

# Asahi Breweries, Ltd.



## Non-consolidated Financial Results

**NOTE:**

All information has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached material have been rounded down to omit fractions less than one million yen. This document is a partial English translation of the Japanese Financial Statement (Kessan Tanshin) which was filed at stock exchange in Japan on February 21, 2003

**Summary of Non-consolidated Financial Statements  
(Fiscal 2002)**

February 21, 2003

**ASAHI BREWERIES, LTD.**

Code Number: 2502  
Shares Listed: First Section of Tokyo, Osaka & Nagoya Stock Exchanges

(URL: <http://www.asahibeer.co.jp>)

Head Office: Tokyo, Japan  
Representative: Kouichi Ikeda, President and COO  
Contact: Toshio Kodato, General Manager, Public Relations Department  
Tel: 81-3-5608-5126

Date of board of directors' meeting: February 21, 2003  
Date of ordinary general meeting of shareholders: March 28, 2003  
Interim dividend payment program: Yes

**1. Non-consolidated Financial Results for Fiscal 2002**

(From January 1, 2002 to December 31, 2002)

## (1) Non-consolidated Operating Results

(Rounded down to millions of yen - except per share data)

|                                      | Fiscal 2002<br>ended December 31, 2002 |          | Fiscal 2001<br>ended December 31, 2001 |          |
|--------------------------------------|--|----------|--|----------|
|                                      | Amount                                 | % change | Amount                                 | % change |
| Net sales                            | 1,093,773                              | (2.5)%   | 1,121,920                              | 6.4%     |
| Operating income                     | 69,807                                 | (10.9)%  | 78,371                                 | 11.1%    |
| Ordinary income                      | 56,720                                 | (9.6)%   | 62,735                                 | 524.5%   |
| Net income                           | 10,565                                 | 45.5%    | 7,259                                  | -        |
| Net income per share                 | Yen 20.70                              |          | Yen 14.39                              |          |
| Net income per share (fully diluted) | Yen 19.82                              |          | Yen 13.70                              |          |
| Return on equity                     | 2.7%                                   |          | 1.9%                                   |          |
| Ordinary income/Shareholders' equity | 5.0%                                   |          | 5.5%                                   |          |
| Ordinary income/Net sales            | 5.2%                                   |          | 5.6%                                   |          |

## Notes:

## 1. Average number of shares outstanding during the term:

Year ended December 31, 2002: 510,472,997 shares

Year ended December 31, 2001: 504,314,503 shares

## 2. Change in accounting policy during the term: None

## 3. The percentage figures shown in sales, operating income, ordinary income and net income columns represent year-on-year changes.

## (2) Dividends

|                                   | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 |
|-----------------------------------|--|--|
|                                   | Dividend per share for the year        | Yen 13.00                              |
| Interim dividend                  | -                                      | Yen 6.00                               |
| Term-end dividend                 | Yen 13.00                              | Yen 7.00                               |
| Total dividends paid for the year | Yen 6,535 million                      | Yen 6,624 million                      |
| Payout ratio                      | 61.9%                                  | 91.3%                                  |
| Dividends/Shareholders' equity    | 1.7%                                   | 1.7%                                   |

Note: Fiscal 2001 term-end dividend includes special dividend of Yen 1.00 to commemorate the number 1 sales of beer and happoshu in the domestic market.

(3) Non-consolidated Financial conditions

(in million yen - except per share data)

|                                | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 |
|--------------------------------|--|--|
| Total assets                   | 1,127,567                              | 1,148,219                              |
| Shareholders' equity           | 386,458                                | 388,320                                |
| Shareholders' equity ratio     | 34.3%                                  | 33.8%                                  |
| Shareholders' equity per share | Yen 768.71                             | Yen 756.84                             |

Notes:

1. Number of shares issued and outstanding at the end of the term:

Year ended December 2002: 502,735,076 shares

Year ended December 2001: 513,081,389 shares

2. Number of treasury stock at the end of the term:

Year ended December 2002: 10,850,786 shares

Year ended December 2001: 503,615 shares

**2. Projection for fiscal 2003**

(January 1, 2003 to December 31, 2003)

(in million yen - except per share data)

|                                 | Fiscal 2003 |            |
|---------------------------------|-------------|------------|
|                                 | Interim     | Full-year  |
| Net sales                       | 537,000     | 1,169,000  |
| Ordinary income                 | 23,000      | 65,000     |
| Net Income                      | 7,000       | 25,000     |
| Dividend per share for the year | -           | Yen 13.00  |
| (Interim dividend)              | (Yen 6.50)  | -          |
| (Term-end dividend)             | -           | (Yen 6.50) |

Note: Projected net income per share for fiscal 2003: Yen 49.73

\* The above estimate incorporates certain assumptions and projections based on which the future outlook and plans by the Company as announced in this document are formulated. Actual results may differ from the above projection depending on various conditions.

