No. 16, published by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised on March 30, 2007) to treat such leases as regular commercial transactions for accounting purposes.

Any finance lease not transferring ownership rights whose lease period began prior to the start of the fiscal year in which the new accounting standard was applied is treated as an operating lease for accounting purposes.

The effect of this change on earnings was immaterial.

C. Accounting criteria for major allowances:

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the other receivables.

Allowance for employees' severance and retirement benefits:

The Company and its consolidated subsidiaries make provisions in the necessary amount of allowance for employees' severance and retirement benefits deemed to have accrued during the term, based on each company's projected benefit obligations and the pension fund balance at term-end. Actuarial gain or loss is amortized, beginning in the year following the year in which the gain or loss is recognized, by the straight-line method for a given number of years (generally 10 years) within the employees' average remaining years of service.

Prior service costs are amortized by the straight-line method within the average remaining years of service of employees (generally 10 years) from the time they arise.

Allowance for retirement benefits for directors and corporate auditors:

Some of the consolidated subsidiaries calculate the required amount, based on internal regulations, in preparation for payment of retirement benefits to directors and corporate auditors as of the end of the fiscal year under review.

Allowance for employees' bonuses:

An allowance for employees' bonuses is provided at the estimated amount applicable to the fiscal year under review.

D. Other significant items associated with the preparation of consolidated financial statements

1) Accounting for major hedging

a. Accounting for hedging

The Company defers gains or losses on its hedges.

For currency swaps, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations. For interest rate swaps, the Company applies exceptional treatment when the swap in question meets the conditions for application of such exceptional treatment.

b. Hedging instruments and risks hedged:

Hedging instruments: Currency swaps and interest rate swaps

Hedged items: Transactions in foreign currencies and interest on borrowings

c. Hedging policy:

Derivative transactions are used to avoid risks associated with fluctuations in foreign

exchange markets and in interest rates and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged transactions.

d. Method of evaluating the effectiveness of hedging:

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedged items and of the hedging instruments over the entire period of the hedge. When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under special exceptions, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

2) Consumption tax and similar taxes

Consumption tax and similar taxes are mainly excluded from the statements of income, except in the case of non-deductible consumption taxes related to fixed assets that are charged when incurred.

**(5) Evaluation of consolidated subsidiaries' assets and liabilities**

A kind of fair market value method evaluating all assets and liabilities of consolidated subsidiaries by fair market value as at the date of acquisition thereof is used.

**(6) Amortization of goodwill**

Goodwill is amortized by the straight-line method over a five- to twenty-year period.

(Change in accounting policy)

Application of "Current Approach to Accounting Treatment of Foreign Subsidiaries in Preparation of Consolidated Financial Statements"

The Company has applied "Current Approach to Accounting Treatment of Foreign Subsidiaries in Preparation of Consolidated Financial Statements" (Practical Issues Task Force Report No. 18, published by the Accounting Standards Board of Japan on May 17, 2006) beginning with the fiscal year under review. The Company's consolidated financial accounts have been revised as necessary to take this change into account.

The effect of this change was to reduce operating income by ¥1,377 million and recurring profit and income before income taxes and minority interests by ¥1,415 million each.

(Changes in method of presentation)

“Allowance for employees’ bonuses,” which was included in the “Other current liabilities” category of “Current liabilities” in the consolidated fiscal year to December 2008, is shown as a separate account in the year to December 2009.

## 2. Notes to the Consolidated Balance Sheets

### (1) Pledged assets and secured liabilities

The following assets have been provided as collateral for short-term borrowings of ¥2,814 million and long-term borrowings of ¥1,954 million:

Buildings and structures:	¥6,563 million
Machinery, equipment and vehicles:	¥534 million
Land:	¥16,732 million
Total	¥23,831 million

(2) Accumulated depreciation of tangible fixed assets: ¥676,741 million

### (3) Contingent liabilities

Guarantees: ¥1,276 million

### (4) Matured notes at term-end

The balance sheet date for the term fell on a bank holiday, and trade notes with maturity on the balance sheet date were cleared on the clearing houses next business day. Current assets and current liabilities thus respectively include trade notes receivable and trade notes payable with maturity on the balance sheet date as follows:

Notes receivable:	¥369 million
Notes payable:	¥251 million

## 3. Notes to the Consolidated Statements of Income

### (1) Non-operating expenses

Among non-operating expenses, “Other non-operating expenses” include goodwill amortization costs of ¥212 million arising in relation to the holding company of a Group affiliate accounted for by the equity method.

## (2) Impairment losses on fixed assets

In the fiscal year under review, the Group (the Company and its consolidated subsidiaries) recognized impairment losses in the following asset groups:

Use of asset	Location of asset	Type of asset
Operating assets (assets for alcoholic beverages business)	Beijing, China	Buildings and structures, machinery, equipment and vehicles, and tools, furniture and fixtures
Leased asset	Saitama, Saitama Prefecture and 5 others	Buildings and structures and land
Idle assets	Yufutsu, Hokkaido	Buildings and structures and land
Others	—	Goodwill

The Group divides their respective assets, in principle, by individual breweries, plants and other business establishments and determines their groupings based on complementary relations of cash flows among the various assets. At the same time, however, the Company and its group companies count each of the individual leased assets and idle assets as a stand-alone asset group.

Headquarters buildings and employee welfare facilities of the Company and its group companies are categorized as common-use assets, as they do not generate cash flows on their own.

An impairment loss (¥1,632 million for buildings and structures, ¥1,942 million for machinery, equipment and vehicles, ¥11 million for tools, furniture and fixtures, ¥2,340 million for land, and ¥2,390 million for goodwill) was recorded as an extraordinary loss corresponding to differences between the recoverable amounts and book values of certain assets. These differences arose because (a) the earnings generated by operating assets (in the alcoholic beverages business) were less than originally anticipated, (b) the market value of certain leased assets declined substantially below book value, prompting the Group to recognize certain amounts invested as irrecoverable, (c) the book values of certain assets that had been rendered idle during the fiscal year under review were higher than the corresponding market values, and (d) a portion of the goodwill booked against certain foreign subsidiaries in the Group's alcoholic beverages and soft drinks businesses was deemed irrecoverable.

The recoverable amount is estimated using the net sales amount or utility value, with the net sales amount calculated based on the appraised real estate value and the utility value calculated using a discount rate of between 4.3% and 8.3% on future cash flows.

## 4. Notes to the Consolidated Statements of Changes in Net Assets

### (1) Total number of the issued shares as of the end of the fiscal year under review

Common shares

As of the end of the fiscal year (Dec. 31, 2009): 483,585,862 shares

## **(2) Dividends from retained earnings distributed during the fiscal year under review**

A. It was resolved at the 85<sup>th</sup> Annual Shareholders' Meeting of March 26, 2009 as follows:

Item related to dividends on common stock	
Total amount of dividends:	¥4,880 million
Dividend per share:	¥10.50
Record date:	December 31, 2008
Effective date:	March 27, 2009

B. It was resolved at the Board of Directors Meeting of July 31, 2009 as follows:

Item related to interim dividends on common stock	
Total amount of interim dividends:	¥4,648 million
Interim dividend per share:	¥10.00
Record date:	June 30, 2009
Effective date:	September 1, 2009

## **(3) Dividends from surplus to be distributed after the final day of the fiscal year under review**

The following item has been placed on the agenda for approval at the 86<sup>th</sup> Annual Shareholders' Meeting scheduled for March 26, 2010.

Item related to dividends on common stock	
Source of dividends:	Retained earnings
Total amount of dividends:	¥5,115 million
Dividend per share:	¥11.00
Record date:	December 31, 2009
Effective date:	March 29, 2010

## **(4) Number of shares subject to share purchase warrants upon exercise thereof (as of December 31, 2009)**

The First Issue of share purchase warrants (issued March 28, 2003)

Number of share purchase warrants:	133
Class and number of shares subject to the share purchase warrants:	133,000 common shares
Amount to be paid in per share upon exercise of the share purchase warrants:	¥830
Exercise period:	March 28, 2005 to March 27, 2013

The Second Issue of share purchase warrants (issued March 30, 2004)

Number of share purchase warrants:	5,179
Class and number of shares subject to the share purchase warrants:	517,900 common shares
Amount to be paid in per share upon exercise of the share purchase warrants:	¥1,205
Exercise period:	March 30, 2006 to March 29, 2014

The Third Issue of share purchase warrants (issued March 30, 2005)

Number of share purchase warrants:	5,875
Class and number of shares subject to the share purchase warrants:	587,500 common shares
Amount to be paid in per share upon exercise of the share purchase warrants:	¥1,374
Exercise period:	March 30, 2007 to March 29, 2015



The Fourth Issue of share purchase warrants (issued March 30, 2006)

Number of share purchase warrants:	6,200
Class and number of shares subject to the share purchase warrants:	620,000 common shares
Amount to be paid in per share upon exercise of the share purchase warrants:	¥1,688
Exercise period:	March 30, 2008 to March 29, 2016

## **5. Per share information**

(1) Net assets per share: ¥1,233.25

(2) Net income per share: ¥102.49

## **6. Other notes**

Figures in amounts of less than one million yen are omitted.

**Reference: CONSOLIDATED STATEMENTS OF CASH FLOWS (Summary)**

Million yen

	For the year ended December 31, 2009	For the year ended December 31, 2008
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	88,077	82,938
Depreciation	58,372	47,353
Amortization of goodwill	5,287	3,994
Increase (decrease) in allowance for employees' severance and retirement benefits	765	(3,271)
Increase (decrease) in allowance for doubtful accounts	(753)	(529)
Decrease (increase) in trade receivables	(891)	15,576
Decrease (increase) in inventories	5,042	(6,956)
Increase (decrease) in trade payables	(2,820)	(4,104)
Increase (decrease) in alcohol tax payable	(4,909)	(5,970)
Other cash flows from operating activities	(1,941)	12,729
<b>Subtotal</b>	<b>146,229</b>	<b>141,758</b>
Interest and dividend income received	7,162	2,066
Interest expenses paid	(4,605)	(5,191)
Income taxes paid	(42,428)	(32,538)
<b>Net cash provided by operating activities</b>	<b>106,358</b>	<b>106,094</b>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(58,537)	(40,717)
Purchase of investment securities	(82,837)	(8,559)
Proceeds from sales of investment securities	39,329	1,167
Purchase of investments in subsidiaries	(15,362)	(2,928)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(60,043)	(5,420)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	2,154
Other cash flows from investing activities	(3,185)	(3,931)
<b>Net cash used in investing activities</b>	<b>(180,637)</b>	<b>(58,235)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in financial liabilities	88,876	(22,148)
Purchase of treasury stock	(31)	(15,348)
Cash dividends paid	(9,529)	(8,904)
Other cash flows from financing activities	(770)	37
<b>Net cash provided by (used in) financing activities</b>	<b>78,545</b>	<b>(46,365)</b>

	Million yen	
	For the year ended December 31, 2009	For the year ended December 31, 2008
Effect of exchange rate change on cash and cash equivalents	643	(536)
Net decrease in cash and cash equivalents	4,908	956
Cash and cash equivalents at beginning of year	12,697	11,741
Increase in cash and cash equivalents due to change in scope of consolidation	475	—
Cash and cash equivalents at end of year	18,082	12,697

## NON-CONSOLIDATED BALANCE SHEETS

	Million yen	
	As of December 31, 2009	(Reference) As of December 31, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	4,749	5,403
Notes receivable	3,160	3,317
Accounts receivable	185,724	186,287
Merchandise and finished goods	7,985	11,145
Semi-finished goods	8,076	9,363
Raw materials	15,881	13,790
Supplies	4,414	5,345
Short-term loans receivable	16,093	16,245
Prepaid expenses	9,791	9,202
Deferred tax assets	7,439	5,976
Other current assets	6,634	7,895
Allowance for doubtful accounts	(5,894)	(4,359)
<b>Total current assets</b>	<b>264,058</b>	<b>269,614</b>
<b>Fixed assets:</b>		
<b>Tangible fixed assets:</b>		
Buildings	127,332	135,064
Structures	17,128	18,875
Machinery and equipment	117,859	140,011
Vehicles	23	26
Tools, furniture and fixtures	41,312	42,771
Land	127,692	130,027
Lease assets	487	—
Construction in progress	3,041	1,671
	<b>434,878</b>	<b>468,447</b>
<b>Intangible fixed assets:</b>		
Rights to use of facilities	576	634
Trademark Rights	18,615	—
Software	7,661	8,175
Lease assets	22	—
Other intangible fixed assets	6	15
	<b>26,882</b>	<b>8,825</b>

