Annual Report **2013**

Asahi Group Holdings, Ltd.

Focusing on Our Strengths, Achieving Further Growth

Corporate Philosophy

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

Corporate Brand Statement

Share the "Kando"*

Always creating new value moves people's hearts and forms a strong bond. Always imagining a fresh tomorrow moves people's hearts and helps them shine. Sharing these emotional experiences with as many people as possible—this is the mission of the Asahi Group.

* Kando is an emotion experienced in various ways. It can be an extreme satisfaction, an extraordinary feeling beyond one's expectations, and/or a sensitively touching and moving sensation.

Forward-Looking Statements

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

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To Our Shareholders and Friends

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

Looking at the operating environment surrounding the Group, it is anticipated that customer needs will be further diversified in terms of desired values, in light of the impending hike in the consumption tax and amid a growing expectation towards economic recovery. Furthermore, the needs of our stakeholders other than customers have become increasingly complex, reflecting changes in our operating environment and business structures.

Under such circumstances, the Asahi Group formulated the Long-Term Vision 2020, which articulates a vision of the entire Group in the future as well as visions for stakeholders, and the Medium-Term Management Plan 2015, an action plan for realizing this vision. Based on these, we have started a number of initiatives aimed at further "enhancing corporate value."

During the year ended December 31, 2013, which coincided with the first year of the Medium-Term Management Plan 2015, we steadily accumulated positive results through the improvement of profitability by focusing on the "strengths" of each business and boosting capital efficiency by strengthening shareholder returns among other measures.

In 2014, we will strive to pursue optimal capital policies while continuing to promote new value creation and innovation by leveraging our "strengths" in order to respond to the diversified needs of our customers.

Looking ahead, the Asahi Group will continue to aspire to be a corporate group that is trusted by all stakeholders through the promotion of a management that places a stronger emphasis on enhancing corporate value. We kindly ask for your further guidance and support as we endeavor to drive the Asahi Group's growth in the future.

Naoki Izumiya

Naoki Izumiya
President and
Chief Executive Officer (CEO)

The Asahi Group consists of Asahi Group Holdings, Ltd., 91 subsidiaries and 112 affiliated companies. The following describes the Group's principal business segments and operating companies.

Alcohol Beverages

The alcohol beverages business is a core business of the Asahi Group that embraces Asahi Breweries, Ltd. under its umbrella as a core operating company. With its comprehensive business portfolio ranging from beer-type beverages, shochu, RTD low-alcohol beverages, whisky and spirits, wine to alcohol-taste beverages, this segment has driven the growth of the Asahi Group. Beer-type beverages, in particular, captured the largest shares in the domestic market for four years continuously from 2010 to 2013. With mainstay brands in each category, such as *Asahi Super Dry* in the beer category, *Asahi Style Free* in the happoshu category, and *Clear Asahi* in the new genre beverages category, the business continues to nurture and enhance various brands that cater to changing, diversified consumer needs.

Soft Drinks

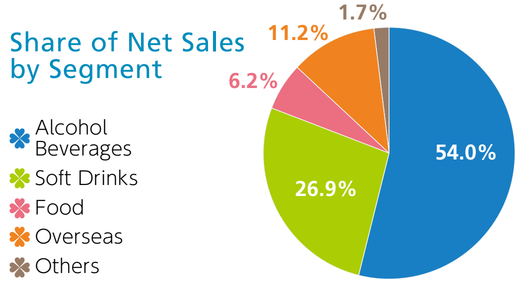
The soft drinks business is promoted mainly by the three operating companies: Asahi Soft Drinks Co., Ltd., Calpis Co., Ltd., and LB Co., Ltd. Asahi Soft Drinks Co., Ltd. sold 200 million cases* in the fiscal year ended December 31, 2013 for the first time since its founding, by enhancing and nurturing mainstay brands and executing profit structure reforms. Calpis Co., Ltd., which became a consolidated subsidiary of the Asahi Group in October 2012, is renowned for Calpis, the nationally popular, Japan's first lactic acid drink brand. LB Co., Ltd. offers freshness, flavor and other values of chilled beverages through developing products in its core tea-based drinks and soft drinks categories.

* This includes the effect of transfer and consolidation of the Calpis Co., Ltd.'s domestic soft drinks business and sales division.

Consolidated Net Sales (2013)

¥1,714.2 billion

Share of Net Sales by Segment



Food

The food business consists mainly of Asahi Food and Healthcare Co., Ltd. that offers a variety of product lineups to aim at becoming a "health creating company," Wakodo Co., Ltd., a pioneer of baby food products in Japan, and Amano Jitsugyo Co., Ltd. that boasts Japan's leading freeze-dried food technologies and production system. Throughout the value chain, the business segment pursues synergy and strives to provide new value and exciting experiences in food and health.

Overseas

The overseas business aims to strengthen the operating base, improve profitability, and expand business network. In Oceania, the soft drinks and alcohol beverages businesses are promoted by Schweppes Australia Pty Limited, the second largest soft drinks company in Australia, and Independent Liquor (NZ) Limited that occupies the largest share in the New Zealand's RTD low-alcohol beverages market, respectively. In China, the Asahi Group has strengthened partnership with two equity-method affiliates, in addition to manufacture and sales of Asahi brand products. In Southeast Asia, expansion of operating bases is pursued through widening of the product portfolio of Permanis Sdn. Bhd., a leading soft drink manufacturer in Malaysia, and the establishment of a joint venture for soft drinks business in Indonesia.

Key Figures

Another record-high net income posted

For the **13th** consecutive year

In FY2013, net income recorded ¥61.7 billion, exceeding the preceding year's results for the 13th consecutive year.

EPS

10.6%

The Group achieved the target of 10% or higher for EPS, defined as a KPI in the Medium-Term Management Plan 2015, by achieving an 8% increase in net income and by repurchasing its own shares.

Total return ratio

80.5%

The Group boosted shareholder returns by the improved consolidated dividend payout ratio (31.7%) and the repurchase of ¥30 billion of its own shares.

Beer-type beverages in Japan

No.1 market share leader

Asahi Breweries Ltd. acquired the 37.6% share of the Japan's beer-type beverages market (beer, happoshu, and new genre beverages) in 2013. The company has firmly maintained its position as the market leader for four years consecutively.

Total sales volume of *Asahi Super Dry*

3.4 billion cases

The annual sales volume of the flagship brand *Asahi Super Dry* surpassed 100 million cases for a 25th consecutive year since 1989 that fell on the third year of the product launch. The accumulative total sales volume since its release exceeded 3.4 billion cases.

Note: One case is equivalent to 20 large bottles (663 ml each).

Mitsuya Cider brand

Celebrating the **130th** anniversary of its launch

Mitsuya Cider, a Japan's leading carbonated beverage brand, will celebrate its 130th anniversary of its launch in 2014. The brand recorded the sales volume of more than 40 million cases in 2013 for the first time, consolidating its presence in the market.

Calendar 2013

1 2 3 4 5 6 7 8 9 10 11 12

January

Start of sales in the Japanese market of 18 whisky and liqueur items of eight brands produced by world's leading spirits and wine brewer Brown-Foreman Corporation

The Group aims to achieve a further expansion of the integrated alcohol beverages business, by adding Brown-Foreman Corporation's premier product lineup, such as the top American whisky brand *Jack Daniel's* and *Early Times*, to the product portfolio of Asahi Breweries.

February

The Long-Term Vision 2020 and the Medium-Term Management Plan 2015 announced

Details on page 9

March

Launch of *Clear Asahi Prime Rich*, a new genre line that realized premium richness and clear aftertaste

Details in Close Up *2 on page 20

March

Establishment of a joint venture in Thailand for *Calpis* brand soft drink products

Calpis Co., Ltd. of the Asahi Group and Thai company OSOTSPA Co., Ltd. established CALPIS OSOTSPA Co., Ltd., a joint venture that will be engaged in manufacture and marketing of *Calpis* brand soft drinks in Thailand. The joint venture will strive to increase sales of products of the *Calpis* brand, which has garnered a 80% brand recognition rate in major cities in Thailand, and to achieve a further growth of the Group's soft drinks business throughout the Southeast Asia region.

April

Reverse production process for bioethanol production won the Grand Prize for the Global Environment Award

Development of the reverse production process, a breakthrough technology that enables increased combined food and energy production, was commended. The process won the 22nd Grand Prize for the Global Environment Award presented by Fujisankei Communications Group.

Details on page 42

June

Start of selling limited gift assortment *Asahi Super Dry—Dry Premium*

Details on page 24

New upgraded assortments were made available to all sales channels in February 2014 to satisfy customers' needs.

September

The domestic soft drinks business and sales division of Calpis Co., Ltd. were transferred and merged into Asahi Soft Drinks Co., Ltd.

Details in Close Up *1 on page 27

November

Entered into a transfer agreement for bottled water business in Indonesia

In addition to the acquisition of PT Pepsi-Cola Indobeverages (PCIB), the Indonesian bottler of the major American soft drinks company Pepsi in August, the Asahi Group entered into an agreement with bottled water operating company PT Tirta Bahagia (TB) to transfer Indonesia's second largest bottled mineral water business of TB. The transaction marks a full-fledged entry into the country's soft drinks market and has provided a solid operating base to the Group.

December

Launch of *ICHI OCHA GREEN TEA*, the first green tea beverage developed jointly with PT Indofood CBP Sukses Makmur TBK in the Indonesian market

This is the first product rolled out by the joint venture established to consolidate the Group's operating base in the Indonesian soft drinks market that exhibits great growth potential. In Indonesia, the tea-based drinks market is the second largest category after the bottled water market. In line with rising health consciousness among consumers, further expansion of the tea-based drinks market is expected.

December

Started selling new products of the canned coffee brand, *WONDA*, which were developed jointly with Permanis Sdn. Bhd., in Malaysia

This launch of new *WONDA* products represents the first full-fledged rollout of the *WONDA* brand in an overseas market. By reinforcing its product portfolio through the release of the *WONDA* brand products, the Asahi Group will expedite the growth in the Malaysian market.

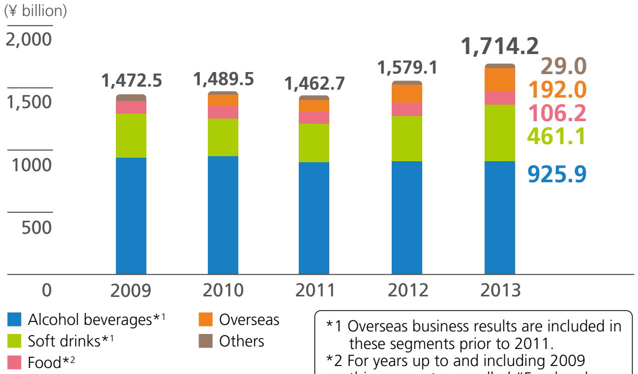
Three varieties of the *WONDA* brand products are available in 240 ml can: *WONDA Original*, *WONDA Latte*, and *WONDA Mocha*.

Financial Highlights

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For years ended December 31, 2013, 2012 and 2011

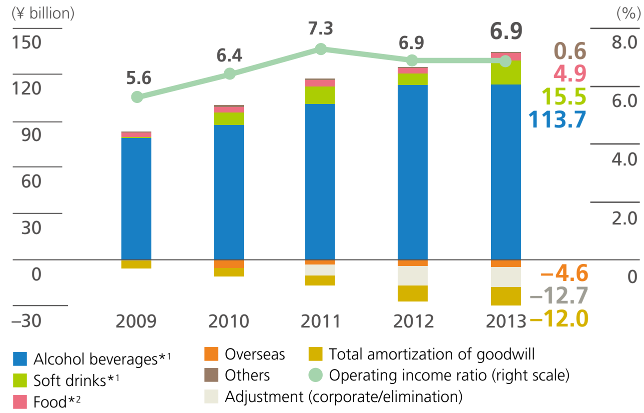
	Millions of yen			%	Thousands of U.S. dollars
	2011	2012	**2013**	Change (2013/2012)	**2013**
For the year:					
Net sales	¥1,462,736	¥1,579,077	**¥1,714,237**	8.6	**$16,265,651**
Alcohol beverages	921,657	922,250	**925,878**	0.4	**8,785,255**
Soft drinks	324,782	370,836	**461,054**	24.3	**4,374,741**
Food	98,033	101,627	**106,241**	4.5	**1,008,075**
Overseas	94,220	157,932	**192,035**	21.6	**1,822,137**
Others	24,044	26,432	**29,029**	9.8	**275,444**
Operating income	107,190	108,437	**117,467**	8.3	**1,114,593**
Alcohol beverages	101,025	113,306	**113,743**	0.4	**1,079,258**
Soft drinks	11,389	7,379	**15,458**	109.5	**146,674**
Food	4,158	3,669	**4,919**	34.1	**46,674**
Overseas	(2,913)	(3,873)	**(4,565)**	—	**(43,315)**
Others	760	607	**622**	2.5	**5,902**
Adjustment (corporate/elimination)	(7,229)	(12,651)	**(12,710)**	—	**(120,600)**
Operating income ratio (%)	7.3	6.9	**6.9**	0.0	**—**
Net income	55,093	57,183	**61,749**	8.0	**585,909**
Net cash provided by operating activities	108,513	109,292	**157,252**	43.9	**1,492,096**
Capital investments	40,225	50,170	**56,640**	12.9	**537,432**
At year-end:					
Total assets	¥1,529,908	¥1,732,188	**¥1,791,556**	3.3	**$16,999,288**
Interest-bearing debt	390,092	456,235	**403,723**	–11.5	**3,830,752**
Total net assets	643,799	726,879	**827,482**	13.8	**7,851,618**
Per share data (in yen and U.S. dollars):					
Net income	¥ 118.36	¥ 122.75	**¥ 135.73**	10.6	**$ 1.29**
Diluted net income	118.28	122.67	**126.26**	2.9	**1.20**
Cash dividends applicable to the year	25.00	28.00	**43.00**	53.6	**0.41**
Total net assets	1,378.19	1,553.35	**1,772.47**	14.1	**16.82**
Key ratios:					
ROE (%)	8.8	8.4	**8.0**		
ROA (%)	7.6	7.0	**7.0**		
Total assets turnover (times)	1.0	1.0	**1.0**		
Equity ratio (%)	41.9	41.8	**45.7**		
Interest coverage ratio (times)	32.4	32.7	**40.9**		
Debt-to-equity ratio (times)	0.61	0.63	**0.49**		

Net Sales

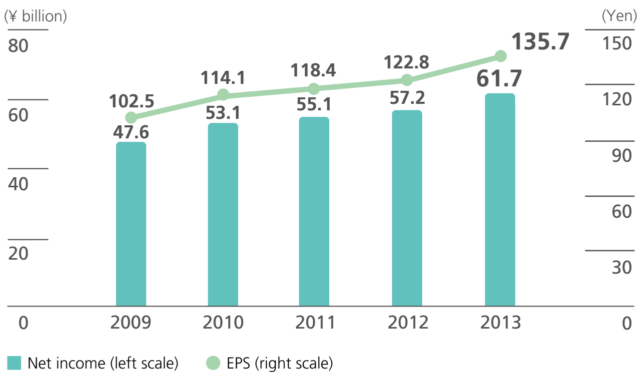


*1 Overseas business results are included in these segments prior to 2011.
*2 For years up to and including 2009 this segment was called "Food and pharmaceuticals"

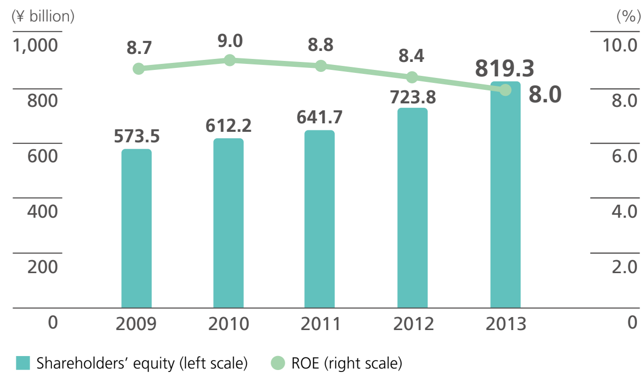
Operating Income by Segment / Operating Income Ratio / Total Amortization of Goodwill



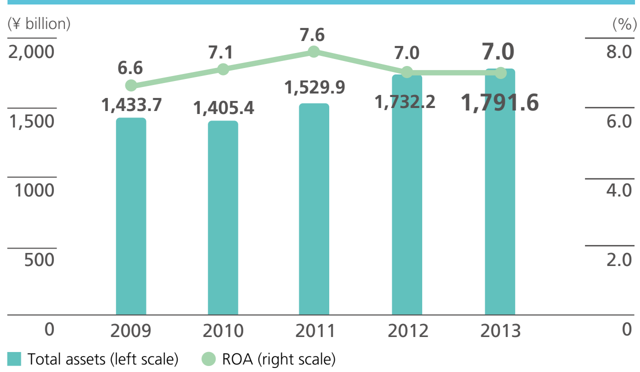
Net Income / EPS



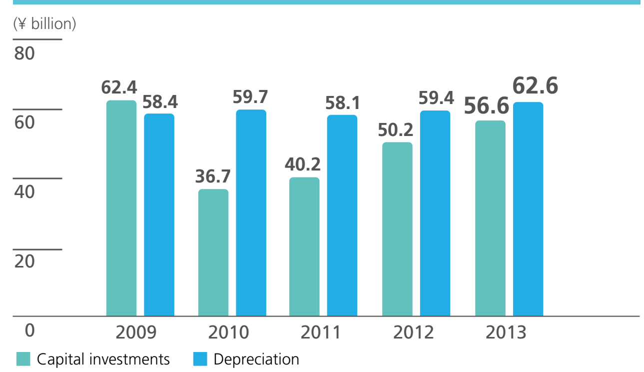
Shareholders' Equity / ROE



Total Assets / ROA

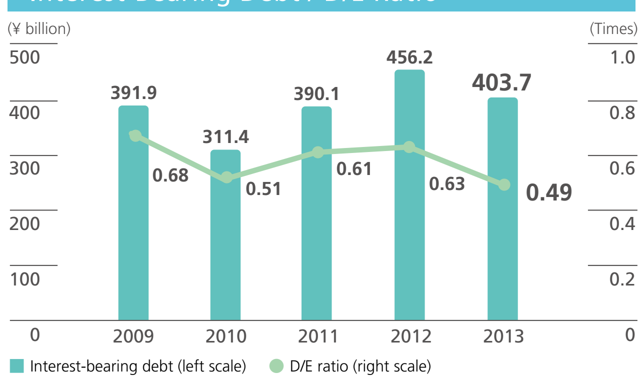


Capital Investments* / Depreciation*

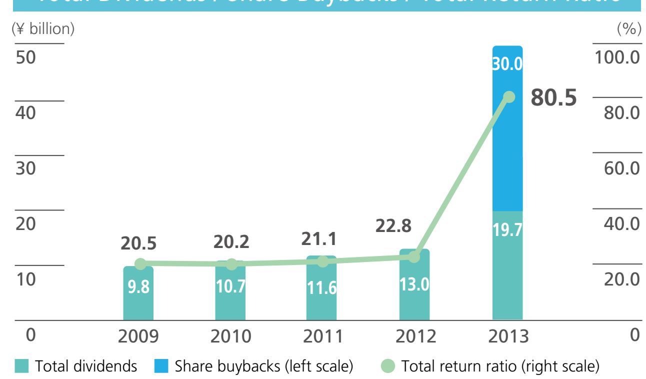


* Figures for 2009 and thereafter include effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.

Interest-Bearing Debt / D/E Ratio



Total Dividends / Share Buybacks / Total Return Ratio



We will aim to enhance corporate value through promoting Value and Network Management by leveraging our business strengths, in line with the Medium-Term Management Plan 2015.

Naoki Izumiya

President and
Chief Executive Officer (CEO)

Medium- to Long-Term Strategies of the Asahi Group

We will achieve long-term, stable growth by upgrading our networks in Japan and overseas, in addition to creating innovation and synergies focused on our strengths.

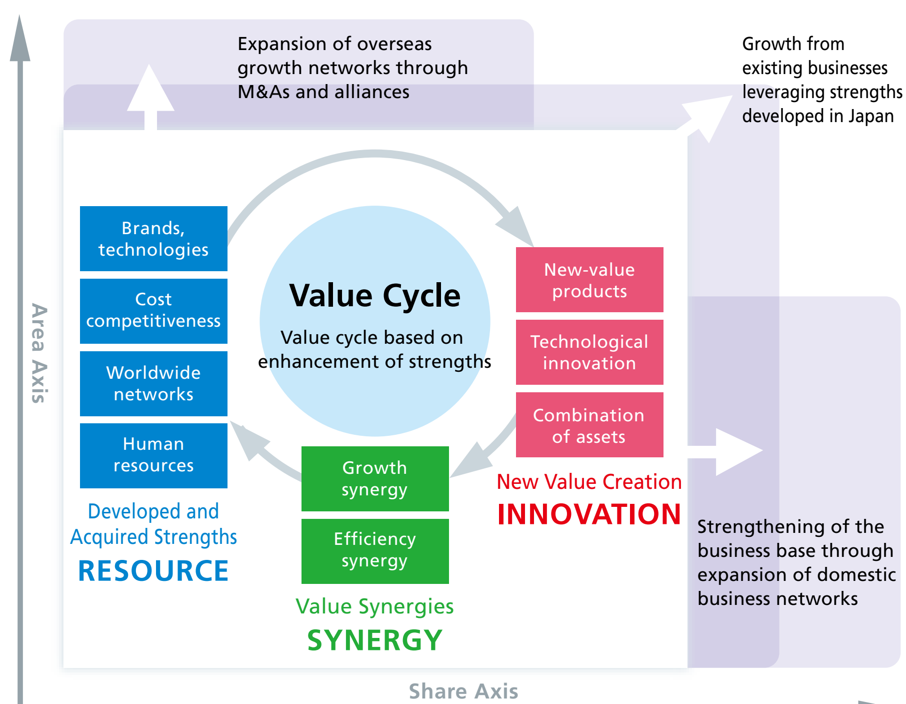
In February 2013, Asahi Group Holdings, Ltd. established the Long-Term Vision 2020, which articulates a vision of the Asahi Group in the future, and the Medium-Term Management Plan 2015, an action plan covering the years from 2013 to 2015 for realizing the Vision.

In the Long-Term Vision 2020, the Asahi Group aspires to be a trusted corporate group in the world through offering "Kando" experiences of food (deliciousness, happiness, innovation) and redefines the future vision for the entire group, while the Medium-Term Management Plan 2015 aims to achieve corporate value enhancement through promoting Value and Network Management. Refer to Chart 1

Specifically, we will concentrate our management resources on the brands, technologies, cost competitiveness and other strengths of the Asahi Group, which have been nurtured and acquired to date, and by leveraging these strengths, promoting new value propositions and innovating to generate synergies in terms of both growth and efficiency. Furthermore, we aim to achieve long-term, stable growth by expanding the created value through our collaborative relationship among group companies and global networks and by further improving our network in Japan and overseas.

The Medium-Term Management Plan 2015 incorporates return on equity (ROE) and earnings per share (EPS) into key performance indicators (KPIs). Targets in 2015 are: improving ROE to around 10% and growing EPS by an annual average of 10% or higher. The Asahi Group aims at further enhancing corporate value through improving shareholder returns to a level equivalent to a global standard to boost capital efficiency, while placing the highest priority on sales and earnings growth based on Value and Network Management.

Chart 1 Value and Network Management



Cash Flow Strategy and Shareholder Returns

We will promote the enhancement of corporate value by maximizing free cash flow and ensuring appropriate resource allocation.

We aim to generate free cash flow of approximately ¥300 billion during the three years covered by the Medium-Term Management Plan 2015, including via asset liquidation and other measures to increase cash flow. Freed cash flow will be primarily used for business investments designed to spur network expansion worldwide. Refer to Chart 2

We will execute business investment mainly in the Southeast Asian region where high growth can be expected. By forging alliances with local partner companies that have robust business foundations in the alcohol beverages and soft drinks markets, we aim to expand our business network.

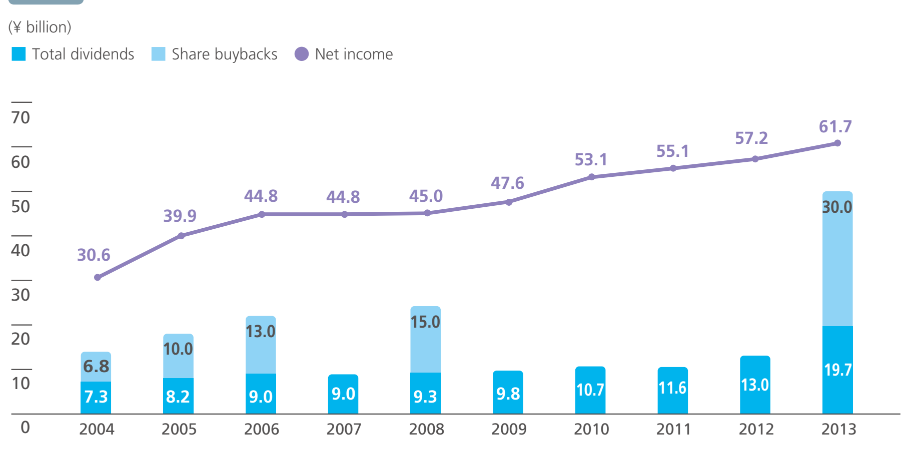
To maintain financial soundness in the case of major investment projects when capital requirements cannot be met with our own funds, we are prepared to fund these requirements using financial debt, assuming a maximum D/E ratio of around 1.0.

Regarding shareholder returns, we will promote corporate value enhancement through comprehensive shareholder return measures. Based on the policies outlined in the Medium-Term Management Plan 2015, we aim at a stable consolidated dividend payout ratio increase to around 30% and target a total return ratio, including share repurchases, of 50% or higher.

Chart 2 Financial and Cash Flow Strategy

	Policies in Medium-Term Management Plan 2015
Operating cash flow	• Seek stable profit growth based on Value and Network Management. ⇒ Generate **¥400.0 billion or higher** in operating cash flow during the 3 years of the Medium-Term Management Plan..
Free cash flow	• Execute capital investment of **approx. ¥120.0 billion** for development of optimal production and distribution systems, efficiency improvement, etc. ⇒ Generate approximately ¥300.0 billion in free cash flow during the 3 years of the Medium-Term Management Plan 2015. (Generate **¥20.0 billion or higher** through cash expansion measures.)
Investment in growth	• Invest in growth as the highest-priority task in preparation for growth network expansion in Japan and overseas. • Assume financial debt premised on a maximum **D/E ratio of approx. 1.0** (net debt/ EBITDA of approximately 4.0) when capital requirements that cannot be met from own funds arise.
Shareholder returns	• Aim for stable dividend increases, targeting a consolidated dividend payout ratio of **around 30%** (25–35%). • Flexibly implement share repurchases targeting a total return ratio of **50% or higher.**

Chart. 3 Net Income and Total Dividends



2013 Initiatives and Results

The Asahi Group worked to enhance corporate value by improving profitability and capital efficiency in each business.

In 2013, the first year of the Medium-Term Management Plan 2015, we improved profitability through creating value focusing on our strengths and by generating synergies among group companies. We also boosted capital efficiency by boosting shareholder returns, based on Value and Network Management, thereby enhancing corporate value.

To improve profitability, in addition to stepping up the mainstay brands of each business, we made efforts to maximize brand assets by leveraging our strengths, such as with the launch of *Asahi Super Dry—Dry Premium* under the *Asahi Super Dry* brand exclusively for the gift market and the rollout of *Clear Asahi Prime Rich* along with the release of products using the Calpis brand. We also worked to generate synergies among group companies through collaboration in logistics and procurement with Calpis Co., Ltd. and consolidation of production and logistics facilities in Oceania, in order to further bolster cost competitiveness. In Indonesia, in addition to the launch of the first its own brand product, we acquired the bottler of PepsiCo, Inc. and the second largest mineral water business in the country, thereby steadily consolidating our operational base in the Southeast Asian market.

As a result, in 2013, we achieved steady increases both in income and earnings in each business. The Asahi Group posted sales of ¥1,714.2 billion (up 8.6% year on year) and operating income of ¥117.5 billion (up 8.3% year on year). Net income for the year was ¥61.7 billion (up 8.0% year on year), reaching a record-high for a 13th consecutive year.

In capital efficiency improvement, the consolidated dividend payout ratio was raised to 31.7% and we implemented repurchase of our own shares to the tune of approximately ¥30 billion. Accordingly, we achieved a total return ratio of 80.5% and successfully enhanced shareholder returns. Refer to Chart 3

Status of KPIs as Compared with Targets in the Medium-Term Management Plan 2015

We will rigorously implement capital policies to achieve continuous improvements in ROE and EPS.

As to the status of achieving the targets for KPIs stipulated in the Medium-Term Management Plan 2015, as a result of an increase in foreign currency translation adjustments due to a sharp depreciation of the yen and an increase in the valuation difference on available-for-sale securities accompanied by the recovery of the stock market, equity capital increased significantly compared with the initial plan, and thus ROE on a nominal basis decreased from the previous year. However, the adjusted ROE that excluded special factors such as yen depreciation and high stock prices stood at 8.7%, displaying a steady improvement year on year. It is expected ROE will improve to 9% for the year ending December 31, 2014. By increasing sales and operating income and improving capital efficiency on a continuous basis, we are poised to achieve sustained improvement in ROE and will meet the expectations of shareholders and investors.

EPS, another KPI, increased 10.6% year on year from ¥122.75 to ¥135.73. In each business, we implemented a growth strategy focusing on our strengths and this resulted in steady increases in net income. We also enforced repurchase of our own shares to the tune of ¥30 billion. Consequently, EPS achieved growth that exceeded the target of an annual average of 10% or higher specified in the Medium-Term Management Plan 2015. For the year ending December 31, 2014, our plan is to achieve about 7% growth because we have not repurchased any of our own shares thus far. However, we aim at surpassing the plan by achieving the net income budget and by steadily implementing capital policies. Refer to Chart 4

Chart 4 **Key Performance Indicators (KPIs)**

	2012 Result	2013 Result	Progress*2	2014 Target	Progress*2	Medium-Term Management Plan Target 2015
ROE	8.4%	8.0%	×	8.0%	×	Approx. 10%
Adjusted ROE*1	8.6%	8.7%	△	9.0%	△	
Adjusted ROE (before goodwill amortization)	11.2%	11.9%	○	11.7%	△	Approx. 12%
EPS (growth rate)	¥123	10.6%	○	Approx. 7%	△	Average annual growth rate: 10% or higher

<KPIs Guideline>

	2012 Result	2013 Result	Progress*2	2014 Target	Progress*2	Medium-Term Management Plan 2015
Net sales	¥1,579.1 billion	8.6%	◎	2.1%	△	Average annual growth rate: 3% or higher
EBITDA*3	¥171.0 billion	7.4%	◎	0.6%	×	Average annual growth rate: 6% or higher
Net income	¥57.2 billion	8.0%	○	8.5%	◎	Average annual growth rate: 7% or higher
Operating income ratio	6.9%	6.9%	×	7.0%	△	8% or higher
Dividend payout ratio	22.8%	31.7%	○	30.4%	○	Approx. 30%
Total return ratio	22.8%	80.5%	◎	30.4%	△	50% or higher

*1 Adjusted ROE: Calculated by excluding foreign currency translation adjustment and valuation difference on available-for-sale securities from shareholders' equity
*2 ◎: Achieved with ease; ○: Achieved; △: Not achieved; ×: Hardly achieved at all
*3 EBITDA: Operating income (before goodwill amortization) + Depreciation

2014 Management Policy

We will achieve record-high earnings for a 14th consecutive year through promoting innovation and maximizing synergies across the Group.

While the year ending December 31, 2014, the second year of the Medium-Term Management Plan 2015, poses a risk of a tougher consumer environment on the back of a hike in consumption tax, it is assumed that consumer behavior will become more diversified in expectation of economic recovery. Amid this rapidly changing situation, the Asahi Group will endeavor to propel innovation by leveraging our product and technology strengths and by maximizing synergies across the Group. In preparation for the rise in the consumption tax, we will further drive profit structure reforms in an effort to boost our cost competitiveness, one of the Group's strengths. Refer to Chart 5

In the alcohol beverages business, primary efforts will be focused on maximizing the asset of the Asahi Super Dry brand. We will work to increase sales and improve category and product mixes to further reinforce profit bases.

In the soft drinks business, we will execute growth strategies mainly for the five mainstay brands as well as for the Calpis brand. We will also upgrade category/product mixes by taking advantage of our products classified as Food for Specified Health Uses (FOSHU). We will establish optimal production and logistics systems and create synergies from the collaboration with Calpis Co., Ltd., thereby promoting profit structure reforms.

In the food business, we will establish a foundation for next-generation growth, while striving for greater selectivity and focus with the industry's leading businesses and brands. We will further reinforce collaboration in terms of products with Calpis Co., Ltd. and generate synergies by leveraging networks across the Group.

In overseas business, we will promote business structure reforms, mainly by restructuring mainstay brands and expanding growth categories both in the alcohol beverages and soft drinks businesses. In addition to the Chinese and Malaysian markets, we will consolidate our growth base also in Indonesia.

We project these initiatives will generate sales of ¥1,750 billion (up 2.1% year on year), operating income of ¥123 billion (up 4.7% year on year) and net income of ¥67 billion (up 8.5% year on year) on a consolidated basis. With this performance, we aim to secure record-high earnings for a 14th consecutive year. Refer to Charts 6, 7

Chart 5 **Progress in Profit Structure Reforms**

(¥ billion)

	Medium-Term Management Plan 2015 Target	2013 Result	2014 Target	Initiatives
Alcohol beverages	10.0 or higher	6.9	4.1	• Reduction in depreciation through optimization of capital investments • Reduction of raw materials costs through promotion of group-wide procurement
Soft drinks	10.0 or higher	5.3	4.1	• Collaborative synergies with Calpis in procurement, distribution, etc. • Increased insourcing of containers, greater efficiency in raw materials
Food	3.0 or higher	1.2	1.1	• Reduction in manufacturing costs through manufacturing process review • Improved efficiency in advertising and promotion expenses by concentrating resources to the brands with strengths
Overseas	6.0 or higher	2.1	2.8	• Establishment of optimal production and logistics systems • Cooperative procurement of indirect materials, and improvement of fixed cost efficiency
Consolidated Total	30.0 or higher	15.5	12.0	

Chart 6 Operating Income Ratio Performance by Business

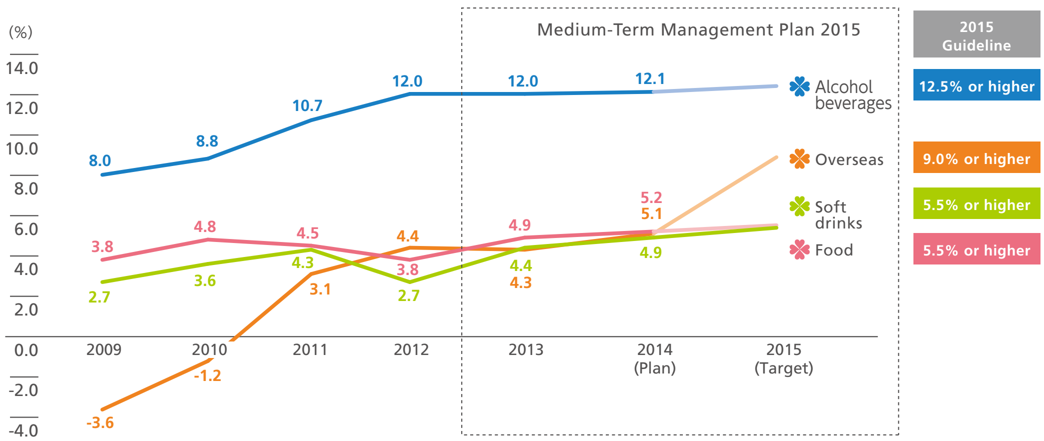
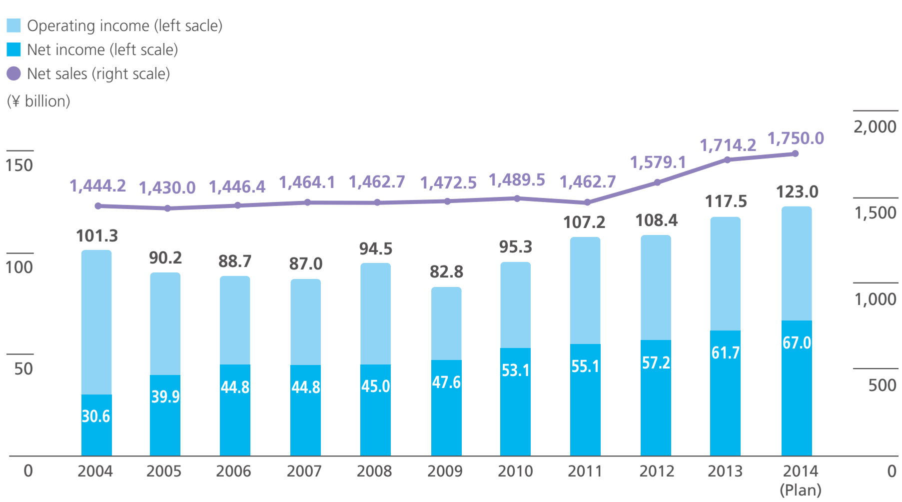


Chart 7 2012, 2013 Result and 2014 Target*

(¥ billion)

	2012 Result	YoY Change (amount/%) (2013/2012)		2013 Result	YoY Change (amount/%) (2014/2013)		2014 Target
Alcohol beverages	944.0	4.5	0.5%	948.6	4.3	0.5%	952.9
Soft drinks	375.4	90.8	24.2%	466.2	14.4	3.1%	480.6
Food	103.5	4.7	4.5%	108.2	3.0	2.8%	111.2
Overseas	158.0	34.9	22.1%	192.9	17.1	8.8%	210.0
Other & adjustment	(1.8)	0.2	—	(1.6)	–3.0	—	(4.6)
Net Sales	1579.1	135.2	8.6%	1714.2	35.8	2.1%	1750.0
Alcohol beverages	113.3	0.4	0.4%	113.7	1.3	1.2%	115.1
Soft drinks	10.2	10.5	102.4%	20.7	2.9	14.1%	23.6
Food	4.0	1.3	33.3%	5.3	0.5	10.2%	5.8
Overseas	7.0	1.3	18.9%	8.3	2.3	27.9%	10.6
Other & adjustment	(12.0)	–0.0	—	(12.1)	–3.3	—	(15.4)
Amortization of goodwill etc.	(14.0)	–4.5	—	(18.4)	1.7	—	(16.7)
Operating Income	108.4	9.0	8.3%	117.5	5.5	4.7%	123.0
Equity method income	10.6	–1.8	—	8.8	–0.5	—	8.3
Ordinary Income	114.8	8.8	7.7%	123.6	2.4	1.9%	126.0
Extraordinary income (loss)	(15.0)	1.8	—	(13.1)	3.1	—	(10.0)
Net Income	57.2	4.6	8.0%	61.7	5.3	8.5%	67.0

* Net sales of each business include inter-segment sales and transfer. Operating income of each business is before goodwill amortization.