**ASAHI BREWERIES, LTD.**  
Non-consolidated Balance Sheets

ASSETS

|   | (in million yen)                       |              |  |              |                        |
|---|--|--------------|--|--------------|------------------------|
|   | Fiscal 2002<br>as of December 31, 2002 |              | Fiscal 2001<br>as of December 31, 2001 |              | Increase<br>(Decrease) |
|   | Amount                                 | Ratio(%)     | Amount                                 | Ratio(%)     | Amount                 |
| <b>Current assets:</b>                    |  |              |  |              |                        |
| Cash and cash equivalents                 | 6,839                                  |              | 1,921                                  |              | 4,917                  |
| Notes receivable                          | 9,817                                  |              | 15,125                                 |              | (5,308)                |
| Accounts receivable                       | 200,592                                |              | 197,049                                |              | 3,542                  |
| Merchandise/Finished goods                | 11,584                                 |              | 8,674                                  |              | 2,910                  |
| Work in process                           | 9,472                                  |              | 7,700                                  |              | 1,772                  |
| Raw materials                             | 18,730                                 |              | 20,430                                 |              | (1,699)                |
| Supplies                                  | 6,000                                  |              | 8,758                                  |              | (2,758)                |
| Short-term loans                          | 59,692                                 |              | 59,509                                 |              | 182                    |
| Prepaid expense                           | 5,523                                  |              | 4,813                                  |              | 710                    |
| Accounts receivable-other                 | 13,766                                 |              | 14,429                                 |              | (662)                  |
| Deferred tax assets                       | 2,872                                  |              | 3,300                                  |              | (427)                  |
| Other                                     | 743                                    |              | 962                                    |              | (219)                  |
| Allowance for doubtful accounts           | (6,515)                                |              | (4,782)                                |              | (1,733)                |
| <b>Total current assets</b>               | <b>339,121</b>                         | <b>30.1</b>  | <b>337,893</b>                         | <b>29.4</b>  | <b>1,228</b>           |
| <b>Fixed Assets</b>                       |  |              |  |              |                        |
| <b>Tangible fixed assets</b>              |  |              |  |              |                        |
| Buildings                                 | 160,789                                |              | 166,196                                |              | (5,406)                |
| Machinery and equipment                   | 177,022                                |              | 181,863                                |              | (4,841)                |
| Furnitures and fixtures                   | 53,513                                 |              | 54,200                                 |              | (686)                  |
| Land                                      | 131,057                                |              | 133,367                                |              | (2,309)                |
| Construction in progress                  | 2,688                                  |              | 9,186                                  |              | (6,497)                |
| Other                                     | 25,715                                 |              | 24,452                                 |              | 1,262                  |
| <b>Total tangible fixed assets</b>        | <b>550,786</b>                         |              | <b>569,267</b>                         |              | <b>(18,480)</b>        |
| <b>Intangible fixed assets</b>            | <b>13,674</b>                          |              | <b>7,953</b>                           |              | <b>5,720</b>           |
| <b>Investments and other assets</b>       |  |              |  |              |                        |
| Investment securities                     | 48,000                                 |              | 61,430                                 |              | (13,429)               |
| Investments in affiliates                 | 75,594                                 |              | 74,045                                 |              | 1,549                  |
| Long-term loans                           | 51,314                                 |              | 45,907                                 |              | 5,407                  |
| Deferred tax assets                       | 32,319                                 |              | 26,057                                 |              | 6,261                  |
| Other                                     | 40,976                                 |              | 43,499                                 |              | (2,522)                |
| Allowance for doubtful accounts           | (24,223)                               |              | (17,836)                               |              | (6,387)                |
| <b>Total investments and other assets</b> | <b>223,983</b>                         |              | <b>233,104</b>                         |              | <b>(9,120)</b>         |
| <b>Total fixed assets</b>                 | <b>788,445</b>                         | <b>69.9</b>  | <b>810,325</b>                         | <b>70.6</b>  | <b>(21,880)</b>        |
| <b>Total Assets</b>                       | <b>1,127,567</b>                       | <b>100.0</b> | <b>1,148,219</b>                       | <b>100.0</b> | <b>(20,651)</b>        |

