

October 4, 2017

Price Revision for Alcohol Beverages Sold in Returnable Containers

Asahi Group Holdings, Ltd.

Asahi Breweries, Ltd. (head office: Tokyo; president: Shinichi Hirano; the “Company”) will revise the producer prices of some alcohol beverages sold in returnable containers (container types: bottles and kegs; product types: beer-type beverages, liqueurs, and shochu) effective March 1, 2018. This is in response to the Standards for Fair Trading of Alcohol Beverages (the “New Standards”) of the revised Liquor Tax Law and Act on Securing of Liquor Tax and on Liquor Business Associations, which went into effect in June 2017, and an increasingly difficult distribution environment.

The New Standards^{*1} are based on the provisions of Article 86-3, paragraph 1 of the Act on Securing of Liquor Tax and on Liquor Business Associations and apply to liquor business transactions of liquor producers or liquor sellers (“liquor business operators”). A liquor business operator that does not observe the New Standards is subject to legal restrictions in four stages: instruction, public announcement, order, and revocation of liquor production license or liquor sales license.

The following are the two main acts subject to legal restrictions.

- 1) Selling of alcohol beverages at prices below the gross cost of sales on a continuous basis without justifiable reason (Gross cost of sales: the sum of the amount of cost of sales and the amount of selling, general and administrative expenses)
- 2) Engaging in transactions that may have a substantial impact on the business operator’s own liquor business or those of other business operators

At a time of decline in the total market for beer-type beverages from the 1994 peak, the magnitude of decline in the market for products sold in returnable containers is increasing due to factors such as changes in consumption settings and occasions and a slump in the restaurant market. Specifically, shipment volumes of bottled products and keg products in 2016 were approximately 40% and 8% lower, respectively, than the 2008 levels.

In addition, alcohol beverages industry faces an increasingly difficult distribution environment due to factors such as rising distribution costs resulting from a shortage of trucks and drivers. In these circumstances, for products in returnable containers, unlike products in cans and other one-way containers, the cost burden associated with collecting, washing, and storing empty containers is increasing.

Although the Company has endeavored to increase profitability through means such as efficiency improvements in production, distribution, sales, administration, and other sections, amid continuing deterioration in the profitability of beer-type beverages in returnable containers, the possibility of selling of products at prices below the gross cost of sales now or in the near future is increasing. Accordingly, the Company decided to revise producer prices so as to comply with laws and regulations.

The Company will also revise the prices of liqueurs and shochu sold in kegs, products for which profitability is deteriorating, for the same reason.

The Company will continue to comply with the Standards for Fair Trading of Alcohol Beverages of the revised Liquor Tax Law and Act on Securing of Liquor Tax and on Liquor Business Associations, enacted in the interest of preserving the liquor tax and smooth transaction of alcohol beverages, and redouble efforts to continue to provide customers with high-quality products and new value.

Products Subject to Producer Price Revision

Product Type	Container
Beer-type beverages Imported products (except Bass Pale Ale) are excluded.	Large bottles (633 ml), medium bottles (500 ml), small bottles (334 ml) Kegs (5 L, 10 L, 19 L, 20 L, 30 L)
Liqueurs	Kegs (10 L, 19 L)
Shochu	Kegs (10 L, 19 L)

*1 Standards for Fair Trading of Alcohol Beverages in the revised Liquor Tax Law and Act on Securing of Liquor Tax and on Liquor Business Associations (excerpted from the National Tax Agency website)

<https://www.nta.go.jp/shiraberu/senmonjoho/sake/koseitorihiki/tokusyu201604/pamph01.pdf> (Japanese version)

The Law to Partially Amend the Liquor Tax Law was promulgated on June 3, 2016 for the purpose of “preserving the liquor tax and smooth transaction of alcohol beverages” and “ensuring appropriate sales control of alcohol beverages,” and on that basis the Standards for Fair Trading of Alcohol Beverages (National Tax Agency commissioner notification) were formulated on March 31, 2017. The partially amended law containing these standards came into effect on June 1, 2017.

1. Standards for Fair Trading of Alcohol Beverages

- Scope of application : Alcohol beverage transactions conducted by liquor business operators (producers, wholesalers, and retailers) on or after June 1, 2017

• Overview: Liquor business operators are prohibited from engaging in activities falling under either of the following items.

- 1) Selling of alcohol beverages at prices below the gross cost of sales on a continuous basis without justifiable reason
- 2) Engaging in transactions that may have a substantial impact on one's own liquor business or those of other liquor operators

• Other revisions related to the Standards

- 1) A liquor business operator that does not comply with the Standards is subject to an instruction. If the operator fails to comply with the instruction, it is subject to a public announcement. Furthermore, in certain cases,^{*1)} an operator may be subject to an order, and if it fails to comply with the order, may be subject to application of a penalty or revocation of license.

^{*1)} "Certain cases" means "When it is found that the smooth and appropriate pass-through of the liquor tax is obstructed or may be obstructed."

2. Mandating of Alcohol Beverage Sales Control Training

- 1) Mandatory participation in alcohol beverage sales control training (initial training)
- 2) Mandatory participation in alcohol beverage sales control training every three years (periodic training)
- 3) Mandatory posting of signs