

# Asahi Breweries, Ltd.



## FY2006 Consolidated 1H 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 an partial English translation of the Japanese Financial Statement which was filed at stock exchanged in Japan on August 4, 2006.

**Summary Report of Consolidated 1H Financial Results  
(Fiscal 2006)**

August 4, 2006

**Asahi Breweries, Ltd.**

Code number: 2502  
Shares Listed: First Section of Tokyo and Osaka Stock Exchanges  
Head Office: Tokyo  
Contact: Toshio Kodato, General Manager, Public Relations Department  
Tel: + 81 3 5608 5126 (<http://www.asahibeer.co.jp/english/>)  
US GAAP: Not applicable

## 1. Consolidated 1H Financial Results for Fiscal 2006

(January 1, 2006 to June 30, 2006)

### (1) Operating Results

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

	Fiscal 2006 1H ended June 30, 2006		Fiscal 2005 1H ended June 30, 2005	
	Millions of yen	% change	Millions of yen	% change
Net sales	¥664,419	1.2%	¥656,605	1.3%
Operating income	28,648	-7.1%	30,838	-18.2%
Ordinary income	29,684	-7.0%	31,925	-11.6%
Net income	14,485	-23.8%	19,012	23.0%
Net income per share	¥30.29		¥39.18	
Net income per share (diluted)	¥30.24		¥38.06	

#### Notes:

1. Investment gains/losses on equity method:

6 months ended June 30, 2006: ¥3,484 million

6 months ended June 30, 2005: ¥1,697 million

2. Average number of shares outstanding during the term (consolidated):

6 months ended June 30, 2006 : 478,156,789 shares

6 months ended June 30, 2005 : 485,251,097 shares

3. Change in accounting policy during the term: No

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

### (2) Financial Condition

(Millions of yen, except per share data)

	Fiscal 2006 1H as of June 30, 2006	Fiscal 2005 1H as of June 30, 2005
Total assets	¥1,267,241	¥1,234,128
Shareholders' equity	491,706	435,658
Shareholders' equity ratio	36.5	35.3%
Shareholders' equity per share	¥967.21	¥897.78

#### Notes:

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

6 months ended June 30, 2006: 478,254,982 shares

6 months ended June 30 2005: 485,261,647 shares

(3) Cash Flows

(Millions of yen)

	Fiscal 2006 1H ended June 30, 2006	Fiscal 2005 1H ended June 30, 2006
Cash flows from operating activities	¥39,204	¥36,681
Cash flows from investing activities	(62,829)	(27,126)
Cash flows from financing activities	19,731	(10,139)
Cash and cash equivalents at end of year	18,244	13,349

(4) Scope of consolidation and matters relating to application of the equity method

Number of consolidated subsidiaries:	54
Number of unconsolidated subsidiaries accounted for by the equity method:	1
Number of affiliated companies accounted for by the equity method:	21

(5) Change in the scope of consolidation and application of the equity method

Consolidated subsidiaries:	
Newly included:	7
Newly excluded:	6
Affiliated companies to which equity method is applicable:	
Newly applied:	5
Newly excluded:	-

**2. Projection for Fiscal 2006**

(January 1, 2006 to December 31, 2006)

(Millions of yen)

	Fiscal 2006 ending December 31, 2006
Net sales	1,488,000
Ordinary income	95,000
Net income	45,000

Note: Projected net income per share for fiscal 2006: ¥94.09

\* The above estimate incorporates certain assumptions and projections based upon 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.**  
SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS  
June 30, 2006 and 2005  
(Unaudited)