**ASAHI BREWERIES, LTD.**  
Non-consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY

|   | (in million yen)        |              |                         |              |                 |
|---|-------------------------|--------------|-------------------------|--------------|-----------------|
|   | Fiscal 2002             |              | Fiscal 2001             |              | Increase        |
|   | as of December 31, 2002 |              | as of December 31, 2001 |              | (Decrease)      |
|   | Amount                  | Ratio(%)     | Amount                  | Ratio(%)     | Amount          |
| <b>Current liabilities:</b>                       |                         |              |                         |              |                 |
| Notes payable                                     | 378                     |              | 378                     |              | 0               |
| Accounts payable                                  | 46,936                  |              | 47,983                  |              | (1,046)         |
| Short-term debt                                   | 104,002                 |              | 70,500                  |              | 33,502          |
| Bonds due within one year                         | 25,451                  |              | 48,419                  |              | (22,968)        |
| Other accounts payable                            | 14,717                  |              | 24,533                  |              | (9,815)         |
| Alcohol tax payable                               | 132,271                 |              | 138,956                 |              | (6,685)         |
| Consumption tax payable                           | 7,135                   |              | 7,864                   |              | (729)           |
| Income taxes payable                              | 10,929                  |              | 18,656                  |              | (7,726)         |
| Accrued expense                                   | 42,676                  |              | 43,358                  |              | (682)           |
| Deposits received                                 | 87,549                  |              | 78,988                  |              | 8,560           |
| Commercial paper                                  | 20,000                  |              | 19,000                  |              | 1,000           |
| Reserve for bonuses                               | 1,210                   |              | -                       |              | 1,210           |
| Other   | 68                      |              | 74                      |              | (6)             |
| <b>Total current liabilities</b>                  | <b>493,326</b>          | <b>43.7</b>  | <b>498,713</b>          | <b>43.4</b>  | <b>(5,386)</b>  |
| <b>Non-current liabilities:</b>                   |                         |              |                         |              |                 |
| Bonds   | 160,000                 |              | 120,000                 |              | 40,000          |
| Convertible bonds                                 | 29,997                  |              | 45,448                  |              | (15,451)        |
| Long-term debt                                    | 8,000                   |              | 41,500                  |              | (33,500)        |
| Long-term accounts payable                        | 600                     |              | 1,800                   |              | (1,200)         |
| Long-term deposits received                       | 34,570                  |              | 33,607                  |              | 963             |
| Reserve for retirement benefit obligations        | 14,614                  |              | 18,829                  |              | (4,215)         |
| <b>Total non-current liabilities</b>              | <b>247,782</b>          | <b>22.0</b>  | <b>261,185</b>          | <b>22.8</b>  | <b>(13,403)</b> |
| <b>Total liabilities</b>                          | <b>741,108</b>          | <b>65.7</b>  | <b>759,898</b>          | <b>66.2</b>  | <b>(18,789)</b> |
| <b>Shareholders' equity:</b>                      |                         |              |                         |              |                 |
| Common stock                                      | 182,531                 | 16.2         | 182,530                 | 15.9         | 0               |
| Additional paid-in capital                        |                         |              |                         |              |                 |
| Capital reserve                                   | 129,903                 |              | 189,903                 |              | (59,999)        |
| Other   | 60,000                  |              | -                       |              | 60,000          |
|   | 189,903                 | 16.8         | 189,903                 | 16.5         | 0               |
| Retained earnings:                                |                         |              |                         |              |                 |
| Legal reserve                                     | -                       |              | 8,687                   |              | (8,687)         |
| Voluntary reserve                                 | 2,951                   |              | 3,138                   |              | (186)           |
| Unappropriated retained earnings                  | 20,450                  |              | 4,659                   |              | 15,790          |
|   | 23,401                  | 2.1          | 16,485                  | 1.5          | 6,916           |
| Unrealized gains/losses on other securities       | (30)                    | 0.0          | -                       | -            | (30)            |
| Treasury stock                                    | (9,348)                 | (0.8)        | (598)                   | (0.1)        | (8,749)         |
| <b>Total shareholders' equity</b>                 | <b>386,458</b>          | <b>34.3</b>  | <b>388,320</b>          | <b>33.8</b>  | <b>(1,861)</b>  |
| <b>Total Liabilities and shareholders' equity</b> | <b>1,127,567</b>        | <b>100.0</b> | <b>1,148,219</b>        | <b>100.5</b> | <b>(20,651)</b> |