	Million yen	
	As of December 31, 2009	(Reference) As of December 31, 2008
<b>Investments and other assets:</b>		
Investment securities	81,002	85,336
Shares in affiliates	307,796	174,834
Capital invested in affiliates	4,244	4,044
Long-term loans receivable	7,797	10,422
Deferred tax assets	6,985	11,036
Other investments	27,515	24,360
Allowance for doubtful accounts	(5,301)	(7,732)
	<b>430,040</b>	<b>302,302</b>
<b>Total fixed assets</b>	<b>891,802</b>	<b>779,576</b>
<b>Total assets</b>	<b>1,155,860</b>	<b>1,049,190</b>

## NON-CONSOLIDATED BALANCE SHEETS

	Million yen	
	As of December 31, 2009	(Reference) As of December 31, 2008
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Trade accounts payable	54,939	55,744
Short-term borrowings	106,700	56,625
Bonds due within one year	15,000	20,000
Lease obligations	167	—
Other accounts payable	7,944	9,363
Alcohol taxes payable	114,708	120,219
Consumption and similar taxes payable	6,740	7,357
Income taxes payable	12,050	19,844
Accrued expenses	39,071	42,024
Deposits received	30,664	26,559
Commercial paper	30,000	7,000
Allowance for employees' bonuses	1,278	1,355
Allowance for directors' and corporate auditors' bonuses	108	105
Other current liabilities	370	64
<b>Total current liabilities</b>	<b>419,742</b>	<b>366,265</b>
<b>Long-term liabilities:</b>		
Bonds	130,156	120,168
Long-term borrowings	61,000	40,000
Lease obligations	370	—
Long-term deposits received	33,726	33,740
Allowance for employees' severance and retirement benefits	2,907	3,055
Other long-term liabilities	386	422
<b>Total long-term liabilities</b>	<b>228,547</b>	<b>197,386</b>
<b>Total liabilities</b>	<b>648,290</b>	<b>563,652</b>

	Million yen	
	As of December 31, 2009	(Reference) As of December 31, 2008
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
<b>Common stock</b>	<b>182,531</b>	<b>182,531</b>
<b>Capital surplus</b>	<b>160,066</b>	<b>160,165</b>
Capital reserve	130,292	130,292
Other capital surplus	29,773	29,872
<b>Retained earnings</b>	<b>191,372</b>	<b>170,865</b>
Other retained earnings	191,372	170,865
Reserve for reduction in entry of fixed assets	1,065	1,130
General reserve	155,000	125,000
Retained earnings carried forward	35,306	44,735
<b>Treasury stock</b>	<b>(29,283)</b>	<b>(29,579)</b>
<b>Total shareholders' equity</b>	<b>504,686</b>	<b>483,982</b>
<b>Valuation and translation adjustments:</b>		
<b>Valuation difference on available-for-sale securities</b>	<b>2,882</b>	<b>1,555</b>
<b>Total valuation and translation adjustments</b>	<b>2,882</b>	<b>1,555</b>
<b>Total net assets</b>	<b>507,569</b>	<b>485,538</b>
<b>Total liabilities and net assets</b>	<b>1,155,860</b>	<b>1,049,190</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME

Million yen

	(Reference)	
	For the year ended December 31, 2009	For the year ended December 31, 2008
<b>Net sales</b>	<b>985,468</b>	<b>1,019,613</b>
<b>Cost of sales</b>	<b>702,016</b>	<b>724,460</b>
<b>Gross profit</b>	<b>283,452</b>	<b>295,153</b>
<b>Selling, general and administrative expenses</b>	<b>204,939</b>	<b>204,102</b>
<b>Operating income</b>	<b>78,513</b>	<b>91,050</b>
<b>Non-operating income:</b>	<b>7,009</b>	<b>3,242</b>
Interest and dividend income	3,586	2,372
Foreign exchange gains	1,620	—
Other non-operating income	1,802	870
<b>Non-operating expenses:</b>	<b>6,219</b>	<b>5,731</b>
Interest expenses	2,955	2,997
Loss on sale and disposal of inventories	—	786
Other non-operating expenses	3,263	1,946
<b>Recurring profit</b>	<b>79,303</b>	<b>88,562</b>
<b>Extraordinary gains:</b>	<b>1,711</b>	<b>2,615</b>
Gain on sale of fixed assets	48	3
Gain on sale of investment securities	370	55
Reversal of allowance for doubtful accounts	383	413
Compensation for recall	910	1,385
Compensation for transfer	—	758
<b>Extraordinary losses:</b>	<b>21,012</b>	<b>18,866</b>
Loss on sale and disposal of fixed assets	7,453	3,615
Loss on sale of investment securities	88	1
Loss on devaluation of investment securities	706	3,064
Loss on devaluation of investment in affiliates	4,718	5,343
Loss on sale of investment in affiliates	—	191
Loss on devaluation of equity participation in affiliates	3,207	2,128
Previous year's sales promotion expenses	—	3,113
Recall-related losses	—	1,407
Loss on contribution of securities to retirement benefit trust	1,401	—
Impairment loss	3,435	—
<b>Income before income taxes</b>	<b>60,002</b>	<b>72,311</b>
Income taxes — current	28,278	33,265
Income taxes — deferred	1,688	52
<b>Net income</b>	<b>30,036</b>	<b>38,994</b>



## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2009

Million yen

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings			Total retained earnings
					Reserve for reduction in entry of fixed assets	General reserve	Retained earnings carried forward	
Balance as of Dec. 31, 2008	182,531	130,292	29,872	160,165	1,130	125,000	44,735	170,865
Changes during the term								
Dividends							(9,529)	(9,529)
Net income (loss)							30,036	30,036
Acquisition of treasury stock								
Disposal of treasury stock			(99)	(99)				
Reversal of reserve for reduction in entry of fixed assets					(64)		64	—
Provision of general reserve						30,000	(30,000)	—
Other changes in non-shareholders' equity items during the term (net)								
Total changes during the term			(99)	(99)	(64)	30,000	(9,428)	20,506
Balance as of Dec. 31, 2009	182,531	130,292	29,773	160,066	1,065	155,000	35,306	191,372

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation	Total valuation and translation adjustments	
			difference on available- for-sale securities		
Balance as of Dec. 31, 2008	(29,579)	483,982	1,555	1,555	485,538
Changes during the term					
Dividends		(9,529)			(9,529)
Net income (loss)		30,036			30,036
Acquisition of treasury stock	(31)	(31)			(31)
Disposal of treasury stock	327	228			228
Reversal of reserve for reduction in entry of fixed assets					—
Provision of general reserve					—
Other changes in non-shareholders' equity items during the term (net)			1,327	1,327	1,327
Total changes during the term	296	20,704	1,327	1,327	22,031
Balance as of Dec. 31, 2009	(29,283)	504,686	2,882	2,882	507,569

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

#### (1) Valuation basis and method for securities

Investment in subsidiaries and affiliates:

Stated at cost based on the moving-average method.

Other securities with market value

Carried at the average market value for the month immediately preceding the balance sheet date (valuation differences are all debited or credited directly to the net assets section, with the cost of securities sold computed by the moving-average method).

Securities without market value

Stated at cost based on the moving-average method.

#### (2) Valuation basis and method for derivatives

Market price method

#### (3) Valuation basis and method for inventories:

Merchandise, finished goods and semi-finished goods are stated at cost based on the weighted-average method (write-downs to net selling value regarded as decreased profitability).

Raw materials and supplies are stated at cost based on the moving-average method (write-downs to net selling value regarded as decreased profitability).

(Change in accounting policy)

The Company has applied "Accounting Standards Relating to the Valuation of Inventory Assets" (ASBJ Statement No. 9 published July 5, 2006) beginning with the fiscal year under review. This change reduced gross profit by ¥2,145 million, operating income by ¥645 million, and recurring profit and income before income taxes by ¥25 million each compared with previous methods.

#### (4) Depreciation methods for fixed assets:

Tangible fixed assets (excluding lease assets):

##### A. Production facilities:

Assets acquired on or before March 31, 2007: the former straight-line method

Assets acquired on or after April 1, 2007: the straight-line method

##### B. Other tangible assets

Assets acquired on or before March 31, 2007: the former declining-balance method

Assets acquired on or after April 1, 2007: the declining-balance method

Buildings (exclusive of fixtures) acquired on or after April 1, 1998:

Assets acquired on or before March 31, 2007: the former straight-line method  
Assets acquired on or after April 1, 2007: the straight-line method

The estimated useful lives of the fixed assets are based on the same standards as those specified in the Corporation Tax Act.

(Additional information)

In accordance with amendments of the Corporation Tax Act related to the usage of tangible fixed assets enacted during the year ended March 2009, the Company has applied revised values for the estimated useful lives of machinery and equipment beginning with the fiscal year under review.

The effect of this change was to reduce operating income, recurring profit and income before income taxes by ¥5,920 million each.

Intangible fixed assets (excluding lease assets):

Intangible fixed assets are amortized using the straight-line method. The estimated useful lives of the assets are based on the standards specified in the Corporation Tax Act.

Software for internal use is amortized by the straight-line method over a useful life of 5 years. Trademark rights are generally amortized over 20 years using the straight-line method.

Lease assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

(Change in accounting policy)

The accounting treatment of finance leases that do not transfer ownership rights was previously the same as that applied to operating leases. Beginning with the fiscal year under review, the Company has applied “Accounting Standards Relating to Lease Transactions” (ASBJ Statement No. 13, published by the First Subcommittee of the Business Accounting Council on June 17, 1993, and revised on March 30, 2007) and “Guidelines for the Application of Accounting Standards Relating to Lease Transactions” (ASBJ Guidance No. 16, published by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and revised on March 30, 2007) to treat such leases as regular commercial transactions for accounting purposes.

Any finance lease not transferring ownership rights whose lease period began prior to the start of the fiscal year in which the new accounting standard was applied is treated as an operating lease for accounting purposes.

The effect of this change on earnings was immaterial.

**(5) Accounting criteria for allowances:**

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and an amount calculated using the rate of actual collection losses with respect to the other receivables.

Allowance for employees' severance and retirement benefits:

The Company makes provisions in the necessary amount of allowance for employees' severance and retirement benefits deemed to have accrued during the term, based on the Company's projected benefit obligations and the pension fund balance as of the end of the fiscal year under review. Actuarial gain or loss is amortized, beginning in the year following the year in which the gain or loss is recognized, by the straight-line method for a given number of years (10 years) within the employees' average remaining years of service.

Prior service costs are amortized by the straight-line method within the average remaining years of service of employees (10 years) from the time they arise.

Allowance for employees' bonuses:

An allowance for employees' bonuses is provided at the estimated amount applicable to the fiscal year under review.

Allowance for directors' and corporate auditors' bonuses:

An allowance for directors' and corporate auditors' bonuses is provided at the estimated amount applicable to the fiscal year under review.

**(6) Accounting for hedging**

**A. Accounting for hedging**

The Company defers gains or losses on its hedges.

For foreign exchange contracts, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations.

**B. Hedging instruments and risks hedged:**

Hedging instruments: Foreign exchange contracts and interest rate swaps

Hedged items: Foreign currency-denominated loans receivable and interest on borrowings

C. Hedging policy:

Derivative transactions are used to avoid risks associated with fluctuations in foreign exchange markets and in interest rates and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged transactions.