To Make the Asahi Group More Valuable to Society

We aim to become a corporate group that is trusted by all stakeholders, while striving to enhance our value to society.

The Medium-Term Management Plan 2015 that aims at enhancing corporate value places emphasis not only on our stock valuation in the capital market but also on our value to society by making use of the strengths of each business.

Specifically, the Asahi Group has defined key themes in the three areas: (1) food and health; (2) the environment; and (3) people and society, and has started related initiatives. To make use of the group network also in CSR activities, the Group CSR Promotion Council and the Group Environment Council have been inaugurated with the participation of members of each operating company to verify the effectiveness of activities and the methods, with an eye toward making further steady progress.

The Asahi Group aspires to become a corporate group that is trusted by all stakeholders, including customers, shareholders, business partners, society, and employees, by contributing to addressing social issues through our business.

Furthermore, the Asahi Group aspires to conduct corporate activities that live up to stakeholders' expectations. To this end, we will consolidate our corporate governance system, as a basis of corporate management, so that we can flexibly respond to changing operating environments and ensure greater transparency in management.

Message to Shareholders

The Asahi Group, by promoting management that placed emphasis on corporate value enhancement for achieving the objectives of the Long-Term Vision and the Medium-Term Management Plan, continues to pursue continuous improvement of the Group's economic and social value. We believe it is an integral part of such value enhancement to incorporate feedback from dialogue with shareholders, investors and other stakeholders into the management of our operations.

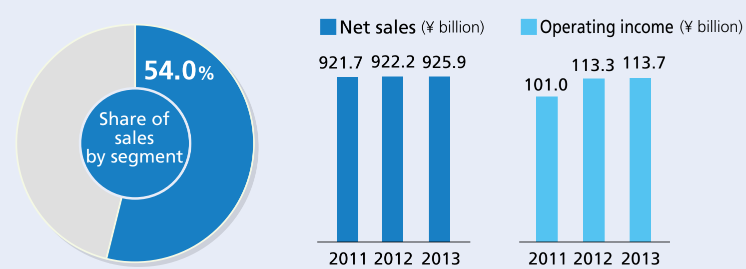
We kindly ask all our stakeholders for their continued support.

Review of Operations –Asahi Group at a Glance–

The Asahi Group's five business segments, as represented in consolidated accounting, are alcohol beverages, soft drinks, food, overseas, and other businesses.

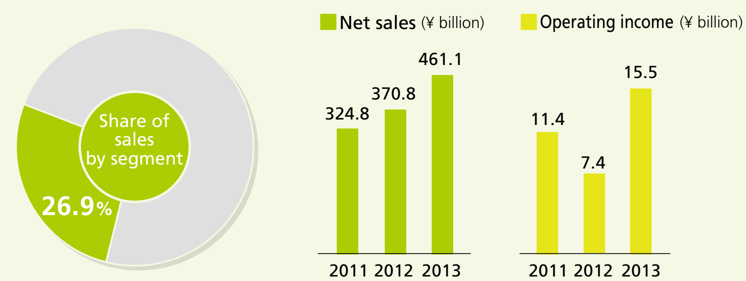
Alcohol Beverages

Asahi Breweries, Ltd.;
The Nikka Whisky Distilling Co., Ltd.;
Sainte Neige Wine Co., Ltd.;
Satsumatsukasa Shuzo Co., Ltd.;
and others



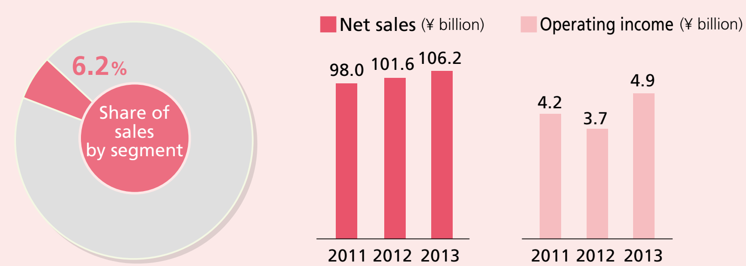
Soft Drinks

Asahi Soft Drinks Co., Ltd.;
Calpis Co., Ltd.;
LB Co., Ltd.;
and others



Food

Asahi Food & Healthcare Co., Ltd.;
Wakodo Co., Ltd.;
Amano Jitsugyo Co., Ltd.;
and others



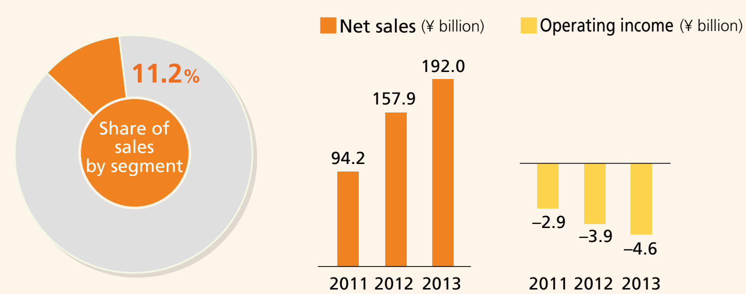
Overseas

OCEANIA
Schweppes Australia Pty Limited;
Independent Liquor (NZ) Limited;
Asahi Premium Beverages Pty Ltd;

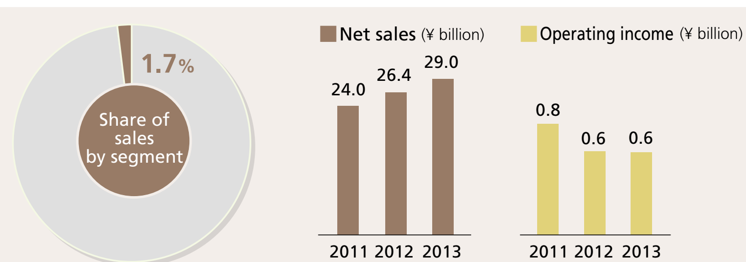
CHINA
Yantai Beer Tsingtao Asahi Co., Ltd.;
Beijing Beer Asahi Co., Ltd.;

SOUTHEAST ASIA
Permanis Sdn. Bhd.;
PT Asahi Indofood Beverage Makmur;

EQUITY-METHOD AFFILIATES
Tingyi-Asahi Beverages Holding Co., Ltd.;
Tsingtao Brewery Co., Ltd.;
and others



Others



Highlight in 2013

- Taxable shipment volume of the entire beer-type beverages increased year on year for the first time in 12 years, gaining the largest share for the fourth consecutive year.
- In the beer category, annual sales volume of *Asahi Super Dry* exceeded 100 million cases for the 25th year. In addition, *Asahi Super Dry—Dry Premium* was launched exclusively as a gift line.
- In the happoshu category, sales volume of *Asahi Style Free* achieved a record-high, delivering an annual sales volume of more than 10 million cases for the sixth consecutive year.
- In new genre beverages, *Clear Asahi Prime Rich*, the first extension of the mainstay *Clear Asahi* brand, was released in order to promote the reinforcement of the *Clear Asahi* brand.
- Among alcohol beverages other than beer-type beverages, we commenced the sales of *Jack Daniel's* in January in the whisky and spirits category. Sales volume of *Jack Daniel's* achieved a record-high in the Japanese market. Meanwhile, sales volume of alcohol-taste beverages grew year on year on the back of the renewal of *Asahi Dry Zero* among other initiatives.

- Overall sales volume increased year on year for the 11th consecutive year, setting another record-high as a result of the aggressive promotion of brand reinforcement centered on our core brands: *WONDA, Mitsuya Cider, Asahi Juroku-cha, Asahi Oishii Mizu* mineral water and *Wilkinson.*
- With respect to the *Mitsuya Cider* brand, the sales volume surpassed 40 million cases for the first time in the brand's history owing to our efforts to boost the brand by launching *Mitsuya Cider Plus*, the brand's first Food for Specified Health Uses (FOSHU) product.
- Sales volume of *Calpis* brand products grew year on year as a result of our efforts to enhance the value of the *Calpis* brand including the renewal of our mainstay products as well as the launch of *Calpis Fruits Parlor*, a fruit-taste drink.
- In September, we integrated the domestic soft drinks business of Calpis Co., Ltd. into Asahi Soft Drinks Co., Ltd., establishing a system to promote the growth strategies of the entire soft drinks business and the enhancement of profitability through efficient sales promotion investment.

- Net sales of Asahi Food & Healthcare Co., Ltd. hit a record high for the 11th consecutive year as a result of aggressive advertising of its mainstay brand products, and the launch of *Calpis* brand products among other measures.
- At Wakodo Co. Ltd., sales volume saw an increase from the previous year owning to new value propositions in its mainstay baby food products and the expansion of product lineup in the business for senior citizens.
- Net sales of Amano Jitsugyo Co., Ltd. reached a record-high for the fifth consecutive year owning to increased sales at mass retailers and its efforts to raise the recognition of the Amano Brand through "Amano Freeze-Dried Food Stations," among other factors.

- In Oceania, we promoted business structure reforms both for the soft drinks business and the alcohol beverages business to respond to changes in operating environment by generating integration synergies across the entire business in addition to the reinforcement of our mainstay brands and the development of growth categories.
- In China, we achieved profitability through the concentration of production functions for *Asahi Super Dry* and cost control at Beijing Beer Asahi Co., Ltd.
- In Southeast Asia, we worked to establish the business foundation by strengthening our mainstay Permanis Sdn. Bhd. brand products in Malaysia and by acquiring the Indonesian bottler of *Pepsi* as well as *Club*, the second largest mineral water brand in Indonesia.

<Equity-method affiliates>

- At Tsingtao Brewery Co., Ltd., we saw an increase in sales through vigorous sales promotion efforts with a focus on the medium- to premium-priced *Tsingtao* brand.
- At Tingyi-Asahi Beverages Holding Co., Ltd., we strived to generate synergies with the bottling operations acquired from PepsiCo, Inc. in addition to the reinforcement of our mainstay brands.

- In other businesses, both sales and profits increased year on year as a result of our efforts to increase overall logistics contracts.

Plans for 2014

- We will aim to achieve net sales of ¥930.3 billion (up 0.5% year on year) and operating income of ¥115.1 billion (up 1.2% year on year).
- In the beer category, we will endeavor to further enhance brand values through the full-fledged rollout of *Asahi Super Dry—Dry Premium* in addition to the "evolution" of *Asahi Super Dry.*
- In new genre beverages, we will strive to further strengthen our brand capabilities by enhancing the quality of our mainstay *Clear Asahi* and *Clear Asahi Prime Rich* brands and aggressive expansion of sales.
- Among alcohol beverages other than beer-type beverages, we will aim to improve our brand recognition in the whisky and spirits category through proactive information dissemination about *Taketsuru* and *Black Nikka Clear*, products of The Nikka Whisky Distilling Co., Ltd., which will celebrate its 80th anniversary since the establishment of the company. Meanwhile, in the alcohol-taste beverages category, we will work to achieve our annual sales target of six million cases for *Asahi Dry Zero* by implementing aggressive advertising and sales promotional measures.

- We will aim to achieve net sales of ¥475.8 billion (up 3.2% year on year) and operating income of ¥18.5 billion (up 19.7% year on year).
- We will strive to establish a solid growth foundation by further strengthening our core brands: *WONDA, Mitsuya Cider, Asahi Juroku-cha, Asahi Oishii Mizu* mineral water and *Wilkinson*.
- In respect to *Mitsuya Cider*, which will celebrate the 130th anniversary of its launch in 2014, we will work to invigorate and strengthen the brand through an aggressive injection of new products and advertising and sales promotional campaigns.
- While promoting optimal production and logistics systems and streamlining advertising and sales promotion expenses, we will pursue profit structure reforms by generating synergies with Calpis Co., Ltd.

- We will aim to achieve net sales of ¥.6 billion (up 3.2% year on year) and operating income of ¥5.4 billion (up 9.5% year on year).
- At Asahi Food & Healthcare Co., Ltd., we will strive to further boost brand capabilities through the launch of derived products in addition to concentrated investment in our mainstay brands.
- At Wakodo Co. Ltd., we will work on the initiatives to leverage our top baby food brand in Japan as well as an expansion of sales in the growing market targeting senior citizens.
- At Amano Jitsugyo Co., Ltd., we will promote the streamlining of production processes in addition to the development of highly value-added products leveraging freeze-dried food technology.

- We will aim to achieve net sales of ¥210.0 billion (up 8.8% year on year) and operating income of ¥10.6 billion (up 27.9% year on year).
- In Oceania, we will work to expand a stable profit foundation through business structure reforms with a focus on growth categories and the creation of integration synergies.
- In China, we will strive to enhance the market position for the Asahi brand by expanding the sales volume of *Asahi Super Dry.*
- With respect to our Southeast Asia business, we will endeavor to strengthen our mainstay brands in addition to the reinforcement of sales of our proprietary *WONDA* brand in Malaysia. Meanwhile, in Indonesia, we will focus on the sales expansion of *Pepsi* and *Club* brand products as well as the sales promotion of our proprietary *ICHI OCHA GREEN TEA* brand.

<Equity-method affiliates>

- At Tsingtao Brewery Co., Ltd., we will aim to boost sales volume through growth strategies with a focus on our mainstay brands including the *Tsingtao* brand.
- At Tingyi-Asahi Beverages Holding Co., Ltd., we will continue to work on the creation of integration synergies with PepsiCo, Inc. in addition to reinforcing the sales of our mainstay brand products.

Alcohol Beverages

Making relentless efforts to become the leading integrated alcohol beverages company, one that continues to evolve

Akiyoshi Koji

Director in charge of Alcohol Beverages Business

The entire domestic alcohol beverages market is projected to see further diversification in terms of consumption against a backdrop of an anticipated rise in the consumption tax. Meanwhile, consumer confidence is expected to improve in line with the recovery of economic sentiment.

In this climate, in the domestic alcohol beverages business, we aim to become the leading integrated alcohol beverages company, one that continues to evolve, by strengthening our measures in market innovation and leveraging our strong brand assets.

Specifically, we will endeavor to create new demand through marketing by capturing changes in latent needs of consumers including the full-fledged rollout of *Asahi Super Dry—Dry Premium* while working to evolve the taste of our mainstay *Asahi Super Dry* brand. In addition, we will strive to attain cost competitiveness at the top global level through continuous promotion of profit structure reforms across the entire supply chain management (SCM).

Medium-Term Management Plan 2015

Targets and strategies

Strengthen core brands such as *Asahi Super Dry* and maximize "brand assets"

- Maximize brand assets through the brand extension of *Asahi Super Dry* and value proposals such as *"Extra cold"*
- Expand the market by brand extension of *Clear Asahi* and by strengthening functional brands
- Aim to become top in the non-alcohol beer-taste beverages business by strengthening the *Asahi Dry Zero* brand
- Expand product portfolio, including by enhancing Brown-Foreman Corporation products (*Jack Daniel's, Early Times*)

Create new value and new demand around consumer needs

- Implement total marketing that precisely understands potential as well as obvious consumer needs
- Create new value and demand by strengthening advantageous technology and R&D, and utilizing Group assets

Enhance sales structures based on the needs of sales channels

- Strengthen solution-oriented marketing for mass-retail stores and restaurant chains
- Build collaborative and mutually beneficial structures for home and commercial-use distribution channels

Cost competitiveness at the top global level

- Aim to increase efficiency by over ¥10 billion by the promotion of profit structure reforms (improve production efficiency, review procurement methods, curb fixed expenses, etc.)

Market Environment

In 2013, despite an upward trend in consumer sentiment on the back of a moderate economic recovery, Japan's beer-type beverages industry remained rather sluggish reflecting a number of negative factors. These factors include a diminishing amount of drinks consumed due to Japan's falling birthrate and aging population as well as a shift in consumer preferences to inexpensively priced products due to a growing sense of urgency to safeguard their daily lives. In the beer-type beverages market, while new genre beverages grew (up 4.4% year on year), shipment volumes for beer and happoshu were down by 1.7% and 6.3% year on year, respectively. Consequently, the overall taxable shipment volume for beer-type beverages declined 1.0% from the previous year, to 434 million cases*. By category, beer had a 50.0% share, happoshu 13.5%, and new genre beverages 36.5% of the beer-type beverages market. The major trends witnessed over the past couple of years, including the gradual decline in the beer category and growth in the new genre beverages category continued in 2013.

In categories other than beer-type beverages, wine and RTD beverages continued to grow as the overall market for alcohol beverages expanded. Non-alcohol beer-taste beverages, meanwhile, grew around 2.5% year on year on a sales volume basis.

* One case is equivalent to 20 large bottles (663ml each).

2013 Business Overview

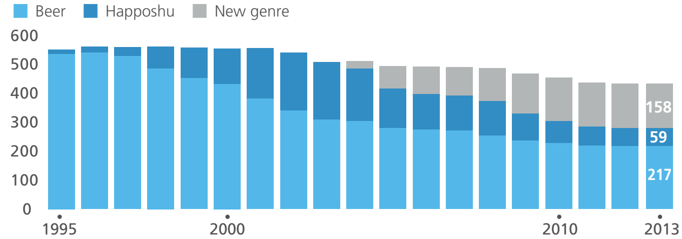
In 2013, the sales volume of beer-type beverages increased year on year for the first time in 12 years and while sales of whisky and spirits also exceeded the previous year's level. As a result, total sales for the alcohol beverages business for the fiscal year ended December 31, 2013 stood at ¥925.9 billion, up 0.4% year on year. Meanwhile, operating income was ¥113.7 billion, up 0.4% year on year owing to the reduction in overall fixed costs centered on depreciation despite aggressive investment in advertising and sales promotion expenses and an increase in raw materials costs due primarily to the impact of the depreciation of the yen.

Beer-type Beverages

The total sales volume for beer-type beverages from Asahi Breweries, Ltd. increased year on year for the first time in 12 years, to 163.2 million cases. As a result, the company's market share based on its taxable shipment volume of beer-type beverages was 37.6%, up 0.1 of a percentage point year on year, securing the top market position* for a fourth consecutive year.

* Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.

Size of Domestic Beer Market (Taxable Shipment Volume)



Beer | Happoshu | New genre

Asahi Super Dry Dry Premium | Asahi Super Dry | Asahi Super Dry Dry Black | Asahi Style Free | Clear Asahi | Asahi Off

Alcohol Beverages

Beer Category

In the beer category, we strived to cultivate products by accurately capturing the potential needs of customers and market trends by launching *Asahi Super Dry—Dry Premium*, a new product line specifically developed for gifts. In addition, the brand power of *Asahi Super Dry* was enhanced through a significant increase in the number of restaurants and bars that carry *Asahi Super Dry* "*Extra cold*," Close up *1 a value-added proposal of a new way to enjoy beer through the introduction of smaller dispensers. Based on these measures, although the taxable shipment volume of the beer category declined 2.6% year on year, annual sales volume of our mainstay product *Asahi Super Dry* exceeded 100 million cases for a 25th consecutive year with an accumulated sales volume since the launch of the product over 3.4 billion cases.

Happoshu Category

In the happoshu category, amid a market which is contracting significantly, we vigorously enacted sales promotion activities for *Asahi Style Free*, our pioneering product in the "zero carbohydrate"* category. Consequently, *Asahi Style Free* achieved record annual sales of 12.39 million cases in 2013, delivering an annual sales volume of more than 10 million cases for a sixth consecutive year. As a result, taxable shipment volume in the happoshu category falling 1.3% year on year, our happoshu market share rose 1.3 of a percentage point to 26.3%.

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

New Genre Beverages Category

In new genre beverages category, we launched *Clear Asahi Prime Rich*, Close up *2 the first extension of *Clear Asahi*, a brand originally released six years ago, in an effort to further strengthen the *Clear Asahi* brand. As a result, annual sales volume hit a record 28.21 million cases. Through these measures, the taxable shipment volume of the entire new genre beverages category increased 4.4% year on year, while its market share increased 0.5 percentage points to 24.5%.

Shochu, RTD Beverages, Whisky and Spirits, Wine

With regard to alcohol beverages other than beer-type beverages, we focused on the development and reinforcement of mainstay brands in each category. Specifically, we started selling new whisky and spirits products including *Jack Daniel's*, *Early Times*, etc. from the Brown-Foreman Corporation in the domestic market in January 2013. Sales of imported wine products remained strong during the course of the year. As a result, overall sales of alcohol beverages other than beer-type beverages increased 5.8% year on year, to ¥108.9 billion.

Shochu Category

In the shochu category, we strived to further expand the user base of the mainstay *Kanoka* brand through in-store sales promotions and sales of limited stock products commemorating the 20th anniversary of the brand. Despite our efforts in the commercial-use market to expand the number of restaurants and bars serving the products by proposing new ways to enjoy shochu, sales in the shochu category declined 3.5% year on year to ¥31.6 billion.

Shochu

Kanoka

Satsuma Tsukasa

Close up *1

Asahi Super Dry "Extra Cold"

We have been aggressively promoting *Asahi Super Dry "Extra cold"* as a new way to enjoy drinking *Asahi Super Dry* in servings chilled below freezing point (between –2°C and 0°C) which is below the normal temperature range at which beer is served at restaurants or at home. The number of restaurants and bars serving the product increased to 6,500 establishments in 2013, achieving the target set for 2014 a year early. In 2014, by gradually installing the new dispenser for *Asahi Super Dry "Extra cold"* for which we have succeeded in further space-saving starting in June 2014, we will aim to complete installation at a total 10,000 establishments.

Close up *2

Clear Asahi Prime Rich

Clear Asahi Prime Rich was launched in March 2013 as the first extension of *Clear Asahi*, a brand originally released six years ago. The product was extremely well received and recorded a sales volume of 6.62 million cases, significantly above our annual sales target. The total sales volume of the *Clear Asahi* brand also substantially exceeded the market average, with annual sales volume of 28.21 million cases (up 18.7% year on year) as a result efforts to enhance the value of the *Clear Asahi* Brand. In 2014, we will continue to further boost the presence of the *Clear Asahi* brand in the market by maximizing its brand value.

RTD Category

In the ready-to-drink (RTD) beverages category, we endeavored to propose new values by launching *Asahi HiLiki The Special* for the growing high alcohol market as well as low alcohol beverages under the *Calpis* brand which joined the Group in October 2012. Despite these efforts, overall sales of RTD beverages declined 4.6% year on year to ¥27.4 billion.

Whisky and Spirits Category

In whisky and spirits category, sales of products by The Nikka Whisky Distilling Co., Ltd. including the *Taketsuru* and *Black Nikka* brands increased year on year. Meanwhile, for imported whisky and spirits, we launched sales of *Jack Daniel's*, the world's No.1 American whisky brand, in January 2013. Through our aggressive sales expansion efforts, the sales volume of *Jack Daniel's* in the Japanese market achieved a record-high. As a result, net sales in the whisky and spirits category surged 26.9% to ¥37.8 billion.

Wine Category

In wine category, sales of our key domestic wine brand *Sainte Neige Rela* grew substantially, establishing name recognition as a wine that can be enjoyed on a daily basis. For imported wines, such daily wine products like Chilean and Spanish wines sold well. As a result, overall sales in the wine category including both domestic wine and imported wine increased 4.0% year on year to ¥12.0 billion.

Alcohol-taste Beverages Category

In the non-alcohol beer-taste beverages category Asahi Breweries implemented large-scale sampling activities for *Asahi Dry Zero* and renewed the product by realizing "zero calories" and "zero carbohydrates." Commended for these efforts, *Asahi Dry Zero* achieved annual sales of 5.40 million cases, up 7.4% year on year. The number of restaurants that carry *Asahi Dry Zero* exceeded 200,000 as a result of targeted efforts including a high value-added proposal through a strategic instrument that can add a head similar to draft beer. We also revamped the packaging of *Asahi Zero Kaku*, a pioneering cocktail-taste beverage, in April 2013 with the aim of creating new settings to drink the product by adding a limited-season flavor to the regular lineup of seven flavors. As a result of these measures, sales of the alcohol-taste beverages category increased 6.2% year on year to ¥22.3 billion.

✽ RTD


Asahi HiLiki The Special


Asahi Cocktail Partner


Calpis Sour

✽ Whisky and spirits


Black Nikka Clear


Taketsuru

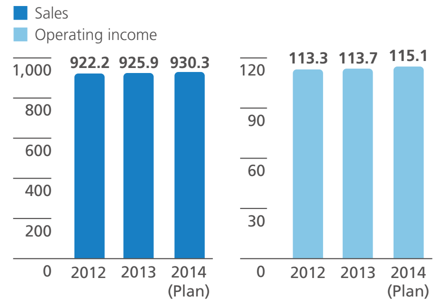

Jack Daniel's

✽ Wine

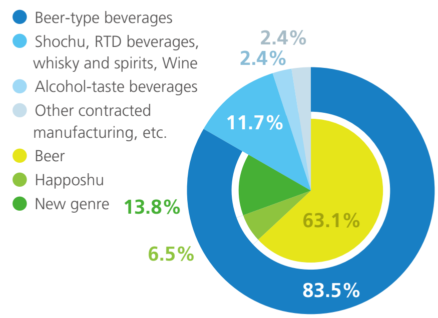

Sainte Neige Rela

Alcohol Beverages Sales and Operating Income

(¥ billion)

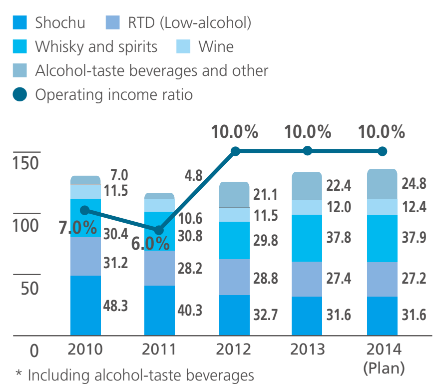


Share of Sales by Product in 2013 (Asahi Breweries, Ltd.)



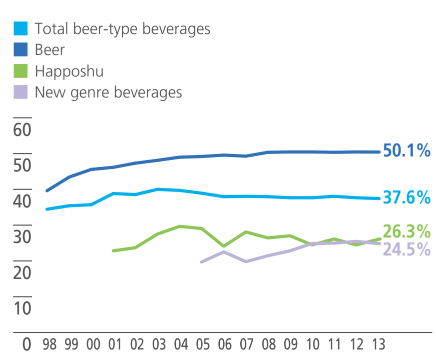
Net Sales for Shochu, RTD Beverages, Whisky and Spirits, and Wine* and Operating Income Ratio

(¥ billion)



* Including alcohol-taste beverages

Share by Beer-Type Beverages Category (Asahi Breweries, Ltd.)



Sales of Asahi Brand Products Overseas

Overseas sales volumes of the Asahi brand in 2013 remained strong, especially in markets across Oceania, China and Korea, with total sales amounting to 6.8 million cases (up 8% year on year) owning to aggressive marketing activities, among other measures. Sales of *Super Dry* totaled 6.20 million cases which accounted for approximately 90% of the total overseas sales. Meanwhile, in 2013, the number of bars and restaurants overseas that serve our draft beer in kegs increased by roughly 2,100 establishments year on year to approximately 12,400 establishments in total.

Plans and Strategies for 2014

With regard to the operating environment of the alcohol beverages business for the fiscal year ending December 31, 2014, a decline in alcohol beverages-related spending, a shift towards inexpensively priced products and in beer-type beverages, a shift in trend from beer to new genre beverages, are expected to accelerate due to a decrease in disposable incomes following a hike in consumption tax scheduled for April 1, 2014. In addition, the consumption styles of our customers are predicted to further diversify.

Under such circumstances, Asahi Breweries, Ltd. will strengthen key measures with an emphasis on market innovation by leveraging its brand assets as an ever-evolving integrated alcohol beverages company. Specifically, we will aim to become the company of choice for customers by working on brand and product development while accurately capturing the potential needs of customers and market trends. Consequently, we are targeting sales of ¥930.3 billion (up 0.5% year on year) and operating income of ¥115.1 billion (up 1.2% year on year).

Beer-type Beverages

The domestic market for beer-type beverages in 2014 is predicted to contract between 2 and 3% overall compared with the 2013 level. In this environment, Asahi Breweries, Ltd. is implementing a policy to aggressively inject highly value-added products and strengthen the promotion of mainstay products in order to respond to the polarization in consumption patterns and the diversification of customer needs which are expected to be more apparent in the future. For 2014, we are targeting total sales volume of 163.5 million cases, up 0.2% year on year.

Beer Category

In the beer category, Asahi Breweries will remain focused on bolstering the brand value of *Asahi Super Dry*, a mainstay product for which further "evolution" was achieved through the introduction of advanced yeast management technology. Specifically, we will work on the full-fledged rollout of *Asahi Super Dry—Dry Premium* which was launched last year as a limited gift product as well as the renewal of *Asahi Super Dry—Dry Black*. In addition, with regard to *Asahi Super Dry "Extra cold"* which was launched in 2010, we will aim to increase the number of bars and restaurants that carry the product to 10,000 establishments through the introduction of a new dispenser system. With these initiatives, in 2014, we are targeting a sales volume for *Asahi Super Dry* of 106.3 million cases, roughly on par with 2013, and overall sales of beer products of 108.5 million cases, down 1.9% year on year.

Happoshu Category

In the happoshu category, Asahi Breweries will strive to enhance its presence in the market by implementing sales promotion activities to appeal the key features of products with a focus on

Sales Targets and Actual Results by Alcohol Beverages Category (Asahi Breweries, Ltd.)

(¥ billion)

	2013	2012	Year-on-year	% of total	2014 Target	Year-on-year	% of total
Beer-type beverages (total)	774.3	776.4	–0.3	83.0	777.6	0.4	83.0
Beer	585.8	595.2	–1.6	63.0	586.6	0.1	63.0
Happoshu	60.2	59.6	1.1	6.0	58.5	–2.9	6.0
New genre	128.3	121.6	5.5	14.0	132.5	3.3	14.0
Beverages other than beer-type beverages (total)	108.9	102.9	5.8	12.0	109.2	0.3	12.0
Shochu	31.6	32.7	–3.5	3.0	31.6	0.1	3.0
RTD beverages	27.4	28.8	–4.6	3.0	27.2	–0.9	3.0
Whisky and spirits	37.8	29.8	26.9	4.0	37.9	0.2	4.0
Wine	12.0	11.5	4.0	1.0	12.4	3.6	1.0
Other alcohol beverages, etc.	0.1	0.1	–18.4	0.0	0.1	18.9	0.0
Alcohol-taste beverages	22.3	21.0	6.2	2.0	24.7	10.6	3.0
Other contracted manufacturing, etc.	22.3	20.6	8.6	2.0	22.1	–1.1	2.0
Total	927.8	920.8	0.8	100.0	933.6	0.6	100.0

Asahi Style Free, a pioneer in "zero carbohydrates" happoshu. In 2014, we will aim to achieve an overall happoshu sales volume of 15 million cases (down 3.7% year on year), which will exceed the average sales volume in the market which is projected to decline by between 6 and 7%.

New Genre Beverages Category

In the new genre beverages category, Asahi Breweries will strengthen promotion of its mainstay *Clear Asahi* brand. While improving the quality of *Clear Asahi* and *Clear Asahi Prime Rich*, the first product to extend the lineup of this brand, by increasing the usage ratio of barley, we will aim to further boost brand value through in-store promotions linked with TV commercials. In addition, we will continue to focus on the brand reinforcement of *Asahi Off*, which continues to post a solid performance against the backdrop of rising health consciousness among consumers, through continuous marketing investment. Based on these measures, we are targeting a sales volume of 40 million cases (up 3.4% year on year) for the new genre beverages category in 2014.

Shochu, RTD Beverages, Whisky and Spirits, Wine

In the category across shochu, RTD beverages, whisky and spirits, and wine, we will concentrate on cultivating and strengthening core brands in each category while accurately responding to the wide-ranging needs of customers by maximizing our broad and solid product portfolios. In doing so, we are targeting year-on-year growth in sales of 0.3% for 2014, to ¥109.2 billion.

Shochu Category

For shochu category, we will make every effort to improve the value of *Kanoka* as our highest priority brand through the rollout of consumer campaigns and promotions. In the commercial-use market, Asahi Breweries will strive to boost its presence in the shochu market by expanding the number of new restaurants that offer the company's authentic potato-based shochu products, centered on *Satsuma Tsukasa*. In 2014, we are aiming to deliver shochu sales amounting to ¥31.6 billion, up 0.1% year on year.

RTD Beverages

As for RTD beverages, Asahi Breweries will offer new value propositions by strengthening sales of its mainstay brands including *Asahi Cocktail Partner* in the low alcohol market while adding a new flavor to the *Asahi HiLiki The Special* in the high alcohol market. Consequently, we will aim to achieve RTD beverages sales amounting to ¥27.2 billion, down 0.9% year on year, in 2014.

Whisky and Spirits Category

In whisky and spirits category, we will endeavor to appeal the originality of the Nikka brand by launching products and transmitting information aimed at boosting the value of The Nikka Whisky Distilling Co., Ltd. which will celebrate its 80th anniversary this year. Meanwhile, in imported whisky, by increasing sales of Brown-Foreman Corporation's mainstay products like *Jack Daniel's* and *Early Times*, we will aim to boost the presence of these products in the Japanese market. In doing so, we are targeting to deliver whisky and spirits sales amounting to ¥37.9 billion, up 0.6% year on year, in 2014.

Wine Category

In the wine category, we will select eight key brands among domestic and imported wines and make sales promotion proposals in accordance with business formats. In domestic wines, Asahi Breweries has positioned *Sainte Neige Rela*, as a key brand and will propose new settings for drinking wine that will enable consumers to enjoy wine on a daily basis. For medium- to premium-priced wines, Asahi Breweries will seek to expand sales of two fine wines centered on French wine *Louis Latour* and *Michel Lynch*. In 2014, we will aim to achieve overall wine sales amounting to ¥12.4 billion, up 4.1% year on year.

Alcohol-taste Beverages Category

In non-alcohol beer-taste beverages, Asahi Breweries will promote vigorous total marketing initiatives for *Asahi Dry Zero* in order to further promote the product features and functionality among customers and strengthen the rollout of strategic instruments to increase share in the commercial-use market.

In cocktail-taste beverages, Asahi Breweries will continue to meet diversifying customer needs by launching new products and limited seasonal products. Overall, we will aim to boost sales of alcohol-taste beverages by 10.6% year on year to ¥24.7 billion in 2014.

Sales of Asahi Brand Products Overseas

As regards sales overseas, we will strive to further strengthen our operating foundation through sales expansion by leveraging the brand power, technologies and cost competitiveness of the Asahi Group as well as the worldwide network which covers the entire globe. In 2014, we are aiming to increase the overseas sales volume of Asahi brand products by 26% year on year to 8.5 million cases and the number of bars and restaurants overseas that serve our draft beer in kegs to 13,600 establishments or more.

✽ Cocktail-taste

Asahi
Zero Kaku

✽ Non-alcohol beer-taste

Asahi
Dry Zero

Special Feature

Sales of *Asahi Super Dry —Dry Premium* in full swing

Revitalizing the domestic beer market using our brand asset strengths

Gift product

Despite the ongoing contraction of the Japanese beer market, the premium beer market has been steadily expanding as diversification and polarization of consumer needs are observed. In response to such needs, Asahi Breweries, Ltd. launched *Asahi Super Dry —Dry Premium*, the first premium beer for the brand, in June 2013 exclusively for the gift market. Utilizing the strong brand asset of *Asahi Super Dry*, we worked to enhance brand recognition and revitalize the overall beer market.

Expanding the Japanese premium beer market

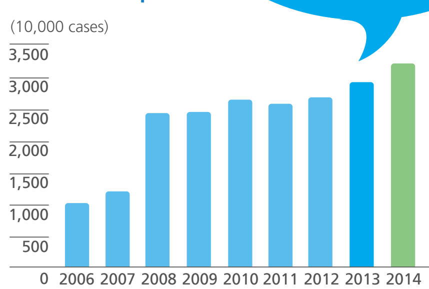
According to an estimate of Asahi Breweries, Ltd., the shipment volume of premium beer produced in Japan in 2013 increased 8.3% year on year to 29.81 million cases (a case is equivalent to 20 x 633 ml bottle), which accounted for 13.9% of the entire beer market. *Asahi Super Dry—Dry Premium* was received well by consumers and recorded a sales volume of 3.4 million sets, which was three times the initial plan (1.2 million cases). Asahi Breweries, Ltd. thus contributed to the expansion of the gift market, with sales exceeding the previous year's performance for the first time in 16 years.