**[Notes to Balance Sheet]**

(in million yen)

|  | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) |
|--|--|--|------------------------|
| 1. Accumulated depreciation for<br>Tangible fixed assets | 328,973                                | 316,666                                | 12,307                 |
| 2. Treasury stock: Number of shares                      | 10,850,786                             | 503,615                                | 10,347,171             |
| Amount   | 9,348                                  | 598                                    | 8,749                  |

Note: The above "Treasury Stock" includes 443,000 shares of treasury stock acquired under stock option plan.

3. Notes receivable/payable falling due on the end date of the accounting period  
Notes receivable/payable are settled on a business day when banks are open for business.  
As the last day of the period under review was a bank holiday, following notes receivable/payable falling due on the last day of the period are included in the balance sheet.

(in million yen)

|                  | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) |
|------------------|--|--|------------------------|
| Notes receivable | 650                                    | 623                                    | 26                     |
| Notes payable    | 73                                     | 8                                      | 64                     |

4. Contingent liabilities  
(1) Guarantee obligation for loans, etc.

(in million yen)

|                             | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) |
|-----------------------------|--|--|------------------------|
| Guarantee                   | 8,153                                  | 9,509                                  | (1,355)                |
| Commitment to guarantee     | 180                                    | 1,608                                  | (1,428)                |
| Letter of undertaking, etc. | 18,526                                 | 35,345                                 | (16,818)               |

- (2) Guarantee obligation for derivative transactions

(in million yen)

|                              | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) |
|------------------------------|--|--|------------------------|
| Letter of undertaking, etc.: |  |  |                        |
| Contract amount              | 10,600                                 | 22,179                                 | (11,579)               |
| Unrealized gains or losses   | (50)                                   | 347                                    | (397)                  |

Note: The above derivative transactions were entered into by our consolidated subsidiaries for the purpose of hedging the interest rate risk on their borrowings, etc.

5. Breakdown of the increase in issued shares during the the year ended December 31, 2002

|                               | Fiscal 2002<br>Number of increased shares | Per share<br>Conversion price | Capitalized amount |
|-------------------------------|---|-------------------------------|--------------------|
|                               | thousand shares                           |                               |                    |
| Unsecured convertible bond #9 | 0   | Yen 1,165.00                  | Yen 583            |