**ASSETS**

	Millions of yen				
	June 30		June 30		Increase
	2006	Ratio(%)	2005	Ratio(%)	(Decrease)
	Amount	Ratio(%)	Amount	Ratio(%)	Amount
<b>(Assets)</b>					
<b>I . Current assets:</b>					
Cash and time deposits	18,467		13,431		5,035
Notes and accounts receivable	257,245		250,184		7,060
Inventories	100,058		97,797		2,261
Deferred income taxes	7,947		20,831		(12,884)
Other current assets	33,005		26,966		6,038
Allowance for doubtful accounts	(9,382)		(7,489)		(1,892)
<b>Total current assets</b>	<b>407,340</b>	<b>32.2%</b>	<b>401,722</b>	<b>32.6%</b>	<b>5,619</b>
<b>II . Fixed assets:</b>					
<b>Property, plant and equipment:</b>					
Buildings and structures	213,782		217,579		(3,797)
Machinery and equipment	186,239		193,319		(7,080)
Tools, furniture and fixtures	49,670		50,736		(1,065)
Land	185,378		183,594		1,783
Construction in progress	3,840		5,809		(1,969)
<b>Total tangible fixed assets</b>	<b>638,910</b>	<b>50.4%</b>	<b>651,039</b>	<b>52.7%</b>	<b>(12,129)</b>
<b>Intangible fixed assets</b>					
Amortization of consolidation difference	33,627		-		33,627
Other intangible fixed assets	13,561		14,271		(709)
<b>Total intangible fixed assets</b>	<b>47,188</b>	<b>3.7%</b>	<b>14,271</b>	<b>1.2%</b>	<b>32,917</b>
<b>Investments and other assets:</b>					
Investment securities	123,381		110,144		13,236
Deferred income taxes	20,054		27,820		(7,766)
Other investments	38,965		41,630		(2,665)
Allowance for doubtful accounts	(8,600)		(12,501)		3,900
<b>Total investments and other assets</b>	<b>173,800</b>	<b>13.7%</b>	<b>167,095</b>	<b>13.5%</b>	<b>6,705</b>
<b>Total fixed assets</b>	<b>859,899</b>	<b>67.8%</b>	<b>832,406</b>	<b>67.4%</b>	<b>27,493</b>
<b>Total assets</b>	<b>¥1,267,241</b>	<b>100.0%</b>	<b>¥1,234,128</b>	<b>100.0%</b>	<b>¥33,113</b>

**LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY**

	Millions of yen				
	June 30		June 30		Increase (Decrease)
	2006	Ratio(%)	2005	Ratio(%)	
Amount	Ratio(%)	Amount	Ratio(%)	Amount	
<b>(Liabilities)</b>					
<b>I . Current liabilities:</b>					
Notes and accounts payable	91,204		86,072		5,132
Short-term debt	73,705		68,046		5,658
Bonds due within one year	60,000		20,000		40,000
Alcohol tax payable	134,466		144,340		(9,873)
Deposits received	41,375		50,584		(9,208)
Commercial paper	2,000		1,000		1,000
Other current liabilities	117,823		122,167		(4,343)
<b>Total current liabilities</b>	<b>520,576</b>	<b>41.1%</b>	<b>492,211</b>	<b>39.9%</b>	<b>28,365</b>
<b>II . Long-term liabilities:</b>					
Bonds	85,000		120,000		(35,000)
Long-term debt	95,405		89,587		5,817
Employees' severance and retirement benefits	28,940		28,763		176
Retirement benefits for directors and corporate auditors	516		515		0
Deferred tax liabilities	5,206		435		4,771
Other long-term liabilities	39,890		39,683		(206)
<b>Total long-term liabilities</b>	<b>254,958</b>	<b>20.1%</b>	<b>278,986</b>	<b>22.6%</b>	<b>(24,027)</b>
<b>Total liabilities</b>	<b>775,534</b>	<b>61.2%</b>	<b>771,197</b>	<b>62.5%</b>	<b>4,337</b>
<b>(Net assets)</b>					
<b>I . Shareholders' equity:</b>					
Common stock	182,531		-		182,531
Capital surplus	163,676		-		163,676
Retained earnings	116,105		-		116,105
Treasury stock	(17,141)		-		(17,141)
<b>Total shareholders' equity</b>	<b>445,170</b>	<b>35.1%</b>	<b>-</b>	<b>-</b>	<b>445,170</b>
<b>II . Valuation and translation adjustments:</b>					
Valuation difference on available-for-sale securities	14,893		-		14,893
Deferred gains or losses on hedges	(59)		-		(59)
Foreign currency translation adjustments	2,565		-		2,565
<b>Total valuation and translation adjustments</b>	<b>17,400</b>	<b>1.4%</b>	<b>-</b>	<b>-</b>	<b>17,400</b>
<b>III . Minority interests:</b>					
Minority interests	29,135	2.3%	-	-	29,135
<b>Total net assets</b>	<b>491,706</b>	<b>38.8%</b>	<b>-</b>	<b>-</b>	<b>491,706</b>
<b>Total liabilities and net assets</b>	<b>¥1,267,241</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>¥1,267,241</b>
<b>(Minority interests)</b>					
Minority interests:	-	-	27,273	2.2%	(27,273)
<b>(Shareholders' equity)</b>					
<b>I . Common stock:</b>	-	-	182,531	14.8%	(182,531)
<b>II . Capital surplus:</b>	-	-	181,283	14.7%	(181,283)
<b>III . Retained earnings:</b>	-	-	89,208	7.2%	(89,208)
<b>IV . Valuation difference on available-for-sale securities:</b>	-	-	6,261	0.5%	(6,261)
<b>V . Foreign currency translation adjustments:</b>	-	-	1,256	0.1%	(1,256)
<b>VI . Treasury stock:</b>	-	-	(24,883)	-2.0%	24,883
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>435,658</b>	<b>35.3%</b>	<b>(435,658)</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>¥1,234,128</b>	<b>100.0%</b>	<b>(¥1,234,128)</b>