D. Method of evaluating the effectiveness of hedging:

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedged items and of the hedging instruments over the entire period of the hedge. When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under special exceptions, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

**(7) Consumption tax and similar taxes:**

Consumption tax and similar taxes are excluded from the statements of income, except in the case of non-deductible consumption taxes related to fixed assets that are charged when incurred.

(Changes in method of presentation)

Owing to an increase in materiality, "Trademark rights" (valued at ¥9 million at the previous fiscal year-end) were classified as a separate item under intangible fixed assets beginning with the fiscal year under review. These assets had previously been included in "Other intangible fixed assets."

**2. Notes to the Non-Consolidated Balance Sheets**

**(1) Accumulated depreciation on tangible fixed assets:** ¥510,404 million

**(2) Contingent liabilities**

A. Guarantees, etc., against bank borrowings

Guarantees: ¥23,713 million  
Comfort letters, etc.: ¥574 million

B. Guarantees, etc., against derivatives

Guarantees:  
Contract amount, etc.: ¥2,036 million  
Unrealized gains (losses): ¥(22) million

**(3) Matured notes at term-end**

The balance sheet date for the term fell on a bank holiday, and trade notes with maturity on the balance sheet date were cleared on the clearing houses next business day. Current assets and current liabilities thus respectively include trade notes receivable and trade notes payable with maturity on the balance sheet date as follows:

Notes receivable: ¥39 million

#### (4) Monetary claims and obligations with affiliates

Short-term monetary claims on affiliates:	¥25,861 million
Long-term monetary claims on affiliates:	¥3,692 million
Short-term monetary obligations to affiliates:	¥29,846 million

### 3. Notes to the Non-Consolidated Statements of Income

#### (1) Transactions with affiliates:

Net sales:	¥44,002 million
Purchases:	¥79,320 million
Selling, general and administrative expenses:	¥31,490 million
Transactions other than operating transactions:	¥2,917 million

#### (2) Impairment losses on fixed assets

In the fiscal year under review, the Company recognized impairment losses in the following asset groups:

Use of asset	Location of asset	Type of asset
Leased asset	Saitama, Saitama Prefecture and 5 other locations	Buildings and structures and land

The Company divides its respective assets, in principle, by individual breweries, plants and other business establishments and determines its groupings based on complementary relations of cash flows among the various assets. At the same time, however, the Company counts each of the individual leased assets and idle assets as a stand-alone asset group.

Headquarters buildings and employee welfare facilities of the Company are categorized as common-use assets, as they do not generate cash flows on their own.

An impairment loss (¥1,056 million for buildings, ¥38 million for structures, and ¥2,339 million for land) was recorded as an extraordinary loss corresponding to the difference between the recoverable amount and the book value of certain assets. This difference arose because the market value of certain leased assets declined substantially below book value, prompting the Company to recognize certain amounts invested as irrecoverable.

The recoverable amount is estimated using the net sales amount or utility value, with the net sales amount calculated based on the appraised real estate value.

#### 4. Notes related to the Non-Consolidated Statement of Changes in Net Assets

##### Treasury stock

Type of stock	Balance as of the end of the previous fiscal year (Dec. 31, 2008)	Increase	Decrease	Balance as of the end of the fiscal year under review (Dec. 31, 2009)
Common shares	18,762,163	22,664	207,861	18,576,966

##### (Reasons for change)

The increase in shares was the result of the following:

Increase resulting from purchases of shares of less than one unit from shareholders of such shares responding to their request: 22,664 shares

The decrease in shares was the result of the following:

Decrease resulting from sales of shares of less than one unit to shareholders of shares of less than one voting unit to make their fractional shares a voting unit responding to their demand: 2,661 shares

Decrease resulting from exercise of stock options: 205,200 shares

## 5. Tax effect accounting

### (1) Deferred tax assets and liabilities

#### Deferred tax assets

Allowance for doubtful accounts, in excess of tax-deductible amount:	¥4,152 million
Allowance for employees' bonuses, non-tax deductible:	¥465 million
Allowance for employees' severance and retirement benefits, in excess of tax-deductible amount:	¥7,757 million
Loss on devaluation of investment in affiliates, non-tax deductible:	¥10,492 million
Depreciation, in excess of tax-deductible amount:	¥212 million
Loss on establishment of retirement benefit trust, non-tax deductible:	¥2,036 million
Loss on devaluation of investment securities, non-tax deductible:	¥3,011 million
Loss on devaluation of capital contributions for affiliates, non-tax deductible:	¥5,157 million
Amortization of deferred charges, in excess of tax-deductible amount:	¥52 million
Disapproval of unpaid enterprise taxes:	¥996 million
Impairment loss on fixed assets:	¥2,670 million
Others:	¥5,210 million
Subtotal deferred tax assets:	¥42,215 million
Valuation allowance:	¥(23,622) million
<b>Total deferred tax assets:</b>	<b>¥18,593 million</b>

#### Deferred tax liabilities

Reserve for reduction in entry of fixed assets:	¥(722) million
Valuation difference on available-for-sale securities:	¥(1,953) million
Prepaid pension expenses:	¥(1,492) million
<b>Total deferred tax liabilities:</b>	<b>¥(4,168) million</b>

<b>Net deferred tax assets:</b>	<b>¥14,425 million</b>
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### (2) Effective tax rates before and after application of tax effect accounting

Statutory effective tax rates:	40.4%
<b>Adjustment</b>	
Permanent difference (non-deductible), including entertainment expenses:	2.1%
Valuation allowance:	8.3%
Permanent difference (non-taxable), including dividend income:	(0.4)%
Tax credit:	(0.9)%
Others:	0.4%
Effective tax rates after application of tax effect accounting:	<u>49.9%</u>



## 6. Notes related to leased fixed assets

Separately from the fixed assets carried on the balance sheet, some sales-related fixtures are treated based on finance lease agreements that do not transfer ownership rights.

### (1) As of the end of the fiscal year under review

Amount equivalent to acquisition costs: ¥22,177 million

### (2) As of the end of the fiscal year under review

Amount equivalent to accumulated depreciation: ¥14,776 million

### (3) As of the end of the fiscal year under review

Amount equivalent to prepaid lease rents: ¥7,782 million

## 7. Per share information

(1) Net assets per share: ¥1,091.53

(2) Net income per share: ¥64.61

## 8. Other notes

Figures in amounts of less than one million yen are omitted.

## INDEPENDENT AUDITOR'S REPORT

February 4, 2010

To: The Board of Directors  
ASAHI BREWERIES, LTD.

KPMG AZSA & Co.

Hiroyuki Sakai (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hajime Harada (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Yasuyuki Nagasaki (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

In accordance with the provisions of Paragraph 4, Article 444 of the Companies Act, we have audited the consolidated financial statements of ASAHI BREWERIES, LTD. (the "Company") for the fiscal year from January 1, 2009 to December 31, 2009. These statements consist of the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and notes on significant accounting policies used in consolidation. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit conducted as Independent Auditor.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those auditing standards require that we obtain reasonable assurance that the consolidated 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, and assessing the accounting principles used, the methods of application thereof, and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the foregoing consolidated financial statements present fairly, in all material aspects, the financial position and results of operations of the Company and its consolidated subsidiaries for the period covered by the aforesaid financial statements in conformity with generally accepted accounting principles in Japan.

Our firm and engagement partners have no interests in the Company requiring disclosure pursuant to the relevant provisions of the Certified Public Accountants Law of Japan.

## INDEPENDENT AUDITOR'S REPORT

February 4, 2010

To: The Board of Directors  
ASAHI BREWERIES, LTD.

KPMG AZSA & Co.

Hiroyuki Sakai (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hajime Harada (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Yasuyuki Nagasaki (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

In accordance with the provisions of Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the financial statements of ASAHI BREWERIES, LTD. (the "Company") for its 86<sup>th</sup> fiscal year, the period from January 1, 2009 to December 31, 2009. These statements consist of the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, notes on significant accounting policies, and supporting schedules thereto. These financial statements and supporting schedules thereto are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and supporting schedules thereto based on our audit conducted as Independent Auditor.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those auditing standards require that we obtain reasonable assurance that the financial statements and supporting schedules thereto are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used, the methods of application thereof, and estimates made by management, as well as evaluating the overall presentation of the financial statements and supporting schedules thereto. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the foregoing financial statements and supporting schedules thereto present fairly, in all material aspects, the financial position and results of operations of the Company for the period covered by the aforesaid financial statements and supporting schedules thereto in conformity with generally accepted accounting principles in Japan.

Our firm and our engagement partners have no interests in the Company requiring disclosure pursuant to the relevant provisions of the Certified Public Accountants Law of Japan.

## REPORT OF THE BOARD OF CORPORATE AUDITORS

The Board of Corporate Auditors has prepared the following report based on the audit reports prepared by individual Corporate Auditors related to the Directors' execution of their duties during the 86<sup>th</sup> fiscal year, the period from January 1, 2009 to December 31, 2009, after due discussions and consultations among the Corporate Auditors.

### **1. Methods used in audits by the individual Corporate Auditors and by the Board of Corporate Auditors and content of audits**

- (1) The Board of Corporate Auditors determined the audit policies and division of duties, and received reports from each Corporate Auditor regarding the status and results of the audits, as well as reports from the Directors and Independent Auditor on the execution of their duties, and requested explanations of those reports when necessary.
- (2) Each Corporate Auditor sought to achieve mutual understanding with the Directors and other employees, and strove to collect information and create an audit environment in accordance with the audit policies and division of duties based on the audit standards established by the Board of Corporate Auditors. The Corporate Auditors also attended meetings of the Board of Directors and other important meetings, received reports from Directors and other employees regarding the execution of their duties and requested explanations when necessary, reviewed documents related to important decisions, and inspected the operations and property of the head office and other important business facilities. The Board also oversaw and verified the status of "the development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation (internal control systems)" (Item 6, Paragraph 4, Article 362 of the Companies Act and Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of the Companies Act) that is included in the business report. With respect to internal controls on financial reporting, the Board received reports from the Directors and KPMG AZSA & Co. related to evaluation and auditing of the Company's internal controls, and sought additional explanations as necessary. In addition, the Board examined the status of "the basic policy and measures concerning the persons responsible for controlling decisions pertaining to the Company's financial affairs and business policies" (Article 118 of the Ordinance for Enforcement of the Companies Act), based on discussions with the Board of Directors and other parties. With respect to subsidiaries, the Corporate Auditors took steps to facilitate communications with the directors and corporate auditors of subsidiaries and, when necessary, received reports from subsidiaries on the status of their businesses. Using the foregoing methods, the Corporate Auditors reviewed the Business Report and the supporting schedules thereto for the fiscal year under review.
- (3) The Board of Corporate Auditors oversaw and verified that the Independent Auditor maintained its independence and carried out appropriate audits, moreover, and received reports from the Independent Auditor regarding the execution of its duties and requested explanations when necessary. The Board also received notifications from the Independent Auditor to the effect that "a system for the maintenance of appropriate execution of duties" (included in Article 131 of the Corporate Calculation Regulations) in accordance with the "standards for quality control of audits" (Business Accounting Council; October 28, 2005), and requested explanations when necessary. Based on the above activities, the Board of Corporate Auditors examined the financial statements (Balance Sheets, Statements of Income, Statements of Changes in Net Assets, and notes to those statements), supporting schedules, and the consolidated financial statements (Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Net Assets, and notes to those statements) for the business year under review.

## 2. Results of the Audit

### (1) Results of audit of the Business Report

- In our opinion, the Business Report and the supporting schedules thereto present the situation of the Company fairly, in compliance with the provisions of applicable laws and regulations and the Articles of Incorporation.
- In our opinion, there are no wrongful acts or material violations of applicable laws and regulations or the Articles of Incorporation in the execution of their duties by the Directors.
- In our opinion, the content of the resolution by the Board of Directors regarding internal control systems is appropriate, and, furthermore, execution of the internal control systems by the Directors has been appropriate.
- In our opinion, the Company's basic policy regarding persons who exercise control over decision-making with respect to the Company's finances and business policies is appropriate. We acknowledge that the measures implemented to achieve this basic policy are consistent with the basic policy, will not harm the common interest of the Company's shareholders, and serve the purpose of maintaining the positions of the Company's executives.