**ASAHI BREWERIES, LTD.**  
Non-consolidated Statements of Operations  
(January 1 to December 31)

|   | (in million yen)        |          |                         |          |            |
|---|-------------------------|----------|-------------------------|----------|------------|
|   | Fiscal 2002             |          | Fiscal 2001             |          | Increase   |
|   | ended December 31, 2002 |          | ended December 31, 2001 |          | (Decrease) |
|   | Amount                  | Ratio(%) | Amount                  | Ratio(%) | Amount     |
| Net sales   | 1,093,773               | 100.0    | 1,121,920               | 100.0    | (28,147)   |
| Cost of sales   | 799,303                 | 73.1     | 827,175                 | 73.7     | (27,872)   |
| Gross profit  | 294,470                 | 26.9     | 294,745                 | 26.3     | (275)      |
| Selling, General & Administrative expense:                            |                         |          |                         |          |            |
| Sales incentives and commission                                       | 67,928                  |          | 60,995                  |          | 6,932      |
| Advertising expense   | 38,139                  |          | 40,912                  |          | (2,773)    |
| Freight   | 20,750                  |          | 22,457                  |          | (1,707)    |
| Provision for doubtful accounts                                       | 5,069                   |          | 5,602                   |          | (533)      |
| Salary  | 19,678                  |          | 18,437                  |          | 1,240      |
| Bonuses   | 7,755                   |          | 6,410                   |          | 1,345      |
| Retirement benefits   | 2,272                   |          | 2,141                   |          | 131        |
| Depreciation  | 5,490                   |          | 5,989                   |          | (499)      |
| Other   | 57,578                  |          | 53,426                  |          | 4,151      |
|   | 224,663                 | 20.5     | 216,373                 | 19.3     | 8,289      |
| <b>Operating income</b>   | 69,807                  | 6.4      | 78,371                  | 7.0      | (8,564)    |
| Non-operating income:   |                         |          |                         |          |            |
| Interest and dividend income  | 2,065                   |          | 2,027                   |          | 38         |
| Other   | 745                     |          | 690                     |          | 54         |
|   | 2,810                   | 0.3      | 2,717                   | 0.2      | 93         |
| Non-operating expenses:   |                         |          |                         |          |            |
| Interest expense  | 4,258                   |          | 5,429                   |          | (1,170)    |
| Other   | 11,638                  |          | 12,924                  |          | (1,285)    |
|   | 15,897                  | 1.5      | 18,353                  | 1.6      | (2,455)    |
| <b>Ordinary income</b>  | 56,720                  | 5.2      | 62,735                  | 5.6      | (6,015)    |
| Extraordinary gains:  |                         |          |                         |          |            |
| Gain on sale of fixed assets  | 41                      |          | 908                     |          | (866)      |
| Gain on sale of investment securities                                 | 323                     |          | 699                     |          | (376)      |
| Gain on sale of subsidiaries' shares                                  | -                       |          | 215                     |          | (215)      |
|   | 365                     | 0.0      | 1,824                   | 0.2      | (1,458)    |
| Extraordinary losses:   |                         |          |                         |          |            |
| Loss on disposal and sale of fixed assets                             | 10,150                  |          | 6,312                   |          | 3,837      |
| Loss on sale of investment securities                                 | 489                     |          | 2,979                   |          | (2,490)    |
| Loss on devaluation of investment securities                          | 6,892                   |          | 7,644                   |          | (752)      |
| Loss on devaluation of subsidiaries' shares                           | 6,781                   |          | 5,377                   |          | 1,403      |
| Loss on devaluation of investment in subsidiaries                     | 1,902                   |          | -                       |          | 1,902      |
| Loss on liquidation of subsidiaries                                   | 445                     |          | 8,985                   |          | (8,540)    |
| Loss on creation of trust for retirement benefits                     | 3,640                   |          | -                       |          | 3,640      |
| Differential resulting from change in retirement allowance accounting | -                       |          | 15,733                  |          | (15,733)   |
| Retirement benefits for directors & auditors                          | 18                      |          | 99                      |          | (80)       |
|   | 30,319                  | 2.8      | 47,133                  | 4.2      | (16,813)   |
| Income before income taxes  | 26,766                  | 2.4      | 17,426                  | 1.6      | 9,339      |
| Income tax, inhabitants tax & enterprise tax                          | 22,013                  | 2.0      | 22,750                  | 2.0      | (736)      |
| Adjustment to income tax, etc.  | (5,812)                 | (0.6)    | (12,582)                | (1.1)    | 6,769      |
| Net Income  | 10,565                  | 1.0      | 7,259                   | 0.7      | 3,305      |
| Retained earnings at beginning of the term                            | 1,197                   |          | 736                     |          | 461        |
| Reversal of legal reserve   | 8,687                   |          | -                       |          | 8,687      |
| Dividends (interim)   | -                       |          | 3,032                   |          | (3,032)    |
| Transfer to legal reserve (interim)                                   | -                       |          | 303                     |          | (303)      |
| Unappropriated retained earnings                                      | 20,450                  |          | 4,659                   |          | 15,790     |

Proposed Appropriation of Retained Earnings  
(Fiscal 2002)

(in million yen)

|  | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) |
|--|--|--|------------------------|
| <b>Appropriation of Unappropriated Retained Earnings:</b>          |  |  |                        |
| Unappropriated retained earnings<br>at the end of year             | 20,450                                 | 4,659                                  | 15,790                 |
| Reversal of reserve for advanced<br>depreciation of fixed assets   | 207                                    | 186                                    | 20                     |
| <b>Total</b>   | <b>20,657</b>                          | <b>4,846</b>                           | <b>15,810</b>          |
| The above amount to be appropriated as follows:                    |  |  |                        |
| Cash dividends   | 6,535                                  | 3,591                                  | 2,943                  |
| Bonuses to directors   | 41                                     | 47                                     | (5)                    |
| Bonuses to auditors  | 6                                      | 9                                      | (3)                    |
| Other reserve  | 10,000                                 | -                                      | 10,000                 |
| Unappropriated retained earnings<br>carried forward                | 4,073                                  | 1,197                                  | 2,876                  |
| <b>Appropriation of additional paid-in capital-other</b>           |  |  |                        |
| Additional paid-in capital-other                                   | 60,000                                 | -                                      | 60,000                 |
| Appropriation  |  |  |                        |
| Cash dividends   | -                                      | -                                      | -                      |
| Other  | -                                      | -                                      | -                      |
| Unappropriated additional paid-in capital-other<br>carried forward | 60,000                                 | -                                      | 60,000                 |

