

# Asahi Breweries, Ltd.



## FY2010 3Q 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 materials have been rounded down to omit fractions less than one million yen. This document is a partial English translation of the Japanese Financial Statement which was filed at Stock Exchanges in Japan on October 29, 2010.

This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of 1Q Financial Results  
(Fiscal 2010)**

October 29, 2010

**Asahi Breweries, Ltd.**

Code number: 2502  
Shares Listed: First Section of each of Tokyo Stock Exchanges and Osaka Securities Exchanges  
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US GAAP: Not applicable

## 1. Consolidated Financial Results for Fiscal 2010 (From January 1, 2010 to Septmebr 30, 2010)

### (1) Operating Results

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

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2010 3Q ended September 30, 2010	1,095,554	1.5	62,857	18.0	69,421	10.7
Fiscal 2009 3Q ended September 30, 2009	1,079,345	-	53,265	-	62,711	-

	Net income	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2010 3Q ended September 30, 2010	26,336	(36.9)	56.62	56.57
Fiscal 2009 3Q ended September 30, 2009	41,717	-	89.74	89.70

### (2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
Fiscal 2010 3Q ended September 30, 2010	1,358,787	587,278	43.0	1,256.10
Fiscal 2009 ended December 31, 2009	1,433,652	577,702	40.0	1,233.25

Notes: Equity at the end of 3Q FY2010: 584,359 million yen      Equity at the end of FY2009: 573,473 million yen

### 2. Dividends

	Cash dividend per share				
	end of first	end of second	end of thurd	Year-end	Dividend per
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended December 31, 2009	-	10.00	-	11.00	21.00
Year ended December 31, 2010	-	10.50	-		
Year ended December 31, 2010 (Forecast)				10.50	21.00

(Note) Revisions to the forecast of dividends in the current quarter: No

### 3. Projection for Fiscal 2010 (January 1, 2010 to December 31, 2010)

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2010 ending December 31, 2010	1,487,000	1.0	93,000	12.3	100,000	10.4

	Net income	% change	Net income per share
	(Millions of yen)	(%)	(yen)
Fiscal 2010 ending December 31, 2010	52,000	9.1	111.78

(Note) Revisions to the forecast of consolidated results in the current quarter: No

#### 4. Other

(1) Change in the scope of consolidation and application of the equity method: No

(2) Adoption of simplified accounting methods or special accounting methods in preparation of quarterly financial statements:

1. Simplified accounting methods

• Method of estimating general credit losses

The Company and its main consolidated subsidiaries adopt the method of estimating general credit losses using reasonable criteria such as the credit-loss ratio estimated in the consolidated financial statements of the previous fiscal year, as it was deemed that there has been no marked change from the credit-loss ratio estimated at the end of the previous fiscal year.

• Method of estimating depreciation expenses for fixed assets

When employing the fixed-percentage depreciation method, the Company and its main consolidated subsidiaries adopt a method of assigning to the period under review an estimated proportional amount of depreciation expenses for the fiscal year.

• Method of estimating deferred tax assets and liabilities

In assessing the recoverability of deferred tax assets, as the Company and its main consolidated subsidiaries have deemed that there has been no marked change in the operating environment, etc., since the end of the previous year, and that there has been no marked change with respect to the occurrence of temporary differences, etc., they employ the future earnings forecasts and tax planning assumptions of the financial statements for the previous fiscal year.

2. Specific accounting methods for preparation of quarterly financial statements

The tax expenses is calculated by multiplying net income before income taxes by effective tax rate estimated reasonably using the effective tax rate on net income before income taxes after their application of tax effect accounting for consolidated fiscal year including the current third quarter .

The deferred Income taxes is included in income taxes.