### (2) Results of the audit of financial statements and the supporting schedules thereto

In our opinion, the auditing methods used by KPMG AZSA & Co., the Independent Auditor, and the results of its audit are appropriate.

### (3) Results of the audit of consolidated financial statements

In our opinion, the auditing methods used by KPMG AZSA & Co., the Independent Auditor, and the results of its audit are appropriate.

February 5, 2010

Board of Corporate Auditors  
ASAHI BREWERIES, LTD.

Yoshihiro Goto (Seal)  
Standing Corporate Auditor

Yoshifumi Nishino (Seal)  
Standing Corporate Auditor

Takahide Sakurai (Seal)  
Outside Corporate Auditor

Naoto Nakamura (Seal)  
Outside Corporate Auditor

Tadashi Ishizaki (Seal)  
Outside Corporate Auditor

# REFERENCE MATERIALS FOR SHAREHOLDERS' MEETING

## Agenda Items and Reference Information

### Item 1: Appropriation of surplus

The Company proposes the appropriation of surplus in the following manner:

#### 1. Year-end dividends

The Company places a priority on returning profit to shareholders and adheres to a basic policy of implementing returns to shareholders with the business performance taken into account while seeking enhanced profitability and stronger financial conditions. The Company continues to strive to ensure sustainable and stable dividend payments while fulfilling the benchmark of 20% in the consolidated payout ratio. Based on this policy and taking into consideration a variety of factors, including the Company's consolidated financial condition and achievement for the fiscal year under review, the Company proposes a year-end dividend of ¥11.0 per share, as follows:

(1) Type of dividend asset

Cash

(2) Allocation of dividend assets to shareholders and total amount of allocation

¥11.0 per share of common stock

Total amount of payout: ¥5,115,097,856

Since the Company previously paid out ¥10.0 per share as an interim-period dividend, the total dividend for the fiscal year under review will amount to ¥21.0 per share, which is a dividend increase of ¥1.0.

(3) Effective date of dividend payment

March 29, 2010

#### 2. Other appropriation of surplus

The Company proposes that surplus be invested and otherwise used to enhance its corporate value, and be appropriated as follows in order to strengthen the management base for aggressive business development going forward.

(1) Surplus account showing an increase, and the amount of such increase

General reserves: ¥20,000,000,000

(2) Surplus account showing a decrease, and the amount of such decrease

Retained earnings carried forward: ¥20,000,000,000

## Item 2: Election of fourteen (14) Directors

At the conclusion of this Annual Shareholders' Meeting, the terms of office of all the Directors will expire. The Company therefore asks the shareholders to elect fourteen (14) Directors.

The candidates for the position of Director are as follows:

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
1	Hitoshi Ogita (January 1, 1942)	<p>Apr. 1965 Entered Asahi Breweries, Ltd.</p> <p>Mar. 1997 Director, General Manager of Fukuoka Branch</p> <p>Sep. 1997 Director, Senior General Manager of Kyushu Regional Headquarters</p> <p>Mar. 2000 Managing Executive Officer, Senior General Manager of Kyushu Regional Headquarters</p> <p>Oct. 2000 Managing Executive Officer, Senior General Manager of Kanshin-etsu Regional Headquarters</p> <p>Mar. 2002 Senior Managing Executive Officer, Senior General Manager of Kanshin-etsu Regional Headquarters</p> <p>Sep. 2002 Executive Officer, Vice President of Asahi Soft Drinks Co., Ltd.</p> <p>Mar. 2003 President and Representative Director of Asahi Soft Drinks Co., Ltd.</p> <p>Mar. 2006 President and Representative Director of Asahi Breweries, Ltd. (to the present)</p>	48,000	---

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
2	Masatoshi Takahashi (October 24, 1946)	<p>Apr. 1969 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2000 Executive Officer, Senior General Manager of Chubu Regional Headquarters</p> <p>Sep. 2001 Executive Officer, Senior General Manager of Liquor Sales &amp; Marketing Headquarters</p> <p>Mar. 2002 Managing Executive Officer, Senior General Manager of Liquor Sales &amp; Marketing Headquarters</p> <p>Sep. 2003 Managing Executive Officer, Senior General Manager of Kinkiken Regional Headquarters</p> <p>Mar. 2005 Senior Managing Executive Officer, Senior General Manager of Kinkiken Regional Headquarters</p> <p>Mar. 2006 Senior Managing Director, Senior Managing Executive Officer (to the present)</p> <hr/> <p>&lt;Important concurrent positions &gt; Outside Director of Orion Breweries, Ltd.</p>	28,500	---



Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
3	Naoki Izumiya (August 9, 1948)	<p>Apr. 1972 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2000 Executive Officer, Senior General Manager of Group Management Strategy Headquarters</p> <p>Oct. 2000 Executive Officer, Senior General Manager of Strategy Planning Headquarters</p> <p>Sep. 2001 Executive Officer, Deputy General Manager of Shutoken Regional Headquarters, General Manager of Tokyo Branch</p> <p>Mar. 2003 Director</p> <p>Mar. 2004 Managing Director</p> <p>Mar. 2006 Managing Director, Managing Executive Officer, Senior General Manager of Liquor Sales &amp; Marketing Headquarters</p> <p>Mar. 2009 Senior Managing Director, Senior Managing Executive Officer (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Director of Asahi Food &amp; Healthcare Co., Ltd.</p> <p>Director of Wakodo Co., Ltd.</p> <p>Director of Amano Jitsugyo Co., Ltd.</p> <p>Director of Tingyi-Asahi-Itochu Beverages Holding Co., Ltd.</p> <p>Director of Haitai Beverage Co., Ltd.</p>	30,300	---

Candidate number	Name (Date of birth)	Career summary and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
4	Kazuo Motoyama (March 14, 1950)	<p>Apr. 1972 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2000 Executive Officer, Senior General Manager of Quality Development Headquarters</p> <p>Sep. 2001 Executive Officer, Senior General Manager of SCM Headquarters</p> <p>Sep. 2002 Executive Officer</p> <p>Sep. 2003 Executive Officer, Senior General Manager of Strategy Planning Headquarters</p> <p>Oct. 2005 Executive Officer</p> <p>Mar. 2006 Director, Executive Officer</p> <p>Mar. 2007 Managing Director, Managing Executive Officer</p> <p>Mar. 2009 Senior Managing Director, Senior Managing Executive Officer (to the present)</p> <p>&lt;Important concurrent positions &gt;  Director of Asahi Soft Drinks Co., Ltd.  Director of Asahi Logistics, Ltd.  Director of Schweppes Australia Pty Limited</p>	14,200	---
5	Akiyoshi Koji (November 8, 1951)	<p>Apr. 1975 Entered Asahi Breweries, Ltd.</p> <p>Sep. 2001 Executive Officer</p> <p>Mar. 2003 Managing Director, Senior General Manager, Planning Division of Asahi Soft Drinks Co., Ltd.</p> <p>Mar. 2006 Senior Managing Director, Senior General Manager, Planning Division of Asahi Soft Drinks Co., Ltd.</p> <p>Mar. 2007 Managing Director, Managing Executive Officer of Asahi Breweries, Ltd. (to the present)</p> <p>&lt;Important concurrent positions &gt;  Supervisor of Tsingtao Brewery Co., Ltd.</p>	8,800	---

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
6	Noriyuki Karasawa (October 20, 1951)	<p>Apr. 1974 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2006 Executive Officer, Senior Deputy General Manager of Production Headquarters</p> <p>Mar. 2008 Director, Executive Officer, Senior General Manager of Production Headquarters</p> <p>Mar. 2009 Managing Director, Managing Executive Officer, Senior General Manager of Production Headquarters (to the present)</p> <p>&lt;Important concurrent positions&gt;  Director of The Nikka Whisky Distilling Co., Ltd.  Director of LB Co., Ltd. (Tokyo)  Director of LB Co., Ltd. (Nagoya)</p>	8,200	---
7	Toshihiko Nagao (July 21, 1954)	<p>Apr. 1978 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2006 Executive Officer, Senior Deputy General Manager of Liquor Sales &amp; Marketing Headquarters, General Manager of Sales Department</p> <p>Sep. 2006 Executive Officer, Senior Deputy General Manager of Liquor Sales &amp; Marketing Headquarters, General Manager of Beer Category Department</p> <p>Sep. 2008 Executive Officer, Senior General Manager of Sales Headquarters</p> <p>Mar. 2009 Director, Executive Officer, Senior General Manager of Liquor Sales &amp; Marketing Headquarters (to the present)</p>	11,300	---

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
8	Nobuo Yamaguchi (December 23, 1924)	<p>Apr. 1952 Entered Asahi Chemical Industry Co., Ltd.</p> <p>Jun. 1976 Director</p> <p>Nov. 1978 Managing Director</p> <p>Jun. 1981 Executive Vice President and Representative Director</p> <p>Mar. 1982 Director of Asahi Breweries, Ltd. (to the present)</p> <p>Apr. 1992 Chairman of the Board and Representative Director of Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation) (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Chairman of the Board and Representative Director of Asahi Kasei Corporation</p> <p>Outside Director of Nippon Television Network Corp.</p> <p>Outside Director of The Shoko Chukin Bank, Ltd.</p> <p>Outside Corporate Auditor of The Yomiuri Shimbun Holdings</p>	44,000	---

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
9	Mariko Bando (August 17, 1946)	<p>Jul. 1969    Joined staff of Prime Minister's Office</p> <p>Oct. 1985    Councillor of Cabinet Secretariat</p> <p>Jul. 1994    Director of Gender Equality Office, Prime Minister's Office</p> <p>Apr. 1995    Vice-Governor of Saitama Prefecture</p> <p>Jun. 1998    Consul General of Brisbane, Australia</p> <p>Jan. 2001    Director General of Gender Equity Bureau, Cabinet Office</p> <p>Oct. 2003    Director of Showa Women's University (to the present)</p> <p>Apr. 2007    President of Showa Women's University (to the present)</p> <p>Mar. 2008    Director of Asahi Breweries, Ltd. (to the present)</p> <p>&lt;Important concurrent positions&gt;  President of Showa Women's University  Director of Showa Women's University  Director of The Institute of Women's Culture, Showa Women's University  Chairman of the Board of Rural Women Empowerment and Life Improvement Association  Outside Director of Asahi Mutual Life Insurance Co.</p>	---	---
10	Naoki Tanaka (September 1, 1945)	<p>Jan. 1971    Senior Fellow of Kokumin Keizai Research Institute</p> <p>Apr. 1997    President of the 21<sup>st</sup> Century Public Policy Institute</p> <p>Apr. 2007    President of Center for International Public Policy Studies (to the present)</p> <p>Mar. 2009    Director of Asahi Breweries, Ltd. (to the present)</p> <p>&lt;Important concurrent positions &gt;  President of Center for International Public Policy Studies  Chairman of Financial System Council, Financial Services Agency  Member and Deputy Chairman of Fiscal System Council, Ministry of Finance</p>	---	---

(New candidates are marked with (\*))

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
11	Katsuyuki Kawatsura * (October 1, 1950)	<p>Apr. 1975 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2002 Senior Officer, General Manager of Brewing Research &amp; Development Laboratory</p> <p>Nov. 2004 Senior Officer, Senior General Manager of Product &amp; Technology Development Headquarters, General Manager of Brewing Research &amp; Development Laboratory</p> <p>Mar. 2005 Executive Officer, Senior General Manager of Product &amp; Technology Development Headquarters</p> <p>Oct. 2007 Executive Officer, Senior General Manager of Research &amp; Development Headquarters for Alcoholic Beverages</p> <p>Jul. 2008 Executive Officer, Senior General Manager of Research &amp; Development Headquarters</p> <p>Mar. 2009 Managing Executive Officer, Senior General Manager of Research &amp; Development Headquarters (to the present)</p>	8,100	---

(New candidates are marked with (\*))