Cash Dividend per Share

|                       | Fiscal 2002 |         |          | Fiscal 2001 |         |          |
|-----------------------|-------------|---------|----------|-------------|---------|----------|
|                       | Annual      | Interim | Year-end | Annual      | Interim | Year-end |
| Dividend per share    | ¥13.00      | -       | ¥13.0    | ¥13.00      | ¥6.00   | ¥7.00    |
| (Breakdown)           |             |         |          |             |         |          |
| Regular cash dividend | ¥13.00      | -       | ¥13.0    | ¥12.00      | ¥6.00   | ¥6.00    |
| Special dividend      | -           | -       | -        | ¥1.00       | -       | ¥1.00    |



### Sales by Business Segment

|  | (in million yen)                       |  |                          |
|--|--|--|--------------------------|
|  | Fiscal 2002<br>ended December 31, 2002 | Fiscal 2001<br>ended December 31, 2001 | Increase<br>(Decrease) % |
| Beer   | 849,625                                | 932,234                                | (8.9)                    |
| Happoshu (low-malt beer)   | 162,339                                | 142,543                                | 13.9                     |
| Whiskey, Brandy  | 27,660                                 | 21,346                                 | 29.6                     |
| Shochu   | 20,626                                 | 3,336                                  | 518.2                    |
| Wine   | 12,190                                 | 8,454                                  | 44.2                     |
| Other alcoholic beverages<br>(including low-alcoholic beverages) | 18,243                                 | 12,239                                 | 49.1                     |
| Real estate  | 3,086                                  | 1,766                                  | 74.7                     |
| Total  | 1,093,773                              | 1,121,920                              | (2.5)                    |

[Significant Accounting Policies]

1. Valuation method for securities

(1) Subsidiaries and affiliates ----- Moving average cost method

(2) Other securities

1) Securities for which market price is available ----- Market value method based on the average of the prices during the last one month of the accounting period concerned (unrealized holding gains and losses are reported as a net amount in a separate component of shareholders' equity. Cost of sale is calculated based on moving average method.)

2) Securities for which market price is not available ----- Moving average cost method

2. Valuation method for inventories

(1) Merchandize, finished good, semi-finished goods ----- Average cost method

(2) Real estate held for sale ----- Stated at cost determined by identified cost method

(3) Raw materials and supplies ----- Moving average cost method

3. Depreciation of fixed assets (\*\*\*)

(1) Tangible fixed assets

1) Plant ----- Straight line method

2) Distribution facilities (acquired on or after April 1, 1998\*) ----- Straight line method

3) Other distribution facilities ----- Straight line method

(\*) Ancillary facilities are excluded

(2) Intangible fixed assets ----- Straight line method (\*\*)

(\*\*) Softwares (for internal use) are depreciated based on straight line method over their useful life for in-house use (5 years)

(\*\*\*) Useful life and residual value are determined based on the method as provided in the Corporate Income Tax Law.

4. Deferred assets ----- Total amount is expensed at the time of payment

5. Allowances

(1) Allowance for doubtful accounts ----- Amount of potential loss is calculated by taking historical loss ratio in case of non-classified loans/receivables. Potential loss for classified loans/receivables are individually assessed.

(2) Reserve for retirement benefit obligations ----- The amount estimated to represent potential liability as of the end of the accounting period under review is calculated by taking retirement benefit liabilities and estimated value of pension assets. Differentials resulting from actuarial calculations are amortized based on straight line method over a fixed period (10 years) which is not to exceed the number of years between the fiscal year immediately following the year under review and the year on which average period of employment will fall.

(3) Reserve for bonuses

The amount estimated to represent the amount of bonuses payable to employees in relation to the service provided during the year concerned is recognized.

6. Lease transactions

Finance leases where ownership does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.