29.81 million cases

Share by business format

Commercial-use: 40-50%
Home-use: 50-60%
(Of which a share of gift-use: 10-20%)

Premium Beer Market in Japan



Projected annual sales

3.6 million cases

Offering *Asahi Super Dry—Dry Premium* year-round in response to market demand

In response to demand for full-year availability of *Asahi Super Dry—Dry Premium* after the product's release exclusively for a gift line, Asahi Breweries, Ltd. started selling the canned product through all sales channels on February 18, 2014. The sales volume one month after the launch exceeded 1 million cases, above the plan, marking a good beginning for the company in achieving the annual sales target of 3.6 million cases. Moreover, on March 18, the company entered into full-scale business in the commercial-use market by rolling out *Asahi Super Dry—Dry Premium* in kegs.

Asahi Breweries continues to work to strengthen the presence of *Asahi Super Dry—Dry Premium* in the premium beer market, thereby further enhancing the total brand value of Asahi Super Dry, one of the company's competitive edges.

Soft Drinks

Strengthening the business foundation through concentration on core brands and generation of synergies

Katsutoshi Takahashi

Director and Corporate Officer in charge of Soft Drinks Business

The entire domestic soft drinks market is projected to remain stable on the back of expansion of new value propositions across the industry despite fears over the negative impact of the impending hike in the consumption tax.

In this environment, in the soft drinks business, we will concentrate our management resources on highly competitive brands possessed by the Asahi Group with the aim of establishing solid brand capabilities.

At Asahi Soft Drinks Co., Ltd., we will strive to further enhance the value of its mainstay five brands including *Mitsuya Cider*, *WONDA*, *Asahi Juroku-cha*, *Asahi Oishii Mizu* mineral water and *Wilkinson* as well as the *Calpis* brand while strengthening Food for Specified Health Uses (FOSHU) brand products to boost our market presence. Moreover, we will endeavor to further solidify our business foundation by accelerating measures towards the generation of synergies in collaboration with Calpis Co., Ltd.

Medium-Term Management Plan 2015
Targets and strategies

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

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

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

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

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

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

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

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

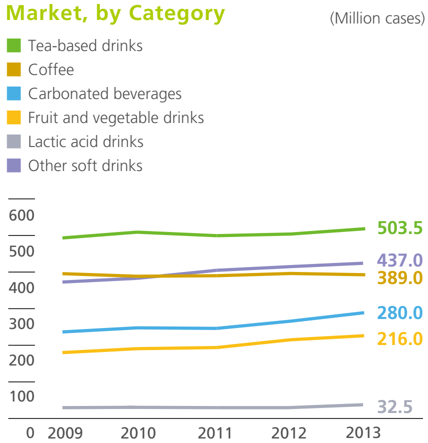
Promote further capital and operational alliances by leveraging the company's network development capabilities in Japan as a key strength

Market Environment

In 2013, the Japanese soft drinks market was revitalized owing to vigorous marketing efforts by each company in addition to favorable weather in the peak summer sales season for soft drinks. On the back of the rebound in consumer sentiment and rising health consciousness among consumers, annual sales volumes of carbonated beverages, green tea, mineral water, etc. were boosted, invigorating the entire soft drinks market. As a result, the Japanese soft drinks industry is estimated to have achieved positive growth for a fourth straight year with an annual sales volume of approximately 1,858 million cases, up 3% year on year.

Sales in Domestic Soft Drinks Market, by Category

(Million cases)



2013 Business Overview

In the soft drinks business, each of the major three companies delivered increased revenues and profits. Asahi Soft Drinks Co., Ltd. endeavored to expand its profit foundation by focusing management resources on core brands and strengthening its cost control efforts while Calpis Co., Ltd. worked to further boost the value of its mainstay *Calpis* brand. Meanwhile, LB Co., Ltd. aimed to generate Group synergies through an expansion of sales of *Calpis* brand products. As a result of these measures looking ahead of growth with profitability, sales for the soft drinks business were ¥461.1 billion, up 24.3% year on year, with operating income up 109.5% to ¥15.5 billion due partially to the contribution of the performance of Calpis Co., Ltd.

With the aim of enhancing the value of both the Asahi and *Calpis* brands, the domestic soft drink business and sales division of Calpis Co., Ltd. were transferred and merged into Asahi Soft Drinks Co., Ltd. in September 2013. This new structure has realized an operating environment to promote improved profitability through the growth strategy of the entire soft drinks business and effective marketing investments.

Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. accelerated its growth through new value propositions in addition to the concentration of management resources on its five core brands: *Mitsuya Cider*, *WONDA*, *Asahi Juroku-cha*, *Asahi Oishii Mizu* mineral water and *Wilkinson*, in terms of product strategy that underpins growth strategies. As a result, Asahi Soft Drinks achieved a total sales volume including *Calpis* brand products, etc. of 208.5 million cases (up 15.1% year on year), propelling the company to surpass 200 million cases for the first time.

As regards profitability, Asahi Soft Drinks realized growth and improved profitability through an effort to enhance the quality and effectiveness of the PDCA cycle towards the achievement of targets. In addition to the integration of the domestic soft drinks business of Calpis Co., Ltd. in September 2013, Asahi Soft Drinks worked on the establishment of a new system through the restructuring of sales organization aimed at reinforcing sales cultivation activities. Close up *1 Furthermore, in respect to reforms in the profit structure, Asahi Soft Drinks focused on optimization of the production logistics system by commencing construction of a new production complex at its Mt. Fuji Factory, on top of collaborative efforts with Calpis Co., Ltd. to create synergies with a focus on procurement, logistics and IT fields.

As a result of these initiatives, net sales from Asahi Soft Drinks Co., Ltd., rose 9.7% year on year to ¥359.4 billion and operating income surged 91.8% to ¥12.7 billion.

* Net sales and operating income of Asahi Soft Drinks Co., Ltd. include increases as a result of the transfer of the domestic soft drinks business from Calpis Co., Ltd. since September 2013.

Close up *1

Asahi SOFT DRINKS × CALPIS

Integration of Domestic Soft Drinks Business of Calpis Co., Ltd. into Asahi Soft Drinks Co., Ltd.

We integrated the domestic soft drinks business of Calpis Co., Ltd. into Asahi Soft Drinks Co., Ltd. in September 2013, establishing a system in which Asahi Soft Drinks undertakes the marketing and sales functions for the *Calpis* brand in addition to the Asahi brand. Under the new structure, we will strive to accelerate growth of the domestic soft drinks business by promoting enhancement of profitability through growth strategies and efficient sales promotion investments for the entire soft drinks business.

Trends in Major Categories

In the carbonated drinks category, the sales volume of *Mitsuya Cider* surpassed 40 million cases for the first time in the brand's history owing to increased sales of the Fruits Cider series among other factors. In addition, Asahi Soft Drinks launched *Mitsuya Cider Plus* Close up *2, the brand's first Food for Specified Health Uses (FOSHU) product in September 2013, invigorating the market. Meanwhile, in *Wilkinson* brand products, sales of *Wilkinson Mixing* remained strong. As a result, overall sales volume in the carbonated drinks category increased 11.4% year on year to 54.2 million cases in 2013.

In the coffee category, despite Asahi Soft Drinks' efforts to boost the value of its core *WONDA* brand through the launch of new products including *Flavors* and *Otona WONDA*, the overall coffee sales volume was down 1.6% year on year to 39.8 million cases in 2013 as a result of a contraction in the canned coffee market.

In the tea-based drinks category, overall annual sales volume were down 8.9% year on year to 37.6 million cases despite sales growth of our core *Asahi Juroku-cha* brand for a fourth consecutive year.

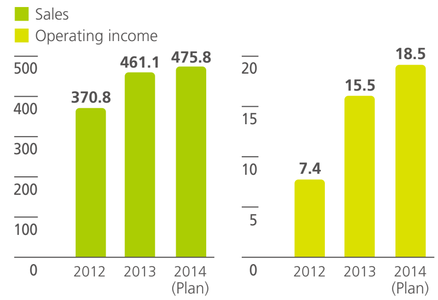
In the mineral water category, the overall sales volume rose 5.6% year on year to 23.1 million cases reflecting the growth in sales of our mainstay *Asahi Oishii Mizu* brand as a result of the market expansion.

Calpis Co., Ltd.

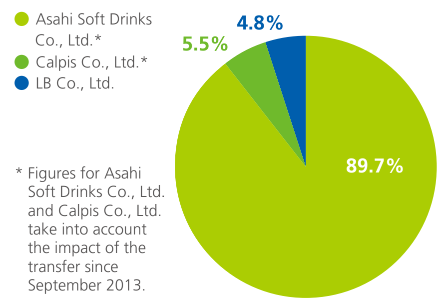
Calpis Co., Ltd. worked to enhance the value of its core *Calpis* brand and establish an overwhelming position in lactic acid beverages. In addition to its mainstay products including *Calpis Water*, *Calpis Soda* and *Calpis Fruits Parlor*, sales of newly launched products such as *Calpis Oasis*, a thirst preventing drink suitable for hydration remained strong.

Furthermore, in addition to the international business for which Calpis resumed sales of the *Calpis* brand in Thailand, Calpis Co., Ltd. strived to

Sales and Operating Income in Soft Drinks Business

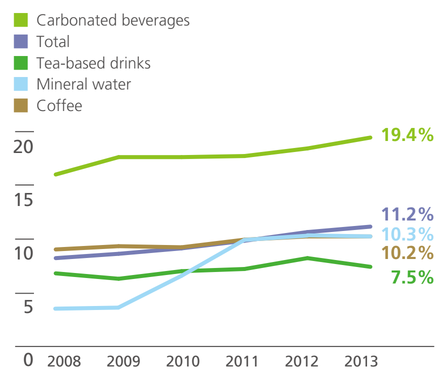


Soft Drinks Sales Composition by Company (2013)

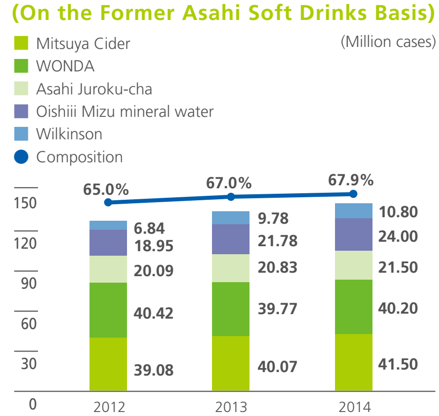


* Figures for Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. take into account the impact of the transfer since September 2013.

Share by Category (Asahi Soft Drinks Co., Ltd.)



Sales Volume of Five Core Brands of Asahi Soft Drinks Co., Ltd. (On the Former Asahi Soft Drinks Basis)



Asahi Soft Drinks Co., Ltd.

Mitsuya Cider | WONDA Morning Shot | Asahi Juroku-cha | Oishii Mizu | Wilkinson Tansan | Bireley's Orange

Close up * 2

Mitsuya Cider Plus　Juroku-cha W (Double)

Rollout of Growing Food for Specified Health Uses (FOSHU) Products

In the domestic soft drinks market, the Food for Specified Health Uses (FOSHU) products category has been growing substantially in the coffee, carbonated beverages, tea-based drinks, etc. categories against a backdrop of rising health consciousness among consumers. Amid such changes in the marketplace, Asahi Soft Drinks launched *Mitsuya Cider Plus*, the brand's first FOSHU product in September 2013 and will roll out *Asahi Shokujito-isshoni Juroku-cha W (Double)* in April 2014. With these efforts, Asahi Soft Drinks will work on the reinforcement of its mainstay brands while aiming to expand its presence in the FOSHU market.

expand the direct marketing business, where it conducts direct sales of functional food products based on proprietary materials and technologies, as well as the feedstuff business that handles micro-organisms for stockbreeding purposes.

On the profit side, Calpis Co., Ltd. worked to improve profitability through collaboration with other Group companies and streamline overall fixed costs with a focus on advertising and sales promotion expenses.

LB Co., Ltd.

LB Co., Ltd. strived to offer value-added proposals specific to chilled beverages such as freshness and deliciousness through a cutting-edge product development in its mainstay tea-based drinks and soft drink category. In addition, following the transfer of the chilled beverages business from Calpis Co., Ltd. in January 2013, LB accelerated measures aimed at maximizing Group synergies and launched *Ajiwai Calpis*, a tie-up product with Calpis Co., Ltd. in March 2013. Furthermore, LB strengthened measures for its mainstay tea-based category by launching *Polyphenol Oolong*, the first Food for Specified Health Uses (FOSHU) product as a tea-based drink in a 1-litre paper container in September 2013.

On the profit front, LB worked to streamline manufacturing and logistics costs. Measures included reducing raw materials costs for sweeteners, packaging and other items mainly by promoting the consolidation of suppliers, group purchasing and other initiatives as well as adopting area production systems for chilled beverages.

Consequently, net sales from LB Co., Ltd. in 2013 were up 9.9% year on year to ¥21.7 billion and operating income was up 56.5% year on year to ¥0.4 billion.

Plans and Strategies for 2014

In 2014, although the operating environment of the soft drinks market is predicted to be rough due partly to the impact of the consumption tax hike, we expect to post earnings on par with 2013 on the back of an upward trend in the market and a moderate recovery of the economy.

Looking at these changes in the market environment as opportunities, the Asahi Group will continue to accelerate the enhancement of brand values and the generation of collaborative synergies in 2014.

We will aim to expand sales with a main focus on our mainstay brands and Food for Specified Health Uses (FOSHU) products. At the same time, Asahi Soft Drinks, Co., Ltd., will endeavor to establish a solid profit foundation by promoting various measures including overall cost controls and in-house production of plastic bottles based on the technology and knowhow of Asahi Soft Drinks, Co., Ltd., while striving to lead the revitalization of the soft beverages market through new value propositions.

By doing so, the Asahi Group is targeting sales of ¥475.8 billion (up 3.2% year on year) and operating income of ¥18.5 billion (up 19.7% year on year) in 2014.

Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. will aim to further beef up its operating foundation in 2014 based on the new structure following the integration of Calpis Co., Ltd.'s domestic soft drinks business by working on the "development of solid brands" and the "establishment of strong profit structure." With respect to product strategies, while concentrating management resources on its mainstay brands with a competitive advantage in each category, Asahi Soft Drinks will make vigorous efforts to propose new market creation with an eye on potential customer needs and changes in the market. In terms of the profit structure reforms, Asahi Soft Drinks will focus on the establishment of optimized production and logistics systems across the Group by leveraging collaboration with Calpis Co., Ltd., in addition to the expansion of production and logistics capacity in order to respond to an increase in sales volume as well as the promotion of various cost curtailment efforts including the reduction of the weight of containers. Furthermore, in the

Calpis Co., Ltd.

Calpis

Calpis Water

Calpis Soda

LB Co., Ltd.

Ocha

Polyphenol Oolong

Tasty Calpis

automatic vending machine business, Asahi Soft Drinks will work to stabilize earnings by boosting sales per machine.

Through these measures, Asahi Soft Drinks is targeting a sales volume of 240 million cases for 2014, an increase of 15.1% year on year, in order to achieve positive growth for a 12th consecutive year. Meanwhile, net sales of Asahi Soft Drinks are expected to increase 18.8% in 2014 to ¥427.0 billion and operating income is projected to be boosted by 51.0% to ¥19.2 billion.

Measures by Major Category

In the carbonated beverages category, Asahi Soft Drinks will aggressively implement product campaigns and advertising and sales promotions for *Mitsuya Cider* which will mark 130th anniversary since the launch of the brand in order to establish its position as Japan's national carbonated drink. For *Wilkinson* which will also celebrate its 110th anniversary, we will continue to strengthen the brand through new value propositions. Through these measures, the sales volume of carbonated beverages is expected to increase 4.4% year on year in 2014 to 56.6 million cases.

In the coffee category, Asahi Soft Drinks will aim to boost sales by appealing the unique value of *WONDA*. Overall the coffee sales volume is predicted to rise 1.1% year on year to 40.2 million cases in 2014.

In the tea-based beverages category, Asahi Soft Drinks will roll out area advertising for the *Asahi Juroku-cha* brand using region-specific characters as a means to further expand sales through localized strategies. The overall tea-based beverages sales volume is expected to increase 1.2% year on year to 38 million cases in 2014.

In the mineral water category, Asahi Soft Drinks will revamp packaging for the *Asahi Oishii Mizu* mineral water brand in order to enhance the product quality while reducing the weight of containers with the aim of securing a position as a more familiar brand among customers. Overall mineral water sales are projected to grow 9.2% year on year in 2014 to 25.2 million cases.

Calpis Brand

Calpis will celebrate its 95th anniversary in 2014. In order to further reinforce its brand, we will work on continuous product enhancement of our four mainstay straight brands including *Calpis Water*. Meanwhile, we will focus on communication of the *Calpis Conc* brand through effective advertising and sales promotion activities. Total sales volume of the *Calpis* brand including *Welch's* and other products is expected to grow 110.3% year on year to 49.2 million cases in 2014.

* There will be earnings contributions on a full-year basis from the transfer and integration of the domestic soft drink business and sales division of Calpis Co., Ltd.

LB Co., Ltd.

LB Co., Ltd. will continue to offer value-added proposals specific to chilled beverages such as freshness and deliciousness by invigorating product development in its mainstay tea-based drinks and soft drink category. In addition, LB will aim to boost sales by strengthening its measures for mass-retail stores while rolling out products by effectively leveraging the Group's brand assets such as *Calpis* and *Bireley's*. Furthermore, in addition to improving its product mix through sales expansion of highly value-added products, LB will work to curb production expenses by enhancing supply-demand control capabilities and promoting group purchasing. Through these measures, LB Co., Ltd. is expected to post net sales of ¥22.8 billion (up 5.1% year on year) and operating income of ¥0.5 billion (up 39.5% year on year) in 2014.

Sales and Forecast by Asahi Soft Drinks Brand and Category

(Million bottles)

	2013	2012	Year-on-year (%)	Composition (%)	2014 (plan)	Year-on-year (%)	Composition (%)
Carbonated beverages total	54.24	48.70	11.4	26.0	56.60	4.4	23.6
Coffee total	39.77	40.42	–1.6	19.1	40.20	1.1	16.8
Tea-based beverages total	37.55	41.23	–8.9	18.0	38.00	1.2	15.8
Calpis total	23.39	11.13	110.2	11.2	49.20	110.3	20.5
Mineral water total	23.07	21.85	5.6	11.1	25.20	9.2	10.5
Juice total	16.17	16.17	0.0	7.8	16.10	–0.4	6.7
Health & functional beverages total	9.05	8.62	5.0	4.3	9.10	0.6	3.8
Other beverages and goods purchased total	5.26	4.82	9.2	2.5	5.60	6.4	2.3
Total	208.50	192.93	8.1	100.0	240.00	15.1	100.0

<Reference: Sales results that take no account of the impact of the integration with Calpis Co., Ltd. and targets>

Former Asahi Soft Drinks Co., Ltd.	—	—	2.2	—	—	3.0	—
Former Calpis Co., Ltd.	—	—	3.7	—	—	2.1	—

Food

Solidifying our next-generation growth base through selection and concentration

Katsuyuki Kawatsura
Executive Vice President and Representative Director in charge of Food Business

The entire domestic food market is faced with a wide range of needs reflecting the diversifying preferences and changes in lifestyles of consumers, despite the impact of the impending hike in the consumption tax.

Against this backdrop, in the food business, we will solidify our next-generation growth base by promoting selection and concentration within our industry-leading businesses and brands.

We also aim to further strengthen and expand our business foundation by focusing on the strengths of each company such as *MINTIA* breath mint tablets from Asahi Food & Healthcare Co., Ltd., the baby food business of Wakodo Co., Ltd. and the freeze-dried business of Amano Jitsugyo Co., Ltd. Moreover, we will strive to further boost profitability through the generation of synergies by leveraging the Asahi Group's networks as well as the enhancement of productivity.

Medium-Term Management Plan 2015
Targets and strategies

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

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

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

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

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

- Establish the undisputed dominant position in baby food products (baby food and powdered infant formula)
- Shift management resources to overseas business and the seniors business, and execute profit structure reforms covering overall selling expenses and fixed expenses

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

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

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

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

2013 Business Overview

In the food business, sales increased steadily owing to efforts by each of the three operating companies —Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. —to strengthen mainstay brands and growth categories. Consequently, net sales in the food business rose 4.5% year on year to ¥106.2 billion and operating income was boosted 34.1% year on year to ¥4.9 billion due mainly to a decline in production costs and more effective use of advertising and sales promotion expenses and other fixed costs.

Asahi Food & Healthcare Co., Ltd.

Asahi Food & Healthcare Co., Ltd. strived to achieve sustainable growth and improve profitability by working on the three core management measures including "steady and healthy growth," "development of an organization and foundation to respond to changes among customers" and "corporate brand enhancement and cultural reform," and generating original strengths that competitors do not possess. In the mainstay food business, sales of a sweet series that utilizes the *Calpis* brand such as *MINTIA* breath mint tablets and candies remained strong Close up * 1. Meanwhile, in the health and beauty business, sales increased steadily through aggressive sales promotion activities linked with an advertising campaign for the *Dear-Natura* brand supplements and the *Suhada Shizuku* skincare products. In the freeze-dried food business, overseas sales grew substantially.

On the profit front, Asahi Food & Healthcare focused on effective advertising and sales promotion investments as well as productivity improvement through the reduction of production costs, among other initiatives.

As a result, net sales for Asahi Food & Healthcare rose 7.7% year on year to ¥53.3 billion, setting a record high for the 11th consecutive year, and operating income was boosted 25.9% year on year to ¥2.9 billion.

Close up * 1

Calpis × MINTIA

Calpis Candy

Measures to Create Collaboration Synergies with Calpis Co., Ltd.

The Asahi Group has been promoting efforts to strengthen its operating foundation through collaborative synergies by leveraging the *Calpis* brand across the Group. Asahi Food & Healthcare Co., Ltd. launched tie-up products with *Calpis* in its mainstay *MINTIA* breath mint tablets and candy packaged in bags in March 2013. Sales of these products backed by the collaboration with the well-known *Calpis* brand remained strong, significantly contributing to the expansion of sales at Asahi Food & Healthcare. We will continue to work to boost earnings by maximizing the utilization of group assets.

Asahi Food & Healthcare Co., Ltd.

MINTIA

Cider Candy

Dear-Natura

EBIOS

Suhada Shizuku

Wakodo Co., Ltd.

Wakodo Co., Ltd. pursued the development of new businesses that can be the next pillars in the growth fields while boosting profitability in existing businesses.

In its mainstay baby food segment, Wakodo worked on new value propositions by upgrading and expanding the lineup of *Goo-Goo Kitchen* baby food for a wider age range and launching *Kudamono Tabeyo!* a new pureed fruit product featuring fresh fruit textures. Meanwhile, in the rapidly growing business for senior citizens, Wakodo strived to generate demand by executing in-store measures aimed at improving recognition of its products while seeking to expand the lineup of food products for elderly care centered on the *Shokuji wa Tanoshii* series in a retort pouch.

On the profit side, Wakodo endeavored to improve profitability by promoting the reduction of fixed costs in general as well as variable costs such as production and logistics costs despite the influence of a rise in the cost of imported raw materials due to the depreciation of the yen.

As a result, net sales for Wakodo increased 0.5% year on year to ¥36.3 billion and operating income surged 169.2% year on year to ¥1.3 billion.

Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. worked to strengthen its operating foundation based on basic policies including "improving its presence in the food market," "profit structure reforms" and "becoming a creative company that enriches the lives of its customers."

In the mass distribution sales business, sales at mass-retail stores expanded significantly due to the favorable sales of its mainstay freeze-dried products, the launch of *Mezamashi Asa Soup* and other new products, and stepped-up sales efforts. In addition, with the launch of its antenna shop Amano Freeze-Dried Station Close up *2 in Tokyo in March 2013, Amano Jitsugyo endeavored to enhance recognition of the Amano brand.

On the profit side, the company worked to shorten hours spent during production processes, automate certain processes and improve cost efficiency in production by reducing energy and raw materials costs.

Consequently, sales for Amano Jitsugyo rose 4.2% year on year to ¥16.7 billion while operating income declined 25.3% year on year to ¥0.6 billion.

Close up
* 2

Opening of Amano Freeze-Dried Station

Amano Jitsugyo Co., Ltd. started operating Amano Freeze-Dried Station, satellite shops designed to promote the attractions of freeze-dried food products, in March 2013 to raise the recognition of the Amano brand and to offer more opportunities for consumers to try freeze-dried food products. The number of purchasers in fiscal 2013 exceeded 80,000, while 540,000 packages were sold. Going forward, we will create further opportunities for communication with customers also in fiscal 2014 to raise the brand recognition.

Wakodo Co., Ltd.

Infant formula Lebens Milk Hai Hai

Goo-Goo Kitchen

Kudamono Tabeyo!

Shokuji wa Tanoshii

Amano Jitsugyo Co., Ltd.

Miso soup

Nyumen

Cheese Risotto

Plans and Strategies for 2014

The market environment of the food business in 2014 is predicted to remain quite severe reflecting the hike in consumption tax and a rise in raw materials cost. Under such circumstances, the Asahi Group will aim to realize portfolios with higher profitability and growth potential as early as possible by clarifying "strengths to be nurtured" in the food business and concentrating resource allocation. In 2014, we are targeting net sales of ¥109.6 billion (up 3.2% year on year) and operating income of ¥5.4 billion (up 9.5% year on year) for the entire food business.

Asahi Food & Healthcare Co., Ltd.

In its mainstay food business, Asahi Food & Healthcare Co., Ltd. aims to further enhance and expand its core brands by launching the new *MINTIA* breath mint tablet series, among other efforts. In the health and beauty business, Asahi Food & Healthcare will strengthen marketing investments in its mainstay brands such as *Dear-Natura* brand supplements and *EBIOS* brand tablets. Meanwhile, in the food seasonings business, Asahi Food & Healthcare will endeavor to strengthen ties with trading partners and expand sales of major products in the domestic market while reinforcing its marketing and sales systems for the overseas market.

On the profit front, the company will aim to secure operating income on par with 2013 by focusing on the reduction of production costs such as raw materials costs despite an expected increase in advertising and sales promotion expenses.

Through these measures, net sales of Asahi Food & Healthcare is anticipated to increase 1.9% year on year to ¥54.3 billion and operating income is predicted to rise 0.3% year on year to ¥2.9 billion.

Wakodo Co., Ltd.

Leveraging its top market share of Japan's baby food market, Wakodo Co., Ltd. will strive to invigorate the market by launching new value-added products with a focus on vegetables from the *Goo-Goo Kitchen* baby food in a retort pouch.

With respect to profits, Wakodo has a policy of concentrating efforts to reduce raw materials costs through group purchasing and the review of suppliers in addition to the curtailment of fixed costs by optimizing its production systems.

By doing so, the company is aiming to post net sales of ¥38.0 billion (up 4.8% year on year) and operating income of ¥1.5 billion (up 10.9% year on year).

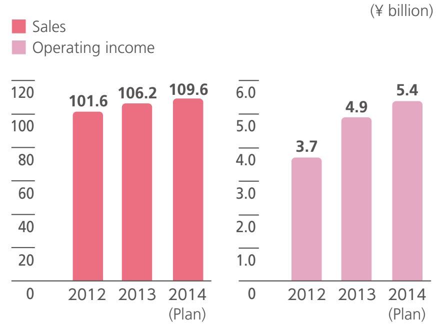
Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. will aim to acquire a new customer base by focusing on sales of specialized direct marketing products in the direct marketing business while seeking to expand the product lineup in the mass distribution sales business by launching products in a broader price range in its mainstay freeze-dried miso soup products. In the corporate sales business, Amano Jitsugyo will strive to increase market presence through consulting-based sales.

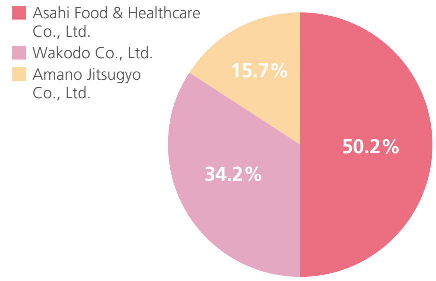
On the profit front, the company will work on enhancing productivity by bringing some production processes in-house.

Through these measures, Amano Jitsugyo is aiming to boost net sales by 3.4% year on year to ¥17.2 billion and operating income by 65.5% year on year to ¥1.0 billion.

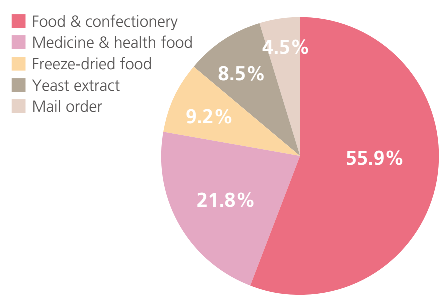
Food Sales and Operating Income



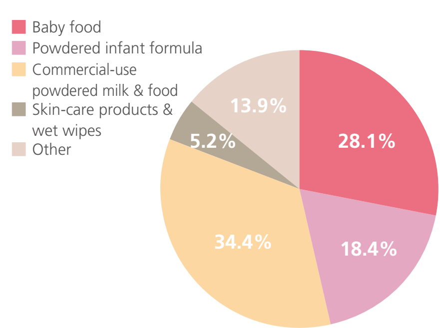
Food Sales Composition by Company (2013)



Sales Composition by Category at Asahi Food and Healthcare Co., Ltd. (2013)



Sales Composition by Category at Wakodo Co., Ltd. (2013)



Overseas

Aiming to boost our presence in the growing global marketplace

Shiro Ikeda

Managing Director and
Managing Corporate Officer
in charge of Overseas Business

Amid the maturing domestic market, it is indispensable for the Asahi Group to establish a new growth base in the global market in order to achieve sustainable growth.

Amid such circumstances, in our overseas business, we aim to expand our business foundation in regions where further growth is anticipated in addition to the enhancement of profitability in existing businesses.

In our Oceania operations, we will strive to build a steady profit base through structural reforms towards the establishment of our brands in the growth categories and the maximization of integration synergies. Meanwhile, in our Chinese operations, we will continue to provide support for the growth strategies of our two equity-methods affiliates in addition to the expansion of sales of Asahi brand products. Furthermore, in Southeast Asia, we will endeavor to boost the presence of the Asahi Group by strengthening our business networks in the region with a focus on Permanis Sdn. Bhd. and via our joint venture businesses in Indonesia.

Medium-Term Management Plan 2015
Targets and strategies

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

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

- (Non-alcohol beverages business) Strengthen key brands such as carbonated soft drinks brands of Schweppes Australia Pty Ltd and create new demand by utilizing group assets
- (Alcohol beverages business) Rebuild foundations for growth by invigorating key brands for ready-to-drink (RTD) low-alcohol beverages and by developing brands in growing categories
- Maximize integration synergies from unified management of acquired business units in Oceania

China business: Support the growth of the equity-method affiliates and strengthen the business base by leveraging networks

- Expand the growth foundation by supporting the growth of the two equity-method affiliates (Tsingtao Brewery Co., Ltd. and Tingyi-Asahi Beverages Holding Co., Ltd.) and strengthening ties with them
- Expand the presence of *Asahi Super Dry* in China's premium beer market and promote higher efficiency at production sites

Southeast Asia business: Expand the growth network with Permanis and Indonesian joint venture businesses at the core

- Permanis: Achieve sustainable growth by further enhancing its strong sales network
- Indonesia: Leveraging product development and technological capabilities, conduct brand development and establish an optimal production structure in preparation for full-scale market entry

Strengthen area marketing aimed at establishing *Asahi Super Dry* as "Asia's No.1 premium brand"

- Target overseas sales volume of 10 million cases by bolstering global marketing functions and enhancing and expanding sales networks

2013 Business Review

In 2013, sales from the overseas business grew substantially 21.6% year on year to ¥192.0 billion mainly due to strong performance in each region. Operating income before amortization of goodwill also increased 18.9% year on year to ¥8.3 billion backed by increased sales and profits in each business including the China business which realized profitability. However, the operating loss associated with the overseas business worsened ¥0.7 billion year on year due primarily to an increase in amortization of goodwill as a result of the foreign exchange fluctuations.

Oceania Business

In our Oceania business, we have been pursuing synergies of sales and efficiency by managing three non-alcohol beverages companies and two alcohol beverages companies in an integrated manner under Asahi Holdings (Australia) Pty Ltd, regional headquarters. As a result of the operating efforts by Schweppes Australia Pty Ltd and other companies to nurture leading brands and to expand businesses strategically in the growth field, overall sales from the Oceania business in 2013 increased on a year-on-year basis. In addition, we strived to grow our Oceania business as an integrated beverages business combining the alcohol and non-alcohol beverages businesses by implementing measures to create group synergies through joint procurement of raw materials and integration of operational sales organizations for channels holding an alcohol sales license while aiming to increase efficiency through consolidation of production and logistics centers Close up.

As a result, net sales increased 17.7% year on year to ¥152.7 billion, and operating loss worsened ¥1.4 billion year on year due to an increase in amortization of goodwill.

Non-alcohol Beverages

In 2013, the Australian non-alcohol beverages market grew about 1% year on year on a sales volume basis and about 2% on a value basis owing to the expansion of healthy & functional beverages reflecting the growing health consciousness of consumers despite a decline in sales of cola drinks. In the non-alcohol beverages category, while aiming to boost product capabilities in our mainstay carbonated soft drinks brands including *Schweppes*, *Solo*, and *Pepsi*, we executed aggressive marketing activities in the growth fields such as mineral water, and tea-based drinks, a new category we made a full-fledged market entry with the launch of new product *Real Iced Tea Co.*

In addition, we strived to boost profitability by creating integration synergies such as water production facilities enhancement and joint raw materials and indirect materials procurement.

Close up

Integration of sales organizations in Australia

Independent Distillers (Aust) Pty Ltd, an Australian alcohol beverages operating company, changed its name in October 2013 to Asahi Premium Beverages Pty Ltd. Concurrently, sales organizations for commercial-use soft drinks sold by soft drinks operating company Schweppes Australia for licensed on-premise retailers were integrated into Asahi Premium Beverages. This integration adds Schweppes' strong product portfolio and greater sales force targeting licensed on-premise retailers into our existing alcohol beverages category. The Asahi Group will work to boost its presence as an integrated alcohol beverages company in the Oceania market through reinforced proposal-making power.

Alcohol Beverages

In the alcohol beverages business, amid a business environment with changes affecting our operating structure such as the contraction of the RTD low-alcohol beverages market, we took measures to further boost brands by renewing our core brands in the mainstay RTD beverages category with a focus on products by Independent Liquor (NZ) Limited and Asahi Premium Beverages Pty Ltd. In addition, while aiming to significantly boost market share in the growing cider category by strengthening sales of *Somersby* in Australia, we strived to expand our business portfolio by vigorously promoting marketing activities for *Asahi Super Dry* and other products in imported premium beer and craft beer categories.

China Business

In China, efforts were made to enhance quality and improve profitability by further progressing the consolidation of production sites while striving to boost our position in the market by expanding sales of Asahi brand products. With respect to Asahi brand products, we implemented aggressive sales activities centered on draft beer in kegs targeting Japanese restaurants. At the same time, we changed the sales structure in the Shanghai area, the most important market by business operation, with the aim of strengthening our operating base. Through these efforts, the sales volume of Asahi brand products increased on a year-on-year basis.

Meanwhile, in order to improve profitability, we endeavored to boost efficiency by concentrating the production of Asahi brand products in Beijing Beer Asahi Co., Ltd. while reducing raw materials costs for aluminum cans and others at local production centers.

As a result, net sales surged 22.4% year on year to ¥13.2 billion and operating income totaled ¥0.6 billion, achieving profitability.

In the food business, the Asahi Group launched project teams following the acquisition of a stake in the Ting Hsin Group, one of China's largest food and distribution companies, in September 2010. Subsequently, TINGYI (CAYMAN ISLANDS) HOLDING CORP. and Wakodo Co., Ltd. established a joint venture for the import and sales of milk for infants in November 2013. Moreover, the Group founded a joint venture with Asahi Food & Healthcare Co., Ltd. for the manufacture and sales of breath mint tablets with the aim of establishing a new business base in the promising Chinese market.

Equity-method Affiliates

Tsingtao Brewery Co., Ltd. (Tsingtao Brewery)

Tsingtao Brewery endeavored to expand sales through vigorous sales promotion investments with a focus on the medium- to premium-priced Tsingtao brand. Furthermore, efforts were made to improve profitability through the consolidation of efforts on the Tsingtao brand and an increase in the composition ratio of canned products in addition to the reduction of raw materials costs. As a result, Tsingtao Brewery posted higher sales and profits for the period between January and September 2013, and the company also recorded year-on-year net income growth due partially to the effect of a sales increase owing to the depreciation of the yen.

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

Tingyi-Asahi Beverages strived to improve profitability by creating synergy effects with the bottling operations acquired from PepsiCo, Inc. including the in-house manufacturing of plastic bottles, etc., while making efforts to boost sales through marketing activities centered on its mainstay tea-based drinks. Although these efforts resulted in increased sales for the period between January and September 2013, net income from Tingyi-Asahi Beverages declined due partially to the reaction to the gain on negative goodwill.

Oceania Business (Non-alcohol Beverages)

Schweppes | Solo | Pepsi | Spring Valley | Charlie's | Frantelle | Cool Ridge | Real Iced Tea Co

Southeast Asia Business

In Southeast Asia, we aimed to expand our business network in the region by enhancing the operating basis of the soft drinks business in Indonesia in addition to boosting sales by reinforcing our mainstay Permanis Sdn. Bhd. brand products.

Permanis Sdn. Bhd.

Permanis Sdn. Bhd., a Malaysian soft drinks company, launched a new product in its mainstay carbonated beverage *Mountain Dew* brand while promoting aggressive marketing activities and the reinforcement of its sales structure in urban areas. In addition, Permanis commenced sales of the Asahi brand canned coffee *WONDA* in December 2013. As a result of these efforts, overall sales from Permanis increased on a year-on-year basis. In addition, the company aimed to improve profitability by promoting efficiency in procuring raw materials such as sugar and aluminum cans.