(3) Changes in accounting policies, procedures and methods of indication of accounting methods

1. Changes due to amendment of accounting standard: Yes

Adoption of accounting standard for business combinations

From the first-quarter period under review, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the partial amendments to the "Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 of December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), the "Accounting Standard for the Equity Method of Accounting for Investments" (ASBJ Statement No. 16; part issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

2. Changes due to other reasons: None

(4) Number of shares issued and outstanding at the end of the term (consolidated):

(1) Issued stock including treasury stock:

Nine months ended September 30, 2010	483,585,862 shares	Year ended December 31, 2009	483,585,862 shares
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(2) Treasury stock:

Nine months ended September 30, 2010	18,368,107 shares	Year ended December 31, 2009	18,576,966 shares
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(3) Average of issued Stock:

Nine months ended September 30, 2010	465,173,967 shares	Nine months ended September 30, 2009	464,844,053 shares
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## 5. Consolidated Financial Statements (Unaudited)

### (1) Consolidated Balance Sheets (As of September 30, 2010 and December 31, 2009)

(in million yen)

	As of September 30, 2010	As of December 31, 2009
<b>(Assets)</b>		
<b>Current Assets:</b>		
Cash and deposits	13,385	19,583
Notes and accounts receivable-trade	236,503	274,558
Merchandise and finished goods	69,971	64,499
Raw materials and supplies	32,539	32,943
Deferred tax assets	11,596	11,175
Other	33,738	32,952
Allowance for doubtful accounts	(4,709)	(7,665)
Total Current assets	<u>393,024</u>	<u>428,047</u>
<b>Noncurrent assets:</b>		
Property, plant and equipment		
Buildings and structures	397,192	416,590
Accumulated depreciation	(222,480)	(227,437)
Buildings and structures, net	<u>174,711</u>	<u>189,152</u>
Machinery, equipment and vehicles	489,031	531,835
Accumulated depreciation	(353,186)	(370,910)
Machinery, equipment and vehicles, net	<u>135,845</u>	<u>160,924</u>
Other	142,875	136,608
Accumulated depreciation	(81,076)	(78,393)
Other, net	<u>61,798</u>	<u>58,215</u>
Land	185,112	184,433
Construction in progress	7,149	6,382
Total property, plant and equipment	<u>564,617</u>	<u>599,108</u>
<b>Intangible assets</b>		
Goodwill	95,937	100,314
Other	38,653	40,427
Total intangible assets	<u>134,591</u>	<u>140,741</u>
<b>Investments and other assets</b>		
Investment securities	209,905	206,364
Deferred tax assets	22,138	21,021
Other	40,511	42,701
Allowance for doubtful accounts	(6,002)	(4,332)
Investments and other assets	<u>266,553</u>	<u>265,755</u>
Total investments and other assets	<u>965,762</u>	<u>1,005,605</u>
Total assets	<u>1,358,787</u>	<u>1,433,652</u>

(Continued)

(in million yen)

	As of September 30, 2010	As of December 31, 2009
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	96,526	100,998
Short-term loans payable	61,770	141,220
Current portion of bonds	15,000	15,000
Accrued alcohol tax	121,615	123,470
Income taxes payable	3,737	24,096
Deposits received	17,740	20,429
Commercial papers	29,000	30,000
Provision for bonuses	7,586	2,559
Other	118,888	116,005
Total current liabilities	<u>471,865</u>	<u>573,780</u>
Noncurrent liabilities		
Bonds payable	135,147	130,156
Long-term loans payable	83,949	75,499
Provision for retirement benefits	24,696	24,252
Provision for directors' retirement benefits	574	602
Deferred tax liabilities	4,844	4,860
Other	50,431	46,798
Total noncurrent liabilities	<u>299,643</u>	<u>282,169</u>
Total liabilities	<u>771,509</u>	<u>855,949</u>
<b>(Net assets)</b>		
Shareholders' equity		
Capital stock	182,531	182,531
Capital surplus	150,945	151,048
Retained earnings	268,484	252,146
Treasury stock	(28,954)	(29,283)
Total shareholders' equity	<u>573,007</u>	<u>556,443</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	643	2,444
Deferred gains or losses on hedges	-	(6)
Foreign currency translation adjustment	10,708	14,591
Total valuation and translation adjustments	<u>11,351</u>	<u>17,029</u>
Minority interests	<u>2,918</u>	<u>4,229</u>
Net assets	<u>587,278</u>	<u>577,702</u>
Total liabilities and net assets	<u>1,358,787</u>	<u>1,433,652</u>