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
12	Toshio Mori * (January 21, 1952)	<p>Apr. 1975 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2003 Senior Officer, General Manager of Research &amp; Development Planning Department</p> <p>Mar. 2004 Senior Officer of Asahi Breweries, Ltd., Director of Asahi Food &amp; Healthcare Co., Ltd.</p> <p>Sep. 2006 Senior Officer, Senior Deputy General Manager of Research &amp; Development Headquarters, General Manager of Development Laboratory for New Business of Asahi Breweries, Ltd.</p> <p>Mar. 2007 Executive Officer, Senior General Manager of Research &amp; Development Headquarters for Food &amp; Health</p> <p>Oct. 2007 Executive Officer, Senior General Manager of Research &amp; Development Headquarters for Food &amp; Health of Asahi Breweries, Ltd., Senior Deputy General Manager of Development Headquarters of Wakodo Co., Ltd. (to the present)</p>	6,900	---
13	Toshio Kodato * (September 20, 1954)	<p>Apr. 1978 Entered Asahi Breweries, Ltd.</p> <p>Apr. 2005 Senior Officer, Manager of Public Relations Department</p> <p>Sep. 2007 Senior Officer, Senior General Manager of Shikoku Regional Headquarters</p> <p>Mar. 2008 Executive Officer, Senior General Manager of Shikoku Regional Headquarters</p> <p>Sep. 2009 Executive Officer, Senior Deputy General Manager of International Headquarters (to the present)</p> <p>&lt;Important concurrent positions&gt; Director of Asahi Beer U.S.A., Inc.</p>	5,600	---

(New candidates are marked with (\*))

Candidate number	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares in the Company owned by the candidate	Special interests in the Company
14	Yoshihiro Tonozuka * (June 5, 1951)	<p>Apr. 1975 Entered Asahi Breweries, Ltd.</p> <p>Mar. 2002 Senior Officer, General Manager of Okayama Branch</p> <p>Sep. 2002 Senior Officer, General Manager of Chiba Branch</p> <p>Oct. 2005 Senior Officer of Asahi Breweries, Ltd., President and Representative Director of LB Co., Ltd. (Tokyo) (to the present)</p> <p>&lt;Important concurrent positions&gt; President and Representative Director of LB Co., Ltd. (Tokyo)</p>	1,800	See Note 1

Notes:

1. Candidates' special interests in the Company:

The Company has made loans for working capital and capital investment to LB Co., Ltd. (Tokyo), where Yoshihiro Tonozuka serves as president and representative director.

2. Nobuo Yamaguchi, Mariko Bando and Naoki Tanaka are candidates for the position of Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.

3. The following are items required to be noted about candidates for Outside Director.

(1) Reasons for recommending them as candidates for Outside Director

A. Nobuo Yamaguchi would bring a wealth of company management experience and insight into a broad range of issues to the management of the Company. The Company thus recommends his election to the Board as an Outside Director.

B. In addition to her diverse experience in public administration, Mariko Bando has a wide range of knowledge as an educator. To provide the Company with the benefit of this experience and knowledge, the Company recommends her election to the Board as an Outside Director.

Although Mariko Bando has not been involved in company management other than as an outside director, the Board has concluded that she will be able to perform her duties as Outside Director of the Company based on the reasons noted above.

C. Naoki Tanaka has a great deal of experience as a member of government councils and broad knowledge as a specialist deeply versed in economic policy. The Company thus recommends his election to the Board as an Outside Director to provide the benefit of this experience and knowledge to the management of the Company.

(2) In cases in which the candidates have served during the past five years as outside directors or outside corporate auditors of other companies, records of inappropriate actions by these companies during the candidates' terms of office therein, steps taken by the candidates to prevent such inappropriate actions, or responses taken by the candidates to deal with such actions after their occurrence

A. Nobuo Yamaguchi serves concurrently as an outside director of the Nippon Television Network Corporation ("NTV"), which made an erroneous broadcast based on false information in its *Shinso Hodo Bankisha!* (Beat Reporter) program in November 2008. As a result, NTV issued an apology to the persons involved and broadcast a correction as per the Broadcast Law in March 2009. In addition, based on a recommendation from the BPO Committee for the Investigation of Broadcasting Ethics made in July 2009, NTV broadcast special features and programs investigating the erroneous program in August 2009, and published the final report of its internal investigation on its Internet site. Mr. Yamaguchi was not involved in this incident, and after the incident was uncovered he carried out his duties by offering proposals designed to prevent a similar reoccurrence.



B. Asahi Mutual Life Insurance Co., where Mariko Bando also serves as an outside director, received a business improvement order from the Financial Services Agency on July 3, 2008 regarding its inadequate management of payments of insurance claims, etc., based on Paragraph 1, Article 132 of the Insurance Business Act. This followed an overall review of its payments of insurance claims and benefits during a five-year period (from fiscal 2001 to fiscal 2005), through which it was revealed that there had been failures in adequate payments of insurance claims. Although Ms. Bando was not involved in the cases in question, she has fulfilled her responsibilities by speaking out in favor of measures to prevent a recurrence of similar problems.

(3) Number of years of service as Outside Director

A. At the conclusion of this Annual Shareholders' Meeting, Nobuo Yamaguchi will have served as an Outside Director for 28 years.

B. At the conclusion of this Annual Shareholders' Meeting, Mariko Bando will have served as an Outside Director for 2 years.

C. At the conclusion of this Annual Shareholders' Meeting, Naoki Tanaka will have served as an Outside Director for 1 year.

(4) Regarding agreements limiting the liability of Outside Directors

To enable him/her to contribute fully in his/her role as Outside Director, the Company has entered into agreements with Nobuo Yamaguchi, Mariko Bando and Naoki Tanaka that limits his/her liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of these agreements, Mr. Yamaguchi's, Ms. Bando's and Mr. Tanaka's respective liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If this agenda item is approved as submitted, the current agreements with Mr. Yamaguchi, Ms. Bando and Mr. Tanaka will be extended.

### **Item 3: Renewal of the Plan against Large-Scale Purchases of the Shares in the Company**

Asahi Breweries, Ltd. (hereinafter referred to as “Asahi Breweries” or the “Company”) at a meeting of its Board of Directors held on February 6, 2007, resolved to introduce a defensive plan against a large-scale purchase of shares in the Company (a framework of takeover defense measures; hereinafter referred to as the “Former Plan”), and obtained approval at the 83<sup>rd</sup> Annual Shareholders’ Meeting of the Company held on March 27, 2007. The effective period of the Former Plan is until the conclusion of the Company’s 86<sup>th</sup> Annual Shareholders’ Meeting scheduled for March 26, 2010 (hereinafter referred to as the “Annual Shareholders' Meeting”).

Prior to the expiration of the effective period of the Former Plan, the Company has decided, at a meeting of the Board of Directors held February 8, 2010, to renew the Former Plan through partial amendment to the content thereof (hereinafter the plan after the amendment shall be referred to as the “Plan”). The Plan will represent the Company's efforts to prevent decisions on the Company’s financial and business policy from being controlled by any person who is inappropriate according to the basic policy concerning the persons who control the decisions on the Company’s financial and business policy (such basic policy is as prescribed in the main clause of Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act; such efforts are prescribed in Item 3(b)(2), Article 118 of said Ordinance). We therefore ask that the Plan be approved.

#### **1. Reasons for Proposal**

##### **Basic Policy Concerning the Persons Who Control Decisions on the Company's Financial and Business Policy**

According to the Company's view, the persons who control decisions on its financial and business policy must properly grasp various matters concerning its business, including the initiatives to “create appealing products,” to “care about quality and craftsmanship” and to “convey the sense of joy to customers,” which form the source of the corporate value of the Company’s group (hereinafter referred to as the “Asahi Breweries Group” or the “Group”), and other tangible and intangible management resources thereof, potential effects of forward-looking measures and other items that constitute the Group's corporate value, and must enable to maintain and enhance the Group's corporate value as well as the common interests of shareholders continuously and sustainably.

The Asahi Breweries Group, as its corporate philosophy, aims to “satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and enrichment of the society worldwide.” The Group has positioned the alcoholic beverage business that mainly handles beer, the soft drink business, and the food business as its core operations and is conducting business activities accordingly.

Based on the corporate philosophy mentioned above, the Group has been striving to achieve growth for the whole of the Group and enhance its corporate value under initiatives to “create appealing products” in anticipation of customer needs, to “care about quality and craftsmanship,” as exemplified by efforts to maintain the freshness of beer through the collaboration of all of the Group's business divisions including production, distribution and sales

divisions, and to “convey the sense of joy to customers” through its products and services.

Upon facing a proposal of large-scale share purchases, the Company is not always in a position to automatically object to a so-called hostile takeover, which is pursued without approval from the Board of Directors (hereinafter referred to as the “Board”) provided that such takeover is intended to contribute to the enhancement of the Company's corporate value and the common interests of shareholders of the Company. Also, the Company recognizes that the final decision as to whether to accept a proposal for an acquisition of shares in the Company that would lead to a transfer of control of the Company should be made based on the will of the shareholders as a whole.

It shall be noted, however, that there are not a few cases of large-scale share purchases that would not contribute to the enhancement of the corporate value and the common interests of shareholders of a company, including ones that would, in light of their purposes, cause obvious damage to the corporate value and the common interests of shareholders or could effectively coerce shareholders to sell their shares, ones that the purchaser does not provide information and/or time reasonably necessary for the target company's board of directors and shareholders to review and examine details of the proposed purchase or for the target company's board of directors to make an alternative proposal, and ones where the target company's board of directors would have to conduct negotiation with the purchaser so as to seek more favorable terms than those initially proposed by the purchaser.

The person who intends to conduct a large-scale purchase of shares in the Company must have an understanding of the source of the Group's corporate value and have the capability to maintain and enhance it in the medium and long term; otherwise, the Group's corporate value and the common interests of shareholders would be damaged.

Based on the factors and matters stated above, the Company determines that it is vital to have in place a framework for preventing large-scale share purchases that would undermine the Group's corporate value and the common interests of shareholders.

## **2. Details of Proposal**

### **(1) Outline of the Plan**

#### **(a) Establishment of Procedures Concerning Exercise of the Plan**

The Plan, with a view to maintaining and enhancing Asahi Breweries' corporate value and the common interests of shareholders, lays down procedures for measures to be taken in the event that Asahi Breweries becomes a target of a large-scale purchase of shares (“shares” is defined in (a) 1) of **(2) Procedures concerning Exercise of the Plan** below) or a similar move or a proposal thereof (hereinafter collectively referred to as the “Purchase” or the “Purchases”). Such measures include requiring a person conducting the Purchase (hereinafter referred to as the “Purchaser”) to provide necessary and sufficient information in advance, securing time necessary for gathering and examining information concerning the Purchase, and presenting an alternative proposal to shareholders of the Company or conducting negotiations with the Purchaser.

(b) Gratis Allotment of the Stock Acquisition Rights

In the case where a Purchaser has conducted a Purchase without observing and following the procedures set forth in the Plan and where the Purchase is recognized to bring the risk of undermining the corporate value and the common interests of shareholders (for detailed conditions, refer to (3) “Conditions for Gratis Allotment of the Stock Acquisition Rights” below), the Company may allot gratis to all shareholders at the time of exercise thereof stock acquisition rights with an exercise condition that the Purchaser shall not be entitled to exercise those rights and with a provision to the effect that the Company may acquire the rights from shareholders other than the Purchaser in exchange for shares in the Company (hereinafter referred to as the “Stock Acquisition Rights”) (Key details thereof are explained in (4) “Outline of Gratis Allotment of the Stock Acquisition Rights” below) under the method of gratis allotment of stock acquisition rights (as specified in Article 277 and its following articles of the Companies Act).