As a result, net sales grew 42.5% year on year to ¥22.1 billion and operating income improved by ¥0.3 billion.

Plan and Strategies for 2014

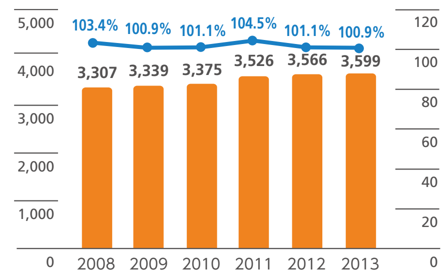
The market environment surrounding our overseas operations in 2014 is expected to continue to see a steady growth pattern in Australia's soft drinks market with an increased demand for health-conscious products such as water, sports drinks and tea-based drinks, in particular. In addition, growth is expected in the alcohol beverages market centered on beer and cider (apple wine) products in Australia and New Zealand. Meanwhile, the Chinese beer market is anticipated to grow between 5% and 7% in 2014 reflecting the trend of the Chinese economy towards steady growth. With respect to the soft drinks market in Southeast Asia, the water category is projected to grow in line with an increase in household incomes. Meanwhile, we expect that the diversification of consumer preferences will further accelerate.

Amid such circumstances, the Asahi Group will establish a steady growth path in Oceania and China while increasing its presence in the market through the reinforcement of the operating base of Permanis Sdn. Bhd in Southeast Asia as well as through entry into the Indonesian market. From these actions, we are projecting net sales of ¥208.4 billion (up 8.5% year on year) and an improvement in operating income of ¥4.0 billion for the overall overseas business.

Meanwhile, the Asahi Group's overseas sales ratio has almost doubled during the past five years from approximately 5% in 2009 to approximately 11% in 2013. The Group has a policy to continue to promote investment in its overseas business with the aim of expanding the global network.

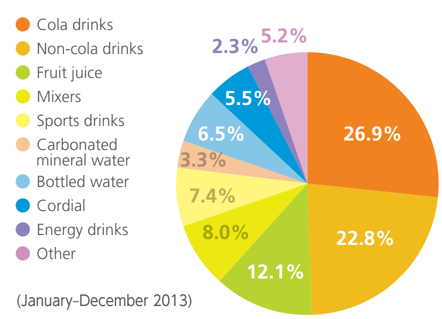
Soft Drinks Consumption in Australia

(Thousand kl)



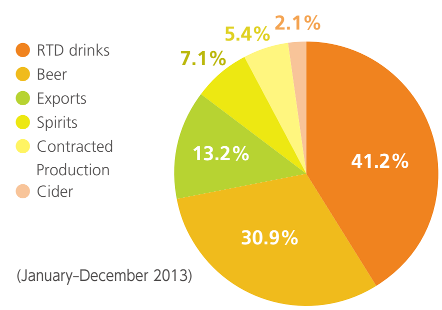
Source: Euromonitor

Sales Composition by Category at Schweppes Australia



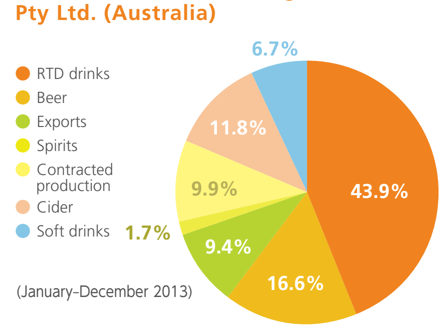
(January–December 2013)

Sales Composition by Category at Independent Liquor (NZ) Limited



(January–December 2013)

Sales Composition by Category at Asahi Premium Beverages Pty Ltd. (Australia)



(January–December 2013)

Oceania Business (Alcohol Beverages)

Woodstock | Cody's | Vodka Cruiser | Somersby | Cricketers Arms | Boundary Road Brewery

Overseas

Oceania Business

In Oceania business overall, we will continue to focus on the "synergy creation through integrated management of the five Group companies" as the pillar of our regional strategies. In addition to nurturing mainstay brands and business expansion in growth fields led by Asahi Holdings (Australia) Pty Ltd, we will aim to grow as an integrated beverages business combining the alcohol and non-alcohol beverages businesses by creating synergies among operating companies, among other measures.

On the profit front, in addition to the establishment of optimal production and logistics systems, we will continue to focus on creating synergies across the entire business through the joint procurement of raw materials and the optimization of indirect business functions with the aim of developing a steady profit foundation.

Through these measures, in Oceania business, we are targeting net sales of ¥156.5 billion (up 2.5% year on year), and an improvement in operating income of ¥3.6 billion.

Non-alcohol Beverages

In the non-alcohol beverages business, we continue to anticipate steady market growth. In this climate, we will strive to establish brand portfolios to flexibly respond to the changes in the market environment by launching value-added products in the growing category such as premium carbonated soft drinks and flavored water and products using less sugar to cater for rising health consciousness among consumers. On the profit front, raw materials costs are anticipated to rise due to the impact of foreign exchange fluctuations. However, we will aim to boost profitability through the optimization of supply chain management (SCM) as well as the effective utilization of sales promotion expenses on the top of cost reduction efforts via joint procurement.

Alcohol Beverages

In the alcohol beverages business, we will promote growth strategies with a focus on the products in the growing categories such as imported beer and cider while aiming to recover the sales volume of mainstay RTD low-alcohol beverages. In the cider category, efforts will be made to accelerate growth by expanding the sales base for *Somersby* and launching products in the premium range. Furthermore, we will pour more energy into the enhancement of our market presence in the beer category by strengthening highly value-added beer products including *Asahi Super Dry* and craft beers. Group synergies such as cost reductions through a shift to joint procurement and other measures are also expected to contribute to our profits.

China Business

In China, we will continue our highly specialized activities based on our new sales structure organized by business format with a focus on the Shanghai area as the most important market. Our efforts will be focused on the expansion of sales of Asahi brand products centered on *Asahi Super Dry* and the enhancement of our market position. In commercial-use products, while expanding the number of new Japanese restaurants that offer our products, we will also focus on the cultivation of international restaurants serving the beer in kegs. Meanwhile, in products for mass-retail stores, we will roll out proposal-based sales activities based on an efficient sales promotion plan under the management system by chain/store. Moreover, it is our policy to promote the curtailment of raw materials costs for malt and other ingredients as well as energy costs as a means to establish a solid foundation.

Through these measures, we are targeting net sales of ¥13.4 billion (up 1.5% year on year) and operating income of ¥0.7 billion (up 9.1% year on year).

In the food business, we will commence sales of imported milk powder for infants and launch a new breath mint tablet brand through the joint venture established with TINGYI (CAYMAN ISLANDS) HOLDING CORP. last year. Our aim is to establish a strong presence in the Chinese market for which we expect a high growth rate by leveraging the Asahi Group's strengths in marketing and manufacturing as well as the brand and sales capabilities of the TINGYI (CAYMAN ISLANDS) HOLDING CORP.

Equity-method Affiliates

Tsingtao Brewery

Tsingtao Brewery will concentrate management resources on its mainstay brands including the Tsingtao brand with the aim of achieving further growth.

China Business

Asahi Super Dry

Tsingtao Brewery

Tsingtao Beer Classic

Tsingtao Beer Draft

Tingyi-Asahi Beverages

Ice Tea

Green Tea

Pear Juice

In addition, the company will strive to establish a steady profit base through improvement of its composition ratio in the medium- to premium-priced product range and effective brand investments.

Tingyi-Asahi Beverages

Tingyi-Asahi Beverages will implement its growth strategies centered on the reinforcement of sales of products in the growing traditional beverages, milk tea and water categories in addition to continuing vigorous marketing activities towards the steady growth of its mainstay tea-based beverages brand. Moreover, the company will boost cost competitiveness by promoting the creation of integration synergies with PepsiCo, Inc.

Southeast Asia Business

In Southeast Asia, Permanis Sdn. Bhd. will aim to boost sales by bolstering its mainstay brands. At the same time, we will strive to expand our operational network in Southeast Asia by accelerating infrastructure development for the Indonesian soft drinks business.

Permanis Sdn. Bhd.

Permanis Sdn. Bhd. will make efforts to draw more attention to its activities aimed at strengthening the product capabilities of *WONDA* canned coffee released in 2013 through TV commercials and sampling. At the same time, the company will focus on expansion of sales by concentrating marketing investments in its mainstay juices, carbonated beverages and sports drinks categories.

Furthermore, Permanis will strive to reduce logistics cost by optimizing its delivery routes in addition to promoting the curtailment of raw materials cost by reducing the weight of can lids and plastic bottles.

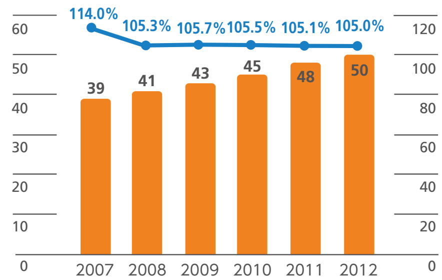
Based on these actions, we are targeting net sales of ¥22.5 billion (up 1.7% year on year) and an improvement in operating income of ¥0.1 billion.

Indonesia

In Indonesia, we will work to enhance our market presence by improving recognition of *ICHI OCHA GREEN TEA* launched via a joint venture with PT. Indofood CBP Sukses Makmur Tbk (Indofood CBP) in 2013 and by launching new products in the new categories, including coffee. In addition, we will strive to secure cost competitiveness by enhancing production systems through the operations at proprietary plants. Furthermore, with the aim of establishing an effective business operational system in Indonesia, we will seek to boost sales of *Pepsi* brand products and utilize the infrastructures of the mineral water business under the *Club* brand.

Beer Consumption in China

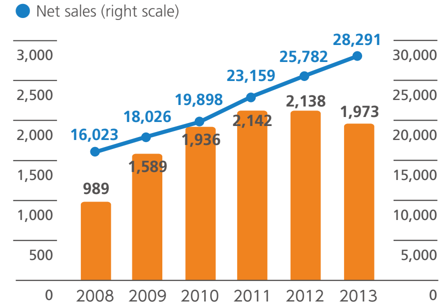
(Million kl)



Source: Euromonitor

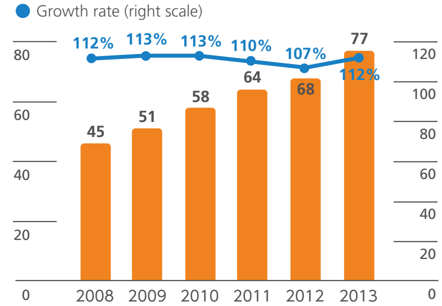
Performance of Tsingtao Brewery

(Million yuan)



Soft Drinks Consumption in China

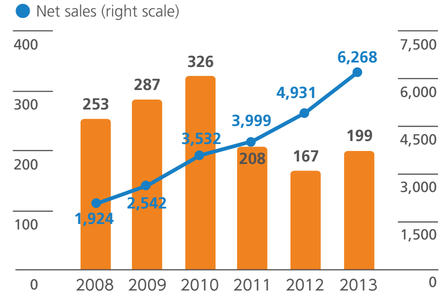
(Million kl)



Source: Euromonitor

Performance of Tingyi-Asahi Beverages (Soft Drinks Business)

(Million U.S. dollars)



Permanis

Revive Regular

Twister

Wonda Original

Indonesia

Club

ICHI OCHA

Asahi Group CSR Policy

The Asahi Group seeks to contribute to the development of a sustainable society through all our business activities worldwide. Not only will we comply with the various laws and rules of all countries and regions where we operate, but we will also take the initiative to actively engage in activities aimed at fulfilling our social responsibility with a global viewpoint. Furthermore, we hope to share the excitement with all the peoples of the world through the creation of new social values. We will continue to think about what we can do to bring this about and take action, together with all the stakeholders that surrounds us.

Promoting activities in which exitement can be shared with people in society

Taking initiative to actively engage in activities aimed at fulfilling our social responsibility

Legal compliance, observation of ethical standards, risk management, etc.

Areas of Activity for CSR and Key Themes

In 2013, the Asahi Group revised the CSR's key themes. Through initiatives that are aligned with the key themes, we will maximize the potential of each company under the Asahi Group, take initiatives to solve social issues through our core business, and aim to become a group of companies that is trusted by the society.

FOOD AND HEALTH

The mental and physical health of people everywhere Details on page 41

- Address alcohol-related problems
- Contribute to food safety and security
- Pass on a healthy food and alcohol culture

THE ENVIRONMENT

Preservation of the bounty of nature for the future Details on page 42

- Contribute to development of low-carbon societies
- Contribute to development of recycling societies
- Contribute to biodiversity preservation

PEOPLE AND SOCIETY

Happiness and fulfillment for all Details on page 43

- Respect for humanity
- Contribute to building safe, fulfilling societies
- Contribute to ensuring sustainable water resources

The Asahi Group as envisioned for 2020

- Becomes a company that is essential to society in solving social issues in each of the three activity areas.
- Has garnered a reputation from society as a corporate group essential for healthy, affluent lifestyles and has won the trust of consumers.
- Is recognized as a leading company in environmental preservation performance not only in Japan but also overseas.

Corporate Governance

Details on page 45

Legal Compliance	Compliance	Accountability	Fairness Impartiality Transparency

Corporate Social Responsibility

Fiscal 2013 Initiatives

Initiatives for Food and Health

Discovery of apple polyphenol's property of inhibiting the progression of aging

The Research Laboratories for Fundamental Technology of Food of Asahi Group Holdings, Ltd. announced last March that research jointly conducted with Graduate School of Medicine, Juntendo University and Graduate School of Medicine, Chiba University had led to the discovery that the intake of apple polyphenols had the benefit of inhibiting the progression of aging.

In the experiment, mice[*1] were allowed to freely take drinking water with an apple polyphenol content of 0.1%. It was found that survival rates of mice taking apple polyphenols significantly improved, compared with mice that did not consume apple polyphenols.

Moreover, the experiment revealed that the mice that imbibed the apple polyphenols exhibited reduced values for a number of cardiac parameters, including myocardial fibrosis, cardiac oxidative stress and cardiomyocyte oxidative stress, indicating a probable benefit of suppressed active oxygen generation, thereby inhibiting the progression of aging.

Apple polyphenols were first discovered in 1957 by Nikka Whisky Co., Ltd., a member of the Asahi Group, during the manufacture of its apple-based drink product "Cider[*2]." The beverage maker has continued to conduct nutritional research on apples ever since, including since joining the Asahi Group in 2001. The research has produced a number of major results, including the discovery of a wealth of effects of apple polyphenols and the establishment of a method for efficiently extracting and refining high-purity polyphenols from unripe apples, which generally contain 10 times as much of the substance as ripe fruit[*3]. In 2004, the Group was issued a patent for the extraction method.

The Asahi Group has already offered dietary supplement capsules *Asahi Wakazumi Ringo Polyphenol*, launched in February 2013, from Asahi Food & Healthcare Co., Ltd. We continue to utilize these research results in product development.

*1 To facilitate the study on aging mechanisms, mice with recombinant genes were used in the experiment. The genes of the mice used were modified so that some of antioxidant enzymes present in ordinary mice were congenitally absent.

*2 Currently manufactured by Nikka Whisky Co., Ltd. and sold by Asahi Breweries, Ltd.

*3 Where the amount of extracted juice is the same.

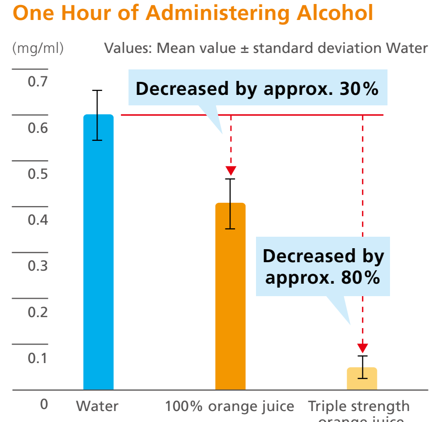
Discovery of orange juice's property of accelerating alcohol metabolism

In August 2013, Asahi Soft Drinks Co., Ltd. presented the results of research on the effects of orange juice on alcohol metabolism at a session of the Japanese Society for Food Science and Technology. The research was conducted jointly with the Research & Development Laboratories for Innovation of Asahi Group Holdings, Ltd.

In the experiment, three types of fluid were given to rats in a state of fasting: 100% pure orange juice, triple strength orange juice, and water for comparison. In a space of 30 minutes, liquid with an alcohol content of 5% was fed to the mice. Their blood-alcohol concentrations were measured after one hour. The result showed that the blood-alcohol concentrations of rats fed orange juice decreased and were lower than the rats fed water. It was found that orange juice had a property that stimulated the metabolism of alcohol.

The Laboratories will continue its research to verify this new property of orange juice, using indices other than blood-alcohol concentration.

Blood-Alcohol Concentration after One Hour of Administering Alcohol



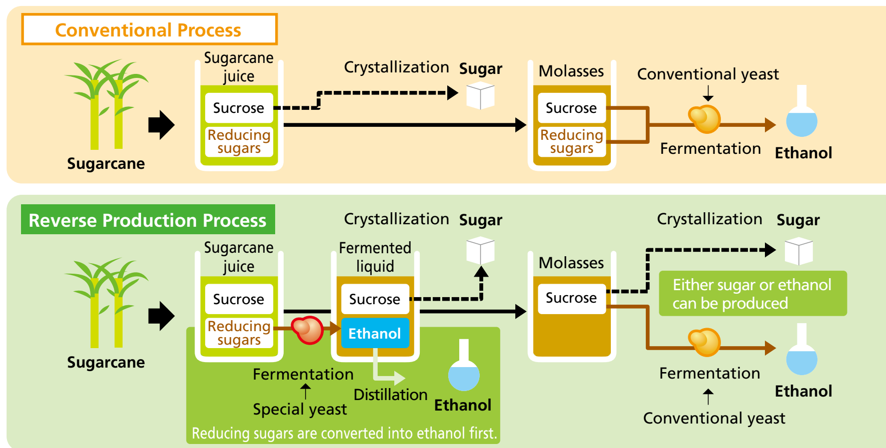
Initiatives for the Environment

Reverse production process for bioethanol production won the Grand Prize for the Global Environment Award

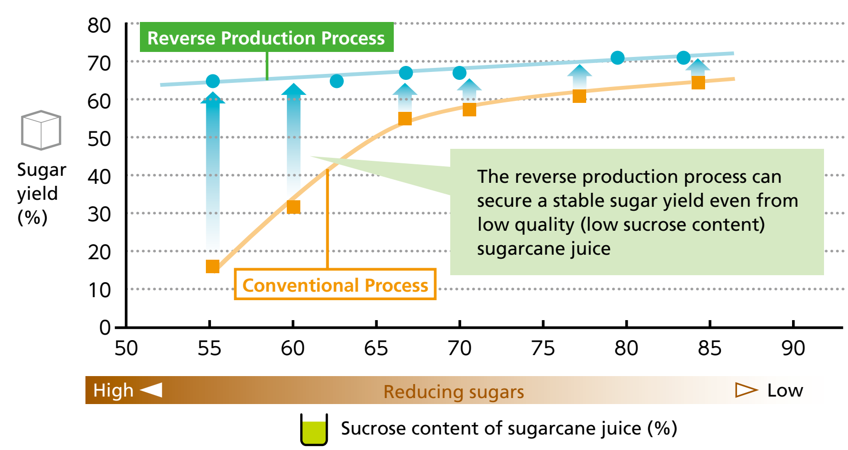
In February 2013, Asahi Group Holdings, Ltd. was awarded the 22nd Grand Prize for the Global Environment Award* organized by Fujisankei Communications Group for the development of the reverse production process, a breakthrough technology that enables increased production of food and energy. While renewable energy has drawn attention as a way to reduce global warming, the demand and supply balance of food and energy has tightened on a global scale. Developed jointly with the Kyushu Okinawa Agricultural Research Center of the National Agriculture and Food Research Organization (NARO), the reverse production process is the world's first technology that maximizes the production of sugar and ethanol from sugarcane and has great environmental and economic benefits. We will work on further verification of the technology with the view to its commercial application by 2015, thereby contributing to building a sustainable society.

* The Global Environment Award was a commendation program established in 1992 with the aim of developing new technologies and products that contribute to the realization of a sustainable society, promoting environmental conservation activities and businesses, and further raising awareness of the conservation of the global environment.

Process for Producing Sugar and Ethanol



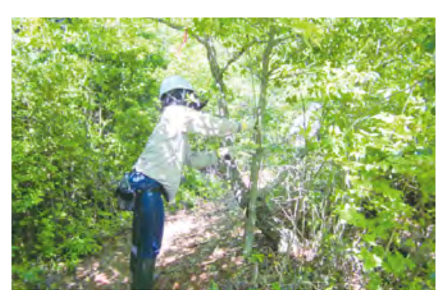
Sugar Yield Comparison between Reverse Production Process and Conventional Process



Preservation Activity for Water Source Forest Areas

Asahi Breweries, Ltd. is promoting activities to preserve water source forest sites that are located at each upstream area of the eight beer factories around Japan. The programs involve the participation of employees of the factories and group companies and their family members.

The preservation activity for water source forest areas aims to create and maintain healthy forests and to preserve water sources on a permanent basis. The program involves tree planting, underbush cutting, thinning and pruning. As an enterprise that manufactures and sells beer and other beverages as well as food, the Asahi Group has positioned water resource preservation as one of the key themes for its environmental initiatives. The preservation activity for water source forest areas started as part of community-based environmental preservation activities in 2004 at Shikoku Brewery. The initiative was expanded and implemented at all beer factories in 2006. A total of 80 projects were implemented as of the end of 2013. Each project was conducted with the participation of volunteer employees from a brewery and group companies and their families under the guidance of local NPOs, forest unions, government, and the National Land Afforestation Promotion Organization.



Corporate Social Responsibility

Fiscal 2013 Initiatives

Initiatives for People and Society

Support for Reconstruction following the Great East Japan Earthquake Disaster

Supporting reconstruction of companies in affected areas through Yuinoba Kigyo Marche

Since 2012, the Asahi Group has taken part in Yuinoba, a regional reconstruction initiative that matches affected and supporting businesses, organized by the Reconstruction Agency and economic organizations in affected areas. The program aims at strengthening the management capabilities of companies in the affected areas and creating a community that lead to the sustainable development of local economies. We hosted Yuinoba Kigyo Marche events in Ishinomaki City, Miyagi Prefecture in June, and in Kesennuma City, Miyagi Prefecture and at the headquarters building in November. This initiative is designed for affected companies to hold spot sales and tasting events at supporting companies in an effort to cultivate markets and develop new products. Ten marine product processing companies in Ishinomaki and Kesennuma cities in Miyagi Prefecture participated in the events. We extended support to the affected companies by providing them opportunities to present their products to, and conduct surveys on sample products with, Asahi Group employees working at the headquarters building.

Organizing events for disaster-affected families and children in Fukushima

Last August, the Asahi Group participated in the camping event, "Spend Summer in Your Hometown with Family," which provided an opportunity to reunite with family members who were forced to live separately due to the disaster. We also took part in another event, "Get Together! Fukushima Ambassador Kids" where children from Fukushima and other parts of Japan spent time together and leant about the current situation and attractions of Fukushima.

Asahi Group employees provided support to Fukushima University Disaster Volunteer Center that organized the events. The employees helped stage the venue in cooperation with students of the university.

Hosting an event for fellowship among evacuees residing outside their home prefectures

The Asahi Group, in cooperation with Medical Care Network Support Center, held an exchange event, "Come Over Here!," at the headquarters building last June to help evacuees forced to live away from their hometowns deepen relations.

This exchange event attracted more than 150 people who evacuated to the Tokyo metropolitan area. The event featured programs such as health counseling, oral care classes, kids' play space, a hand massage corner, and non-alcohol cocktail classes that used products of the Asahi Group. While the participants enjoyed the programs, they were given opportunities to make exchanges with fellow evacuees and volunteers.

Corporate Social Responsibility

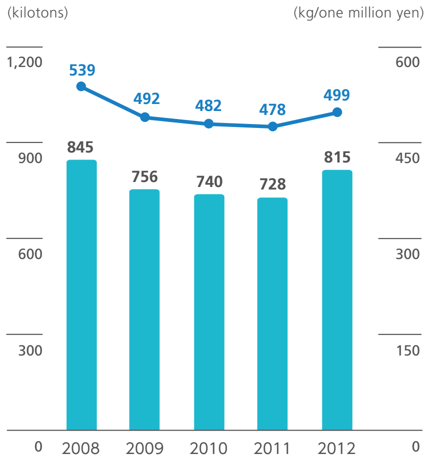
Performance Data

The Asahi Group seeks to identify the environmental impacts generated by its business activities and takes initiatives to reduce them.

(Specific date for 2013 will be available on our website in June 2014.)

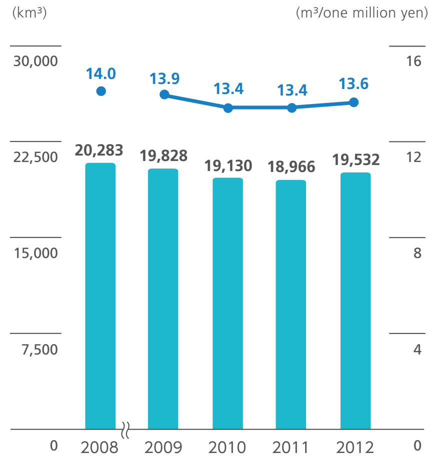
Changes in CO_2 Emissions of Asahi Group (Totals and Basic Unit)

- CO_2 emissions (left scale)
- CO_2 basic unit (to net sales) (right scale)



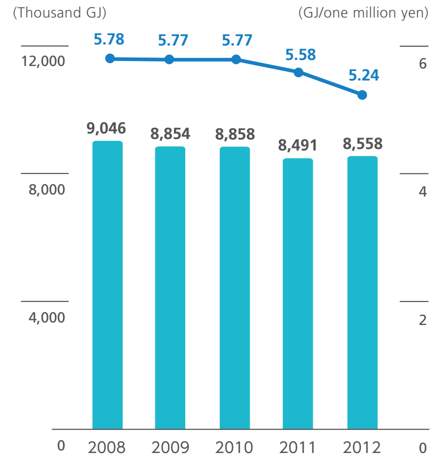
Changes in Water Consumption (Total Volume and Basic Unit) (12 Group Manufacturing Companies)

- Water consumption (left scale)
- Basic unit (to net sales) (right scale)



Changes in Energy Consumption of Asahi Group (Totals and Basic Unit)

- Energy consumption (left scale)
- Basic unit (to net sales) (right scale)



Led by the Safety and Health Committee at each Group company or business site, the Asahi Group promotes safety and health activities in a practical and proactive manner.

Frequency and severity rates of industrial accidents (permanent employee basis, Asahi Breweries, Ltd.)

	2008	2009	2010	2011	2012	2013
Frequency of industrial accident	0	0	0	0.0766	0	0.0366
Severity rates of industrial accident	0	0	0	0.0011	0	0.0002

Inclusion in SRI Indexes

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

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices were jointly developed by Dow Jones & Company of the U.S. and Sustainable Asset Management AG (currently RobecoSAM).

FTSE4Good

The FTSE4Good Global Index is a stock index developed by FTSE International Limited, established by The Financial Times Ltd. and London Stock Exchange Group plc.

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE

The Ethibel Excellence Investment Register is an investment universe managed by Forum ETHIBEL, an NPO headquartered in Belgium.

MS-SRI

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

Corporate Governance

1 Basic Policy

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

To ensure our corporate activities meet the expectations of all these stakeholders, and to quickly adapt to an ever-evolving business environment, we have identified enhancing corporate governance as a priority for management. We are therefore striving to strengthen Group management, reinforce our relationship of trust with society and enhance our social responsibility and management transparency.

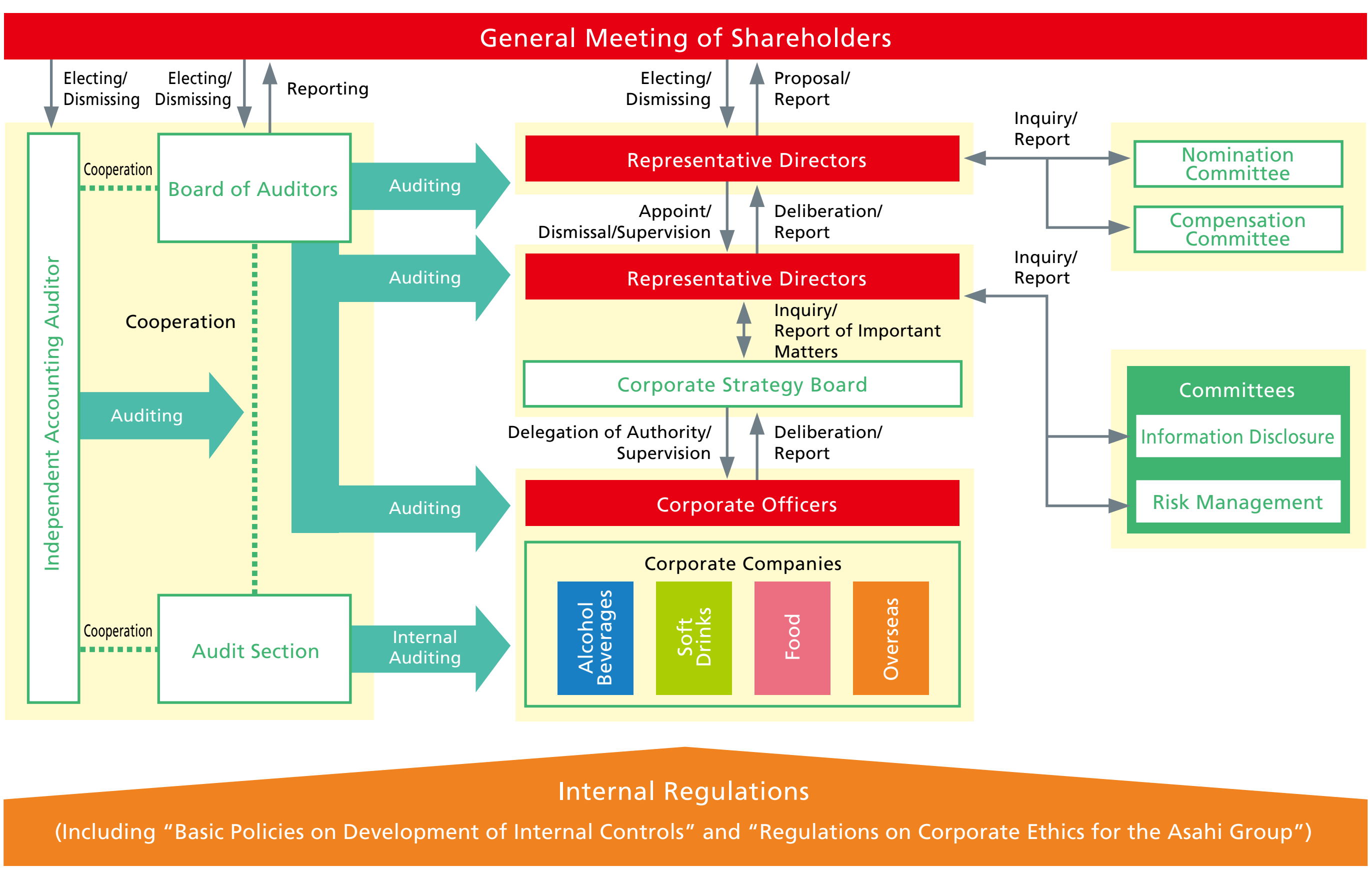
2 Characteristic Features of Our Corporate Governance Structure

Asahi Group Holdings, Ltd. is bolstering corporate governance with the goal of maintaining management soundness, transparency and efficiency. Specifically we have adopted a "company with corporate auditors" governance framework, under which we strengthen management oversight functions and preserve transparency by appointing outside directors. The Company has also introduced a Corporate Officer System, designed to separate management duties from business execution, as well as boost management decision-making speed, and realize more efficient management overall.

Pure holding company structure

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

Corporate Governance Structure



Corporate Governance

Board of Directors

The Board of Directors consists of nine directors, including three outside directors. Outside directors are chosen from a pool of exceptional external candidates who qualify as independent directors as defined by the rules of the Tokyo Stock Exchange. Outside directors have varied career backgrounds, with some having served as corporate executives, educators, and economic policy experts prior to their appointments. The wealth of experience and keen insight of our current outside directors are reflected in the continued transparency of the Board's decision-making processes and management oversight.

In 2013, the Board of Directors held 10 regular meetings, with outside directors Ms. Mariko Bando and Mr. Naoki Tanaka attending 10, and Mr. Ichiro Ito attending eight meetings, respectively.

Nomination and Compensation Committees

Complete fairness and transparency in the appointment and compensation of senior officers are achieved by the Nomination Committee and the Compensation Committee, which serve as advisory bodies to the Board of Directors. Outside directors are present among the directors that comprise the membership of each committee.

The Nomination Committee consists of a total of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by a Company-employed director, and is responsible for recommending candidates for director, corporate officer or corporate auditor to the Board of Directors. The committee met once in 2013, mainly to make proposals for corporate officer personnel.

The Compensation Committee is also comprised of four officers, of whom two are Company-employed directors and two are outside directors. The committee is chaired by an outside director, and is responsible for making resolutions as agenda items regarding compensation systems and packages for directors and corporate officers for the Board of Directors. The committee met three times in 2013, and mainly forwarded proposals regarding the amount of bonuses for senior officers.

Board of Auditors

The Board of Auditors is responsible for supervising and auditing the management of the Company and the performance of duties by directors. The Board of Auditors consists of five auditors, including three outside corporate auditors. Selected from a pool of exceptional candidates who qualify as independent auditors, the experience and insight gained from the varying backgrounds of the outside corporate auditors, a former top executive, a lawyer and a university professor, are evident as they audit the management of Asahi Group Holdings from multiple perspectives. In 2013, the Board of Auditors held eight meetings, with outside corporate auditors Mr. Takahide Sakurai attending five, and Mr. Naoto Nakamura and Mr. Tadashi Ishizaki attending eight meetings, respectively.

3

Corporate Officer System

Corporate Officer System

Asahi Group Holdings has introduced a Corporate Officer System to ensure timely execution of operations and clarify responsibilities and authority. Corporate officers are granted the authority by the Board of Directors to execute operations and are responsible for the timely execution of operations. Meanwhile, directors are entrusted with the mission of formulating Group management strategies and making key decisions on Group management for strengthening and developing the Group, in addition to supervising the execution of operations.

Corporate Strategy Board

The Corporate Strategy Board holds high-level meetings to fulfill its responsibility of quickly executing decisions made by the Board of Directors. The Corporate Strategy Board deliberates matters pertaining to the direction of the entire Group. The Corporate Strategy Board is chaired by the president and representative director. To maximize operational efficiency, at each meeting, progress is controlled and assessed based on an objective and rational management index. In order to ensure the legality of the decision-making process employed for major issues and to further enhance compliance management, each meeting is attended by at least one standing corporate auditor.

In 2013, as the first year of Medium-Term Management Plan 2015, topics

Comments from an Outsider Director

Mariko Bando
Outside Director

Corporations create their own value, from which they generate profit to continue to exist. Corporations, first of all, must develop products and services that increase the health and welfare of consumers. The safety and reliability of such products and services are the minimum requirements.

However, producing products and services that meet these requirements alone does not necessarily assure a good reputation. The value of a company is represented by the total score of multifaceted evaluation benchmarks: how convincing the products and services the company offers are; to what extent redundancies have been trimmed to improve efficiency and productivity; whether the company offers a job and workplace that can be a source of pride for each individual working for the company; and whether stakeholders with different qualifications and positions are respected and equally treated.

I expect Asahi Group Holdings, Ltd. will increase and maximize its corporate value through working on the above-mentioned requirements for excellence.

deliberated at the meetings included long-term steady growth as underpinned by further focus on our strengths such as brands, technologies, cost competitiveness, etc. which have been nurtured and acquired by the Group as well as new value creation and innovation leveraging these strengths and further expansion of domestic and overseas networks.

Internal Audits and Accounting Audits

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

With respect to internal audits, the Group has established an internal audit organization comprising eight people at Asahi Group Holdings, Ltd., five people at Asahi Breweries, Ltd., six people at Asahi Soft Drinks Co., Ltd., and four people at Calpis Co., Ltd. as internal auditing departments. These cooperate with each other to conduct audits based on Group-wide auditing policies to ensure proper and effective business execution across the entire Group. In addition to reports individually filed with each audit, twice a year, general reviews of the audits are submitted to the Corporate Strategy Board to be used as the basis for new policies.

The corporate auditors, Audit Section and independent auditor work in concert by exchanging information through briefings and by transmitting copies of auditing reports periodically, and as needed. In 2013, the Board of Auditors held five briefings with the independent auditor and three briefings with the Audit Section, respectively. The Audit Section held four meetings with the independent auditor.

4

Compensation for Directors and Corporate Auditors, and Independent Auditor

Resolutions regarding compensation for senior officers become agenda items for the Board of Directors following deliberations that take into account the compensation systems and packages for directors and corporate officers proposed by the Compensation Committee. In 2013, fixed salaries (basic compensation) comprised around 80% of compensation for directors, with the performance-based portion roughly accounting for another 20%. (Note: 100% of performance-based compensation was short term, none was long term). For corporate auditors, basic compensation consisted entirely of fixed salaries (monthly compensation), reflecting the abolishment of the Company's system of benefits from April 2009. (Refer below.)