## (2) Consolidated Income Statements (From January 1, 2010 to September 30, 2010)

	(in million yen)	
	September 30 2009 Amount	September 30 2010 Amount
Net sales	1,079,345	1,095,554
Cost of sales	700,392	691,816
Gross profit	378,953	403,737
Selling, general and administrative expenses	325,688	340,879
Operating income	53,265	62,857
Non-operating income		
Interest income	235	218
Dividends income	2,012	1,019
Equity in net income of unconsolidated subsidiaries	8,874	9,643
Other	3,671	1,157
Total non-operating income	14,794	12,038
Non-operating expenses		
Interest expenses	3,282	3,256
Other	2,065	2,218
Total non-operating expenses	5,347	5,474
Ordinary income	62,711	69,421
Extraordinary income		
Gain on sales of noncurrent assets	689	639
Gain on sales of investment securities	386	1,731
Gain on sales of subsidiaries and affiliates' stocks	16,091	-
Reversal of allowance for doubtful accounts	843	874
Gain on change in equity	-	726
Other	-	63
Total extraordinary income	18,010	4,036
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,882	2,831
Loss on sales of investment securities	403	9
Loss on valuation of investment securities	636	1,380
Impairment loss	760	-
Loss on liquidation of subsidiaries and affiliates	-	392
Loss on factory restructurings	-	20,098
Other	396	1,505
Total extraordinary loss	5,080	26,217
Income before income taxes and minority interests	75,642	47,240
Income taxes	33,082	22,001
Minority interests in income	842	(1,098)
Net income	41,717	26,336

**(3) Consolidated Statements of Cash Flows (From January 1 to September 30, 2010 and 2009)**

(in million yen)

	Nine months ended September 30, 2009 (From January 1 to September 30)	Nine months ended September 30, 2010 (From January 1 to September 30)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	75,642	47,240
Depreciation and amortization	42,672	44,889
Impairment loss	760	-
Amortization of goodwill	3,590	4,442
Increase (decrease) in provision for retirement benefits	686	2,273
Increase (decrease) in allowance for doubtful accounts	(924)	(1,155)
Interest and dividends income	(2,247)	(1,237)
Interest expenses	3,282	3,256
Equity in (earnings) losses of affiliates	(8,874)	(9,643)
Loss (gain) on sales of investment securities	636	1,380
Loss (gain) on sales of stocks of subsidiaries and affiliates	(16,091)	-
Loss (gain) on sales of noncurrent assets	2,193	2,192
Loss on factory restructurings	-	20,098
Decrease (increase) in notes and accounts receivable-trade	44,960	37,406
Decrease (increase) in inventories	(1,445)	(5,427)
Increase (decrease) in notes and accounts payable-trade	(11,484)	(4,059)
Increase (decrease) in accrued consumption taxes	(5,150)	(1,848)
Other, net	(11,577)	2,098
Subtotal	116,628	141,904
Interest and dividends income received	6,512	6,481
Interest expenses paid	(2,725)	(2,675)
Income taxes paid	(41,525)	(42,068)
Net cash provided by (used in) operating activities	78,890	103,642
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(27,599)	(17,949)
Proceeds from sales of property, plant and equipment	2,270	771
Purchase of intangible assets	(22,117)	(3,572)
Purchase of investment securities	(80,168)	(6,256)
Proceeds from sales of investments in subsidiaries	39,000	2,660
Purchase of investments in subsidiaries	(15,360)	(41)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(60,896)	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(18)	-
Payments for transfer of business	-	(5,339)
Payments of loans receivable	(2,653)	(1,748)
Collection of loans receivable	1,839	1,800
Other, net	(3,457)	(1,755)
Net cash provided by (used in) investing activities	(169,160)	(31,431)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	95,122	(58,361)
Repayments of lease obligations	-	(2,122)
Proceeds from long-term loans payable	4,489	10,337
Repayment of long-term loans payable	(23,024)	(22,402)
Proceeds from issuance of bonds	25,000	20,000
Redemption of bonds	-	(15,000)
Purchase of treasury stock	(24)	(15)
Cash dividends paid	(9,529)	(9,999)
Proceeds from stock issuance to minority shareholders	542	-
Other, net	47	258
Net cash provided by (used in) financing activities	92,623	(77,306)
Effect of exchange rate change on cash and cash equivalents	134	(335)
Net increase (decrease) in cash and cash equivalents	2,487	(5,430)
Cash and cash equivalents	12,697	18,082
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	475	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	2
Cash and cash equivalents	15,660	12,654