(c) Utilization of the Independent Committee to Prevent Arbitrary Decisions by the Board

With regard to decisions as to whether to exercise the gratis allotment of the Stock Acquisition Rights and whether to acquire the allotted rights, the Plan seeks to prevent arbitrary decisions by the Board by soliciting judgment of the Independent Committee (hereinafter referred to as the “Independent Committee” or the “Committee”) that consists of experts with a high level of independence from the management, such as outside directors, outside corporate auditors and other experts, according to the rules concerning the Independent Committee (for its outlines, refer to Note 1). The Plan also seeks to ensure transparency by requiring information disclosure to shareholders at an appropriate time as determined by the Independent Committee. In addition, in some cases specified in the Plan, the Board may convene a shareholders' meeting to confirm the shareholders' will as to the exercise of the gratis allotment of the Stock Acquisition Rights.

The three members of the Independent Committee at the time of the renewal into the Plan will be Outside Corporate Auditors of the Company, Mr. Naoto Nakamura and Dr. Tadashi Ishizaki, and an outside expert, Mr. Morio Ikeda, who currently serves as Senior Advisor to Shiseido Co., Ltd. and Chairman of Toyo Eiwa Jogakuin. (With regard to the criteria for selecting members of the Independent Committee, the conditions for the Committee’s judgments/decisions and the items subject to the Committee’s decisions upon the renewal, refer to Note1).

(d) Exercise by Shareholders of the Stock Acquisition Rights and Acquisition by the Company of the Allotted Stock Acquisition Rights

In the case where the Stock Acquisition Rights are allotted gratis in accordance with the provisions of the Plan and shareholders other than the Purchaser exercise the Stock Acquisition Rights, or the Company acquires the Stock Acquisition Rights in exchange for the shares in the Company allotted to shareholders other than the Purchaser, the ratio of the voting rights held by the Purchaser may be diluted by approximately 50%.

## **(2) Procedures concerning Exercise of the Plan**

### **(a) Scope of Purchases subject to the Exercise of the Plan**

The Plan shall be applicable to any of the following two types of Purchase.

- 1) A purchase of shares<sup>Note2</sup> in the Company as a result of which the holder's (shareholder's<sup>Note3</sup>) holding ratio<sup>Note4</sup> will rise to 20% or more of the total outstanding shares in the Company; and
- 2) A tender offer<sup>Note6</sup> for shares<sup>Note5</sup> in the Company as a result of which the purchaser's shareholding ratio<sup>Note7</sup> targeted by the tender offer and the holding ratio of "persons in special relationship"<sup>Note8</sup>, when combined, will be 20% or more of the total outstanding shares in the Company.

### **(b) Submission of Statement of Intent**

A Purchaser shall, prior to the commencement or implementation of the Purchase, submit to the Company a statement of intent prepared in the form prescribed by the Company, which includes a pledge to observe and follow the procedures set forth in the Plan in conducting the Purchase (bearing the signature or the name and seal of the representative of the Purchaser) and a qualification certificate of the representative who has signed or sealed said written pledge (hereinafter referred to as "Statement of Intent"). The Statement of Intent should clearly indicate, in the case of an individual, the Purchaser's name and address, or in the case of a corporation, the Purchaser's name and the location of its head office or other office, the applicable law for its incorporation and the name of its representative and his/her contact point in Japan, as well as the outline of the Purchase planned. The Statement of Intent and the Purchase Prospectus set forth in (c) below must be written in Japanese.

### **(c) Request to a Purchaser for Information Provision**

Within 10 business days from receiving the Statement of Intent from a Purchaser, the Company provides the Purchaser with a form of the Purchase Prospectus (defined below) (with a list of items of information that the Purchaser is requested to provide to the Company). The Purchaser, except when the Purchase is deemed by the Board to be a friendly offer, shall be requested to provide the Company with a document containing the information described below (hereinafter referred to as the "Required Information"; this document shall be referred to as the "Purchase Prospectus") in the form prescribed by the Company. The Company will inform the Board and the Independent Committee of the content of the Purchase Prospectus immediately after receiving the Purchase Prospectus.

The Board, if it determines that the information provided by the Purchaser fails to meet the criteria for the Required Information, may ask the Purchaser to provide additional information by a deadline date reasonably designated by the Board.

The Independent Committee, if it determines that the information provided by the Purchaser fails to meet the criteria for the Required Information, may directly or indirectly ask the Purchaser to provide additional information by a deadline date reasonably designated by the Committee. In such a case, the Purchaser shall be required to provide such additional information by the said deadline date.

## Required Information

- 1) Details (including specific names, the capital composition and the financial status, etc.) of the Purchaser and its group (including joint holders<sup>Note9</sup>, persons in special relations and, in the case where the Purchaser is an investment fund, its partners and other members);
- 2) The purpose, method and other details of the Purchase (including the amount and type of consideration for the Purchase, timeframe of the Purchase, structure of related transactions, the legality of the Purchase method and the feasibility the Purchase and related transactions, etc.);
- 3) The basis for the calculation of the proposed Purchase price (assumptions for the calculation, the calculation method, numerical information used in the calculation and the contents of the synergy effects expected to be created as a result of transactions related to the Purchase) and details of the source of the funds for the Purchase (including the names of providers of the funds, inclusive of substantive providers, the fund-raising method and related transactions);
- 4) The profiles of persons whom the Purchaser plans to appoint for management posts (including information concerning such persons' experiences in the same or similar types of businesses as those in which the Company or the Group is engaged), and the management policy, business plan, finance plan, capital policy, dividend policy and asset utilization policy to be adopted, after joining the management of the Company and the Group;
- 5) Whether or not the Purchaser has any plans to change the relations of the Group with their stakeholders such as suppliers, customers and employees after the completion of the Purchase. If the Purchase has such plans, the details thereof should be provided;
- 6) Specific measures for avoiding potential conflicts of interest with other shareholders of the Company; and
- 7) Other information reasonably determined as necessary by the Independent Committee.

Once the Independent Committee has determined that the Purchaser has commenced the Purchase without observing and following the procedures set forth in the Plan, the Committee shall in principle recommend the Board to allot gratis the Stock Acquisition Rights as specified in (e) 1) below, except when there are special grounds for continuing to ask the Purchaser to provide the Purchase Prospectus and the Required Information and conducting negotiations and consultations with the Purchaser.

### (d) Examination of Details of the Purchase, Negotiations with the Purchaser and Review of Alternative Proposals

#### 1) Request to the Board for Information Provision

If the Purchaser has provided the Purchase Prospectus and the Required Information, the Independent Committee may ask the Board to express its opinion with regard to the details of the Purchase (including an opinion to the effect that the Board reserves its judgment, as the case may be. The same shall apply hereinafter) and to provide to the Committee documents and other materials used as a basis for such an opinion, alternative proposals and other information determined as required by the Committee within a reasonable period prescribed by the

Committee (based on the Group's business scale, nature and diversity of the business and shareholders composition, within 60 days at maximum in principle), for the purpose of conducting a comparative analysis, review and examination of the Purchase Prospectus and the Required Information provided by the Purchaser and the business plan and the corporate assessment provided by the Board from the viewpoint of enhancing the corporate value and the common interests of shareholders.

## 2) Examination by the Independent Committee

The Independent Committee shall examine the details of the Purchase, gather information concerning the business plans provided by the Purchaser and those provided by the Board, conduct a comparative analysis, review and examination of those plans and examine an alternative proposal made by the Board within 30 days in principle; provided, however, that the Committee may extend the period in the case of (e) 3) below (hereinafter referred to as the "Independent Committee Review Period") after receiving information from the Purchaser and from the Board (in the case where the Committee has asked the Board to provide information as specified above). Also, the Independent Committee shall conduct negotiations and consultations with the Purchaser directly or indirectly if necessary in order to seek better purchase terms from the viewpoint of maintaining and enhancing the corporate value and the common interests of shareholders, or present an alternative plan made by the Board to shareholders.

In order to ensure that decisions by the Independent Committee will contribute to the enhancement of the Company's corporate value and shareholders' common interests, the Committee may seek advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts) at the expense of the Company.

The Purchaser, when asked directly or indirectly by the Independent Committee to provide materials necessary for reviewing the Purchase and other information and to enter into negotiations and consultations with the Independent Committee, shall promptly respond accordingly.

### (e) Procedures of Recommendations to be taken by the Independent Committee

The Independent Committee shall make recommendations to the Board in accordance with the procedures specified below when a Purchaser appears.

#### 1) Recommendation of the Independent Committee to Exercise the Plan:

In the case where the Purchaser has not observed and followed the procedures specified in the Plan, and in other cases where the Purchase is deemed to meet either of the conditions set forth in (3) "Conditions for Gratis Allotment of the Stock Acquisition Rights" below as a result of a review of the details of the Purchase by the Committee, leading the Committee to determine that it is appropriate to allot gratis the Stock Acquisition Rights, the Committee shall recommend the Board to allot gratis the Stock Acquisition Rights even before the commencement or the maturity of the Independent Committee Review Period. If a question arises as to whether a Purchase falls under Ground No. 2 for Exercise of the Plan among the grounds for exercise of the Plan specified in (3) "Conditions for Gratis Allotment of the Stock Acquisition Rights"

(hereinafter referred to as “Ground No. 2”), the Independent Committee may attach an opinion to its recommendation, to the effect that approval for the allotment should be obtained in advance at a shareholders' meeting to confirm the shareholders' will, as provided for in (g) below.

Notwithstanding the above, even after having recommended the Board to allot gratis the Stock Acquisition Rights but before the start date of the exercise period (as defined in (f) of (4) “Outline of Gratis Allotment of the Stock Acquisition Rights”) for the Stock Acquisition Rights, the Independent Committee may make a new recommendation to the effect that the allotment shall be cancelled (in the case where the gratis allotment has not yet taken effect) or to the effect that the Company acquires the Stock Acquisition Rights gratis (in the case where the gratis allotment has already taken effect), if the Committee determines that any of the following cases applies.

(i) When the Purchase has ceased to exist as a result of its cancellation by the Purchaser or for any other reason after the recommendation is made; or

(ii) When there has been a change in the grounds upon which the said recommendations were based, leading to the situation where the Purchase does not meet either of the conditions set forth in (3) “Conditions for Gratis Allotment of the Stock Acquisition Rights” below, or where, even if the Purchase meets the said conditions, it is determined that it is not appropriate to allot gratis the Stock Acquisition Rights or allow shareholders to exercise the Stock Acquisition Rights, as the case may be.

## 2) Recommendation of the Independent Committee Not to Exercise the Plan

The Independent Committee shall recommend non-exercise of the Plan to the Board regardless of whether during or after the Independent Committee Review Period if the Committee determines, as a result of analysis, review and examination of the details of the Purchase and negotiations and consultations with the Purchaser, that the Purchase does not meet any of the conditions set forth in (3) “Conditions for Gratis Allotment of the Stock Acquisition Rights” below or that even if the Purchase meets the conditions, it is not appropriate to exercise the gratis allotment of the Stock Acquisition Rights.

Notwithstanding the above, the Committee, even after once having recommended the Board non-exercise of the gratis allotment of the Stock Acquisition Rights, may make a new decision concerning matters including the recommendation of exercise of the gratis allotment of the Stock Acquisition Rights and present its recommendation to the Board in the case where there has been a change in the grounds upon which the recommendation of non-exercise was based, leading to the situation where the Purchase meets any of the conditions set forth in (3) “Conditions for Gratis Allotment of Stock Acquisition Rights” below.

## 3) Extension of the Independent Committee Review Period

In the case where the Independent Committee fails to recommend exercise or non-exercise of the gratis Allotment of the Stock Acquisition Rights before the Independent Committee Review Period elapses, the Committee shall make a decision to the effect that the Independent Committee Review Period be extended within reasonable limits necessary to review the details of the Purchase (within 30 days at the maximum in principle) and conduct consultations and



negotiations with the Purchaser and review an alternative proposal made by the Board (the same procedure shall be applied to any further extension of the Independent Committee Review Period, if any).

If the Independent Committee Review Period is extended based on the decision thus taken, the Committee shall make its best efforts to gather information, conduct a review and make a recommendation of exercise or non-exercise of the gratis allotment of the Stock Acquisition Rights within the extended period.