7. Consumption tax, etc.

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption tax paid on purchase of fixed asset is recognized as period cost for the accounting term in which such transaction took place.

[Additional information]

1. Accounting treatment of financial instruments

Effective fiscal 2002, the Company adopted the Accounting Standard for Financial Instruments (“Proposal on the Introduction of Standard Accounting Principle for the Treatment of Financial Instruments” by Corporate Accounting Council dated January 22, 1999) as a method of evaluating securities included in “other securities” for which market price is available.

As a result of the change in accounting treatment, the Company recorded unrealized gains/losses on other securities of (¥30) million, and the balance of investment securities was ¥51 million smaller and deferred tax assets ¥21 million greater than otherwise would have been the case.

2. Market price used in the recognition of impairment losses for other securities

Until the previous accounting period, the Company had used fair value for the recognition of impairment losses on “other securities” for which market price is available, based on the market price prevailing as of the end of the accounting period. Effective fiscal 2002, the Company will use the average of the prices during the last one month of the period concerned in order to eliminate the effect of short-term movements in stock price. As a result of this change income before income taxes is ¥3,701 million smaller than otherwise would have been the case.

3. Accrued bonuses

Until fiscal 2001, the amount of bonuses payable to employees had been fixed before the closing date of the fiscal year concerned, and such amount had been recognized as an accrued expense item. However, due to the revision of the Agreement on Bonus Payment, effective fiscal 2002 the amount of bonuses payable became no longer determinable before the closing date of the accounting period. Effective fiscal 2002, the amount of bonuses estimated to become payable is recognized as reserve for bonuses. The amount of accrued bonuses for fiscal 2001 included in accrued expense was ¥1,126 million.

4. Balance sheets

Effective fiscal 2002, in accordance with the Supplementary Provision 2 of the “Cabinet Office Ordinance on Partial Revision of the Rules on Financial Statements Terminology, Format and Preparation (Cabinet Office Order No. 9 dated March 26, 2002)”, capital reserve is included in additional paid-in capital, and legal reserve, voluntary reserve and unappropriated retained earnings are included in retained earnings.

5. Treasury stock and withdrawal of legal reserves

Effective fiscal 2002, the Company has adopted the “Accounting Standard Regarding Treasury Stock and Withdrawal of Legal Reserves” (Corporate Accounting Standard Statement No. 1.) The effect of the change on the consolidated operating results for fiscal 2002 is minimal.

[Lease transactions]

1. Finance leases of the Company where ownership does not transfer to the lessees

- (1) Acquisition cost equivalents, accumulated depreciation equivalents and book value equivalents of leased properties as of the end of the fiscal year.

(in million yen)

|                             | Fiscal 2002             |                         |       |        | Fiscal 2001             |                        |       |        |
|-----------------------------|-------------------------|-------------------------|-------|--------|-------------------------|------------------------|-------|--------|
|                             | Machinery and equipment | Furnitures and fixtures | Other | Total  | Machinery and equipment | Furniture and fixtures | Other | Total  |
| Acquisition cost equivalent | 45,918                  | 38,997                  | 85    | 85,001 | 45,914                  | 39,036                 | 86    | 85,036 |
| Depreciation equivalent     | 28,906                  | 19,611                  | 33    | 48,551 | 24,924                  | 19,981                 | 40    | 44,946 |
| Book value equivalent       | 17,011                  | 19,386                  | 52    | 36,450 | 20,990                  | 19,054                 | 45    | 40,090 |

- (2) Unexpired lease payments as of the end of interim (fiscal year) period.

(in million yen)

|                 | Fiscal 2002 | Fiscal 2001 |
|-----------------|-------------|-------------|
| Within one year | 12,891      | 10,762      |
| Over one year   | 25,218      | 31,689      |
| Total           | 38,110      | 42,452      |

- (3) Lease payment, depreciation equivalents and interest expense equivalent

(in million yen)

|                        | Fiscal 2002 | Fiscal 2001 |
|------------------------|-------------|-------------|
| Lease payment          | 13,073      | 13,288      |
| Depreciation equiv.    | 10,697      | 10,803      |
| Interest payment equiv | 1,664       | 2,026       |

- (4) Calculation of depreciation equivalents and interest expense equivalents

- Depreciation equivalents are calculated based on straight line method. Useful life of leased property is deemed to equal contractual period of the lease, with no residual value remaining at the end of the lease period.
- Interest expense equivalents are calculated by taking the difference between total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on interest method.