**ASAHI BREWERIES, LTD.**  
SEMIU-ANNUAL CONSOLIDATED INCOME STATEMENTS  
Six months ended June 30, 2006 and 2005  
(Unaudited)

	Millions of yen				
	June 30 2006		June 30 2005		Increase (Decrease)
	Amount	Ratio(%)	Amount	Ratio(%)	Amount
<b>I . Net sales</b>	664,419	100.0%	656,605	100%	
<b>II . Cost of sales</b>	436,320	65.7%	437,707	66.7%	
<b>Gross profit</b>	228,099	34.3%	218,897	33.3%	
<b>III . Selling, general and administrative</b>	199,450	30.0%	188,059	28.6%	
<b>Operating income</b>	28,648	4.3%	30,838	4.7%	
<b>IV . Non-operating income:</b>					
Interest income	302		247		
Dividend income	646		630		
Equity in net income of unconsolidated subsidiaries and affiliated companies	3,484		1,697		
Amortization of consolidation account adjustment	—		925		
Other	754		1,403		
<b>Total</b>	5,188	0.8%	4,904	0.8%	
<b>V . Non-operating expenses:</b>					
Interest expenses	2,046		2,031		
Allowance for doubtful accounts	154				
Other	1,951		1,785		
<b>Total</b>	4,152	0.6%	3,817	0.6%	
<b>Recurring profit</b>	29,684	4.5%	31,925	4.9%	
<b>VI . Extraordinary gain:</b>					
Gain on sale of fixed assets	12		4,041		
Gain on sale of investment securities	7		87		
Gain on reverse of allowance for doubtful accounts	1,806		2,445		
Compensation for transfer of plant	273		381		
<b>Total</b>	2,100	0.3%	6,954	1.0%	
<b>VII . Extraordinary loss:</b>					
Loss on sales and disposal of fixed assets	1,230		4,045		
Loss on sale of investment securities	92		998		
Loss on devaluation of investment securities	166		228		
Impairment loss on fixed assets	3,905		-		
Loss in devaluation of real estates	-		-		
Loss on liquidation of business	-		-		
Other	91		201		
<b>Total</b>	5,486	0.8%	5,474	0.8%	
<b>Income before income taxes</b>	26,298	4.0%	33,405	5.1%	
<b>Income tax, Inhabitants tax &amp; enterprise tax</b>	11,149	1.7%	13,803	2.1%	
<b>Adjustment to income taxes</b>	-	-			
<b>Minority interests in net gain (loss) of unconsolidated subsidiari</b>	663	0.1%	588	0.1%	
<b>Interim (Net) income</b>	¥14,485	2.2%	¥19,012	2.9%	

**ASAHI BREWERIES, LTD.**  
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS  
Six months ended June 30, 2006 and 2005  
(Unaudited)