The Company decided at a meeting of the Board of Directors held on February 6, 2007, to abolish the system of retirement benefits for directors and auditors and to include the relevant amount in their annual salaries. Retirement benefits were traditionally paid as compensation to directors and corporate auditors at a future date, and the decision to include compensation equivalent to retirement benefits in the annual salary was made in response to the adoption of a one-year term of office. At the same February six meeting, the Board of Directors also decided to make no new allotments to the stock option system that had been implemented as part of the compensation system for directors, corporate auditors and corporate officers, on the grounds that even if they were able to execute their rights under insider trading regulations, it might be difficult legally to sell the rights immediately afterward, so that their function as an incentive was not sustainable.

Independent Auditor Compensation

In 2013, audit fees and other compensation payable to the independent auditor amounted to ¥137 million for an attestation agreement and ¥437 million in other compensation.

Compensation for Directors and Corporate Auditors (2013)

(¥ million)

	Basic Compensation	Bonus	Total
Company-employed Directors (Total: 8)	283.5	99.7	383.2
Outside Directors (Total: 3)	31.2	12.3	43.5
Standing Corporate Auditors (Total: 2)	63.6	–	63.6
Outside Corporate Auditors (Total: 3)	32.4	–	32.4

5

Internal Control System

Development of Internal Control System Based on the Companies Act

Following the transition to the holding company system in 2011, we newly established Basic Principles for Asahi Group Holdings that carry on the philosophy of the Basic Principles for Establishing an Internal Control System established by Asahi Breweries in 2006. In drafting these Basic Principles, we analyzed and evaluated the current system at the Company and the Asahi Group to determine the proper course of action. Based on these Basic Principles, we are presently developing an internal control system that will encompass the entire Asahi Group. With respect to both risk management and compliance, we are establishing internal rules that reflect the system and Basic Principles as we conduct control activities (see page 43 for more details). All major Group companies, specifically Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., and Calpis Co., Ltd. have also drafted their own basic principles in this area.

Going forward, we anticipate that business growth will trigger expansion in both the number of Group companies and the regions where we operate. This growth notwithstanding, we are committed to extensively embedding our internal control system throughout the entire Group. At the same time, we will constantly strive to remain aware of regulatory reforms and social trends in each business and operating region, responding proactively to any changes that emerge.

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

In response to the Japanese SOX Act, Asahi Group Holdings has put an evaluation and reporting framework in place that includes a set of guidelines, "Basic Regulations for Evaluation and Reporting of Internal Control for Financial Reporting," and the establishment of the Internal Control Evaluation Office as an organization to conduct independent evaluation of managers.

Based on evaluation results for 2013, the Company has determined that, as of December 31, 2012, it has an effective internal control system with respect to financial reporting. This assessment was corroborated by an audit of the internal control system performed by the outside corporate auditors.

6

Abolishment of Takeover Defense Measures

At a meeting held on February 8, 2010, the Board of Directors of the Company (then "Asahi Breweries, Ltd.") passed a resolution on the extension of countermeasures against the large-scale purchase of its shares ("takeover defense measures"). Subsequently, with the approval of shareholders at the Company's 86th Annual Shareholders' Meeting held on March 26, 2010, the period of the takeover defense measures was extended. The takeover defense measures remained effective until the close of the Company's 89th Annual Shareholders' Meeting held in 2013. However, at a meeting held on February 13, 2013, the Board of Directors of the Company passed a resolution to abolish the takeover defense measures and not extend them.

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

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

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

Risk Management / Compliance

Risk Management

In conjunction with the move to a pure holding company structure in 2011, the Asahi Group established the Asahi Group Risk Management Rules and the Asahi Group Risk Management Manual. The Risk Management Rules define the basic issues related to risk management. The Risk Management Manual defines specific management processes based on the Risk Management Rules. The goal in drafting these rules and procedures is to prevent all types of risks surrounding the business and to strengthen our risk management system for responding to emergency situations.

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

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

Compliance

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

In accordance with the Asahi Group Corporate Ethics Rules, we have stationed an appropriate number of compliance promoters with a certain degree of compliance knowledge at the Company and Group companies, to increase compliance awareness and disseminate legal knowledge. As of the end of 2013, compliance promoters comprised around 140 Legal Promoters (LPs) and 28 Senior Legal Promoters (SLPs).

In 2013, the Company held two training session for all SLPs aimed at the acquisition of broad knowledge on basic compliance issues and further awareness-raising. The topics covered at these sessions included a thorough review and reinforcement of the Group's common safety management measures enacted to prevent the leakage of personal information, etc. as well as case studies with a focus on the prevention of social media risks. Through these measures, we will steadily strengthen the compliance promotion system across the entire Asahi Group.

In addition, a training session on "product labeling" pursuant to the Food Sanitation Act, Health Promotion Act, Pharmaceutical Affairs Act, Act against Unjustifiable Premiums and Misleading Representations, etc. as well as "intellectual property" such as trademarks, copyrights, etc. was held mainly targeting product development staff at Group companies. By inviting external specialists as lecturers for this training session, we offered more practical and specialized contents that reflected the abundant experience and broad knowledge of the lecturers.

Risk Management and Compliance Structure

Board of Directors, Auditors and Corporate Officers (As of March 31, 2014)

Board of Directors

Naoki Izumiya

President and
Chief Executive Officer (CEO)

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

Katsuyuki Kawatsura

Executive Vice President and
Representative Director

Apr. 1975 Joined the Company
Mar. 2005 Corporate Officer
Mar. 2009 Managing Corporate Officer
Mar. 2010 Managing Director and Managing Corporate Officer
Mar. 2013 Senior Managing Director and Senior Managing Corporate Officer
Mar. 2014 Executive Vice President and Representative Director (current position)

Shiro Ikeda

Managing Director and
Managing Corporate Officer

Apr. 1980 Joined the Company
Mar. 2009 Corporate Officer
Jul. 2011 Director and Corporate Officer, Asahi Breweries, Ltd.
Mar. 2012 Director and Corporate Officer
Mar. 2014 Managing Director and Managing Corporate Officer (current position)

Katsutoshi Takahashi

Director and Corporate Officer

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

Yoshihide Okuda

Director and Corporate Officer

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

Akiyoshi Koji

Director

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

Mariko Bando

Outside Director

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

Naoki Tanaka

Outside Director

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

Ichiro Ito

Outside Director

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

Auditors

Standing Corporate Auditors

Yoshihiro Tonozuka
Yukio Kakegai

Outside Corporate Auditors

Naoto Nakamura
Tadashi Ishizaki
Katsutoshi Saito

Corporate Officers

Corporate Officers

Yasutaka Sugiura
Yasuyuki Ohtake
Kenji Hamada
Ryoichi Kitagawa

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Eleven-Year Summary

Years ended December 31

	Millions of yen				
	2013	2012	2011	2010	2009
For the year:					
Net sales	**¥1,714,237**	¥1,579,077	¥1,462,736	¥1,489,461	¥1,472,469
Operating income	**117,467**	108,437	107,190	95,349	82,777
Income before income taxes and minority interests	**110,471**	99,840	90,422	92,465	88,078
Net income	**61,749**	57,183	55,093	53,080	47,645
Capital investments*2	**56,640**	50,170	40,225	36,738	62,376
Depreciation*2	**62,581**	59,366	58,135	59,710	58,372
<Segment information>*3					
Sales:					
Alcohol beverages	**925,878**	922,250	921,657	966,331	958,156
Soft drinks	**461,054**	370,836	324,782	306,719	355,162
Food	**106,241**	101,627	98,033	95,440	92,400
Overseas	**192,035**	157,932	94,220	97,674	—
Others	**29,029**	26,432	24,044	23,297	66,751
Operating income (loss):					
Alcohol beverages	**113,743**	113,306	101,025	87,250	78,879
Soft drinks	**15,458**	7,379	11,389	8,330	695
Food	**4,919**	3,669	4,158	3,594	2,745
Overseas	**(4,565)**	(3,873)	(2,913)	(5,138)	—
Others	**622**	607	760	1,145	889
Financial position:					
Total assets	**1,791,556**	1,732,188	1,529,908	1,405,358	1,433,653
Interest-bearing debt	**403,723**	456,235	390,092	311,423	391,876
Total net assets*4	**827,482**	726,879	643,799	612,670	577,703

	Yen				
Per share data:					
Net income	**¥ 135.73**	¥ 122.75	¥ 118.36	¥ 114.10	¥ 102.49
Diluted net income	**126.26**	122.67	118.28	114.00	102.42
Cash dividends applicable to the year	**43.00**	28.00	25.00	23.00	21.00
Total net assets	**1,772.47**	1,553.35	1,378.19	1,315.51	1,233.25

	%				
Ratios:					
ROE	**8.0**	8.4	8.8	9.0	8.7
Operating income ratio	**6.9**	6.9	7.3	6.4	5.6
Operating income ratio (exclusive of alcohol tax)	**9.1**	9.4	10.2	9.0	8.1
Equity ratio	**45.7**	41.8	41.9	43.6	40.0

*1 U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥105.39 to U.S.$1, the exchange rate prevailing at December 31, 2013.
*2 Includes effects accompanying changes in accounting standards for lease transactions and trademarks of an Australian subsidiary at time of acquisition.
*3 Due to a reorganization of business segments in 2011, figures for 2010 have also been restated in line with the new business segments.
*4 Total net assets through fiscal 2005 represents total shareholders' equity under the former accounting standards, while after fiscal 2006 they were computed in accordance with new accounting standards.

	2008	2007	2006	2005	2004	2003	2013
	Millions of yen						Thousands of U.S. dollars*[1]
	¥1,462,748	¥1,464,072	¥1,446,385	¥1,430,027	¥1,444,226	¥1,400,302	$16,265,651
	94,520	86,956	88,713	90,249	101,273	78,984	1,114,593
	82,938	81,741	81,165	75,725	58,369	48,681	1,048,211
	45,014	44,798	44,775	39,870	30,596	23,210	585,909
	36,135	44,481	36,894	43,941	40,134	38,184	537,432
	47,353	45,250	48,793	50,028	51,339	53,101	593,804
	995,703	1,012,256	1,007,558	1,025,447	1,078,931	1,067,136	8,785,255
	316,737	299,663	283,121	267,003	217,380	185,738	4,374,741
	79,203	67,089	53,792	25,286	22,163	21,547	1,008,075
	—	—	—	—	—	—	1,822,137
	71,105	85,064	101,914	112,291	125,752	125,881	275,444
	90,762	79,285	78,186	78,089	90,872	72,452	1,079,258
	616	4,593	7,746	8,632	8,114	2,645	146,674
	1,944	1,344	445	805	(599)	169	46,674
	—	—	—	—	—	—	(43,315)
	1,006	1,724	2,173	2,559	2,935	3,399	5,902
	1,299,059	1,324,392	1,288,501	1,218,227	1,250,818	1,244,410	16,999,288
	302,259	332,458	290,101	289,202	303,089	336,285	3,830,752
	534,628	529,782	509,775	454,892	417,828	398,153	7,851,618
	Yen						U.S. dollars
	¥ 96.31	¥ 94.94	¥ 94.02	¥ 82.22	¥ 62.52	¥ 46.80	$ 1.29
	96.14	94.74	93.85	80.98	60.64	44.58	1.20
	20.00	19.00	19.00	17.00	15.00	13.00	0.41
	1,122.13	1,089.33	1,012.77	951.12	860.66	810.19	16.82
	%						
	8.7	9.0	9.6	9.1	7.5	5.9	
	6.5	5.9	6.1	6.3	7.0	5.6	
	9.6	9.0	9.4	9.8	11.4	9.2	
	40.2	38.9	37.0	37.3	33.4	32.0	

Overview

Market Trends

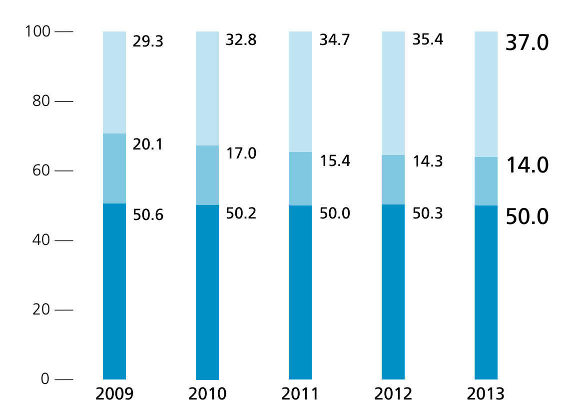
In the fiscal year ended December 31, 2013, the global economy witnessed a moderate recovery, reflecting strong demand in the private sector on the back of the rebound of the U.S. housing market and an increase in employment figures despite the persistent sovereign debt problem in Europe and the impact of the spending cuts by the U.S. government, among other factors.

Meanwhile, amid the depreciation of the yen and higher stock prices in anticipation of economic recovery as a result of the economic policies by the government and monetary easing by the Bank of Japan, the Japanese economy saw a moderate upward trend, which included an expansion in consumer spending and increased exports and public investment.

Against this backdrop, the Asahi Group worked to enhance corporate value by promoting through Value and Network Management starting with fiscal 2013, the first year of the Medium-Term Management Plan 2015. Specifically, based on the principle of Value and Network Management, we promoted measures towards long-term, steady growth by further expanding both domestic and overseas networks in addition to concentrating on our "strengths" such as brands, technologies and cost competitiveness that we have nurtured and acquired as well as new value creation and innovation through leveraging such strengths. In addition, the entire Group worked to attain sustained improvement in its key performance indicators such as return on equity (ROE) and earnings per share (EPS) by increasing capital efficiency mainly by enhancing shareholder returns, while giving top priority to sales and earnings growth.

Product Share in the Beer-type Beverages Market by Genre

(%)



Note: Based on taxable shipments

Net Sales

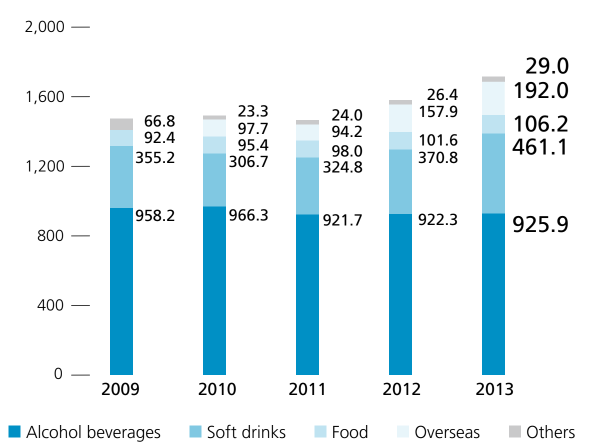
In fiscal 2013, net sales for the Asahi Group increased ¥135.2 billion, or 8.6% year on year, to ¥1,714.2 billion.

Sales in the alcohol beverages business increased ¥3.6 billion, or 0.4% year on year, to ¥925.9 billion, largely reflecting the fact that sales for beer-type beverages increased from the previous year for the first time in 12 years and sales for whisky and spirits were higher than the year earlier. In the soft drinks business, sales rose ¥90.2 billion, or 24.3% year on year, to ¥461.1 billion on the back of increased sales from Asahi Soft Drinks Co., Ltd. and LB Co., Ltd. and better-than-expected performance by Calpis Co., Ltd. Meanwhile, sales in the food business increased ¥4.6 billion, or 4.5% year on year, to ¥106.2 billion owning to strong sales from Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. In the overseas business, sales surged ¥34.1 billion, or 21.6% year on year, to ¥192.0 billion due mainly to strong performance in each region.

In sales composition by segment, the alcohol beverages business's share decreased from 58.4% in the previous fiscal year to 54.0%, while the soft drinks business's share increased from 23.5% to 26.9%. The food business's share, meanwhile, decreased from 6.4% to 6.2%, and the overseas business's share increased from 10.0% to 11.2%.

Net Sales by Segment

(¥ billion)

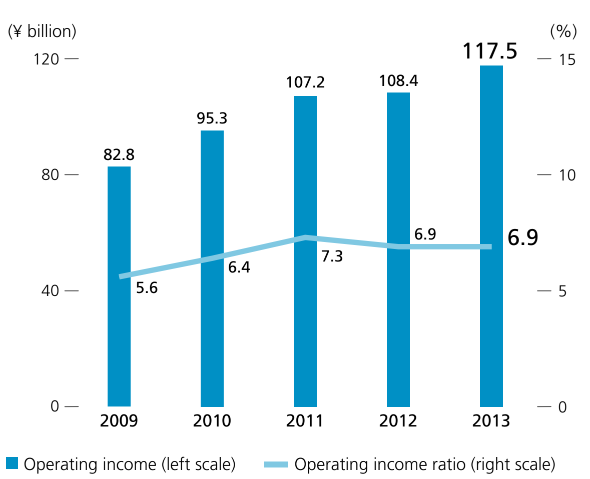


Note: Overseas business results are included in other segments prior to 2011

Operating Income

For the consolidated fiscal year, operating income increased ¥9.0 billion, or 8.3% year on year, to ¥117.5 billion. Despite a ¥4.5 billion increase in amortization of goodwill due mainly to the consolidation of Calpis Co., Ltd., operating income was boosted across all business lines on the back of increased revenues from the soft drinks business, which included a full-year contribution by Calpis, as well as a ¥10.5 billion increase in operating income as a result of cost control and other factors.

Operating Income / Operating Income Ratio



Non-Operating Income / Revenue

Non-operating income decreased ¥0.2 billion in total due to a decline in equity in earnings of affiliates despite an improvement in the financial balance and posting foreign exchange gains.

Equity in earnings of affiliates decreased ¥1.8 billion year on year in total as a reaction to the absence of gain on negative goodwill of Tingyi-Asahi Beverages Holding Co. Ltd. amounting to ¥4.8 billion which had been posted in the previous fiscal year, among other factors.

Extraordinary Income or Loss

Extraordinary losses improved ¥1.8 billion in total due primarily to a ¥1.6 billion gain on transfer of business resulting from a partial transfer of businesses of a domestic consolidated subsidiary which offset a ¥7.5 billion impairment loss in the soft drinks business and the overseas business. An impairment loss of ¥7.5 billion was posted in accordance with the accounting rules as revenue originally anticipated with regard to some goodwill which had been posted for the soft drinks business and the overseas business was no longer feasible as a result of the review of the business plan.

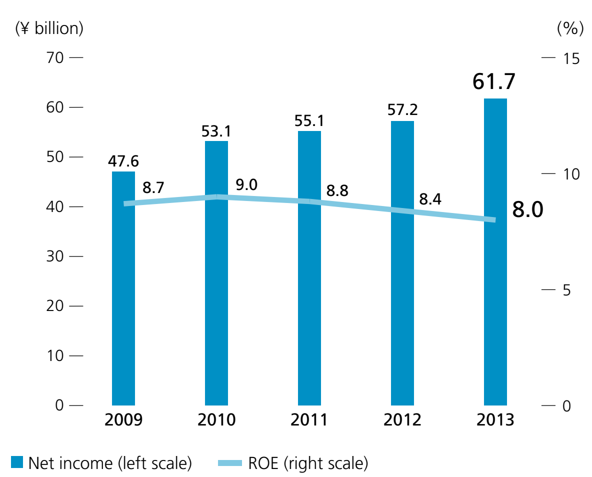
Income Taxes

The actual effective tax rate, including the corporate tax for fiscal 2013, increased from 42.4% in the previous fiscal year to 44.0%. The difference between the actual effective tax rate of 44.0% and the statutory tax rate of 37.7% was primarily caused by the positive effects of 5.8% in amortization of goodwill (including impairment loss), and valuation allowance of 2.1%, and the negative effects of 3.0 % in loss from investments in equity-method affiliates. The major factor behind the increase in the actual effective tax rate was the 2.5% increase in valuation reserves and the 3.3% rise on the gain in equity despite the 3.2% decrease in difference in adjustments of goodwill and the 0.8% decrease in difference from changes in the tax rate.

Net Income

Net income rose 8.0%, or ¥4.6 billion year on year, to ¥61.7 billion. The net income ratio was 3.6%, unchanged from the previous fiscal year. ROE was down 0.4 of a percentage point year on year, at 8.0%. Net income per share (diluted) increased from ¥122.67 to ¥126.26.

Net Income / ROE

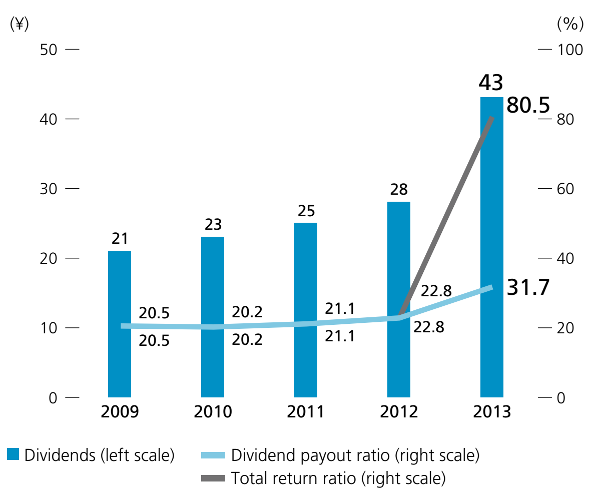


Dividends

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

In fiscal 2014, ending December 31, 2014, we plan to pay an interim dividend of ¥22.0 and a year-end dividend of ¥22.0 per share, for a full-year dividend of ¥44.0 per share, ¥1 higher than in the previous fiscal year.

Dividends / Dividend Payout Ratio / Total Return Ratio



Review of Operations by Segment

Sales and Operating Income by Segment (2013/2012)

	Millions of yen		
	2013	2012	Percent change
Sales			
Alcohol beverages	**¥925,878**	¥922,250	+0.4
Soft drinks	**461,054**	370,836	+24.3
Food	**106,240**	101,627	+4.5
Overseas	**192,034**	157,932	+21.6
Others	**29,029**	26,432	+9.8
Operating income			
Alcohol beverages	**113,743**	113,305	+0.4
Soft drinks	**15,457**	7,379	+109.5
Food	**4,919**	3,669	+34.1
Overseas	**(4,565)**	(3,873)	—
Others	**622**	607	+2.5

Alcohol Beverages Business (Related information on page 18)

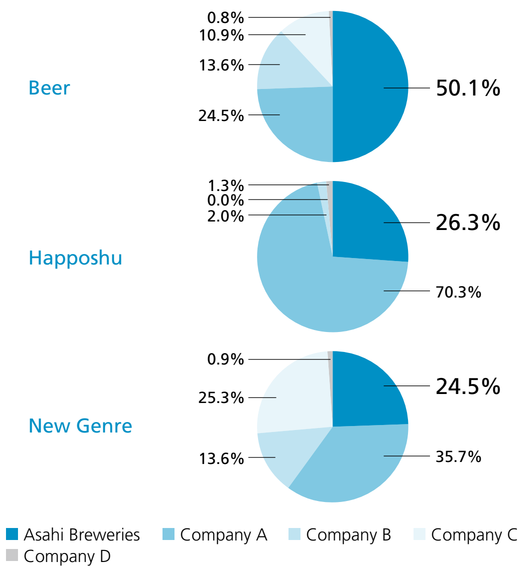
Asahi Breweries, Ltd.

The core company in the Group's alcohol beverages business, Asahi Breweries, Ltd. worked on product development by accurately capturing potential needs of customers and market trends with the aim of becoming the company of first choice for customers. As a result, overall net sales in the alcohol beverage business including Asahi Breweries, Ltd. amounted to ¥925.9 billion, up 0.4% year on year. Operating income increased ¥0.4 billion, or 0.4% year on year, to ¥113.7 billion owing to a reduction in overall fixed costs centered on depreciation despite an increase in raw materials costs due to the impact of the cheaper yen in addition to aggressive investments in advertising and sales promotion expenses.

Beer-type Beverages

The total sales volume of beer-type beverages at Asahi Breweries, Ltd. amounted to 163.2 million cases, up 0.0% year on year. Net sales of beer-type beverages declined ¥2.1 billion, or 0.3% year on year, to ¥774.3 billion. The company's share in the domestic beer-type beverages market on a taxable shipment volume basis grew 0.1 of a percentage point year on year to 37.6%.

Beer-type Beverages by Share (2013)



Beer Category

In the beer category, Asahi Breweries worked to bolster the brand value of *Asahi Super Dry* with a focus on the launch of limited gift products and the rollout of *Asahi Super Dry "Extra cold."* As a result, *Asahi Super Dry* achieved an annual sales volume exceeding 100 million cases*[1] for the 25th consecutive year with an accumulated sales volume since the launch of the product of more than 3.4 billion cases. The overall sales volume in the beer category declined 1.9% year on year to 108.9 million cases and net sales dropped by ¥9.5 billion, or 1.6% year on year, to ¥585.8 billion. Share in the beer market was down 0.5 of a percentage point year on year to 50.1%*[2].

Happoshu Category

In the happoshu category, we focused on the expansion of sales for *Asahi Style Free*, our pioneering product in the "zero carbohydrate"*[3] category. Consequently, happoshu sales volume increased 0.8% year on year to 15.6 million cases and sales rose ¥0.7 billion, or 1.1%, to ¥60.2 billion. Meanwhile, Asahi Breweries, Ltd.'s share of the domestic happoshu market increased 1.4 of a percentage point to 26.3%*[2].

New Genre Beverages Category

In new genre beverages category, we enhanced and nurtured our core brand *Clear Asahi*. Sales volume increased 5.5% year on year to 38.8 million cases and the company's market share grew 0.6 of a percentage point to 24.5%*[2]. Net sales rose ¥6.7 billion, or 5.5%, year on year to ¥128.3 billion.

*[1] One case is equivalent to 20 large bottles (663 ml each).
*[2] Beer market share based on statistical data on taxable shipment volume from Japan's top five beer companies.
*[3] Based on nutrition labeling standards, sugar content of less than 0.5 g (per 100 ml) is indicated as "zero carbohydrate."

Alcohol Beverages Other than Beer-type Beverages

Overall sales of alcohol beverages other than beer-type beverages—shochu, RTD beverages, whisky and spirits, wine and beer-taste beverages—increased ¥7.3 billion, or 5.9%, to ¥131.2 billion. The increase in sales largely reflected successful efforts to heighten the market presence of mainstay brands in each category.

Shochu Category

In the shochu category, although we strived to further expand the user base of the mainstay *Kanoka* brand, net sales declined 3.5% year on year to ¥31.6 billion.

Ready-to-Drink (RTD) Beverages Category

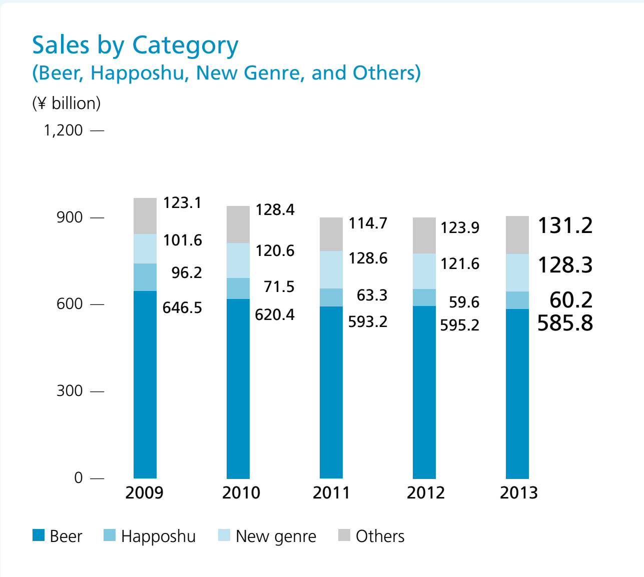
In ready-to-drink (RTD) beverages, we worked on new value propositions through products with presence. However, net sales of RTD beverages declined 4.6% year on year to ¥27.4 billion due partially to sluggish sales of existing brands such as *Slat*.

Whisky and Spirits Category

In whisky and spirits, sales of *Taketsuru*, a flagship product by The Nikka Whisky Distilling Co., Ltd. saw a sharp rise and the sales volume of imported whisky *Jack Daniel's* achieved a record-high in the Japanese market. In addition, exports to Europe, especially to France, remained strong reflecting growing recognition of our products overseas. As a result, net sales in the whisky and spirits category surged 26.9% year on year to ¥37.8 billion.

Wine Category

In wine, sales of our key domestic wine brand *Sainte Neige Rela* grew substantially. For imported wines, such daily wine products as Chilean, Spanish and Italian wines sold well. As a result, sales increased 4.0% to ¥12.0 billion.



Other Alcohol-taste Beverages Segment

In the alcohol-taste beverages (alcohol degree of 0.00%), Asahi Breweries enhanced the quality of *Asahi Dry Zero*. As a result, the annual sales volume of *Asahi Dry Zero* amounted to approximately 5.4 million cases, and the number of restaurants and bars serving the product exceeded 200,000 establishments in November 2013.

In cocktail-taste beverages, we added a limited season flavor to the *Asahi Double Zero Cocktail* series with the aim of creating new settings to drink the product. As a result, net sales increased 6.2% year on year to ¥22.3 billion.

Overseas Alcohol Beverages Business

The overseas sales volume of the Asahi brand was up 8% year on year to 6.8 million cases, 6.2 million cases of which were accounted for by *Super Dry*. Meanwhile, the number of bars and restaurants overseas that serve our draft beer in kegs increased by roughly 2,100 establishments year on year to approximately 12,400 establishments in total.

Soft Drinks Business
(Related information on page 25)

In the soft drinks business, both Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. worked to further enhance their brands while strengthening measures towards profit structure reforms by promoting streamlining of overall fixed costs centered on advertising and sales promotion expenses. Meanwhile, LB Co., Ltd. strived to broadly appeal added-value specific to chilled beverages through product development in its mainstay tea-based drinks and soft drinks. Furthermore, with the aim of enhancing the value of both the Asahi and Calpis brands, the domestic soft drink business of Calpis Co., Ltd. was transferred and merged into Asahi Soft Drinks Co., Ltd. in September 2013. The two companies will formulate growth strategies with an eye on the entire soft drinks business in the future with the aim of boosting profitability through effective marketing investments.

As a result of these measures, sales for the soft drinks business were up 24.3% year on year to ¥461.1 billion, and operating income was up 109.5% to ¥15.5 billion backed by the collaborative synergies of the three companies, among other factors. Consequently, all of these three companies posted increased sales and profits.

Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. worked to further reinforce its operating foundation by focusing on profit structure reforms while endeavoring to enhance the positioning of its existing brands and appeal new value propositions. In terms of product strategies underpinning its growth strategies, the company concentrated management resources on the reinforcement of its five core brands: *Mitsuya Cider*, *WONDA*, *Asahi Juroku-cha*, *Asahi Oishii Mizu* mineral water and *Wilkinson*. Furthermore, in respect of reforms in the profit structure, in addition to efforts to generate synergies with Calpis Co., Ltd. in fields such as procurement, logistics and IT, Asahi Soft Drinks promoted development of an optimized production logistics system to boost sales in the future by commencing construction of a new production complex at its Mt. Fuji Factory. As a result, Asahi Soft Drinks Co., Ltd. achieved a total sales volume of 208.5 million cases, setting a new record-high and realizing positive growth for the 11th year straight.

Carbonated Beverages Category

With respect to its mainstay *Mitsuya Cider* brand, the sales volume surpassed 40 million cases for the first time in the brand's history owing to the company's efforts to invigorate the market by launching *Mitsuya Cider Plus*, the brand's first Food for Specified Health Uses (FOSHU) product. In addition, sales of the *Wilkinson* brand remained strong during the period. As a result, the overall annual sales volume in the carbonated drinks category increased 11.4% year on year to 54.2 million cases.

Fruit and Vegetable Drinks Category

For our long-seller *Bireley's* brand, we made new proposals with a focus on low fruit juice including tomato-based drinks and proposals targeting adults. Consequently, the annual sales volume stood at 16.2 million cases, on par with the previous year.

Coffee Category

In the coffee category, despite Asahi Soft Drinks' efforts to boost the value of its core *WONDA* brand through the launch of new products including *Flavors* and *Otona WONDA*, the overall coffee sales volume was down 1.6% year on year to 39.8 million cases as a result of a contraction in the canned coffee market, among other factors.

Tea-based Drinks Category

The sales volume of our core *Asahi Juroku-cha* brand was up 4% year on year to 20.8 million cases, achieving positive growth for the fourth consecutive year. The overall annual sales volume in the tea-based drinks category was down 8.9% to 37.6 million cases due partially to a reaction to the new products launched in the previous year.

Health & Functional Beverages Category

As a result of our focus on brands such as *H2O, Dodecamin*, etc. the health & functional beverages sales volume was up 5.0% year on year to 9.1 million cases.

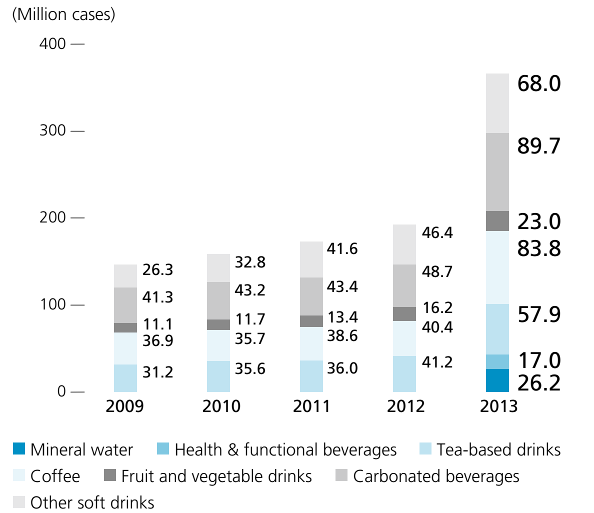
Mineral Water Category

The sales volume of our mainstay *Asahi Oishii Mizu* mineral water brand was boosted 15% year on year to 21.8 million cases as a result of market expansion. Overall, the sales volume of mineral water was up 5.6% year on year to 23.1 million cases.

Calpis

Sales of the *Calpis* brand remained strong owing mainly to efforts including the renewal of our mainstay products including *Calpis Water* and *Calpis Soda* as well as the launch of *Calpis Fruits Parlor*, a fruit-taste drink and *Calpis Oasis*, a salty drink suitable for hydration.

Sales by Category
(Carbonated Beverages, Fruit and Vegetable Drinks, Coffee, Tea-based Drinks, Health & Functional Beverages, Mineral Water and Other Soft Drinks)



Note: Results for fiscal 2013 include the impact of the business transfer after September 2013.

Food Business (Related information on page 30)

In the food business, owing to steady sales increases by Asahi Food & Healthcare Co., Ltd., Wakodo Co. Ltd. and Amano Jitsugyo Co., Ltd., net sales rose 4.5% year on year to ¥106.2 billion. Operating income was boosted 34.1% year on year to ¥4.9 billion due mainly to a decline in production costs and effective use of fixed costs such as advertising and sales promotion expenses.

Asahi Food & Healthcare Co., Ltd.

Asahi Food & Healthcare Co., Ltd. strived to realize growth and profitability by focusing on "steady and healthy growth," "development of an organization and foundation to respond to changes among customers" and "corporate brand enhancement and cultural reform," and by generating original strengths that competitors do not possess.

In the food business, sales of sweet series that utilizes the Calpis brand such as *MINTIA* breath mint tablets and candies remained strong. Meanwhile, in the health and beauty business, sales increased steadily through aggressive sales promotion activities linked with advertising campaign for the *Dear-Natura* brand supplements and the *Suhada Shizuku* skincare products. Furthermore, in the freeze-dried food business, overseas sales grew substantially. Consequently, overall sales from Asahi Food & Healthcare increased year on year.

On the profit front, Asahi Food & Healthcare focused on effective advertising and sales promotion investments as well as productivity improvement through the reduction of production costs, among other initiatives.

Wakodo Co., Ltd.

Wakodo Co., Ltd. pursued the development of new businesses that serve as the next pillars in the growth fields while boosting profitability in existing businesses.

In its mainstay baby food segment, Wakodo worked on new value propositions by launching *Kudamono Tabeyo!* a new pureed fruit product featuring the textures of fresh fruits. Moreover, in the business for senior citizens, Wakodo strived to boost demand by executing in-store measures aimed at expanding product lineup and improving the recognition of its products. As a result, overall sales from Wakodo increased on a year-on-year basis.

On the profit side, Wakodo endeavored to improve profitability by promoting the reduction of variables costs such as production and logistics costs as well as overall fixed costs despite the influence of the depreciation of the yen.

Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. worked to strengthen its operating foundation based on basic policies including "improving its presence in the food market," "profit structure reforms" and "becoming a creative company that enriches the life of customers."

In the mass distribution sales business, the number of mass-retail stores that carry its mainstay freeze-dried products as well as the number of products newly adopted increased. In addition, handling of the products started at convenience stores. Furthermore, with the launch of its antenna shop Amano Freeze-Dried Station in Tokyo in March 2013, Amano Jitsugyo endeavored to enhance recognition of the Amano brand. Thanks to these efforts, overall sales from Amano Jitsugyo grew on a year-on-year basis.

On the profit side, the company strived to streamline production costs by shortening hours spent during production processes, automating certain processes and reducing raw materials costs.

Overseas Business (Related information on page 34)

In the overseas business, sales increased 21.6% year on year to ¥192.0 billion due to favorable performance in each region. Despite returning to profitability of the Chinese business, the operating loss worsened by ¥0.7 billion year on year to ¥4.6 billion. This was because amortization of goodwill increased due to foreign exchange fluctuations.

Oceania Business

In Oceania, we aimed at growing an integrated beverage business combining the soft drinks and alcohol beverages businesses. To this end, we worked to nurture mainstay brands of Schweppes Australia Pty Ltd, expand operations in growing sectors, and create cost synergies among operating companies.