(f) Resolutions by the Board

The Board shall pay its utmost respect to the recommendation made by the Independent Committee as stated above and promptly make a resolution as a statutory body under the Companies Act with regard to exercise or non-exercise of the gratis allotment of the Stock Acquisition Rights. Until and unless the Board makes a resolution on non-exercise of the Plan, the Purchaser shall be prohibited from conducting the Purchase.

If a shareholders' meeting is held to confirm the shareholders' will as provided for in (g) below, the Board shall make a resolution as a statutory body under the Companies Act with regard to exercise or non-exercise of the gratis allotment of the Stock Acquisition Rights, in line with the resolution of the said shareholders' meeting.

(g) Shareholders' meeting to confirm the shareholders' will

Notwithstanding the provision in (f) above, the Board may, before exercising the gratis allotment of the Stock Acquisition Rights according to the Plan, convene a shareholders' meeting to confirm the shareholders' will (equivalent to a shareholders' meeting governed by the Companies Act and the Company's articles of incorporation; the same shall apply hereinafter), in the following cases: (I) where the Independent Committee has attached an opinion to its recommendation, to the effect that approval for the gratis allotment of the Stock Acquisition Rights should be obtained at a shareholders' meeting to confirm the shareholders' will, as provided for in (e) 1) above, or (II) where a question arises as to whether a Purchase falls under Ground No. 2, and the Board considers it appropriate to confirm the shareholders' will in order to fulfill its duty of care, while taking into consideration the time required for holding such meeting.

(h) Information disclosure

In the course of implementing the Plan, the Company will, in accordance with the applicable laws and regulations or rules of financial instruments exchanges, disclose information to the public in a timely manner, with regard to the progress in the respective procedures specified in the Plan (including the submission of the Statement of Intent or Purchase Prospectus, the commencement of the Independent Committee Review Period, and the extension of the Independent Committee Review Period), or the details of the recommendation of the Independent Committee, the details of the resolution of the Board, the details of the resolution of the shareholders' meeting to confirm the shareholders' will, and other matters determined as appropriate by the Independent Committee or the Board.

### **(3) Conditions for Gratis Allotment of the Stock Acquisition Rights**

In the case where the Purchaser's activities meet either of the cases specified below and where it is deemed appropriate to allot gratis the Stock Acquisition Rights, the Company will allot gratis the Stock Acquisition Rights. As specified in (e) of (2) "Procedures concerning Exercise of the Plan" above, the judgment with regard to whether the cases stated below apply and whether it is appropriate to exercise the gratis allotment of the Stock Acquisition Rights shall always be made after a judgment by the Independent Committee:

<Ground No. 1 for Exercise of the Plan>

The Purchaser does not observe and follow the procedures specified in the Plan, and it is appropriate to exercise the gratis allotment of the Stock Acquisition Rights;

<Ground No.2 for Exercise of the Plan>

The Purchaser falls under any of the cases specified below, and it is appropriate to exercise the gratis allotment of the Stock Acquisition Rights:

(a) In the case where the Purchaser could cause obvious damage to the Company's corporate value and the common interests of shareholders by engaging in the activities listed below:

- 1) Buying up a large amount of shares in the Company and demanding that the Company buy them back for an unduly high amount of consideration;
- 2) Controlling the management of the Company temporarily to acquire the Company's important assets at unfairly low prices from the Company or acting in other ways that would bring profits to the Purchaser at the sacrifice of the Company;
- 3) Using the Company's assets as collateral of debts owed by the Purchaser or its group companies or as the source of funding for repayments of the same; or
- 4) Controlling the management of the Company temporarily to make it dispose of high-value assets not related to the Company's current business operations, with a view to making the Company use the profits thus obtained for paying inflated dividends or with a view to selling the shares purchased at an inflated price resulting from the payment of such inflated dividends.

(b) In the case where the Purchaser uses a coercive two-tier purchase method (a takeover offer, such as a tender offer in which the Purchaser makes only a partial acquisition offer, instead of an offer for all outstanding shares, in the first stage, and sets less favorable terms or leaves details of the second stage unclear at the time of the first stage, as a way to prompt shareholders to sell off their shares early) and other means that could in effect coerce shareholders to sell their shares; or

(c) In the case where the terms of the Purchase (including the amount and the type of the consideration for the Purchase, the timeframe of the Purchase, the legality of the Purchase method and the feasibility of the Purchase and related transactions, the management policy and business plan to be adopted after the completion of the Purchase and the policy

concerning the treatment after the Purchase of stakeholders including shareholders, employees and suppliers) are substantially unfair or inappropriate in light of the fundamental value of the Company.

#### **(4) Outline of Gratis Allotment of the Stock Acquisition Rights**

The outline of the gratis allotment of the Stock Acquisition Rights under the Plan is described below.

##### **(a) Number of Stock Acquisition Rights to Be Allotted**

The number of the Stock Acquisition Rights to be allotted gratis under the Plan shall be the same as the total number of the Company's shares outstanding (excluding the number of shares in the Company held by the Company at that time) on the date that shall be separately set (hereinafter referred to as the "Allotment Date") in a Board resolution concerning the gratis allotment of the Stock Acquisition Rights (hereinafter referred to as the "Resolution on Rights Allotment").

##### **(b) Shareholders Entitled to be Allotted Stock Acquisition Rights**

Shareholders whose names are recorded in the most recent registry of shareholders of the Company excluding the Company as of the Allotment Date shall be allotted gratis one (1) Stock Acquisition Right for each share in the Company held by them.

##### **(c) Effective Date of Gratis Allotment of the Stock Acquisition Rights**

The effective date of the gratis allotment of the Stock Acquisition Rights shall be separately set in the Resolution on Rights Allotment.

##### **(d) Number of Shares to Be Allotted for Each Stock Acquisition Right**

The total number of shares to be allotted for the Stock Acquisition Rights shall be limited to the number of shares calculated by deducting the total number of the Company's outstanding shares (excluding the number of shares in the Company held by the Company at that time) from the total number of its authorized shares, as of the day specified by the Board as the record date. The number of shares<sup>Note10</sup> in the Company to be allotted for each Stock Acquisition Right (hereinafter referred to as the "Applicable Number") shall be the number separately determined by the Board in the Resolution on Rights Allotment, not exceeding one (1). If the shares to be issued to a right holder upon the exercise of the Stock Acquisition Right contains any fraction less than one (1) share, such fraction shall be treated in accordance with the applicable laws and regulations.

##### **(e) Value of Assets to Be Paid In upon Exercise of the Stock Acquisition Rights**

The contributions upon the exercise of the Stock Acquisition Rights shall be in monetary currency, and the per-share price shall be separately determined in the Resolution on Rights Allotment within the range of a minimum of one yen (¥1) and a maximum of the amount equivalent to one half of the fair market value of one share in the Company.

(f) Exercise Period for the Stock Acquisition Rights

The exercise period for the Stock Acquisition Rights shall be separately determined in the Resolution on Rights Allotment within a range of one (1) to six (6) months in principle commencing on a date separately determined in the Resolution on Rights Allotment (hereinafter referred to as the “Start Date of the Exercise Period”). Notwithstanding the above, in the event that the Company acquires the Stock Acquisition Rights allotted in accordance with the provisions of (i) below, the exercise period for the Stock Acquisition Rights shall expire on the previous day of the date of such acquisition. In the case where the last day of the exercise period falls on a non-business day for the financial institutions that accept the payment for the exercise of the Stock Acquisition Rights, the last business day before that date shall be the last day of the exercise period.

(g) Conditions for Exercise of the Stock Acquisition Rights

A person who fits any of the following descriptions shall not in principle be entitled to exercise the Stock Acquisition Rights:

- (I) a Specified Large-Scale Shareholder;<sup>Note11</sup>
- (II) a Joint Holder of a Specified Large-Scale Shareholder;
- (III) a Specified Large-Scale Purchaser;<sup>Note12</sup>
- (IV) a Person in Special Relationship with a Specified Large-Scale Purchaser;
- (V) a person to whom the Stock Acquisition Rights were transferred from a person who fits any of the descriptions specified in (I) to (IV) above without approval from the Board; and
- (VI) a person who is related to a party who fits any of the descriptions specified in (I) to (V) above.<sup>Note13</sup>

(A person who fits any of the descriptions specified in (I) to (VI) above shall be hereinafter referred to as the “Ineligible Person”.)

In addition, non-residents who are required under applicable foreign laws to follow prescribed procedures with regard to the exercise of the Stock Acquisitions Rights shall not in principle be eligible to exercise the Stock Acquisition Rights. (However, certain persons including those who are eligible for exemption from the said applicable laws concerned shall be eligible to exercise the Stock Acquisition Rights, and the Stock Acquisition Rights held by non-residents may be acquired by the Company in exchange for shares in the Company as specified in (i) below.)

(h) Restriction on Transfer of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by transfer shall be subject to approval by the Board.

(i) Acquisition of the Stock Acquisition Rights by the Company

- 1) The Company may acquire all the Stock Acquisition Rights gratis at any time until the previous day of the Start Date of the Exercise Period, upon a date to be separately

determined by the Board, in the case where the Board determines it is appropriate to acquire the Stock Acquisition Rights.

- 2) Upon a date to be separately determined by the Board, the Company may acquire all of those Stock Acquisition Rights that are held by persons other than Ineligible Persons and that remain unexercised as of the previous day of the said designated date and allot them shares in the Company in exchange, with an exchange ratio of the Applicable Number of shares to each Stock Acquisition Right.

When the Board determines that there are persons other than Ineligible Persons who still hold the Stock Acquisition Rights after the Company's acquisition of the Stock Acquisition Rights mentioned above, the Company may, upon a date that is subsequent to the said acquisition and that shall be separately determined by the Board, acquire all of the Stock Acquisition Rights that are still held by those persons and that remain unexercised as of the previous day of the said designated date and allot them shares in the Company in exchange, with an exchange ratio of the Applicable Number of shares to each Stock Acquisition Rights. The same arrangement shall apply thereafter.

- (j) Gratis Allotment of the Stock Acquisition Rights on the Occasion of Mergers (limited to the case where the Company becomes extinct), Absorption-Type Demergers, Incorporation-Type Demergers, Share Exchanges or Share Transfers

Matters concerning the gratis allotment of the Stock Acquisition Rights on the above occasions shall be separately determined by the Board in the Resolution on Rights Allotment.

- (k) Non-Issuance of Certificates of the Stock Acquisition Rights

The Company will not issue Certificates of Stock Acquisition Rights.

- (l) Modification of the Plan due to Changes in Laws and Regulations

The provisions of the laws and regulations cited above are those that are effective as of February 8, 2010. If any need arises thereafter for modification of the provisions and/or terms specified in each of the above items due to the enactment of new laws and regulations or amendment to or abolition of existing laws and regulations, the Board may revise or modify the said provisions and terms as necessary within the reasonable limits with due consideration for the purpose of the said enactment of, amendment to and/or abolition of relevant laws and regulations.

#### **(5) Effective Period of the Plan and Abrogation of, Amendment to and Alteration of the Plan**

The Plan shall take effect with the shareholders' approval obtained at the Annual Shareholders' Meeting, and shall be effective until the conclusion of the Company's annual shareholders' meeting for the last year that ends within three years from the conclusion of the Annual Shareholders' Meeting.

Notwithstanding the above, the Company may abrogate the Plan even before the effective period expires upon a resolution thereof by the Board.

Also, the Board may make a resolution to amend or alter the Plan during its effective period

subject to approval by the Independent Committee, in the following cases: (I) where it is appropriate to reflect in the Plan the enactment, amendment or abolition of any new or existing laws, regulations or rules of financial instruments exchanges applicable to the Plan; (II) where it is appropriate to correct errors or omissions of terms in the Plan; or (III) where the amendment or alteration of the Plan will not be prejudicial to the Company's shareholders nor incompatible with the resolution of the Annual Shareholders' Meeting.

When the Plan is thus abrogated, amended or altered, as the case may be, the Company shall promptly disclose to the public information with regard to the background of such abrogation, amendment or alteration, as the case may be, and, in the case of amendment or alteration, the details of such amendment or alteration and other necessary matters.