	Millions of yen		
	June 30 2006	June 30 2005	Increase (Decrease)
<b>I. Cash flow from operating activities:</b>			
Interim (current period) net Income before income taxes	26,298	33,405	(7,107)
Depreciation	24,813	24,797	15
Decrease in provision for employees' severance and retirement benefits	(1,254)	(335)	(919)
Increase in allowance for doubtful accounts	(2,017)	(2,304)	287
Interest and dividend income	(948)	(878)	(70)
Interest expenses	2,046	2,031	14
Equity in net income of unconsolidated subsidiaries	(3,484)	(1,697)	(1,787)
Loss on devaluation of investment securities	166	228	(62)
Gain on sales of fixed assets	(12)	(4,041)	4,028
Gain on sales and disposal of fixed assets	1,230	4,045	(2,814)
Impairment loss on fixed assets	3,905	-	3,905
Decrease in notes and accounts receivable	4,121	28,543	(24,421)
Decrease in inventories	(10,021)	(12,709)	2,687
Decrease in notes and accounts payable	(7,426)	2,775	(10,202)
Increase in alcohol tax payable	1,325	(4,297)	5,623
Increase in consumption tax payable	(348)	(4,315)	3,967
Bonuses paid to directors and corporate auditors	(188)	(196)	8
Other	5,655	(3,659)	9,314
Subtotal	43,859	61,392	(17,533)
Interest and dividends received	979	898	81
Interest paid	(2,039)	(1,981)	(58)
Income taxes paid	(3,595)	(23,629)	20,033
<b>Net cash provided by operating activities</b>	<b>39,204</b>	<b>36,681</b>	<b>2,523</b>
<b>II. Cash flows from investing activities:</b>			
Proceeds from time deposits	138	466	(328)
Proceeds from sale of securities	3	2,304	(2,300)
Payments for purchases of property, plant and equipment	(17,591)	(21,305)	3,714
Proceeds from sales of property, plant and equipment	40	4,205	(4,165)
Payments for purchases of intangible assets	(1,889)	(1,392)	(496)
Proceeds from sales of intangible assets	43	1,127	(1,083)
Payments for purchases of investment securities	(3,518)	(11,795)	8,277
Proceeds from sales of Investment securities	580	293	286
Payments from purchase of shares of subsidiaries accompanied with change in scope of consolidation	(39,049)	-	(39,049)
Proceeds from purchase of shares of subsidiaries accompanied with change in scope of consolidation	-	632	(632)
Payments for collections of advances	(761)	(2,522)	1,760
Proceeds from collections of advances	1,316	837	478
Other	(2,141)	24	(2,165)
<b>Net cash used in investing activities</b>	<b>(62,829)</b>	<b>(27,126)</b>	<b>(35,703)</b>
<b>III. Cash flows from financing activities:</b>			
Increase in short-term borrowings	(2,402)	24,153	(26,556)
Proceeds from long-term debt	2,920	8,185	(5,265)
Repayments of long-term debt	(1,068)	(9,129)	8,061
Payments for Issue of bond	25,000	-	25,000
Redemption of bonds	-	(29,997)	29,997
Payments for treasury stocks	(25)	(21)	(4)
Cash dividends paid	(4,541)	(3,639)	(902)
Cash dividends paid to minority in consolidated subsidiaries	(444)	(373)	(71)
Other	295	683	(387)
<b>Net cash used in financing activities</b>	<b>19,731</b>	<b>(10,139)</b>	<b>29,871</b>
<b>IV. Effect of exchange rate change on cash and cash equivalents</b>	<b>(69)</b>	<b>276</b>	<b>(346)</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>(3,962)</b>	<b>(307)</b>	<b>(3,654)</b>
<b>VI. Cash and cash equivalents at beginning of year</b>	<b>21,308</b>	<b>13,657</b>	<b>7,651</b>
<b>VII. Increase in cash and cash equivalents due to increase in consolidated subsidiaries</b>	<b>898</b>	<b>-</b>	<b>898</b>
<b>VIII. Cash and cash equivalents at end of year</b>	<b>¥18,244</b>	<b>¥13,349</b>	<b>4,895</b>

(Segment information)

(1) Industrial segment information

Fiscal 2006 1H (January 1, 2006 to June 30, 2006)

(Millions of yen)

	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Other	Total	Elimination or corporate	Consolidated total
I. Net sales							
1) To outside customers	457,347	136,354	21,551	49,166	664,419	–	664,419
2) Inter-segment sales	18,953	1,540	1,107	27,552	49,154	(49,154)	–
Total	476,300	137,894	22,659	76,719	713,574	(49,154)	664,419
Operating expenses	450,112	135,445	22,996	76,267	684,822	(49,154)	635,770
Operating income	26,188	2,448	(337)	452	28,751	(102)	28,648

Fiscal 2005 1H (January 1, 2005 to June 30, 2005)

(Millions of yen)

	Alcoholic beverages	Soft drinks	Food and pharmaceuticals	Other	Total	Elimination or corporate	Consolidated total
I. Net sales							
1) To outside customers	464,821	127,052	11,956	52,775	656,605	–	656,605
2) Inter-segment sales	20,377	1,604	838	28,743	51,564	(51,564)	–
Total	485,199	128,656	12,795	81,519	708,169	(51,564)	656,605
Operating expenses	458,135	125,644	12,554	80,788	677,122	(51,355)	625,767
Operating income (loss)	27,063	3,012	241	730	31,047	(209)	30,838

(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), 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.