In the soft drinks business, we staged aggressive marketing activities in growing sectors, including reinforced sales activities for mineral water products whose market is expanding and the release of new tea-based label *Real Iced Tea Co.,* in addition to marketing in the flagship carbonated beverages category, including the *Schweppes, Solo, Pepsi* brands. In the alcohol beverages business, we reinforced brand power by renewing core brand products in the mainstay RTD beverages category and by launching new products. In the fast-growing cider (apple wine) segment, we strived to expand our market share significantly by promoting sale of *Somersby* in Australia and making aggressive marketing efforts to sell *Asahi Super Dry* and other brands in the imported premium beer and craft beer segments. As a result, the Oceania business as a whole generated sales that surpassed the previous year's result.

Moreover, we consolidated production and logistics sites to improve efficiency, and promoted joint procurement of raw materials. In the Australian soft drinks and alcohol beverages businesses, sales organizations in charge of commercial-use channels that have license to sell alcohol beverages were consolidated to create group synergies.

China Business

In China, efforts were made to improve the position in the market through expanding sales of Asahi brand products. We also aimed at improving quality and enhancing profitability by consolidating production facilities even further.

Sales volume of Asahi brand products exceeded the previous year's sales mainly in the commercial-use market thanks to vigorous activities to sell mainly draft beer in keg to Japanese restaurants. In the Shanghai area that is the top priority market for the Group, the marketing structure was restructured to the one based on business formats to make it more robust.

We also consolidated Asahi brand's production functions to Beijing Beer Asahi Co., Ltd. to enhance productivity and reduced material costs such as aluminum cans at local production sites, thereby successfully improved profitability.

Southeast Asia Business

In the Southeast Asia Business, sales increased due to upgrade of core brands of Permanis Sdn. Bhd. The business network was expanded by establishing the operational base for the soft drinks business in Indonesia.

Malaysian soft drinks company Permanis Sdn. Bhd. launched a new product of the hallmark carbonated beverage brand *Mountain Dew*. It also staged aggressive marketing activities and reinforced a sales structure in urban areas. In December, the company released new products from Asahi's canned coffee brand *WONDA*. As a result, the company as a whole recorded sales that exceeded the previous year's result. Furthermore, profitability was improved due to enhanced efficiency in procurement of materials such as sugar and aluminum cans.

Other Businesses

In other businesses, sales increased by 9.8% year on year to ¥29.0 billion due to increased logistics contracts. Operating income increased by 2.5% year on year to ¥0.6 billion.

Outlook for Fiscal 2014

In response to changes in the increasingly severe business environment and diversifying stakeholder needs, the Asahi Group established its Long-Term Vision 2020 and started working on the Medium-Term Management Plan 2015, an action plan covering a three-year period for realization of the long-term vision, in December 2013. The Medium-Term Management Plan sets out the promotion of Value and Network Management as key growth strategies of the Asahi Group. Under this management approach, we will endeavor to achieve steady long-term growth and improve corporate value by driving further expansion in our networks worldwide. In addition, we will concentrate on the strengths we have nurtured and developed to date, such as our brands, technologies and cost competitiveness, as we harness these strengths to create new value and achieve innovation. We will strive to increase capital efficiency mainly by enhancing shareholder returns, while giving top priority to sales and earnings growth. Through these measures, the entire Group will work to attain sustained improvement in its targeted indicators of return on equity (ROE) and earnings per share (EPS).

Under the Medium-Term Management Plan 2015, we will strive to improve the profitability of the entire Group for the fiscal year ending December 31, 2014 by continuing to strengthen cost competitiveness while concentrating management resources on the reinforcement of the brands of our mainstay products in each business field.

Consequently, we are forecasting net sales of ¥1,750.0 billion (up 2.1% year on year), operating income of ¥123.0 billion (up 4.7%) and net income of ¥67.0 billion (up 8.5%) for the fiscal year ending December 31, 2014.

Liquidity and Capital Resources

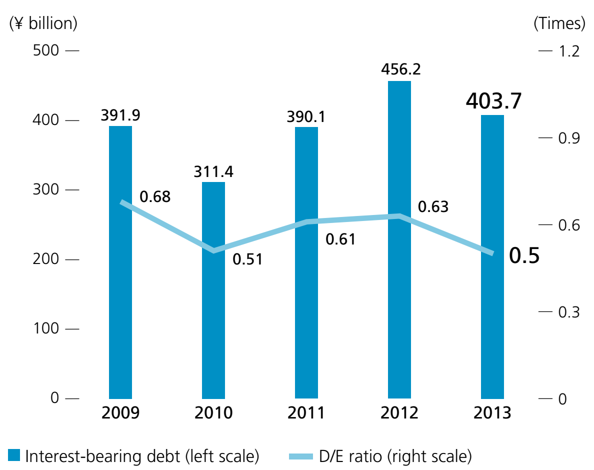
Asahi Group Holdings, Ltd. gains its capital resources principally from cash flows generated by operating activities, loans from financial institutions, and the issuance of company bonds, and as a management policy, regards the reduction of interest-bearing debt as a priority issue. However, we make flexible use of our financial liabilities according to the need for capital resources to invest. Potential investments include capital expenditure to enhance the management base and increase efficiency, and strategic investments such as M&As. When financing needs arise, we respond with due consideration to procurement methods that will result in the lowest possible interest cost. Daily financing needs are, in principle, met through short-term loans and the issuance of commercial paper.

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

The outstanding balance of interest-bearing debt amounted to ¥403.7 billion as of the end of December 2013, down ¥52.5 billion from the previous fiscal year-end due primarily to the progress in the repayment of financial liabilities. The outstanding balance was approximately one-third of its all-time peak in fiscal 1992. In addition, during the year under review the debt-equity ratio was 0.5, compared to 4.9 in fiscal 1992.

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

Interest-bearing Debt and D/E Ratio

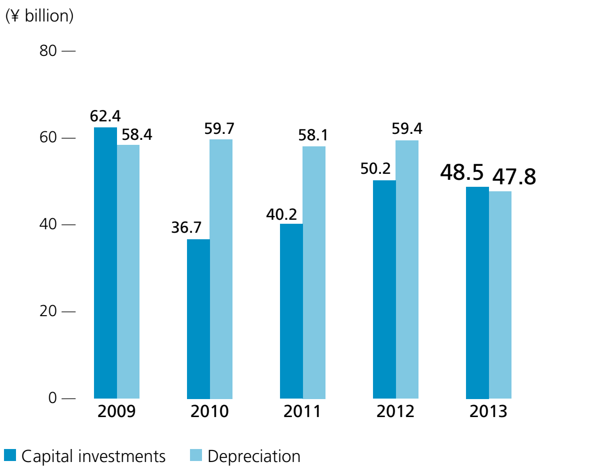


Capital Investments

Capital investments for the fiscal year ended December 31, 2013, increased ¥7.3 billion from ¥41.2 billion in the previous fiscal year to ¥48.5 billion. This increase resulted primarily from several sources, among them investments in profit structure reform in the alcohol beverages business centered on production system development and ongoing facilities investment, including construction to upgrade existing facilities and energy-efficiency measures. Other factors included strategic facilities investment in the soft drinks business by Asahi Soft Drinks Co., Ltd. in an ongoing drive to boost production efficiency, as well as the execution of strategic investment in the overseas business towards new businesses and expansion of sales.

Consolidated depreciation costs decreased ¥0.8 billion year on year to ¥47.8 billion.

Capital Investments and Depreciation



Note: Lease assets and right of trademark at the time of acquisition of overseas subsidiaries are not included in capital investments and depreciation.

Assets, Liabilities and Net Assets

Consolidated total assets as of the end of fiscal 2013 increased by ¥59.4 billion compared with the previous fiscal year-end, to ¥1,791.6 billion. This increase was mainly attributable to an increase in the value of assets of overseas subsidiaries converted into the yen reflecting the depreciation of the yen against major foreign currencies and an increase in investment securities valued at market as a result of a rise in the stock market. Return on assets (ROA) remained at 7.0%, on par with the previous fiscal year.

Current assets increased ¥5.7 billion year on year, to ¥534.9 billion. This was mainly due to an increase in cash and time deposits. Trade receivable turnover was 5.4 times, increasing from 5.3 times recorded for the previous fiscal year. Inventories turnover was 14.8 times, increasing from 14.6 times recorded for the previous year.

Property, plant and equipment increased ¥0.8 billion year on year, to ¥584.2 billion. This was attributable primarily to an increase in the assets of overseas subsidiaries reflecting foreign exchange fluctuations.

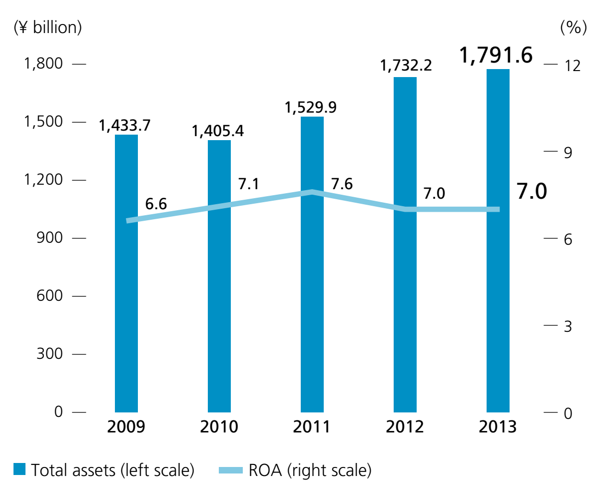
Investments and other assets increased ¥62.0 billion year on year, to ¥382.4 billion. The main contributing factor was an increase in investment securities as a result of the depreciation of the yen against major foreign currencies and a rise in the stock market, among other factors.

Total liabilities decreased ¥41.2 billion from the previous fiscal year-end, to ¥964.1 billion due mainly to progress in the repayment of financial liabilities (total of short-term loans payable, current portion of long-term loans payable, current portion of bonds, commercial papers, bonds payable and long-term loans payable). Current liabilities decreased ¥14.0 billion year on year, to ¥666.1 billion reflecting progress in the repayment of short-term loans payable. Non-current liabilities decreased ¥27.2 billion to ¥298.0 billion, primarily due to progress in the repayment of financial liabilities.

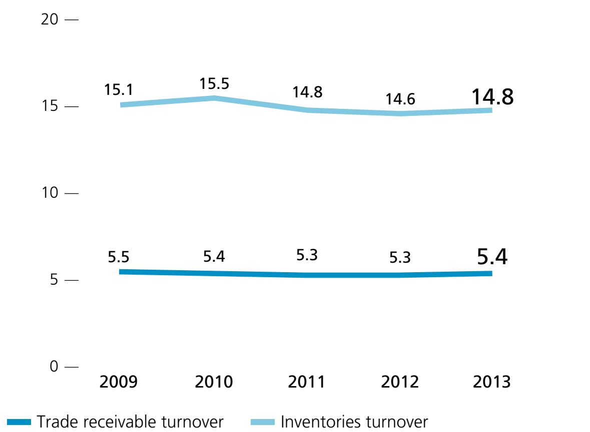
Total net assets increased ¥100.6 billion to ¥827.5 billion. Total net assets minus minority interests were ¥819.3 billion, up ¥95.5 billion compared to ¥723.8 billion in the previous fiscal year. This resulted from an increase in retained earnings due to net income as well as an increase in foreign currency translation adjustments associated with foreign exchange rate movements in currencies despite the acquisition of treasury stock and a decline in retained earnings owing to the payment of cash dividends.

As a result, the equity ratio rose from 41.8% at the previous fiscal year-end to 45.7%.

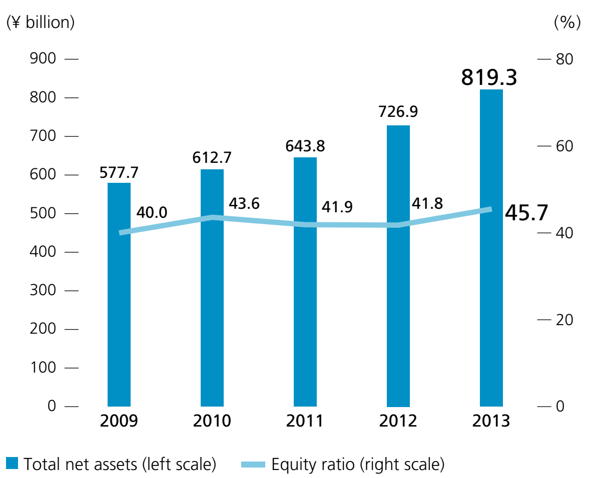
Total Assets and ROA



Trade Receivable Turnover and Inventories Turnover



Total Net Assets and Equity Ratio



Cash Flows

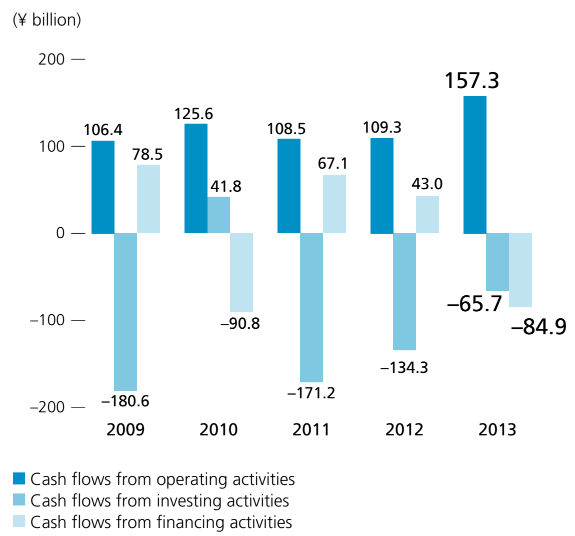
For the fiscal year ended December 31, 2013, net cash provided by operating activities increased ¥48.0 billion year on year to ¥157.3 billion. This result largely reflected an increase in income before income taxes and minority interests, along with increases in depreciation, amortization of goodwill and other non-cash expenses and a decrease in income taxes paid.

Net cash used in investing activities stood at ¥65.7 billion, a decrease of ¥68.6 billion from the previous year. The decrease primarily reflected the absence of the payment for the purchase of stock in Calpis Co., Ltd. which was carried out during the previous fiscal year, which more than offset an increase in payments for the acquisition of property, plant and equipment during the period ending December 31, 2013.

Net cash provided by financing activities increased ¥127.9 billion year on year to ¥84.9 billion. This was primarily due to the repayment of short-term loans payable and the acquisition of treasury stock.

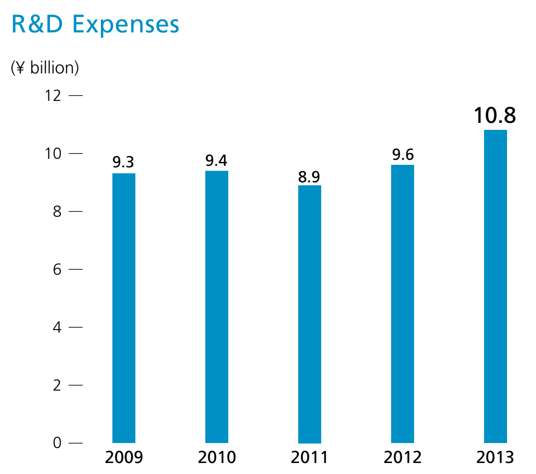
As a result, cash and cash equivalents at the fiscal year-end increased ¥6.8 billion to ¥41.1 billion.

Cash Flows



Research and Development Expenses

R&D expenses for the year under review at the fiscal year-end increased ¥1.2 billion to ¥10.8 billion.



Business Risk

1. Effects of Market and Economic Trends and Demographic Change in Japan

The alcohol beverages business accounts for approximately 54% of sales for the Asahi Group, a considerable portion of which is generated by the Japanese market. Future trends in the Japanese economy may have a significant effect on domestic consumption of alcohol beverages. Furthermore, a continually declining population, fewer childbirths and the ongoing aging of the Japanese population may affect consumption of soft drinks and food as well as alcohol beverages, and in turn may affect the business performance and financial condition of the Asahi Group.

2. Higher Liquor Tax Rates

In the event that consumption tax or liquor tax rates are raised, consumption of alcohol beverages, soft drinks, or food may decline due to higher sales prices, potentially affecting the business performance and financial condition of the Asahi Group.

3. Dependence on a Specific Product

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

4. Food Safety

The Asahi Group upholds its management principle of delivering the highest quality to customers, and ensures food safety by implementing an uncompromising system of inspection and control throughout the Group. Nevertheless, the food industry currently faces various problems, including fears of radiation contamination, bird flu, BSE, foot-and-mouth disease, residual agricultural chemicals, genetic engineering, and the proper indication of allergy-causing substances. The Asahi Group is strengthening its efforts to proactively identify such risks, and to implement countermeasures before they materialize. Nevertheless, the occurrence of incidents beyond the scope of such measures implemented by the Group may affect the business performance and financial condition of the Asahi Group.

5. Fluctuations in Raw Material Prices

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

6. Effects of Weather Conditions, Natural Disasters and Others

With respect to the alcohol beverage and soft drink sales of the Asahi Group, stagnant markets caused by abnormal weather or variable weather conditions may affect the volume of sales. Furthermore, sudden occurrences of various catastrophes, natural disasters and unforeseeable accidents that could damage production and logistics facilities may result in loss of assets, the reporting of losses on unshipped products, expenditures on facility repairs and opportunity loss due to disruptions in production and logistics, and in turn, affect the business performance and financial condition of the Asahi Group.

7. Risks Related to Information Systems

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

8. Risks Related to Overseas Business

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

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

9. Risks Related to the Environment

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

10. Risks Related to Changes in Laws and Regulations

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

11. Trends in the Control of Alcohol Beverages

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

12. Risks Related to Litigation

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

13. Fluctuations in Value of Owned Assets

Sudden drops in the value of land, marketable securities, and other assets owned by the Asahi Group, or changes in the business environment, could affect the business performance and financial condition of the Asahi Group.

14. Retirement Benefits

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

15. Business and Capital Alliances

The Asahi Group pursues business and capital alliances with companies in Japan and overseas to establish bases for growth in line with its medium-term management plan. There is the possibility, however, that these alliances could fail to yield synergies as initially projected due to the impact of changes in the business environment on the Asahi Group, its alliance partners, or companies in which the Group is invested, or other factors.

Moreover, changes of this kind in the business environment could cause deterioration in the businesses, management, or financial condition of alliance partners and invested companies. Adverse effects of this type could negatively impact the businesses, operating results and financial condition of the Asahi Group. Furthermore, the need to amortize a substantial amount of goodwill stemming from investment, or to post significant impairment losses caused by slumping business performance at invested companies, could adversely affect the operating results of the Asahi Group.

Consolidated Balance Sheets

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
As of December 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
Assets	**2013**	2012	2011	**2013**
Current assets:				
Cash and time deposits (Notes 4 and 6)	**¥ 42,201**	¥ 34,573	¥ 16,893	**$ 400,427**
Notes and accounts receivable (Note 6)	**317,106**	317,008	279,596	**3,008,881**
Allowance for doubtful accounts	**(3,118)**	(4,914)	(3,327)	**(29,585)**
Inventories (Note 5)	**118,303**	113,519	102,631	**1,122,526**
Deferred tax assets (Note 12)	**15,505**	12,623	12,983	**147,120**
Other current assets	**44,893**	56,380	48,370	**425,970**
Total current assets	**534,890**	529,189	457,146	**5,075,339**
Property, plant and equipment (Notes 10 and 17)**:**				
Land	**206,111**	205,554	176,054	**1,955,698**
Buildings and structures	**432,483**	431,654	399,003	**4,103,644**
Machinery and equipment	**700,004**	681,962	621,532	**6,642,034**
Lease assets	**45,823**	38,179	29,161	**434,795**
Others	**196**	144	200	**1,859**
Construction in progress	**19,437**	7,829	5,355	**184,429**
	1,404,054	1,365,322	1,231,305	**13,322,459**
Less accumulated depreciation	**(819,834)**	(781,923)	(695,069)	**(7,779,049)**
Net property, plant and equipment	**584,220**	583,399	536,236	**5,543,410**
Intangible assets:				
Goodwill (Note 16)	**196,203**	203,765	184,408	**1,861,694**
Other intangible assets	**93,822**	95,373	49,881	**890,236**
Total intangible assets	**290,025**	299,138	234,289	**2,751,930**
Investments and other assets:				
Investment securities (Note 6)	**124,179**	91,457	76,875	**1,178,281**
Investments in unconsolidated subsidiaries and affiliated companies (Notes 6, 7 and 22)	**209,503**	176,786	160,967	**1,987,883**
Long-term loans receivable (Note 6)	**6,963**	4,232	5,104	**66,069**
Deferred tax assets (Note 12)	**9,120**	18,212	28,950	**86,536**
Other non-current assets	**32,656**	29,775	30,341	**309,840**
Total investments and other assets	**382,421**	320,462	302,237	**3,628,609**
Total assets	**¥1,791,556**	¥1,732,188	¥1,529,908	**$16,999,288**

See accompanying notes.

Liabilities and net assets	Millions of yen 2013	2012	2011	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:				
Bank loans (Notes 6 and 10)	¥ 128,972	¥ 159,331	¥ 90,218	$ 1,223,759
Commercial paper (Notes 6 and 10)	67,000	68,000	28,000	635,734
Current portion of long-term debts (Notes 6 and 10)	25,363	15,367	71,462	240,659
Notes and accounts payable (Note 6):				
Trade	118,407	117,569	104,128	1,123,513
Other	68,700	68,115	61,621	651,865
Alcohol tax payable	110,371	112,599	111,063	1,047,263
Consumption tax payable	10,345	17,722	17,413	98,159
Deposits received (Note 6)	18,087	21,201	18,932	171,620
Income taxes payable (Note 12)	32,151	23,202	25,018	305,067
Accrued expenses	66,765	60,377	61,877	633,504
Lease obligations	8,532	7,976	6,200	80,956
Allowance for employees' bonuses	4,284	4,139	3,052	40,649
Other current liabilities (Note 6)	7,103	4,471	3,182	67,396
Total current liabilities	666,080	680,069	602,166	6,320,144
Non-current liabilities:				
Long-term debts (Notes 6 and 10)	182,388	213,537	200,413	1,730,601
Employees' severance and retirement benefits (Note 11)	22,581	23,852	21,855	214,261
Allowance for retirement benefits for directors and corporate auditors	192	480	372	1,822
Deferred tax liabilities (Note 12)	37,746	31,433	6,602	358,155
Lease obligations (Note 6)	14,714	15,621	15,133	139,615
Other non-current liabilities	40,373	40,317	39,568	383,072
Total non-current liabilities	297,994	325,240	283,943	2,827,526
Total liabilities	964,074	1,005,309	886,109	9,147,670
Commitments and contingent liabilities (Note 14)				
Net assets (Note 13)				
Shareholders' equity (Note 18)**:**				
Common stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	182,531	182,531	182,531	1,731,957
Capital surplus	152,538	150,641	150,789	1,447,367
Retained earnings	428,662	383,177	338,809	4,067,388
Treasury stock, at cost	(40,032)	(27,764)	(28,296)	(379,846)
Total shareholders' equity	723,699	688,585	643,833	6,866,866
Accumulated other comprehensive income				
Unrealized gains (losses) on available-for-sale securities, net of taxes	20,981	3,260	(2,685)	199,080
Unrealized gains (losses) on hedging derivatives, net of taxes	224	(5)	1	2,125
Foreign currency translation adjustments	74,391	31,979	584	705,864
Total accumulated other comprehensive income	95,596	35,234	(2,100)	907,069
Minority interests	8,187	3,060	2,066	77,683
Total net assets	827,482	726,879	643,799	7,851,618
Total liabilities and net assets	¥1,791,556	¥1,732,188	¥1,529,908	$16,999,288

Consolidated Statements of Income

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For years ended December 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Net sales (Note 20)	¥1,714,237	¥1,579,077	¥1,462,736	$16,265,651
Costs and expenses (Note 20):				
Cost of sales (Note 8)	613,695	552,311	491,518	5,823,086
Alcohol tax	419,159	422,391	415,725	3,977,218
Selling, general and administrative expenses (Note 8)	563,916	495,938	448,303	5,350,754
	1,596,770	1,470,640	1,355,546	15,151,058
Operating income (Note 20)	117,467	108,437	107,190	1,114,593
Other income (expenses):				
Interest and dividend income	1,990	1,739	1,470	18,882
Foreign exchange gains	747	—	—	7,088
Interest expenses	(3,596)	(4,043)	(3,668)	(34,121)
Equity in net income of unconsolidated subsidiaries and affiliated companies	8,823	10,617	5,480	83,718
Gain on sales of securities—net (Note 7)	983	94	535	9,327
Gain (loss) on sales of investments in subsidiaries and affiliated companies	(40)	201	4,677	(380)
Gain on change in equity	—	8,088	—	—
Loss on sales and disposal of property, plant and equipment—net	(3,007)	(3,035)	(1,087)	(28,532)
Loss on devaluation of investment securities	(13)	(889)	(2,192)	(123)
Loss on impairment of non-current assets (Notes 16 and 20)	(7,473)	(3,070)	—	(70,908)
Loss on factory restructurings	—	(1,459)	(735)	—
Gain on transfer of business	1,564	—	—	14,840
Business integration expenses	(3,389)	(5,944)	(3,615)	(32,157)
Earthquake related expenses	—	—	(17,914)	—
Adjustment of goodwill (Note 15)	—	(7,954)	—	—
Other—net	(3,585)	(2,942)	281	(34,016)
	(6,996)	(8,597)	(16,768)	(66,382)
Income before income taxes and minority interests	110,471	99,840	90,422	1,048,211
Income taxes (Note 12):				
Current	48,538	33,854	29,938	460,557
Deferred	89	8,454	4,949	844
	48,627	42,308	34,887	461,401
Income before minority interests	61,844	57,532	55,535	586,810
Minority interests in net loss (income) of consolidated subsidiaries	(95)	(349)	(442)	(901)
Net income	¥ 61,749	¥ 57,183	¥ 55,093	$ 585,909

	Yen			U.S. dollars (Note 1)
	2013	2012	2011	2013
Amounts per share of common stock:				
Net income	¥135.73	¥122.75	¥118.36	$1.29
Diluted net income	126.26	122.67	118.28	1.20
Cash dividends applicable to the year	43.00	28.00	25.00	0.41

See accompanying notes.

Consolidated Statements of Comprehensive Income

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For years ended December 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Income before minority interests	¥ 61,844	¥57,532	¥55,536	$ 586,810
Other comprehensive income (Note 21)**:**				
Unrealized gains (losses) on available-for-sale securities, net of taxes	17,721	5,945	(2,884)	168,147
Unrealized gains (losses) on hedging derivatives, net of taxes	229	(7)	(692)	2,172
Foreign currency translation adjustments	19,583	31,015	(11,462)	185,815
Share of other comprehensive income of affiliated companies accounted for using equity method	23,348	302	(623)	221,539
Total other comprehensive income	60,881	37,255	(15,661)	577,673
Comprehensive income (Note 21)	¥122,725	¥94,787	¥39,875	$1,164,483
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥122,111	¥94,516	¥40,750	$1,158,657
Comprehensive income attributable to minority interests	¥ 614	¥ 271	¥ (875)	$ 5,826

See accompanying notes.

Consolidated Statements of Changes in Net Assets (Note 18)

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For years ended December 31, 2013, 2012 and 2011

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Accumulated other comprehensive income/(loss)	Minority interests	Total equity
Balance at December 31, 2010	¥182,531	¥150,910	¥295,229	¥(28,721)	¥599,949	¥ 199	¥693	¥11,351	¥12,243	¥ 478	¥612,670
Net income			55,093		55,093						55,093
Cash dividends paid			(11,170)		(11,170)						(11,170)
Purchases of treasury stock				(11)	(11)						(11)
Disposal of treasury stock		(121)		436	315						315
Decrease resulting from change in scope of consolidation			(125)		(125)						(125)
Decrease resulting from change in scope of equity method			(218)		(218)						(218)
Net changes of items in accumulated losses from revaluation and translation adjustments						(2,884)	(692)	(10,767)	(14,343)		(14,343)
Increase in minority interests										1,588	1,588
Balance at December 31, 2011	¥182,531	¥150,789	¥338,809	¥(28,296)	¥643,833	¥ (2,685)	¥ 1	¥ 584	¥ (2,100)	¥2,066	¥643,799
Investments in unconsolidated subsidiaries and affiliated companies (Notes 6, 7 and 22)			57,183		57,183						57,183
Cash dividends paid			(12,808)		(12,808)						(12,808)
Purchases of treasury stock				(13)	(13)						(13)
Disposal of treasury stock		(148)		545	397						397
Decrease resulting from change in scope of equity method			(7)		(7)						(7)
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments						5,945	(6)	31,395	37,334		37,334
Increase in minority interests										994	994
Balance at December 31, 2012	¥182,531	¥150,641	¥383,177	¥(27,764)	¥688,585	¥ 3,260	¥ (5)	¥31,979	¥35,234	¥3,060	¥726,879
Net income			**61,749**		**61,749**						**61,749**
Cash dividends paid			**(16,264)**		**(16,264)**						**(16,264)**
Purchases of treasury stock				**(30,029)**	**(30,029)**						**(30,029)**
Disposal of treasury stock		**1,897**		**17,761**	**19,658**						**19,658**
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments						**17,721**	**229**	**42,412**	**60,362**		**60,362**
Increase in minority interests										**5,127**	**5,127**
Balance at December 31, 2013	**¥182,531**	**¥152,538**	**¥428,662**	**¥(40,032)**	**¥723,699**	**¥20,981**	**¥224**	**¥74,391**	**¥95,596**	**¥8,187**	**¥827,482**

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Accumulated other comprehensive income/(loss)	Minority interests	Total equity
Balance at December 31, 2012	$1,731,957	$1,429,367	$3,635,800	$(263,440)	$6,533,684	$ 30,933	$ (47)	$303,435	$334,321	$29,035	$6,897,040
Net income			**585,909**		**585,909**						**585,909**
Cash dividends paid			**(154,321)**		**(154,321)**						**(154,321)**
Purchases of treasury stock				**(284,932)**	**(284,932)**						**(284,932)**
Disposal of treasury stock		**18,000**		**168,526**	**186,526**						**186,526**
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments						**168,147**	**2,172**	**402,429**	**572,748**		**572,748**
Increase in minority interests										**48,648**	**48,648**
Balance at December 31, 2013	**$1,731,957**	**$1,447,367**	**$4,067,388**	**$(379,846)**	**$6,866,866**	**$199,080**	**$2,125**	**$705,864**	**$907,069**	**$77,683**	**$7,851,618**

See accompanying notes.

Consolidated Statements of Cash Flows

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For years ended December 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥110,471**	¥99,840	¥90,422	**$1,048,211**
Depreciation and amortization	**62,581**	59,366	58,135	**593,804**
Amortization of goodwill	**12,461**	10,553	6,796	**118,237**
Loss on impairment of non-current assets	**7,473**	3,070	—	**70,908**
Increase (decrease) in employees' severance and retirement benefits	**(2,481)**	1,694	(1,423)	**(23,541)**
Increase (decrease) in allowance for doubtful accounts	**418**	(510)	(1,811)	**3,966**
Interest and dividend income	**(1,990)**	(1,739)	(1,470)	**(18,882)**
Interest expenses	**3,596**	4,043	3,668	**34,121**
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(8,823)**	(10,617)	(5,480)	**(83,718)**
Gain on sales of securities—net	**(983)**	(94)	(535)	**(9,327)**
Loss on devaluation of investment securities	**13**	889	2,192	**123**
Loss (gain) on sales of investments in subsidiaries and affiliated companies	**40**	(201)	(4,677)	**380**
Loss on sales and disposal of property, plant and equipment—net	**3,007**	3,035	1,087	**28,532**
Loss on factory restructurings	**—**	1,459	735	**—**
Gain on change in equity	**—**	(8,088)	—	**—**
Adjustment of goodwill	**—**	7,954	—	**—**
Decrease (increase) in notes and accounts receivable—trade	**3,236**	(8,798)	(838)	**30,705**
Decrease (increase) in inventories	**(3,090)**	(5,373)	(3,090)	**(29,320)**
Increase (decrease) in notes and accounts payable—trade	**(1,052)**	(3,399)	(890)	**(9,982)**
Increase (decrease) in alcohol taxes payable	**(2,277)**	1,209	(9,294)	**(21,605)**
Increase (decrease) in consumption taxes payable	**532**	1,531	(1,423)	**5,048**
Bonuses paid to directors and corporate auditors	**(313)**	(383)	(377)	**(2,970)**
Other, net	**3,122**	1,622	21,177	**29,624**
Subtotal	**185,941**	157,063	152,904	**1,764,314**
Interest and dividends income received	**5,607**	5,021	5,745	**53,202**
Interest expenses paid	**(3,846)**	(4,276)	(3,345)	**(36,493)**
Income taxes paid	**(30,450)**	(48,516)	(46,791)	**(288,927)**
Net cash provided by operating activities	**157,252**	109,292	108,513	**1,492,096**
Cash flows from investing activities:				
Payments into time deposits	**(810)**	(136)	(583)	**(7,686)**
Proceeds from withdrawal of time deposits	**29**	676	734	**275**
Purchase of property, plant and equipment	**(43,603)**	(35,221)	(23,494)	**(413,730)**
Proceeds from sales of property, plant and equipment	**1,844**	753	4,855	**17,497**
Purchase of intangible assets	**(5,359)**	(5,121)	(3,101)	**(50,849)**
Proceeds from sales of intangible assets	**—**	—	87	**—**
Purchase of investment securities	**(12,549)**	(4,742)	(8,353)	**(119,072)**
Proceeds from sales of investment securities	**3,977**	1,040	977	**37,736**
Proceeds from sales of investments in subsidiaries	**—**	552	—	**—**
Purchase of investments in subsidiaries resulting from change in scope of consolidation	**(2,991)**	(88,270)	(142,143)	**(28,380)**
Proceeds from sales of investments in subsidiaries resulting from change in scope of consolidation	**—**	—	3,014	**—**
Payments for sales of investments in subsidiaries resulting from change in scope of consolidation	**(198)**	—	—	**(1,879)**
Payments for loans receivable	**(1,262)**	(1,478)	(1,026)	**(11,975)**
Collection of loans receivable	**1,447**	1,190	1,281	**13,730**
Other, net	**(6,230)**	(3,563)	(3,483)	**(59,113)**
Net cash used in investing activities	**(65,705)**	(134,320)	(171,235)	**(623,446)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans payable	**(32,452)**	106,842	49,278	**(307,923)**
Repayments of lease obligations	**(8,949)**	(7,254)	(5,140)	**(84,923)**
Proceeds from long-term loans payable	**13,089**	566	5,048	**124,196**
Repayment of long-term loans payable	**(15,654)**	(46,514)	(5,495)	**(148,534)**
Proceeds from issuance of bonds	**—**	28,000	50,000	**—**
Redemption of bonds	**—**	(25,000)	(15,000)	**—**
Purchase of treasury stock	**(30,029)**	(14)	(11)	**(284,932)**
Cash dividends paid	**(16,265)**	(12,808)	(11,170)	**(154,332)**
Cash dividends paid to minority shareholders	**(251)**	(1,551)	—	**(2,382)**
Proceeds from stock issuance to minority shareholders	**4,767**	1,390	42	**45,232**
Other, net	**806**	(655)	(462)	**7,648**
Net cash provided by (used in) financing activities	**(84,938)**	43,002	67,090	**(805,940)**
Effect of exchange rate changes on cash and cash equivalents	**187**	208	820	**1,783**
Net increase (decrease) in cash and cash equivalents	**6,796**	18,182	5,188	**64,484**
Cash and cash equivalents at beginning of year	**34,320**	16,138	10,813	**325,648**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**—**	—	137	**—**
Cash and cash equivalents at end of year (Note 4)	**¥ 41,116**	¥34,320	¥16,138	**$ 390,132**

See accompanying notes.

Notes to Consolidated Financial Statements

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Asahi Group Holdings, Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements.

The accounting standard for unification of accounting policies applied to foreign subsidiaries and foreign affiliated companies for the consolidated financial statements requires: (1) the accounting policies and procedures applied to a parent company and its subsidiaries and foreign affiliated companies for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries and foreign affiliated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

1) Amortization of goodwill
2) Scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity
3) Expensing capitalized development costs of R&D
4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting
5) Exclusion of minority interests from net income, if contained

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2013, which was ¥105.39 to U.S.$1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Companies") (32 domestic and 53 overseas subsidiaries for 2013, 33 domestic and 51 overseas subsidiaries for 2012 and 32 domestic and 47 overseas subsidiaries for 2011).

All significant intercompany transactions and account balances are eliminated in consolidation.

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

Goodwill

Goodwill is amortized over 5 to 20 years on a straight-line basis.

Equity method

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

(Additional information)

Year ended December 31, 2012

Matters relating to application of the equity method

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

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

Consolidated statement of cash flows

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

Allowance for doubtful accounts

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

Securities

Debt securities classified as held-to-maturity are stated at amortized cost.

Other debt and marketable equity securities classified as available-for-sale securities are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Non-marketable securities classified as available-for-sale securities are carried at cost.

Inventories

Inventories are measured at the lower of cost or net realizable value. The Company and its consolidated subsidiaries measure the cost of merchandise, finished goods and work in process by weighted-average method, and the cost of raw materials and supplies by moving-average method.

Property, plant and equipment

Depreciation is computed mainly using the straight-line method. Certain consolidated subsidiaries apply the declining-balance method. Estimated useful lives of the assets are as follows:

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

Accounting for lease transactions as lessee

Finance leased assets that are not deemed to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

Finance leases which commenced prior to January 1, 2009 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

Income taxes

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

Employees' severance and retirement benefits

The Companies' basic severance and retirement benefits consist of two types of plans; a defined benefit pension plan and a funded contributory pension plan. And Asahi Breweries, Ltd., consolidated subsidiary of the Company, has established trust to cover retirement benefit obligations. In addition, certain of the Company's consolidated subsidiaries have a defined contribution pension plan and an advance payment system for the employees' retirement plan.

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

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

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

Prior service costs are amortized by the straight-line method over the average of the estimated remaining service lives of mainly 10 years.

