

# 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 August 7, 2003

**Summary of Non-consolidated Financial Statements  
(Fiscal 2003)**

August 7, 2003

**ASAHI BREWERIES, LTD.** (URL: <http://www.asahibeer.co.jp>)

Code Number: 2502  
Shares Listed: First Section of Tokyo and Osaka Stock Exchanges  
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: August 7, 2003  
Date of commencement of interim dividend payment: September 12, 2003  
Interim dividend payment program: Yes  
Minimum trading unit: 1000 shares

**Sales by Business Segments**

(in million yen)

	<b>6 months ended</b>	<b>6 months ended</b>	<b>Increase</b>	<b>Year ended</b>
	<b>June 30, 2003</b>	<b>June 30, 2002</b>	<b>(Decrease) %</b>	<b>December 31, 2002</b>
Beer	353,067	386,068	(8.5)	849,625
Happoshu (low-malt beer)	86,393	86,137	0.3	162,420
Whiskey, Brandy	16,083	14,147	13.7	31,317
Shochu	25,662	2,601	886.5	21,295
Low-alcohol beverage (RTD)	10,897	4,946	120.3	13,045
Wine	6,336	4,785	32.4	12,190
Other	741	335	121.1	792
Real estate	896	857	4.5	3,086
<b>Total</b>	<b>500,078</b>	<b>499,880</b>	<b>0.0</b>	<b>1,093,773</b>

[Significant Accounting Policies Regarding the Preparation of Interim Financial Statements]

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 semi-annual 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) Merchandise, finished products, work in process ----- 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 ----- Declining balance 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) Allowance for retirement benefits ----- The amount estimated to represent potential liability as of the end of the semi-annual 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) Allowance for bonuses ----- The amount estimated to represent the amount of bonuses payable to employees in relation to the service provided during the semi-annual period under review is recognized.
- (4) Allowance for officers' retirement benefits ----- The amount to be paid at the end of the semi-annual period under review based on the internal regulations 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. Consumption tax payable in suspense and consumption tax received in suspense are netted, and the net amount thus calculated is included in "other non-current liabilities." Non-deductible consumption tax related to certain assets are recognized as expenses during the term when the said consumption tax became applicable.

#### [Changes in accounting method]

##### 1. Allowance for directors' retirement benefits

Until the previous accounting period, allowance for directors' retirement benefits had been recognized as expense during the year when actual payment was made. In view of the increasing significance of the amount of directors' retirement benefits obligations and the general acceptance of the new accounting practice, effective the end of the interim period under review, the company decided to make an allowance for directors' retirement benefits as of the end of each accounting period in the amount that equals the total amount of projected benefit obligations. Projection of future benefit obligations is made according to the provisions of the Company's bylaw on retirement benefits.

In accordance with the change in accounting method, ¥47 million was included in selling,

general and administrative expenses as an amount of provision applicable to the interim period under review. Future benefit obligations related to the past years in the amount of ¥581 million were recognized as extraordinary expense during the interim period under review. Thus, operating income and ordinary income are smaller by ¥47 million and ¥366 million respectively than otherwise would have been the case.

[Additional information]

1. 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. For the interim period under review, the amount estimated to have accrued during the period is recognized as reserve for bonuses. The amount of accrued bonuses for the interim period ended June 2002 included in “current liabilities – other” was ¥1,353 million.

2. Reversal of deferred tax assets due to change in tax rate

In accordance with the provisions of the Law Concerning Partial Revision of the Local Tax Law (Law No. 9, 2003) promulgated on March 31, 2003, statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities (that are expected to be amortized through January 1, 2005 or thereafter) for the interim period under review was changed from 41.8% to 40.4%. As a result, the amount of deferred tax assets decreased by ¥780 million, while the amount of income tax, inhabitant tax and enterprise tax posted during the interim period under review increased by ¥797 million, and net unrealized gains on other securities increased by ¥16 million.

3. Per share data

The Company adopted “Accounting Standard Concerning Per Share Net Income” (Enterprise Accounting Standard No. 2) and “Guidelines for the Application of the Accounting Standard Concerning Per Share Net Income” (Guideline No. 4 for the Application of Enterprise Accounting Standard) from the interim period under review. This had no impact on the per share data for the interim period under review.

[Lease transactions]

1. Finance leases 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 interim period (fiscal year.)

(in million yen)

Interim period ended June 2003				Interim period ended June 2002				Year ended December 2002			
Machinery and equipment	Furniture and fixtures	Other	Total	Machinery and equipment	Furniture and fixtures	Other	Total	Machinery and equipment	Furniture and fixtures	Other	Total
<b>Acquisition cost equivalents</b>											
26,248	38,740	87	65,077	45,914	38,899	74	84,888	45,918	38,997	85	85,001
<b>Accumulated depreciation equivalents</b>											
15,975	19,709	37	35,722	26,982	20,153	28	47,164	28,906	19,611	33	48,551
<b>Book value equivalents</b>											
10,273	19,031	49	29,354	18,932	18,745	46	37,723	17,011	19,386	52	36,450

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

(in million yen)

	Interim period ended June 2003	Interim period ended June 2002	Year ended December 2002
Within one year	10,261	10,755	12,891
Over one year	20,020	28,990	25,218
Total	30,282	39,745	38,110

(3) Lease payments, depreciation equivalents and interest expense equivalents

(in million yen)

	Interim period ended June 2003	Interim period ended June 2002	Year ended December 2002
Lease payments	5,239	6,607	13,073
Depreciation equiv.	4,386	5,395	10,697
Interest expense equiv.	614	870	1,664

(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 payments and acquisition cost equivalents of the leased property, and amortizing it over the lease period based on interest method.

2. Operating lease

(1) Unexpired lease payments

	(in million yen)		
	Interim period ended June 2003	Interim period ended June 2002	Year ended December 2002
Within one year	5	10	9
Over one year	2	14	9
Total	8	25	19

[Securities]

Securities

Interim period ended June 2003 (as of June 30, 2003)

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

	Amount stated in the interim period balance sheet	Market value	Difference
Securities issued by			
subsidiaries	7,104	14,047	6,942
Total	7,104	14,047	6,942

Interim period ended June 2002 (as of June 30, 2002)

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

	Amount stated in the interim period balance sheet	Market value	Difference
Securities issued by			
subsidiaries	7,104	16,791	9,687
Total	7,104	16,791	9,687

Year ended December 31, 2002

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

	Amount stated in the full-year balance sheet	Market value	Difference
Securities issued by			
subsidiaries	7,104	11,382	4,278
Total	7,104	11,382	4,278

[Significant subsequent events]

Sale of fixed assets

The Company concluded a sales contract with respect to the following land and building on July 11, 2003. Loss of ¥3,893,000,000 incurred as a result of this transaction will be reported as extraordinary losses in the fiscal year ending December 2003.

(1) Reason for sale

The subject assets became redundant as a result of the realignment of the distribution centers to improve the efficiency of the distribution system.

(2) Counterparty                      Daiko Construction Company, Ltd.

(3) Type and purpose of use of the assets sold

Location: Kita-machi, Kaizuka-shi, Osaka

Area: Land - 4,457.06 m<sup>2</sup> (officially registered area), Building - 2,374.00 m<sup>2</sup>

Book value: ¥4,053 million

Purpose of use before the sale: Distribution center

(4) Date of sale: July 11, 2003

(5) Sales price: ¥160 million