#### (4) Segment information

##### a. Segment information by business

Fiscal 2009 (January 1, 2009 to September 30, 2009)

(Millions of yen)

	Alcoholic beverages	Soft drinks	Foods and pharmaceuticals	Other	Total	Elimination or corporate	Consolidated total
I. Net sales							
1) To outside customers	697,207	265,647	67,166	49,323	1,079,345	-	1,079,345
2) Inter-segment sales	13,861	1,764	1,384	39,063	56,074	(56,074)	-
Total	711,069	267,412	68,551	88,386	1,135,420	(56,074)	1,079,345
Operating expenses	659,222	268,475	67,177	87,380	1,082,255	(56,175)	1,026,080
Operating income/loss	51,847	(1,062)	1,374	1,006	53,164	100	53,265

##### (Notes)

- The Group's businesses are classified into segments by type and nature of products handled.
- Major products for each segment
  - Alcoholic beverages ----- beer, happoshu (low-malt beer), new genre ,sho-chu, whisky, etc.
  - Soft drinks ----- refreshing drinks, etc.
  - Food and pharmaceuticals ----- food business, pharmaceuticals business
  - Other ----- real estate, restaurants, wholesale, distribution, etc.
- The Company did not have any operating expenses included in "elimination or corporate" that were not assignable to particular segment(s) during the consolidated fiscal year under review or the previous consolidated fiscal year.
- Significant Changes in Segment Assets  
Due to the Company's acquisition of Schweppes Holding Pty Ltd.'s share to make it a wholly owned subsidiary in previous quarter ended in June 30, 2009, segment assets of Soft drinks segment were increased by 84,673 million yen. In the addition, the assets of Company were increased by 67,586 million yen due to the acquisition of Tsingtao Brewery in previous quarter ended in June, 2009.
- Changes in valuation standards and methods for important assets  
The Company has adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 of July 5, 2006) from the first quarter of the current fiscal year, and accordingly such inventories are now mainly stated using the acquisition cost method, cost being determined by the average method (in cases where the profitability has declined, the book value is reduced accordingly). As a result, operating income for the nine months ended September 30, 2009 decreased ¥369 million in Alcoholic beverage, ¥100 million in Food and pharmaceuticals, and ¥2 million in other, and operating loss increased ¥636 million in Soft drink.
- Additional Information  
In line with a revision of the Corporation Tax Law in fiscal 2008, from the first quarter of the current fiscal year, the Company and its main consolidated subsidiaries in Japan have changed their estimates for the useful lives of fixed assets.  
As a result, operating income for the three months under review decreased ¥1,560 million in Alcoholic beverage, ¥4 million in Soft drinks, and increased ¥22 million in Food and pharmaceuticals, and ¥0 million in other business.

Fiscal 2010 (January 1, 2010 to March 31, 2010)

(Millions of yen)

	Alcoholic beverages	Soft drinks	Foods	Other	Total	Elimination or corporate	Consolidated total
I. Net sales							
1) To outside customers	681,494	296,222	68,167	49,670	1,095,554	-	1,095,554
2) Inter-segment sales	12,382	1,625	1,402	39,955	55,365	(55,365)	-
Total	693,876	297,847	69,569	89,625	1,150,919	(55,365)	1,095,544
Operating expenses	638,769	294,397	67,522	88,061	1,088,750	(56,054)	1,032,696
Operating income	55,106	3,450	2,047	1,564	62,169	688	62,857

##### (Notes)

- The Group's businesses are classified into segments by type and nature of products handled.
- Major products for each segment
  - Alcoholic beverages ----- beer, happoshu (low-malt beer), new genre ,sho-chu, whisky, etc.
  - Soft drinks ----- refreshing drinks, etc.
  - Foods ----- foods business, pharmaceuticals business
  - Other ----- real estate, restaurants, wholesale, distribution, etc.
- The Company did not have any operating expenses included in "elimination or corporate" that were not assignable to particular segment(s) during the consolidated fiscal year under review or the previous consolidated fiscal year.
- Food and pharmaceuticals business renamed the "Foods business" from first quarter of fiscal year 2010.  
This change is only the change of segment name, and there is no change in the method of segment classification.

##### (2)

Notes  
No applicable items.