Allowance for retirement benefits for directors and corporate auditors

Certain consolidated subsidiaries accrue 100% of obligations based on their internal rules required under the assumption that all directors and corporate auditors retired at the balance sheet date in order to reserve for payments of retirement benefits to directors and corporate auditors are subject to approval at the shareholders' meeting.

Translation of foreign currency accounts and financial statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates, and differences arising from the translation are included in the statement of income as a gain or loss.

The financial statements of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates for assets and liabilities, and at historical exchange rates for shareholders' equity. All revenue and expense accounts are translated at average exchange rates for during the fiscal period.

Derivative financial instruments

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

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

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

In addition, foreign currency-dominated transactions, for which foreign currency swaps are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the swap contracts qualify for specific hedge accounting.

Accounting standard for accounting changes and error corrections

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

Amounts per share of common stock

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

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

3. Unapplied Accounting Standards

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)
  (Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

(1) Summary

From the viewpoint of improvements to financial reporting and international convergence, accounting treatment for actuarial gains and losses and past service costs that are yet to be recognized in profit or loss, determination of retirement benefit obligations and current service costs, and enhanced disclosures have been amended.

(2) Effective dates

Effective for the end of annual periods ending on or after December 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after December 31, 2015.

(3) Effect of application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)
  (Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

(1) Summary

Under the revised accounting statements, the followings have been predominantly amended.

1. Accounting treatment for changes in equity of parent company to its subsidiary in case where parent company still controls its subsidiary in case of additional purchase of investment in subsidiary.
2. Accounting treatment of acquisition related costs
3. Presentation of net income and change from minority interests to non-controlling shareholders' interests
4. Provisional accounting treatment

(2) Effective dates

Effective for the beginning of annual periods ending on or after December 31, 2016. Provisional accounting treatment is effective from the beginning of annual periods ending on or after December 31, 2016.

(3) Effect of application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. Cash Flow Information

A. Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Cash and time deposits	**¥42,201**	¥34,573	¥16,893	**$400,427**
Less: Time deposits with maturities exceeding three months	**(1,085)**	(253)	(755)	**(10,295)**
Cash and cash equivalents	**¥41,116**	¥34,320	¥16,138	**$390,132**

B. Assets and liabilities of newly consolidated subsidiaries through acquisition of shares:

Assets and liabilities of acquired companies and its subsidiaries and net cash outflow for such acquisition, which are included in "Purchase of investments in subsidiaries resulting in change in scope of consolidation" for the years ended December 31, 2013, 2012 and 2011 were as follows:

However the information for the fiscal year ended December 31, 2013 is omitted since the aggregate value is immaterial.

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Current assets	**¥—**	¥44,622	¥ 18,528	**$—**
Non-current assets	**—**	86,245	31,900	**—**
Goodwill	**—**	29,889	107,878	**—**
Current liabilities	**—**	(36,793)	(13,608)	**—**
Non-current liabilities	**—**	(23,178)	(8,981)	**—**
Foreign currency translation adjustments	**—**	—	7,175	**—**
Acquisition cost of shares	**—**	100,785	142,892	**—**
Expenditures for acquiring the common shares	**—**	—	2,975	**—**
Cash and cash equivalents of acquired companies	**—**	(12,515)	(3,724)	**—**
Net cash used for acquisition of acquired companies	**¥—**	¥88,270	¥ 142,143	**$—**

5. Inventories

Inventories at December 31, 2013, 2012 and 2011 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Finished goods	**¥ 34,399**	¥ 37,765	¥ 29,205	**$ 326,397**
Work in process	**34,327**	33,764	33,360	**325,714**
Raw materials	**29,221**	27,169	25,078	**277,265**
Supplies	**7,519**	7,197	7,152	**71,345**
Merchandise	**12,837**	7,624	6,325	**121,805**
Others	**—**	—	1,511	**—**
Total	**¥118,303**	¥113,519	¥102,631	**$1,122,526**

6. Financial Instruments

The information related to financial instruments for the year ended December 31, 2013, 2012 and 2011 were as follows.

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

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

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

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

(b) Details of financial instruments and the related risks

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

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

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

Commercial paper, bank loans and bonds issued by the Company are exposed to liquidity risk that the Company would not be able to reimburse such debts due to a deterioration in the financial market. Certain amount of borrowing is undertaken by using floating interest rates which is exposed to interest rate fluctuation risk, however, this risk is hedged through the adoption of interest rate swap contracts. Foreign currency-denominated long-term debts are also exposed to foreign exchange risk.

Derivative transactions include currency swap transactions and foreign exchange contracts to hedge against foreign exchange fluctuation risks related to foreign-currency based receivables and payables, interest rate swap transactions to hedge against interest rate risks on borrowings, and commodity swap transactions and currency option transactions to hedge price fluctuation risks when consolidated subsidiaries procure raw materials.

Refer to Note 9, "Derivative Financial Instruments" for information about the hedging instruments and hedged items, hedging policy and the method of evaluating hedging effectiveness for the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

(i) Management of credit risk (risk associated with nonfulfillment of contracts by counterparties)

With respect to notes and accounts receivable and long-term loans receivables, in order to control the credit risk of customers, each business and sales management division within each consolidated subsidiary conducts periodic monitoring of parties to key transactions to assess the risk in accordance the internal credit policy. In addition, each consolidated subsidiary regularly monitors the status of occurrence and collections of bad debts, and manages them in collaboration with their respective Sales Department.

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

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

Looking to reduce foreign exchange fluctuation risks on future foreign currency-based cash flows ascertained by each currency, the Company and its principal consolidated subsidiaries mainly use foreign exchange contracts. The Company and its principal consolidated subsidiaries also engage in interest rate swap transactions to avoid interest rate fluctuation risks relating to borrowings, and in commodities swap transactions to avert risks of fluctuations in raw materials prices.

Investment securities are periodically assessed by each consolidated subsidiary with respect to market value and the financial status of the issuing entities (business partners), and the merits and demerits of holding such securities are continually reviewed, taking into consideration the relationship with the respective business partners.

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

(iii) Management of liquidity risk associated with procurement (risk of inability to make payments on due date)

The Company and its principal consolidated subsidiaries have adopted a CMS and liquidity risk management at participating companies is therefore undertaken by the Company.

The Company manages the liquidity risk process where its Finance Section formulates and updates cash flow plans on a timely basis based on the reports from consolidated subsidiaries and operational departments and through a policy to control liquidity in hand for effective procurement.

(2) Fair value of financial instruments

Book value, fair value and the difference between them for the financial assets and liabilities as of December 31, 2013, 2012 and 2011 were as follows:

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 42,201	¥ 42,201	¥ —
(2) Notes and accounts receivable	317,106		
Allowance for doubtful accounts *1	(2,788)		
Notes and accounts receivable—net	314,318	314,318	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	86,682	235,570	148,888
(ii) Available-for-sale securities	104,766	104,766	—
(4) Long-term loans receivable *2	7,646		
Allowance for doubtful accounts *1	(3,779)		
Long-term loans receivable—net	3,867	4,006	139
Assets—total	¥551,834	¥700,861	¥149,027
(1) Bank loans	128,972	128,972	—
(2) Commercial paper	67,000	67,000	—
(3) Notes and accounts payable	187,108	187,108	—
(4) Deposits received	18,087	18,087	—
(5) Long-term debts *3	207,751	231,525	23,774
(6) Lease obligations *4	23,246	24,020	774
Liabilities—total	¥632,164	¥656,712	¥ 24,548
Derivative transactions *5	¥ 542	¥ 542	¥ —

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 34,573	¥ 34,573	¥ —
(2) Notes and accounts receivable	317,008		
Allowance for doubtful accounts *1	(3,635)		
Notes and accounts receivable—net	313,373	313,373	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	74,116	135,780	61,664
(ii) Held-to-maturity debt securities	500	501	1
(iii) Available-for-sale securities	76,750	76,750	—
(4) Long-term loans receivable *2	7,387		
Allowance for doubtful accounts *1	(2,796)		
Long-term loans receivable—net	4,591	4,597	6
Assets—total	¥503,903	¥565,574	¥61,671
(1) Bank loans	159,331	159,331	—
(2) Commercial paper	68,000	68,000	—
(3) Notes and accounts payable	185,685	185,685	—
(4) Deposits received	21,201	21,201	—
(5) Long-term debts *3	228,903	232,468	3,565
(6) Lease obligations *4	23,596	24,333	737
Liabilities—total	¥686,716	¥691,018	¥ 4,302
Derivative transactions *5	¥ (147)	¥ (147)	¥ —

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 16,893	¥ 16,893	¥ —
(2) Notes and accounts receivable	279,596		
Allowance for doubtful accounts *1	(3,123)		
Notes and accounts receivable—net	276,473	276,473	—
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	72,616	116,938	44,322
(ii) Held-to-maturity debt securities	500	505	5
(iii) Available-for-sale securities	64,247	64,247	—
(4) Long-term loans receivable *2	7,013		
Allowance for doubtful accounts *1	(2,982)		
Long-term loans receivable—net	4,031	4,054	23
Assets—total	¥434,760	¥479,110	¥44,350
(1) Bank loans	90,218	90,218	—
(2) Commercial paper	28,000	28,000	—
(3) Notes and accounts payable	165,749	165,749	—
(4) Deposits received	18,932	18,932	—
(5) Long-term debts *3	271,874	274,521	2,647
(6) Lease obligations *4	21,334	22,042	708
Liabilities—total	¥596,107	¥599,462	¥ 3,355
Derivative transactions *5	¥ (323)	¥ (323)	¥ —

	Thousands of U.S. dollars		
	2013		
	Book value	Fair value	Difference
(1) Cash and time deposits	**$ 400,427**	**$ 400,427**	**$ —**
(2) Notes and accounts receivable	**3,008,881**		
Allowance for doubtful accounts *1	**(26,454)**		
Notes and accounts receivable—net	**2,982,427**	**2,982,427**	**—**
(3) Investment securities			
(i) Investments in unconsolidated subsidiaries and affiliated companies	**822,488**	**2,235,222**	**1,412,734**
(ii) Available-for-sale securities	**994,079**	**994,079**	**—**
(4) Long-term loans receivable *2	**72,550**		
Allowance for doubtful accounts *1	**(35,858)**		
Long-term loans receivable—net	**36,692**	**38,011**	**1,319**
Assets—total	**$5,236,113**	**$6,650,166**	**$1,414,053**
(1) Bank loans	**1,223,759**	**1,223,759**	**—**
(2) Commercial paper	**635,734**	**635,734**	**—**
(3) Notes and accounts payable	**1,775,387**	**1,775,387**	**—**
(4) Deposits received	**171,620**	**171,620**	**—**
(5) Long-term debts *3	**1,971,259**	**2,196,840**	**225,581**
(6) Lease obligations *4	**220,571**	**227,915**	**7,344**
Liabilities—total	**$5,998,330**	**$6,231,255**	**$ 232,925**
Derivative transactions *5	**$5,143**	**$5,143**	**$ —**

*1 Notes and accounts receivable and Long-term loans receivable are presented, net of the individual allowance for doubtful accounts.
*2 Current portion of long-term loans receivable is included in "Long-term loans receivable."
*3 Current portion of long-term debts is included in "Long-term debts."
*4 Current portion of lease obligations is included in "Lease obligations."
*5 Receivables and payables incurred in derivative transactions are presented on a net basis.

(a) Valuation methodology for the fair value of financial instruments and information on marketable securities and derivatives

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable

Cash and time deposits and Notes and accounts receivable are presented at book value because they are settled in the short-term and their fair value approximates their book value.

(3) Investment securities

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

(4) Long-term loans receivable

The fair value of long-term loans receivable is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

Liabilities

(1) Bank loans, (2) Commercial paper, (3) Notes and accounts payable and (4) Deposits received

Bank loans, Commercial paper, Notes and accounts payable and Deposits received are presented at the book value because they are settled in the short-term and their fair value approximates their book value.

(5) Long-term debts

The fair value of long-term debts is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

The fair value of long-term loans subject to special accounting method for interest rate swaps which qualify for hedge accounting and meet specific criteria is measured at the present value by discounting expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

The fair value of bonds issued by the Company is based on the price on bond markets or prices provided by the correspondent financial institutions.

(6) Lease obligations

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new lease transactions were entered into.

Derivative transactions

Market value offered by correspondent financial institutions is used as fair value. However, as a the interest rate swaps which qualify for hedge accounting and meet specific criteria are accounted for as an integral part of Long-term debts, the fair value of the interest rate swaps are included in that of the hedged item, long-term debts.

(b) The book values of financial instruments whose fair value was extremely difficult to estimate were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Investments in unconsolidated subsidiaries and affiliated companies				
Stocks of unlisted companies	**¥120,566**	¥100,675	¥86,608	**$1,143,998**
Available-for sale securities				
Stocks of unlisted companies	**19,076**	14,240	11,642	**181,004**
Others	**337**	467	487	**3,198**
Total	**¥139,979**	¥115,382	¥98,737	**$1,328,200**

The stocks of unlisted companies and others are not included in investments in unconsolidated subsidiaries, affiliated companies and available-for sale securities in the table above because their market price is not available and their future cash flow cannot be estimated, and, accordingly, it is extremely difficult to estimate their fair value.

(c) Expected repayments of monetary assets and securities with maturities after the fiscal year end were as follows:

	Millions of yen				
	2013				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and time deposits	**¥ 42,201**	**¥—**	**¥—**	**¥—**	**¥ 42,201**
Notes and accounts receivable—trade	**317,106**	**—**	**—**	**—**	**317,106**
Available-for-sale securities:					
Corporate bonds	**—**	**20**	**—**	**—**	**20**
Others	**—**	**—**	**—**	**—**	**—**
Held-to-maturity debt securities:					
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Total	**¥359,307**	**¥20**	**¥—**	**¥—**	**¥359,327**

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

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

Type	Thousands of U.S. dollars 2013 Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and time deposits	$ 400,427	$ —	$—	$—	$ 400,427
Notes and accounts receivable—trade	3,008,881	—	—	—	3,008,881
Available-for-sale securities:					
Corporate bonds	—	190	—	—	190
Others	—	—	—	—	—
Held-to-maturity debt securities:					
Corporate bonds	—	—	—	—	—
Total	$3,409,308	$190	$—	$—	$3,409,498

(d) See Note 10 "Bank Loans, Commercial Paper and Long-term Debts" for the aggregate annual maturities of long-term debts at December 31, 2013, 2012 and 2011.

7. Securities

A. The following tables summarize the book value and fair value of held-to-maturity debt securities with fair values available as of December 31, 2013, 2012 and 2011:

Type	Millions of yen 2013 Book value	Fair value	Difference
Securities with fair value exceeding book value:			
Corporate bonds	¥—	¥—	¥—
	—	—	—
Securities with fair value not exceeding book value:			
	—	—	—
Total	¥—	¥—	¥—

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

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

Type	Thousands of U.S. dollars		
	2013		
	Book value	Fair value	Difference
Securities with fair value exceeding book value:			
Corporate bonds	**$—**	**$—**	**$—**
	—	**—**	**—**
Securities with fair value not exceeding book value:			
	—	**—**	**—**
Total	**$—**	**$—**	**$—**

B. The following tables summarize the acquisition cost and book value of available-for-sale securities with fair values available as of December 31, 2013, 2012 and 2011:

Type	Millions of yen		
	2013		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	**¥58,524**	**¥93,870**	**¥35,346**
Others	**—**	**—**	**—**
	58,524	**93,870**	**35,346**
Securities with book value not exceeding acquisition cost:			
Equity securities	**12,040**	**10,896**	**(1,144)**
Others	**—**	**—**	**—**
	12,040	**10,896**	**(1,144)**
Total	**¥70,564**	**¥104,766**	**¥34,202**

The above acquisition cost is presented based on book values after posting of devaluation loss. Loss on devaluation of investment securities is recognized in the amounts of ¥12 million ($114 thousand) for the year ended December 31, 2013.

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

The above acquisition cost is presented based on book values after posting of devaluation loss. Loss on devaluation of investment securities is recognized in the amounts of ¥888 million for the year ended December 31, 2012.

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

The above acquisition cost is presented based on book values after posting of devaluation loss. Loss on devaluation of investment securities is recognized in the amounts of ¥2,192 million for the year ended December 31, 2011.

	Thousands of U.S. dollars		
	2013		
Type	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	**$555,309**	**$890,692**	**$335,383**
Others	**—**	**—**	**—**
	555,309	**890,692**	**335,383**
Securities with book value not exceeding acquisition cost:			
Equity securities	**114,242**	**103,387**	**(10,855)**
Others	**—**	**—**	**—**
	114,242	**103,387**	**(10,855)**
Total	**$669,551**	**$994,079**	**$324,528**

C. Total sales of available-for-sale securities during the years ended December 31, 2013, 2012 and 2011 amounted to ¥2,901 million ($27,526 thousand), ¥879 million and ¥946 million, respectively. The related gains amounted to ¥981 million ($9,308 thousand), ¥188 million and ¥536 million, and the related losses amounted to ¥0 million ($0 thousand), ¥94 million and ¥1 million, respectively.

8. Research and Development Expenses

Research and development expenses are expensed when incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥ 10,815 million ($102,619 thousand), ¥ 9,613 million and ¥ 8,920 million for the years ended December 31, 2013, 2012 and 2011, respectively.

9. Derivative Financial Instruments

The Companies use interest rate swap and forward currency exchange contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates, and commodity swap contracts and currency option contracts only for the purpose of managing the risk arising from fluctuations in the market price of raw materials.

The Companies do not enter into derivatives for trading purpose or speculative purposes.

The Companies assess, both at hedge inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

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

Hedging instruments:

Forward currency exchange contracts
Interest rate swap contracts
Commodity swap contracts

Hedged items:

Foreign currency transactions

Interest on foreign currency bank loans

Purchases of raw materials

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

		Millions of yen			
		2013			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)	**¥8,615**	**¥—**	**¥ 468**	**¥ 468**
	Long (buy) (Euro)	**903**	**—**	**63**	**63**
Currency option contracts					
	Short (put) (U.S. dollar)	**311**	**—**	**23**	**23**
	Total	**¥9,829**	**¥—**	**¥ 554**	**¥ 554**
Commodity swap contracts					
	Payable fixed price/Receivable floating price	**¥4,275**	**¥—**	**¥(263)**	**¥(263)**
	Total	**¥4,275**	**¥—**	**¥(263)**	**¥(263)**

		Millions of yen			
		2012			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)	¥2,878	¥—	¥ (8)	¥ (8)
	Long (buy) (Euro)	265	—	6	6
Currency option contracts					
	Short (put) (U.S. dollar)	195	—	(1)	(1)
	Total	¥3,338	¥—	¥ (3)	¥ (3)
Commodity swap contracts					
	Payable fixed price/Receivable floating price	¥3,065	¥—	¥(142)	¥(142)
	Total	¥3,065	¥—	¥(142)	¥(142)

		Millions of yen			
		2011			
Classification	Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)	¥4,771	¥—	¥ 41	¥ 41
	Long (buy) (Euro)	164	—	(7)	(7)
	Long (buy) (Australian dollar)	4,080	—	(18)	(18)
Currency option contracts					
	Long (call) (U.S. dollar)	¥ 23	¥—	¥ 1	¥ 1
	Short (put) (U.S. dollar)	54	—	(1)	(1)
	Total	¥9,092	¥—	¥ 16	¥ 16
Commodity swap contracts					
	Payable fixed price/Receivable floating price	¥3,418	¥—	¥(343)	¥(343)
	Total	¥3,418	¥—	¥(343)	¥(343)

Classification	Type	Thousands of U.S. dollars 2013 Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)	$81,744	$—	$ 4,441	$ 4,441
	Long (buy) (Euro)	8,568	—	598	598
Currency option contracts					
	Short (put) (U.S. dollar)	2,951	—	218	218
	Total	$93,263	$—	$ 5,257	$ 5,257
Commodity swap contracts					
	Payable fixed price/Receivable floating price	$40,564	$—	$(2,495)	$(2,495)
	Total	$40,564	$—	$(2,495)	$(2,495)

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

Classification	Type	Hedged item	Millions of yen 2013 Notional amount of contract	Notional amount due over one year	Fair market value
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)		¥1,484	¥—	¥ 93
	Long (buy) (Australian dollar)		130	—	(8)
	Long (buy) (Euro)	Foreign currency transactions	1,818		175
	Total		¥3,432	¥—	¥260
Interest rate swap contracts					
	Payable fixed price/Receivable floating price	Long-term bank loans	¥9,000	¥—	*1
	Total		¥9,000	¥—	
Commodity swap contracts					
	Payable fixed price/Receivable floating price	Cornstarch	¥ 274	¥—	¥ (9)
	Total		¥ 274	¥—	¥ (9)

Classification	Type	Hedged item	Millions of yen 2012 Notional amount of contract	Notional amount due over one year	Fair market value
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)		¥ 481	¥—	¥(1)
	Long (buy) (Euro)		6	—	(0)
	Long (buy) (Yen)	Foreign currency transactions	77		(1)
	Total		¥ 564	¥—	¥(2)
Interest rate swap contracts					
	Payable fixed price/Receivable floating price	Long-term bank loans	¥11,000	¥—	*1
	Total		¥11,000	¥—	

Classification	Type	Hedged item	Millions of yen 2011 Notional amount of contract	Notional amount due over one year	Fair market value
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)		¥ 178	¥ —	¥5
	Long (buy) (Euro)	Foreign currency transactions	1	—	(0)
	Total		¥ 179	¥ —	¥5
Interest rate swap contracts					
	Payable fixed price/Receivable floating price	Long-term bank loans	¥52,000	¥14,500	*1
	Total		¥52,000	¥14,500	

Classification	Type	Hedged item	Thousands of U.S. dollars 2013 Notional amount of contract	Notional amount due over one year	Fair market value
Forward currency exchange contracts					
	Long (buy) (U.S. dollar)		$14,081	$—	$ 882
	Long (buy) (Australian dollar)		1,234	—	(76)
	Long (buy) (Euro)	Foreign currency transactions	17,250	—	1,660
	Total		$32,565	$—	$2,466
Interest rate swap contracts					
	Payable fixed price/Receivable floating price	Long-term bank loans	$85,397	$—	*1
	Total		$85,397	$—	
Commodity swap contracts					
	Payable fixed price/Receivable floating price	Cornstarch	$ 2,600	$—	$ (85)
	Total		$ 2,600	$—	$ (85)

*1 The above specially treated interest rate swap is accounted for as an integral part of Long-term loans payable, or is subject to hedging, so that the fair value of the swap is presented by being included in the fair value of Long-term debts.

10. Bank Loans, Commercial Paper and Long-term Debts

Bank loans at December 31, 2013, 2012 and 2011 were comprised by short-term notes or overdrafts bearing interest at average rates of 0.79% for 2013, 0.68% for 2012 and 0.62% for 2011.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥200,000 million ($1,897,713 thousand). There were outstanding balances of ¥67,000 million ($635,734 thousand), ¥68,000 million and ¥28,000 million at December 31, 2013, 2012 and 2011 respectively.

Long-term debts at December 31, 2013, 2012 and 2011 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Domestic debentures:				
1.72% debentures due in 2012	¥ —	¥ —	¥ 10,000	$ —
0.63% debentures due in 2012	—	—	15,000	—
1.88% debentures due in 2014	10,000	10,000	10,000	94,886
0.92% debentures due in 2014	10,000	10,000	10,000	94,886
0.63% debentures due in 2015	20,000	20,000	20,000	189,771
0.52% debentures due in 2016	30,000	30,000	30,000	284,657
0.76% debentures due in 2018	20,000	20,000	20,000	189,771
0.33% debentures due in 2017	18,000	18,000	—	170,794
0.55% debentures due in 2019	10,000	10,000	—	94,886
Zero coupon convertible bonds due in 2023	15,938	35,121	35,133	151,227
Zero coupon convertible bonds due in 2028	35,000	35,000	35,000	332,100
Long-term loans, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2020 at interest rates of mainly 4.41%	1,259	1,349	1,480	11,946
Unsecured loans due through 2021 at interest rates of mainly 0.31% to 4.49%	37,554	39,434	85,262	356,334
	207,751	228,904	271,875	1,971,260
Amount due within one year	(25,363)	(15,367)	(71,462)	(240,659)
Long-term debt	¥182,388	¥213,537	¥200,413	$1,730,601

Assets, at book value, were pledged as collateral for loans totaling ¥1,259 million ($11,946 thousand), ¥1,349 million and ¥1,480 million, at December 31, 2013, 2012 and 2011 respectively, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Land	**¥ —**	¥ 9,188	¥ 9,188	**$ —**
Buildings and structures	**—**	3,970	4,120	**—**
Machinery and equipment	**1,825**	1,845	1,511	**17,317**
	¥1,825	¥15,003	¥14,819	**$17,317**

The aggregate annual maturities of long-term debts at December 31, 2013 were as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2014	**¥ 25,363**	**$ 240,659**
2015	**26,768**	**253,990**
2016	**30,695**	**291,252**
2017	**41,030**	**389,316**
2018	**21,689**	**205,798**
2019 and thereafter	**62,206**	**590,245**
	¥207,751	**$1,971,260**

11. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of December 31, 2013, 2012 and 2011 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Projected benefit obligation	**¥106,698**	¥101,546	¥91,850	**$1,012,411**
Less fair value of the plan assets	**(62,498)**	(55,427)	(44,948)	**(593,017)**
Less fair value of employees' retirement benefit trust	**(30,013)**	(23,091)	(21,495)	**(284,780)**
Unrecognized actuarial gain and loss	**(7,693)**	(11,525)	(17,258)	**(72,996)**
Unrecognized prior service cost	**2,617**	389	716	**24,832**
Prepaid pension cost	**13,470**	11,960	12,990	**127,811**
Employees' severance and retirement benefits	**¥ 22,581**	¥ 23,852	¥21,855	**$ 214,261**

Certain consolidated subsidiaries calculated projected benefit obligations using a simplified method.

The discount rates used by the Companies are mainly 1.3% for the year ended December 31, 2013 and 2.0% for the years ended December 31, 2012 and 2011, respectively.

Included in the consolidated statement of income for the years ended December 31, 2013, 2012 and 2011 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Service costs—benefits earned during the year *1	**¥4,430**	¥4,471	¥4,232	**$42,034**
Interest cost on projected benefit obligation	**1,768**	1,912	1,802	**16,776**
Expected return on plan assets	**(263)**	(411)	(701)	**(2,495)**
Amortization of actuarial gain and loss	**1,127**	2,788	2,399	**10,694**
Amortization of prior service cost	**(484)**	(324)	(341)	**(4,592)**
Others *2	**550**	698	722	**5,219**
Severance and retirement benefit expenses	**¥7,128**	¥9,134	¥8,113	**$67,635**

*1 Severance and retirement benefit expenses of consolidated subsidiaries calculated using a simplified method are presented on service costs.
*2 Prepaid retirement benefit provided for employees by payment of contribution and prepaid retirement benefit plan.
*3 In addition to the above severance and retirement benefit expenses, the year ended December 31, 2012, expense of ¥486 million are presented in other expenses by certain domestic consolidated subsidiaries changing the accounting method to calculate retirement benefit obligations from the simplified method to the principle method.

The rates of expected return on plan assets used by the Companies are mainly 0.0% for 2013 and 2012, and 1.0% per annum for 2011. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

12. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 37.7% per annum for the year ended December 31, 2013 and 40.4% for the years ended December 31, 2012 and 2011.

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

	2013	2012	2011
Statutory tax rate	**37.7%**	40.4%	40.4%
Non-deductible expenses	**2.0%**	2.1%	1.7%
Non-taxable dividend income	**(0.2%)**	(0.1%)	(0.1%)
Per capita inhabitants' taxes	**0.4%**	0.4%	0.5%
Valuation allowance	**2.1%**	(0.4%)	(6.9%)
Amortization of goodwill (including impairment loss)	**5.8%**	4.8%	3.0%
Adjustment of goodwill	**—**	3.2%	—
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(3.0%)**	(4.3%)	(2.4%)
Gain on change in equity	**—**	(3.3%)	—
Tax rate changes due to tax reform	**0.0%**	0.7%	0.9%
Others	**(0.8%)**	(1.1%)	1.5%
Effective tax rate	**44.0%**	42.4%	38.6%

Significant components of deferred tax assets and liabilities as of December 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Deferred tax assets:				
Allowance for doubtful accounts	**¥ 2,958**	¥ 3,255	¥ 2,907	**$ 28,067**
Employees' severance and retirement benefits	**11,495**	13,497	13,309	**109,071**
Accrued enterprise taxes	**2,499**	1,571	2,005	**23,712**
Loss on factory restructuring	**650**	1,166	7,310	**6,168**
Depreciation	**638**	280	130	**6,054**
Loss on impairment of non-current assets	**1,930**	2,759	4,693	**18,313**
Loss on devaluation of investment securities	**1,976**	2,571	2,486	**18,749**
Net operating loss carryforwards	**4,841**	5,425	5,627	**45,934**
Unrealized gain on sale of non-current assets eliminated on consolidation	**4,672**	4,674	4,667	**44,331**
Accrued expenses	**1,849**	1,631	1,622	**17,544**
Others	**14,519**	9,812	10,577	**137,764**
	48,027	46,641	55,333	**455,707**
Valuation allowance	**(10,062)**	(9,100)	(8,560)	**(95,474)**
Total deferred tax assets	**37,965**	37,541	46,773	**360,233**
Deferred tax liabilities:				
Reserve deductible for Japanese tax purposes	**(1,777)**	(2,019)	(824)	**(16,861)**
Unrealized gains on available-for-sale securities	**(12,039)**	(2,417)	(456)	**(114,233)**
Land revaluation gain	**(12,241)**	(12,241)	(5,035)	**(116,150)**
Retained earnings of foreign subsidiaries	**(698)**	(374)	(282)	**(6,623)**
Adjustment of book value based on fair value	**(22,401)**	(21,039)	(4,372)	**(212,553)**
Prepaid pension cost	**—**	(32)	(501)	**—**
Others	**(2,317)**	(193)	(66)	**(21,975)**
Total deferred tax liabilities	**(51,473)**	(38,315)	(11,536)	**(488,395)**
Net deferred tax assets (liabilities)	**¥(13,507)**	¥ (774)	¥35,237	**$(128,162)**

The net deferred tax assets as of December 31, 2013 consisted of deferred tax assets included in current assets and non-current assets amounting to ¥15,505 million ($147,120 thousand) and ¥9,120 million ($86,536 thousand) respectively, and deferred tax liabilities included in current liabilities and non-current liabilities amounting to ¥387 million ($3,672 thousand) and ¥37,746 million ($358,155 thousand) respectively.

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

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

13. Net Assets

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

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

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

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Law, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by a resolution of the shareholders' meeting as long as the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 26, 2014, the shareholders resolved cash dividends amounting to ¥9,938 million ($94,297 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2013, and are recognized in the period in which they were resolved.

14. Commitments and Contingent Liabilities

The Companies were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, affiliated companies, employees and others, including letters of awareness and keep-well agreements, in the amount of ¥713 million ($6,765 thousand) as of December 31, 2013.

15. Adjustment of Goodwill

Year ended December 31, 2012

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

16. Impairment of Non-current Assets

The Company and its consolidated domestic subsidiaries have grouped their non-current assets principally based on their offices or factories, while considering mutual supplementation of the cash flows. And, the goodwill is classified into units which represent the lowest level at which the goodwill is monitored for internal management purposes.

Loss on impairment of non-current assets for the year ended December 31, 2013 consisted of the following:

Use	Location	Type of assets
Others	—	Goodwill

A portion of the goodwill reported in the oversea business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥7,473 million ($70,908 thousand).

The Company used the value in use which was calculated by discounting future cash flows at an interest rates of 9.9%.

Loss on impairment of non-current assets for the year ended December 31, 2012 consisted of the following:

Use	Location	Type of assets
Others	—	Goodwill

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

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

17. Information on Certain Leases

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

A summary of the assumed amount for acquisition cost, accumulated depreciation and net book value at December 31, 2013, 2012 and 2011 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Machinery, furniture and fixtures and others				
Acquisition cost	¥1,713	¥19,090	¥33,268	$16,254
Accumulated depreciation	1,676	16,231	26,150	15,903
Net book value	37	2,859	7,118	351

Future lease payments as of December 31, 2013, 2012 and 2011, net of interest, under such leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Due within one year	¥451	¥2,105	¥5,346	$4,279
Due after one year	15	535	2,188	142
	¥466	¥2,640	¥7,534	$4,422

Lease payments, depreciation equivalents and amounts representing interest under the finance leases which are accounted for in the same manner as operating leases for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Lease payments	¥2,128	¥5,593	¥8,594	$20,192
Depreciation equivalents	1,868	5,050	7,918	17,725
Amounts representing interest	59	179	417	560

Depreciation equivalents are calculated by a straight-line method over the leases term.

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

The Company and its consolidated subsidiaries have lease commitments under non-cancelable operating leases as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Due within one year	¥279	¥326	¥394	$2,647
Due after one year	683	392	430	6,481
	¥962	¥718	¥824	$9,128

18. Shareholders' Equity

Changes in the number of common stock issued and treasury stock outstanding during the years ended December 31, 2013, 2012 and 2011 were as follows:

Common stock issued

	2013	2012	2011
Balance at the beginning of the year	483,585,862	483,585,862	483,585,862
Decrease due to retirement of treasury stocks	—	—	—
Balance at the end of the year	483,585,862	483,585,862	483,585,862

Treasury stock outstanding

	2013	2012	2011
Balance at the beginning of the year	**17,611,484**	17,950,000	18,220,056
Increase due to purchase of odd stock	**11,413**	7,673	7,246
Increase resulting from acquisition of treasury stock	**13,217,100**	—	—
Decrease due to exercise of stock options	**(416,400)**	(346,100)	(276,800)
Decrease resulting from exercise of rights (conversion) of convertible bonds with stock acquisition rights	**(9,070,703)**	—	—
Decrease for other reasons	**(333)**	(89)	(502)
Balance at the end of the year	**21,352,561**	17,611,484	17,950,000

19. Stock Option Plans

The following tables summarize the contents of stock options as of December 31, 2013, 2012 and 2011.

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

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

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

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

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

The following table summarizes the volume and movement of stock options for the year ended December 31, 2013:

Exercisable stock options

Company name	Asahi Group Holdings, Ltd.			
Date of the annual shareholders' meeting	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2013	33,000	282,000	524,700	612,000
Stock options exercised	23,000	197,300	138,400	57,700
Forfeitures	10,000	—	—	—
Stock options outstanding at December 31, 2013	—	84,700	386,300	554,300

The following table summarizes the price information of stock options as of December 31, 2013:

Company name	Asahi Group Holdings, Ltd.			
Date of the annual shareholders' meeting	March 28, 2003	March 30, 2004	March 30, 2005	March 30, 2006
Exercise price	¥ 830	¥1,205	¥1,374	¥1,688
Average market price of the stock at the time of exercise	¥2,017	¥2,161	¥2,142	¥2,115

20. Segment Information

(1) General information about reportable segments

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

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

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

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

(2) Basis of measurement of reported sales, segment profit or loss, segment assets and other material items

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

(3) Information about reportable segment profit or loss, segment assets and other material items

(i) Segment information for the year ended December 31, 2013

	Millions of yen							
	Reportable segment							
Year ended December 31, 2013	Alcoholic Beverages	Soft Drinks	Food	Overseas	*1 Others	Total	*2 Adjustment	*3 Consolidated
Sales:								
External customers	¥925,878	¥461,054	¥106,241	¥192,035	¥29,029	¥1,714,237	¥ —	¥1,714,237
Intersegment	22,677	5,193	1,916	860	52,569	83,215	(83,215)	—
Total sales	948,555	466,247	108,157	192,895	81,598	1,797,452	(83,215)	¥1,714,237
Segment income (loss)	¥113,743	¥ 15,458	¥ 4,919	¥ (4,565)	¥ 622	¥ 130,177	¥(12,710)	¥ 117,467
Segment assets	¥681,295	¥343,336	¥ 89,787	¥559,232	¥17,601	¥1,691,251	¥100,305	¥1,791,556
Other								
Depreciation	¥ 27,106	¥ 18,710	¥ 3,524	¥ 10,823	¥ 291	¥ 60,454	¥ 2,127	¥ 62,581
Amortization of goodwill	—	3,368	368	8,300	—	12,036	—	12,036
Equity in earnings (loss) of affiliates	14	—	(122)	8,765	—	8,657	165	8,823
Investment in affiliates	50	—	27	207,091	—	207,168	1,543	208,711
Increase in property, plant and equipment and intangible assets	15,284	22,540	2,915	14,692	221	55,652	988	56,640

Year ended December 31, 2013	Thousands of U.S. dollars: Reportable segment: Alcoholic Beverages	Soft Drinks	Food	Overseas	*1 Others	Total	*2 Adjustment	*3 Consolidated
Sales:								
External customers	$8,785,255	$4,374,741	$1,008,075	$1,822,137	$275,444	$16,265,651	$ —	$16,265,651
Intersegment	215,172	49,274	18,180	8,160	498,804	789,591	(789,591)	—
Total sales	9,000,427	4,424,015	1,026,255	1,830,297	774,248	17,055,242	(789,591)	16,265,651
Segment income (loss)	$1,079,258	$ 146,674	$ 46,674	$ (43,315)	$ 5,902	$ 1,235,193	$(120,600)	$ 1,114,593
Segment assets	$6,464,513	$3,257,766	$ 851,950	$5,306,310	$167,008	$16,047,547	$ 951,741	$16,999,288
Other								
Depreciation	$ 257,197	$ 177,531	$ 33,438	$ 102,695	$ 2,761	$ 573,622	$ 20,182	$ 593,804
Amortization of goodwill	—	31,957	3,492	78,755	—	114,204	—	114,204
Equity in earnings (loss) of affiliates	133	—	(1,158)	83,177	—	82,152	1,566	83,718
Investment in affiliates	474	—	256	1,964,997	—	1,965,727	14,641	1,980,368
Increase in property, plant and equipment and intangible assets	145,023	213,872	27,659	139,406	2,097	528,058	9,375	537,432

*1 "Others" includes the distribution business and others.
*2 Adjustment is as follows:
(a) Adjustment to Segment income (loss) of ¥(12,710) million ($(120,600) thousand) includes corporate expenses of ¥(11,932) million ($(113,218) thousand) which is not allocated to reportable segments and the elimination of inter-segment transactions, etc. of ¥(777) million ($(7,373) thousand).
(b) Adjustment to Segment assets of ¥100,305 million ($951,741 thousand) includes corporate assets of ¥118,858 million ($1,127,792 thousand) which is not allocated to reportable segments, and the inter-segment receivables and payables elimination of ¥(18,554) million ($(176,051) thousand). Corporate assets are primarily the assets held by the Company.
(c) Adjustment to Depreciation of ¥2,127 million ($20,182 thousand) is the depreciation related to corporate assets.
(d) Adjustment to Equity in earnings (loss) of affiliates of ¥165 million ($1,566 thousand) is the equity in earnings (loss) of affiliates related to corporate assets.
(e) Adjustment to Investment in affiliates of ¥1,543 million ($14,641 thousand) is the investment in affiliates related to corporate assets.
(f) Adjustment to the Increase in property, plant and equipment and intangible assets of ¥988 million ($9,375 thousand) is the amount of purchases of property, plant and intangible assets related to corporate assets.
*3 Segment income (loss) was reconciled with Operating income presented in the Consolidated statement of income.