#### (6) Other Matters

Details of the Plan may be determined by the Board.

Notes:

1. Outline of the Independent Committee is as follows.

- The Independent Committee shall be established by a resolution of the Board.
- The Independent Committee shall consist of three or more members appointed by the Board from among (I) the Company's outside directors, (II) its outside corporate auditors and/or (III) experts, all of whom shall be independent from the management that is in charge of the Company's execution of business policies. The experts shall be either experienced company executives, professionals with expertise in investment banking, lawyers, certified public accountants, researchers majoring in the Companies Act, or persons with similar qualifications thereto. The experts appointed shall conclude a contract, separately prescribed by the Board, containing a duty of care clause, with the Company.
- The term of office for the members of the Independent Committee shall be until the conclusion of the annual shareholders' meeting for the last business year that ends within three years from their appointment. This shall not, however, apply when determined otherwise by the Board. The term of office for the members of the Independent Committee appointed from among the Company's outside directors and outside corporate auditors shall expire when they cease to be outside directors and outside corporate auditors, respectively (except when they are reappointed).
- The Independent Committee shall make decisions with regard to the following items and make a recommendation thereof to the Board with reasons therefor attached. The Board shall pay its utmost respect to the recommendation provided by the Independent Committee in making its resolution as a statutory body under the Companies Act whether to exercise the gratis allotment of the Stock Acquisition Rights (if the shareholders' meeting convened to confirm the shareholders' will regarding the exercise of the gratis allotment of the Stock Acquisition Rights as described in 4) below has decided otherwise, the Board shall follow such resolution). Each of the members of the Independent Committee and the Board shall make his/her decision with regard to these matters from the viewpoint of enhancing the

Company's corporate value and the common interests of shareholders, and in no event for the purpose of benefiting personal interests of his/her own or members of the Board:

- 1) Judgment with regard to whether a purchase falls within the Purchase which is subject to the Plan;
- 2) Information to be provided by a Purchaser and the Board, respectively, to the Independent Committee and a deadline date thereof;
- 3) Extension of the Independent Committee Review Period;
- 4) Whether to exercise the gratis allotment of the Stock Acquisition Rights;
- 5) Whether or not it is necessary to convene a shareholders' meeting to confirm the shareholders' will regarding the exercise of the gratis allotment of the Stock Acquisition Rights;
- 6) Amendment to or alteration of the Plan; provided, however, that any alteration shall be within the limits reasonably deemed as necessary due to a change in laws and regulations including the Companies Act and the Financial Instruments and Exchange Act or rules of financial instruments exchanges, a change in interpretation and enforcement thereof, or a change in taxation or judicial precedents;
- 7) Cancellation of the gratis allotment of the Stock Acquisition Rights or acquisition for free of the allotted rights; and
- 8) Other matters which should be determined by the Board and which the Board has asked the Independent Committee to review for its recommendation.

- In addition to making a judgment with regard to the items listed above, the Independent Committee may conduct the following:
    - 1) Review and examination of the details of a Purchase;
    - 2) Negotiations and consultations with a Purchaser;
    - 3) Requiring the Board to present an alternative proposal to the Purchase concerned and reviewing the same;
    - 4) Other matters which the Independent Committee is authorized to conduct under the Plan; and
    - 5) Matters separately determined by the Board as fit to be conducted by the Independent Committee.
  - The Independent Committee shall in principle make its decisions by a majority vote with all the Committee members present.
2. As defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act. The same shall also apply elsewhere in this agenda item unless otherwise specified.
  3. Including shareholders as defined in Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Act (also including shareholders as so recognized by the Board). The same definition shall also apply elsewhere in this agenda item.

4. As defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act. The same shall also apply elsewhere in this agenda item.
5. As defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act. The same shall also apply elsewhere in 2 (2) (a) 2) in this agenda item.
6. As defined in Paragraph 6, Article 27-2 of the Financial Instruments and Exchange Act. The same shall also apply elsewhere in this agenda item.
7. As defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act. The same shall also apply elsewhere in this agenda item.
8. As defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act (including persons in special relationship as so recognized by the Board); provided however, that with regard to persons in special relationship as defined in Item 1 of the same paragraph, those thereof that fit the definition specified in Paragraph 2, Article 3 of the Cabinet Order concerning the disclosure of tender offers for shares in companies by persons other than the issuer shall be excluded. The same shall also apply elsewhere in this agenda item.
9. As defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including those deemed “joint holders” as defined in Paragraph 6 of the same article (also including joint holders as so recognized by the Board). The same definition shall also apply elsewhere in this agenda item.
10. If and when the Company becomes a corporation with class shares (as defined in Item 13 of Article 2, the Companies Act) in the future, shares that fit the description in either of the following two items shall be the same type of shares as the type of the Company shares issued and outstanding as of the date of the Annual Shareholders Meeting (namely, common shares).
  - 1) The Company shares to be issued upon the exercise of the Stock Acquisition Rights.
  - 2) The Company shares to be allotted in exchange for the Company’s acquisition of the Stock Acquisition Rights.
11. The term “Specified Large-Scale Shareholder” means a holder of share certificates, etc. issued by the Company, whose holding ratio of share certificates, etc. pertaining to the said share certificates, etc. is 20% or higher (including a person deemed by the Board to be a holder).
12. The term “Specified Large-Scale Purchaser” means a purchaser who has announced a purchase, etc. (as defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act; hereinafter the same shall apply) of share certificates, etc (as defined in Paragraph 1, Article 27-2 of the same Law; hereinafter the same shall apply) issued by the Company by means of a Tender Offer and whose holding ratio of share certificates, etc. pertaining to the share certificates, etc. after the completion of the said Purchase, etc. (including similar cases as specified in Paragraph 1, Article 7 of the Order for Enforcement of the Financial Instruments and Exchange Act), when combined with the holding ratio of share certificates, etc. of the persons in special relationship thereof, is contemplated to stand at 20% or higher (including a person deemed by the Board to be such a Purchaser).



13. The term “a person who is related to a party” means any person who substantially controls, is controlled by or under the common control with the first-mentioned person (including a person deemed by the Board to be such a person), or a person recognized by the Board to be acting in concert with the said party.

### Profiles of the Members of the Independent Committee

The three members of the Independent Committee at the time of the renewal into the Plan are proposed as follows:

- Mr. Naoto Nakamura  
Partner, Attorney at Law  
Nakamura, Tsunoda & Matsumoto Law Offices  
Born on January 25th, 1960

<Profile>

October 1982	Passed bar examination
April 1985	Graduated from the Legal Training and Research Institute of Japan Registered the Daini Tokyo Bar Association Joined the Mori Sogo Law Offices
April 1998	Established the Hibiya Park Law Offices (engaged as a partner)
February 2003	Established the Naoto Nakamura Law Offices (present Nakamura, Tsunoda & Matsumoto Law Offices) (engaged as a partner) (to the present)
March 2003	Outside Corporate Auditor of Asahi Breweries, Ltd. (to the present)
June 2006	Outside Corporate Auditor of Mitsui & Co., Ltd. (to the present)

Mr. Naoto Nakamura is an outside corporate auditor prescribed in Item 16, Article 2 of the Companies Act.

Mr. Nakamura has no special interest in the Company.

- Dr. Tadashi Ishizaki  
Professor, Faculty of Commerce, Chuo University  
Born on June 2nd, 1941

<Profile>

April 1970	Assistant, Faculty of Commerce, Chuo University
April 1972	Instructor, Faculty of Commerce, Chuo University
April 1973	Associate Professor, Faculty of Commerce, Chuo University
April 1982	Professor, Faculty of Commerce, Chuo University (to the present)
April 1986	Professor, Graduate School of Commerce, Chuo University (to the present)
March 2005	Outside Corporate Auditor of Asahi Breweries, Ltd. (to the present)

Dr. Tadashi Ishizaki is an outside corporate auditor prescribed in Item 16, Article 2 of the Companies Act.

Dr. Ishizaki has no special interest in the Company.

○ Mr. Morio Ikeda

Senior Advisor to Shiseido Co., Ltd.

Chairman of Toyo Eiwa Jogakuin

Born on December 25th, 1936

<Profile>

April 1961	Joined Shiseido Co., Ltd.
June 1990	Director of Shiseido Co., Ltd.
June 1995	Executive Director (Jomu-Torishimariyaku) of Shiseido Co., Ltd.
June 1997	Senior Executive Director (Senmu-Torishimariyaku) of Shiseido Co., Ltd.
June 2000	Representative Director & Vice President of Shiseido Co., Ltd.
June 2001	Representative Director, President & CEO of Shiseido Co., Ltd.
June 2005	Director & Chairman of Shiseido Co., Ltd. Director of Komatsu Ltd. (to the present) Chairman of Toyo Eiwa Jogakuin (to the present)
June 2006	Senior Advisor to Shiseido Co., Ltd. (to the present) Director of Tokyo Metropolitan Television Broadcasting Corp. (to the present)
April 2008	Director of Isetan Mitsukoshi Holdings (to the present)
June 2008	Director of Asahi Kasei Corporation (to the present)
April 2009	President of Shiseido Beauty Academy (to the present)

Major public duties of Mr. Ikeda are as follows:

Vice Chairman of Tokyo Chamber of Commerce and Industry, Special Advisor to the Japan Chamber of Commerce and Industry, Chairman of the Public Interest Accreditation Commission of the Cabinet Office, and Vice-Representative of Congressional Forum for New Japan (21 Seiki Rincho)

Mr. Ikeda has no special interest in the Company.

## Reminder to Shareholders Concerning Online Voting

*\* The online voting site and Help Desk information are available only in Japanese.*

Dear Shareholder,

Please check the points listed below when exercising your voting rights via the Internet.

1. Online voting is available only by accessing the website noted below. This site is also available through the Internet via cellular phone.

Online voting site: <http://www.webdk.net>

\* If your cellular phone is equipped with a barcode reader, you may use the two-dimensional code at right in order to access the online voting site. For more detailed information on that procedure, please refer to your phone's user manual.



2. When voting online, enter the voting code and password indicated on the enclosed voting form. Then indicate your consent/dissent concerning for each item by following the instructions displayed on the screen.
3. Online votes will be accepted until the day immediately prior to the date of the Annual Shareholders' Meeting (deadline for online voting: 5:30 p.m., March 25, 2010, JST). However, voting in advance will be highly appreciated for our convenience in vote counting.
4. In the event that a vote is exercised in duplicate via online and via the enclosed voting form, only the online vote shall be counted.
5. In the event that more than one online vote is exercised (including votes via PC and via cellular phone), only the most recent vote shall be counted.
6. Any costs related to connecting to a shareholder's Internet provider, as well as communication charges (including telephone charges) for accessing the online voting site, shall be borne by the shareholder.
7. Shareholders who wish to receive notices of shareholders' meetings by e-mail beginning with the next meeting may so register on the online voting site noted below. Please be noted that the site can not be accessed via cellular phone.  
E-mail address registration site: <http://www.webdk.net/mail>

### System Requirements for Online Voting

The following system environments are required for accessing the online voting site.

- (1) Internet access
- (2) When voting via PC, Microsoft® Internet Explorer version 6.0 or newer, browser software and compatible hardware.

(3) When voting via cellular phone, a 128-bit SSL communication (encrypted communication) compatible model. (For security purposes, only 128-bit SSL communication compatible cellular phones can access to the online voting system. Other models are not compatible with this system.)

(Microsoft is a registered trademark of Microsoft Corporation in the United States and other countries.)

### **Inquiries for Online Voting**

Please contact the following Help Desk for inquiries about online voting.

**Agent for Shareholder Registry Management:**

**The Sumitomo Trust & Banking Co., Ltd.**

**Stock Transfer Agency Department (Help Desk)**

**Phone (toll-free within Japan): 0120-186-417 (24 hours/day)**

For other inquiries, please contact: The Sumitomo Trust & Banking Co., Ltd., Stock Transfer Agency Department at 0120-176-417 (toll-free phone within Japan, 9:00 a.m. to 5:00 p.m.).