2. Operating lease

- Unexpired lease payment

(in million yen)

|                 | Fiscal 2002 | Fiscal 2001 |
|-----------------|-------------|-------------|
| Within one year | 9           | 10          |
| Over one year   | 9           | 14          |
| Total           | 19          | 25          |

[Securities]

Securities

As of the end of fiscal 2002 (December 31, 2002)

Securities issued by subsidiaries and affiliates for which market price is available (in million yen)

|                                      | Amount stated in the<br>balance sheet | Market value | Difference |
|--------------------------------------|---------------------------------------|--------------|------------|
| Securities issued by<br>subsidiaries | 7,104                                 | 11,382       | 4,278      |
| Total                                | 7,104                                 | 11,382       | 4,278      |

As of the end of fiscal 2001 (December 31, 2001)

Securities issued by subsidiaries and affiliates for which market price is available (in million yen)

|                                      | Amount stated in the<br>balance sheet | Market value | Difference |
|--------------------------------------|---------------------------------------|--------------|------------|
| Securities issued by<br>subsidiaries | 7,104                                 | 16,146       | 9,041      |
| Total                                | 7,104                                 | 16,146       | 9,041      |

| Fiscal 2002   |                | Fiscal 2001   |                |
|---|----------------|---|----------------|
| 1. Breakdown of deferred tax assets and liabilities by nature of accrual<br>(Deferred tax assets) | Million yen    | 1. Breakdown of deferred tax assets and liabilities by nature of accrual<br>(Deferred tax assets) | Million yen    |
| Provision for doubtful debt Reserve   | 12,436         | Provision for doubtful debt   | 9,082          |
| for bonuses   | 347            | Reserve for bonuses   | 250            |
| Retirement benefit  | 10,430         | Retirement benefit  | 10,698         |
| Unpaid enterprise tax   | 979            | Unpaid enterprise tax   | 1,677          |
| Unrealized loss on subsidiary stock   | 5,085          | Unrealized loss on subsidiary stock   | 2,249          |
| Fixed asset removal expense   | 1,120          | Fixed asset removal expense   | 752            |
| Depreciation  | 941            | Depreciation  | 2,035          |
| Loss on creation of retirement benefit trust  | 1,522          | Valuation loss on investment securities   | 2,861          |
| Valuation loss on investment securities   | 4,732          | Other   | <u>3,324</u>   |
| Valuation loss on investment in subsidiaries  | 795            | Subtotal  | 32,932         |
| Amortization of deferred assets   | 951            | Valuation allowance   | <u>(1,452)</u> |
| Other   | <u>3,369</u>   | Total deferred tax assets   | <u>31,479</u>  |
| Subtotal  | 42,712         | (Deferred tax liabilities)  |                |
| Valuation allowance   | <u>(5,547)</u> | Advanced depreciation of fixed assets   | <u>(2,121)</u> |
| Total deferred tax assets   | <u>37,165</u>  | Total deferred tax liabilities  | <u>(2,121)</u> |
| (Deferred tax liabilities)  |                | Net deferred tax assets   | <u>29,358</u>  |
| Advanced depreciation of fixed assets   | <u>(1,972)</u> |   |                |
| Total deferred tax liabilities  | <u>(1,972)</u> |   |                |
| Net deferred tax assets   | <u>35,192</u>  |   |                |



|   |               |   |              |
|---|---------------|---|--------------|
| 2. Reconciliation of statutory tax rate to effective tax rate |               | 2. Reconciliation of statutory tax rate to effective tax rate |              |
|   | 41.8%         |   | 41.8%        |
| Statutory tax rate  |               | Statutory tax rate  |              |
| Increase(decrease) in taxes resulting from:                   |               | Increase(decrease) in taxes resulting from:                   |              |
| Non-deductible expenses such as entertainment expense         | 7.0%          | Non-deductible expenses such as entertainment expense         | 9.6%         |
| Valuation allowances  | 15.3%         | Valuation loss on subsidiary stocks                           | 8.3%         |
| Non-deductible expenses such as dividend income               | (1.2%)        | Non-deductible expenses such as dividend income               | (1.7%)       |
| Other   | <u>(2.4%)</u> | Other   | <u>0.3%</u>  |
| Effective income tax rate                                     | <u>60.5%</u>  | Effective income tax rate                                     | <u>58.3%</u> |