(ii) Information about products and services

Year ended December 31, 2013

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

(iii) Information about geographical areas

Year ended December 31, 2013

(a) Sales

Millions of yen: Japan	Others	Total	Thousands of U.S. dollars: Japan	Others	Total
¥1,519,006	¥195,231	¥1,714,237	$14,413,189	$1,852,462	$16,265,651

*1 Sales are classified into a country or an area on the basis of the customer's location.
*2 Major countries and areas included in "Others" are Oceania.

(b) Property, plant and equipment

Millions of yen: Japan	Others	Total	Thousands of U.S. dollars: Japan	Others	Total
¥511,460	¥72,759	¥584,219	$4,853,022	$690,379	$5,543,401

(iv) Information about major customers

Year ended December 31, 2013

Name of customers	Millions of yen: Sales	Thousands of U.S. dollars: Sales	Segment
Kokubu & Co., Ltd.	¥187,232	$1,776,563	Alcoholic Beverages, Soft Drinks, Food
Itochu-Shokuhin Co., Ltd.	¥188,669	$1,790,198	Alcoholic Beverages, Soft Drinks, Food

(v) Information about loss on impairment of non-current assets by reportable segment

Year ended December 31, 2013

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	¥—	¥107	¥—	¥7,366	¥—	¥—	¥7,473

	Thousands of U.S. dollars						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	$—	$1,015	$—	$69,893	$—	$—	$70,908

(vi) Information about amortization and the unamortized balance of goodwill by reportable segment

Year ended December 31, 2013

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	¥—	¥3,368	¥368	¥8,725	¥—	¥—	¥ 12,461
Unamortized balance of goodwill	—	51,409	5,688	139,106	—	—	196,204

	Thousands of U.S. dollars						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	$—	$31,957	$3,492	$82,788	$—	$—	$ 118,237
Unamortized balance of goodwill	—	487,798	53,971	1,319,917	—	—	1,861,685

The above "Amortization of goodwill" includes the amortization ¥424 million ($4,023 thousand) which is accounted for as "Other expense."

(i) Segment information for the year ended December 31, 2012

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

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

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

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

(ii) Information about products and services

Year ended December 31, 2012

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

(iii) Information about geographical areas

Year ended December 31, 2012

(a) Sales

Millions of yen		
Japan	Others	Total
¥1,416,790	¥162,287	¥1,579,077

*1 Sales are classified into a country or an area on the basis of the customer's location.
*2 Major countries and areas included in "Others" are Oceania.

(b) Property, plant and equipment

Millions of yen		
Japan	Others	Total
¥524,153	¥59,246	¥583,399

(iv) Information about major customers

Year ended December 31, 2012

Name of customers	Millions of yen Sales	Segment
Kokubu & Co., Ltd.	¥178,388	Alcoholic Beverages, Soft Drinks, Food
Itochu-Shokuhin Co., Ltd.	¥186,428	Alcoholic Beverages, Soft Drinks, Food

(v) Information about loss on impairment of non-current assets by reportable segment

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	¥—	¥3,070	¥—	¥—	¥—	¥—	¥3,070

(vi) Information about amortization and the unamortized balance of goodwill by reportable segment

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

The above "Amortization of goodwill" includes the amortization ¥ 424 million which is accounted for as "Other expense."

(i) Segment information for the year ended December 31, 2011

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

*1 "Others" includes the distribution business and others.
*2 Adjustment is as follows:
(a) Adjustment to Segment income (loss) of ¥(7,229) million includes corporate expenses of ¥(7,826) million which is not allocated to reportable segments and the elimination of inter-segment transactions, etc. of ¥597 million.
(b) Adjustment to Segment assets of ¥82,394 million includes corporate assets of ¥98,031 million which is not allocated to reportable segments, and the inter-segment receivables and payables elimination of ¥(15,637) million. Corporate assets are primarily the assets held by the Company.
(c) Adjustment to Depreciation of ¥503 million is the depreciation related to corporate assets.
(d) Adjustment to Equity in earnings (loss) of affiliates of ¥104 million is the equity in earnings (loss) of affiliates related to corporate assets.
(e) Adjustment to Investment in affiliates of ¥486 million is the investment in affiliates related to corporate assets.
(f) Adjustment to the Increase in property, plant and equipment and intangible assets of ¥734 million is the amount of purchases of property, plant and intangible assets related to corporate assets.
*3 Segment income (loss) was reconciled with Operating income presented in the Consolidated statements of income.

(ii) Information about products and services

Year ended December 31, 2011

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

(iii) Information about geographical areas

Year ended December 31, 2011

(a) Sales

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

(b) Property, plant and equipment

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

(iv) Information about major customers

Year ended December 31, 2011

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

(v) Information about amortization and the unamortized balance of goodwill by reportable segment

Year ended December 31, 2011

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

The above "Amortization of goodwill" includes the amortization ¥424 million which is accounted for as "Other expense."

21. Consolidated Statement of Comprehensive Income

Each Component of other comprehensive income for the year ended December 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gains (losses) on available-for-sale securities:			
Gains arising during the year	**¥28,193**	¥ 8,316	**$267,511**
Reclassification adjustments to profit or loss	**(777)**	793	**(7,373)**
Amount before income tax effect	**27,416**	9,109	**260,138**
Income tax effect	**(9,695)**	(3,164)	**(91,991)**
Total	**¥17,721**	5,945	**$168,147**
Unrealized gains (losses) on hedging derivatives:			
Gains (losses) arising during the year	**¥ 367**	¥ (8)	**$ 3,482**
Reclassification adjustments to profit or loss	**—**	(1)	**—**
Amount before income tax effect	**367**	(9)	**3,482**
Income tax effect	**(138)**	2	**$ (1,310)**
Total	**¥ 229**	¥ (7)	**$ 2,172**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥19,459**	¥31,541	**$184,638**
Reclassification adjustments to profit or loss	**124**	(526)	**1,177**
Amount before income tax effect	**19,583**	31,015	**185,815**
Income tax effect	**—**	—	**—**
Total	**¥19,583**	¥31,015	**$185,815**
Share of other comprehensive income in affiliates			
Gains(losses) arising during the year	**¥23,318**	¥ 265	**$221,254**
Reclassification adjustments to profit or loss	**¥ 30**	37	**$ 285**
Total	**¥23,348**	¥ 302	**$221,539**
Total other comprehensive income	**¥60,881**	¥37,255	**$577,673**

22. Related Party Transactions

There were no related party transactions for the years ended December 31, 2013, 2012 and 2011.

Condensed financial information of whole 110 equity-method affiliates including Tingyi-Asahi Beverages Holding Co. Ltd ("TAB") and its 98 affiliates, 98 equity-method affiliates including TAB and its 88 affiliates, 59 equity-method affiliates including TAB and its 51 affiliates for the years ended December 31, 2013, 2012 and 2011, respectively, is disclosed as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Total current assets	**¥ 336,848**	¥225,326	¥163,997	**$3,196,205**
Total non-current assets	**840,073**	640,066	555,345	**7,971,088**
Total current liabilities	**486,955**	315,474	245,840	**4,620,505**
Total non-current liabilities	**80,975**	70,828	74,053	**768,337**
Total shareholders' equity	**609,978**	480,038	400,800	**5,787,817**
Net sales	**1,026,438**	695,175	632,151	**9,739,425**
Income before income taxes and minority interests	**69,762**	68,759	49,489	**661,941**
Net income	**51,587**	52,522	34,459	**489,487**

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Group Holdings, Ltd. and its consolidated subsidiaries as at December 31, 2013, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

March 26, 2014
Tokyo, Japan

Global Beer Market

01 Beer Consumption in Major Nations*1

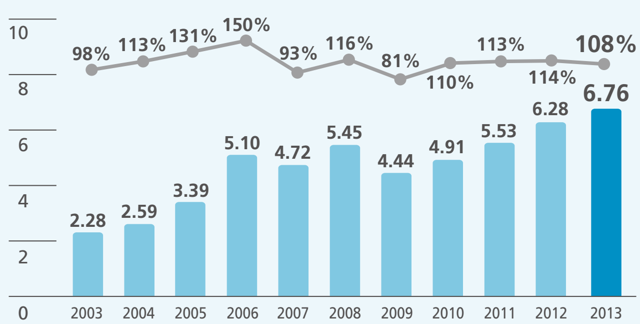
(Millions of barrels*2)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Japan*3	**60.6**	**62.4**	**60.4**	**58.8**	**58.5**	**56.9**	**56.2**	**55.4**	**54.5**	**54.3**	**54.0**	**52.9**	**52.9**
China	181.2	193.5	207.0	220.9	235.2	259.4	294.8	329.3	346.6	366.5	386.5	406.3	426.5
U.S.	201.1	200.2	201.3	201.6	203.3	203.0	206.7	209.9	211.7	208.2	203.7	200.8	203.0
Brazil	71.7	73.9	74.2	73.1	77.5	81.4	87.2	93.1	96.3	100.2	108.7	113.2	116.8
Russia	52.4	60.4	66.8	72.3	78.4	83.6	88.2	99.8	99.1	93.4	89.2	87.7	86.8
Germany	87.0	85.5	85.0	82.1	80.2	79.5	80.6	78.2	77.3	76.0	74.4	74.7	74.3
U.K.	48.4	49.8	51.1	51.6	50.6	49.3	47.6	46.8	44.0	41.7	40.8	40.1	38.5
Spain	26.0	26.5	26.8	27.7	28.3	29.0	29.9	30.8	29.6	28.2	27.7	27.7	27.5
Vietnam	5.9	6.2	7.1	8.0	9.2	10.5	11.6	12.8	14.6	16.7	19.9	22.5	25.1
Canada	17.8	18.1	18.4	18.8	18.9	18.8	19.3	19.4	20.2	20.1	20.1	19.9	20.0
India	4.9	5.3	5.7	6.0	6.3	6.9	8.6	10.1	11.3	12.7	14.4	16.1	17.8
Thailand	8.7	10.3	12.4	13.8	15.4	15.2	17.0	18.4	17.1	15.6	16.2	16.4	17.3

*1 Excludes non-alcohol beverages. *2 1 U.S. barrel = 1.173477653 hectoliters. *3 Includes happoshu and new genre.
Source: Euroland

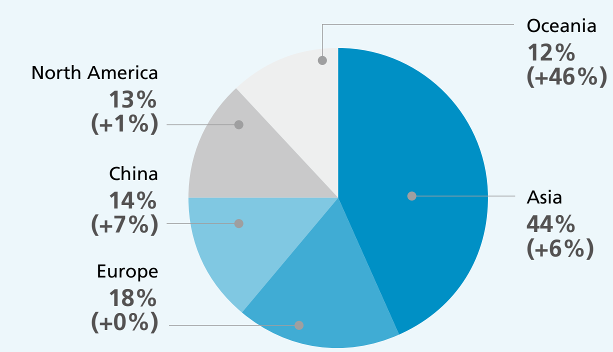
02 Sales of Asahi Beer Brand

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



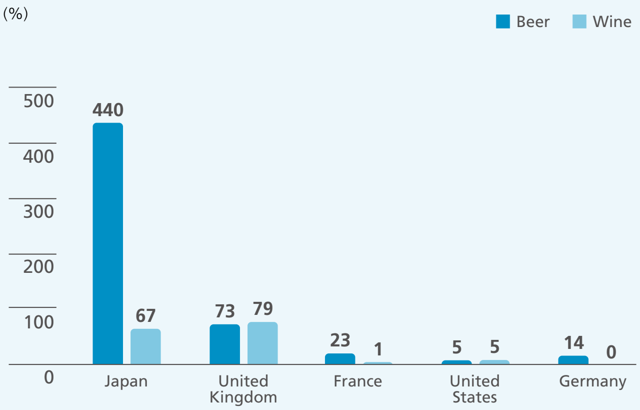
03 Sales Breakdown of Asahi Beer Brand by Region (2013)

(Growth rate)



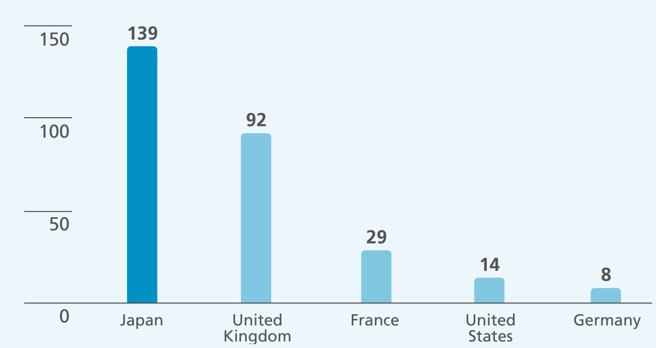
04 Tax Per Unit of Concentration of Alcohol in Major Countries*2,3,4

(%)



05 Beer Tax*1,2,3 in Major Nations

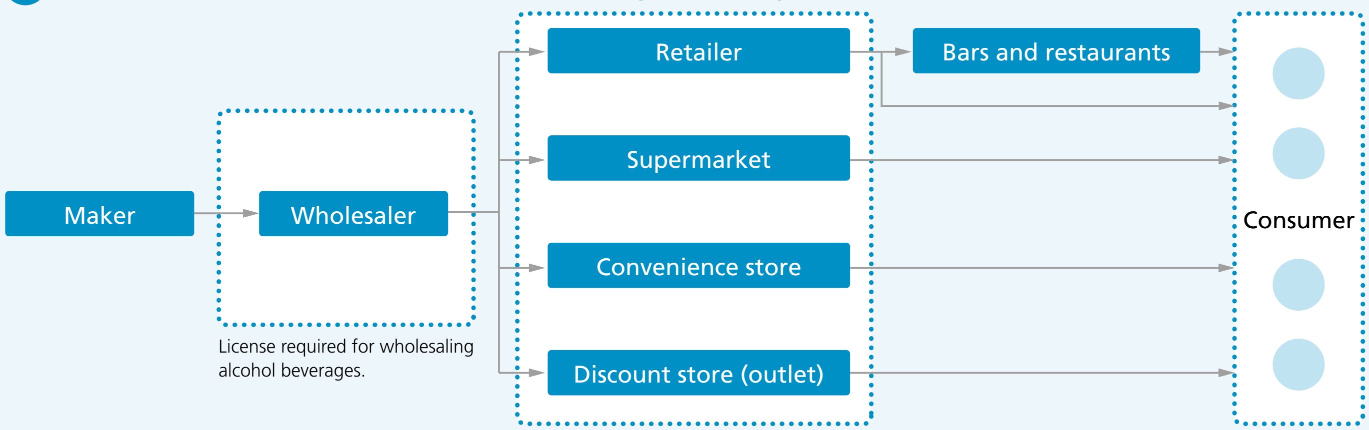
(Yen)



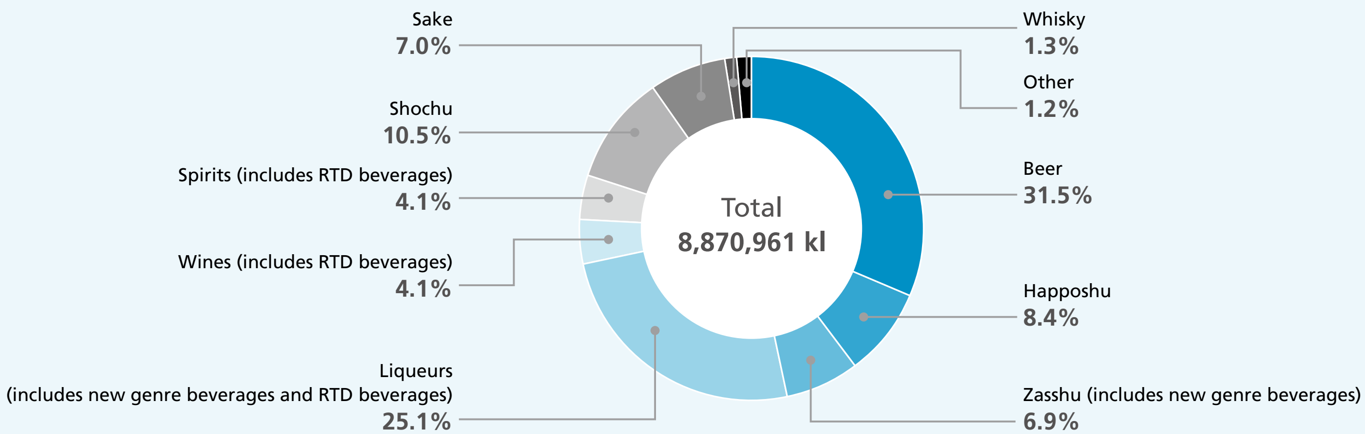
*1 Cash values (liquor tax) shown in yen per 633 milliliters. *2 Foreign exchange rates were: €1 = ¥128.53; U.S.$1 = ¥98.59; £1 = ¥150.30 (based on TTM rate as of June 2013).
*3 Figures for the U.S. based on survey conducted in New York. *4 Comparison by alcohol type against distilled alcohol where tax on distilled alcohol = 100.
Source: Brewers Association of Japan (January 2013)

Japan's Alcohol Beverages Market

06 Distribution Route of Japan's Alcohol Beverages Industry



07 Taxable Shipment Volume in Japan in 2013



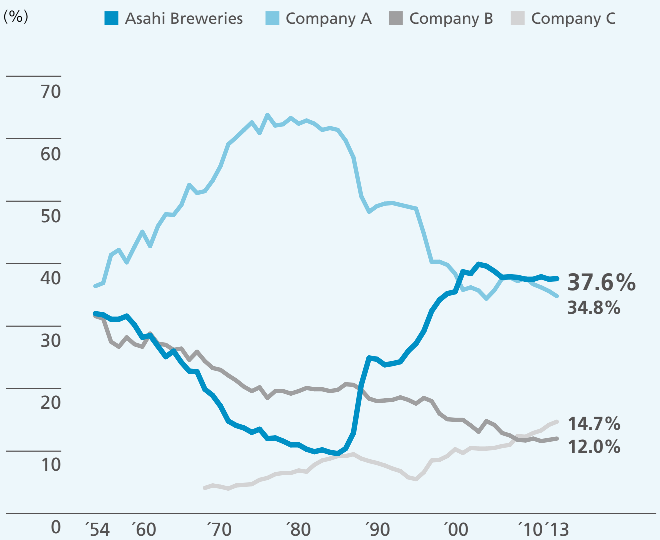
Note: Compiled from National Tax Agency reference materials.

08 Comparison of Liquor Taxes per 350 Milliliters

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

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

09 Beer, Happoshu and New Genre: Market Share in Japan by Major Company (1954–2013)



Source: Asahi Breweries, Ltd.

10 Beer, Happoshu and New Genre: Shipment Volume in Japan (January–December 2013)

Asahi Breweries

(Million cases)

	Volume	Year-on-year change (%)	Market share (increase/decrease)
Beer	108.62	–2.9 (–2.6%)	50.1% (–0.5)
Happoshu	15.46	–0.2 (–1.3%)	26.3% (+1.4)
New genre	38.78	+1.6 (+4.4%)	24.5% (+0.6)
Total	**162.86**	**–1.4 (–0.9%)**	**37.6% (+0.1)**

Industry Overall

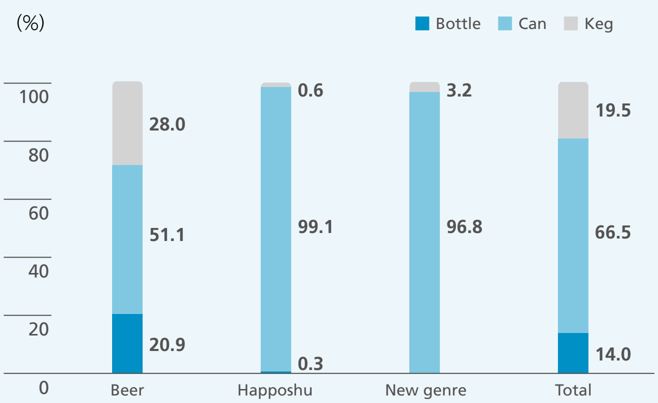
(Million cases)

	Volume	Year-on-year change (%)	Breakdown (increase/decrease)
Beer	216.69	–3.8 (–1.7%)	50.0% (–0.3)
Happoshu	58.69	–4.0 (–6.3%)	13.5% (–0.8)
New genre	158.19	+3.2 (+2.0%)	36.5% (+1.1)
Total	**433.57**	**–4.5 (–1.0%)**	**— —**

Sources: Brewers Association of Japan and Happoshu online website

Asahi Breweries Beer-type Beverages Sales

11 Sales Composition by Container Type in 2013



Year-On-Year Sales Ratio, by Container Type (2013/2012)

	Bottle	Can	Keg	Total
Beer	–5.2%	–2.5%	+2.0%	–1.9%
Happoshu	+17.5%	+0.7%	+13.3%	+0.8%
New genre	—	+4.9%	+24.6%	+5.5%
Total	**–5.1%**	**+0.4%**	**+2.7%**	**0.0%**

12 Sales Composition by Marketing Channel (Estimated by Asahi Group Holdings, Ltd.)

	2012 results			2013 results		
	Beer	Happoshu and new genre (total)	Total	Beer	Happoshu and new genre (total)	Total
Convenience stores	8.5%	13.6%	10.1%	8.6%	13.7%	10.3%
Supermarkets	19.6%	40.5%	26.3%	19.3%	41.2%	26.6%
Discount stores (outlets)	14.9%	21.7%	17.1%	14.7%	20.8%	16.7%
Mass-retail outlets total	43.0%	75.8%	53.5%	42.6%	75.7%	53.6%
Commercial-use liquor retailers	36.2%	3.8%	25.8%	36.6%	3.8%	25.7%
General liquor shops, etc.	20.8%	20.5%	20.7%	20.8%	20.5%	20.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

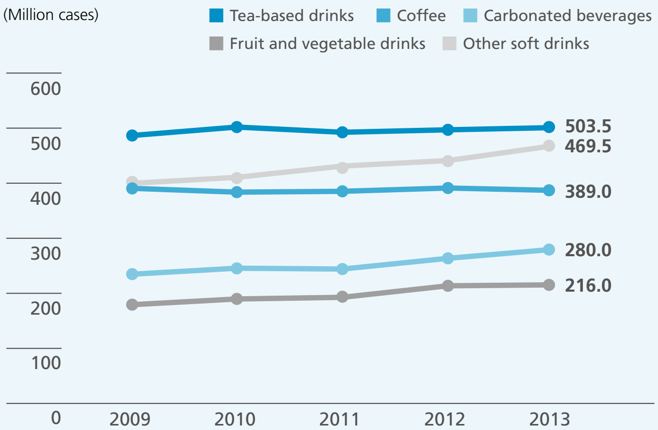
* Composition of commercial-use liquor retailers does not equal the consumption rate for commercial-use liquor.

Japan's Soft Drinks Market and Asahi Soft Drinks Sales

(Estimated by Asahi Group Holdings, Ltd.)

13 Sales in Domestic Soft Drinks Market, by Category

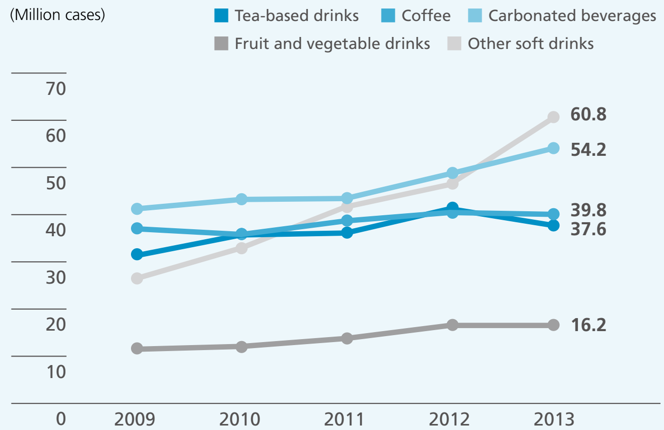
Industry Overall



(Million cases)

	2009	2010	2011	2012	2013
Tea-based drinks	487.5	503.0	493.5	498.0	503.5
Coffee	391.5	384.5	386.0	392.0	389.0
Carbonated beverages	235.0	246.0	244.5	264.0	280.0
Fruit and vegetable drinks	179.5	190.0	193.0	214.0	216.0
Other soft drinks	400.5	411.5	432.0	442.0	469.5
Total	**1,694.0**	**1,735.0**	**1,749.0**	**1,810.0**	**1,858.0**

Asahi Soft Drinks

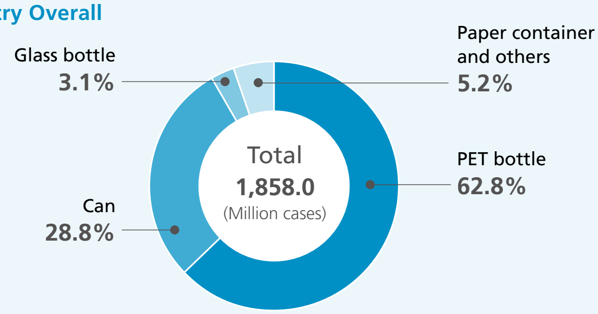


(Million cases)

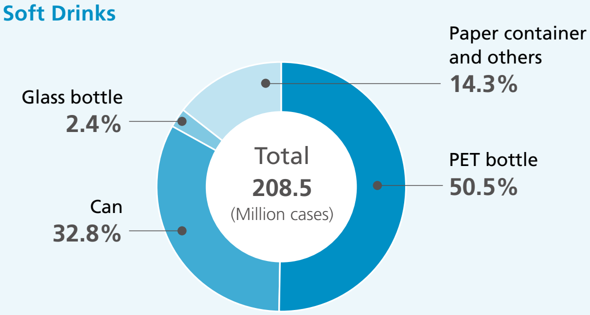
	2009	2010	2011	2012	2013
Tea-based drinks	31.2	35.6	36.0	41.2	37.6
Coffee	36.9	35.7	38.6	40.4	39.8
Carbonated beverages	41.2	43.2	43.4	48.7	54.2
Fruit and vegetable drinks	11.1	11.7	13.4	16.2	16.2
Other soft drinks	26.3	32.8	41.6	46.4	60.8
Total	**146.7**	**159.0**	**172.8**	**192.9**	**208.5**

14 Sales in Domestic Soft Drinks Market, by Container Type in 2013 (Estimated by Asahi Group Holdings, Ltd.)

Industry Overall

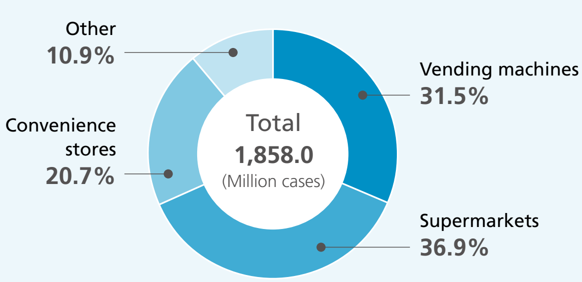


Asahi Soft Drinks

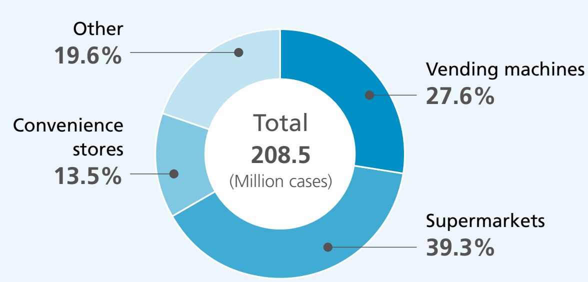


15 Sales Composition in Domestic Soft Drinks Market, by Marketing Channel in 2013 (Estimated by Asahi Group Holdings, Ltd.)

Industry Overall



Asahi Soft Drinks



Corporate Data

(As of December 31, 2013)

Major Group Companies (Domestic)

Company	Capital (¥ billion)	Percentage of voting rights	Sales in 2013 (¥ billion)
Domestic alcohol beverages business			
Asahi Breweries, Ltd.	20.0	100.0%	927.8
Domestic soft drinks business			
Asahi Soft Drinks Co., Ltd.	11.1	100.0%	365.7
Calpis Co., Ltd.	13.1	100.0%	119.8
LB Co., Ltd.	0.5	100.0%	22.3
Domestic food business			
Asahi Food & Healthcare Co., Ltd.	3.2	100.0%	55.0
Wakodo Co., Ltd.	2.9	100.0%	36.8
Amano Jitsugyo Co., Ltd.	0.1	100.0%	20.3

Plants and Manufacturing Bases (Domestic)

Company	Plants	Products	Locations
Asahi Breweries, Ltd.	9	Beer, happoshu, new genre, fruit wine and beer-taste, carbonated beverages	Hokkaido, Fukushima, Ibaraki, Kanagawa, Aichi, Osaka, Hyogo, Ehime, Fukuoka
The Nikka Whisky Distilling Co., Ltd.	7	Whisky, shochu, RTD beverages	Hokkaido, Aomori, Miyagi, Tochigi, Chiba, Hyogo, Fukuoka
Sainte Neige Wine Co., Ltd.	1	Wine	Yamanashi
Satsumatsukasa Shuzo Co., Ltd.	1	Otsu-type shochu	Kagoshima
Asahi Soft Drinks Co., Ltd.	4	Coffee drinks, carbonated drinks, tea-based beverages, other soft drinks and RTD beverages	Shizuoka, Toyama, Hyogo
Calpis Co., Ltd.	2	Calpis, Calpis Water and RTD beverages	Gunma, Okayama
LB Co., Ltd.	2	Chilled beverages such as tea-based drinks, soft drinks and other drinks Black vinegar drinks for home-delivery and other products	Saitama, Aichi
Asahi Food & Healthcare Co., Ltd.	4	Brewer's yeast extract, supplements and other products	Ibaraki, Tochigi, Nagano, Osaka
Wakodo Co., Ltd.	3	Milk powder for infants, baby food, milk powder for commercial-use, skincare products and food	Tochigi, Nagano, Shizuoka
Amano Jitsugyo Co., Ltd.	2	Manufacture of caramel, powdered seasonings, and freeze-dried food products	Okayama
Asahi Beer Malt, Ltd.	2	Malt, malt powder, barley tea and other products	Tochigi, Shiga

Sales and Marketing Bases (Overseas)

Branch / Office	Principal business	Locations
Europe		
Asahi Breweries, Ltd. Europe Branch	Sales and marketing of beer	3F Mimet House, 5A Praed Street, London W2 1NJ, U.K.
Asia		
Asahi Breweries, Ltd. Bangkok Representative Office	Sales and marketing of beer (Other than Thailand)	12th Floor, Room No.1213, Qhouse Asoke Building, 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok 10110, Thailand

(As of December 31, 2013)

Major Group Companies (Overseas)

Company	Capital	Percentage of voting rights	Principal business	Locations
United States				
Asahi Beer U.S.A., Inc.	US$32 million	100.0%	Sales and marketing of beer	**Headquarters & Los Angeles Branch:** 3625 Del Amo Blvd., Suite 250, Torrance, CA 90503, U.S.A. **New York Branch:** 300 Hamilton Ave., Suite 209, White Plains, NY 10606, U.S.A.
Europe				
Buckinghamshire Golf Co., Ltd.	£40.0 million	100.0%	Ownership and management of a golf club	Denham Court Drive, Denham, Buckinghamshire UB9 5PG, U.K.
Asia-Oceania				
Asahi Beer (China) Investment Co., Ltd.	RMB737 million	100.0%	Sales of beer	No. 712 Room, Citic Square No.1168, Nanjing Rd. (W), Shanghai 200041, China
Yantai Beer Tsingtao Asahi Co., Ltd.	RMB219 million	51.0%	Production and sales of beer	100 Huanshan Road, Yantai, Shandong, China
Beijing Beer Asahi Co., Ltd.	RMB609 million	72.8%	Production and sales of beer	North 1 Yanqi Road, Yanqi Industrial Development Zone, Huairou District, Beijing, China
Asahi Holdings (Australia) Pty Ltd	AU$214 million	100.0%	Control of operations in Oceania	Suite 104, 68-72 York Street, South Melbourne, Vic 3205, Australia
Schweppes Australia Pty Limited	AU$372 million	100.0%	Production and sales of soft drinks	Level 5, 111 Cecil Street, South Melbourne, Vic 3205, Australia
Permanis Sdn. Bhd.	RM111 million	100.0%	Production and sales of soft drinks	Level 10 Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

Investor Information

(As of December 31, 2013)

Head Office

1-23-1, Azumabashi
Sumida-ku, Tokyo 130-8602, Japan
Tel: +81-3-5608-5126
Fax: +81-3-5608-7121
URL: http://www.asahigroup-holdings.com/en/

Date of Establishment

September 1, 1949

Number of Employees

Consolidated: 18,001

Fiscal Year-End Date

December 31, on an annual basis

Dividends

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

Paid-In Capital

¥182,531 million

Number of Shares of Common Stock Issued

483,585,862

Number of Shareholders

109,543

Ordinary General Meeting of Shareholders

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

Composition of Shareholders

	(%)
Financial institutions	36.5
Foreign corporations, etc.	30.1
Other corporations	16.3
Individuals, other	10.2
Treasury stock	4.4
Brokerage	2.5

Major Shareholders

Shareholder name	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.0
Asahi Kasei Corporation	4.1
Japan Trustee Services Bank, Ltd. (Trust Account)	3.8
The Dai-ichi Life Insurance Company, Limited	3.7
Fukoku Mutual Life Insurance Company	3.5
JP Morgan Chase Bank 380055	2.2
Sumitomo Mitsui Banking Corporation	2.0
Sumitomo Mitsui Trust Bank, Limited	1.8
State Street Bank and Trust Company	1.2
The Norinchukun Bank	1.2

Note: While Asahi Group Holdings, Ltd. owns 213,525 hundred shares of treasury stock, it is not included with the major shareholders listed above.

Stock Exchange Listings

Tokyo Stock Exchange, Osaka Securities Exchange

Newspaper for Official Notice

Nihon Keizai Shimbun

Transfer Agent and Registrar

Stock Transfer Agent:

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

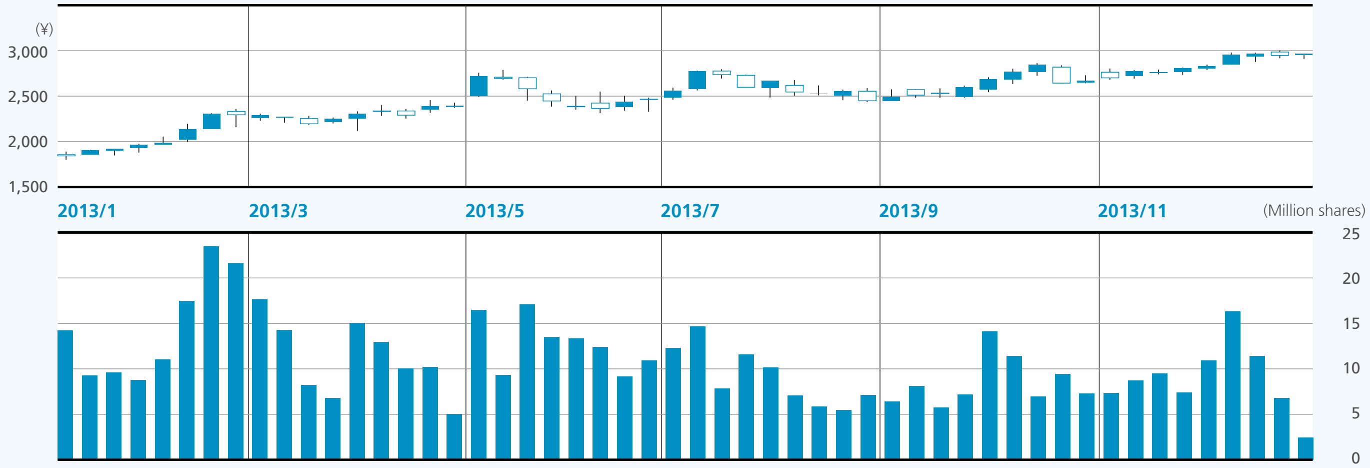
Handling Office:

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

Independent Auditor

KPMG AZSA LLC

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



Asahi Group Holdings, Ltd.
http://www.asahigroup-holdings.com/en/

For more IR information,
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Asahi

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