

English Translation of Original Japanese

This is a translation of the original documents in Japanese. In the event of any discrepancy, the original documents in Japanese shall prevail.

**Items Disclosed on the Internet in relation to the
Convocation Notice of the 94th Annual General Meeting of Shareholders**

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Above items have been provided to our shareholders by posting them on the Company's website in accordance with the provisions of relevant laws and regulations and the Article 15 of the Company's Articles of Incorporation.

ASAHI GROUP HOLDINGS, LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

(million yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of current period	182,531	118,668	589,935	(76,709)	51,881	–
Comprehensive income						
Profit			141,003			
Other comprehensive income					23,083	5,200
Total comprehensive income	–	–	141,003	–	23,083	5,200
Transfer to non-financial assets						
Transactions with owners						
Dividends			(26,571)			
Purchase of treasury shares				(38)		
Disposal of treasury shares		0		0		
Changes through business combinations						
Changes through sales of consolidated subsidiaries		332				
Share-based payment transaction		48				
Transfer from other components of equity to retained earnings			8,779		(3,578)	(5,200)
Transfer to other components of equity related to disposal groups held for sale						
Other increase (decrease)						
Total contributions by owners and distribution to owners	–	380	(17,792)	(38)	(3,578)	(5,200)
Acquisition of non-controlling interests without change in control		2				
Total changes in the ownership interest in subsidiaries	–	2	–	–	–	–
Total transactions with owners	–	383	(17,792)	(38)	(3,578)	(5,200)
Balance at end of current period	182,531	119,051	713,146	(76,747)	71,386	–

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Other components of equity				Other components of equity related to disposal groups held for sale	Total equity attributable to owners of parent			
	Cash flow hedges	Cost of hedging	Translation difference on foreign operations	Total other components of equity					
Balance at beginning of current period	(219)	–	(29,734)	21,927	–	836,354	9,750	846,105	
Comprehensive income									
Profit				–		141,003	(2,155)	138,848	
Other comprehensive income	(12,200)	(1,179)	167,304	182,208		182,208	(76)	182,131	
Total comprehensive income	(12,200)	(1,179)	167,304	182,208	–	323,211	(2,232)	320,979	
Transfer to non-financial assets	11,795			11,795		11,795		11,795	
Transactions with owners									
Dividends				–		(26,571)	(405)	(26,976)	
Purchase of treasury shares				–		(38)		(38)	
Disposal of treasury shares				–		0		0	
Changes through business combinations				–		–	300	300	
Changes through sales of consolidated subsidiaries				–		332		332	
Share-based payment transaction				–		48		48	
Transfer from other components of equity to retained earnings				(8,779)		–		–	
Transfer to other components of equity related to disposal groups held for sale			3,440	3,440	(3,440)	–		–	
Other increase (decrease)				–		–	242	242	
Total contributions by owners and distribution to owners	–	–	3,440	(5,338)	(3,440)	(26,229)	136	(26,092)	
Acquisition of non-controlling interests without change in control				–		2	(42)	(39)	
Total changes in the ownership interest in subsidiaries	–	–	–	–	–	2	(42)	(39)	
Total transactions with owners	–	–	3,440	(5,338)	(3,440)	(26,226)	93	(26,132)	
Balance at end of current period	(624)	(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for Preparation of Consolidated Financial Statements

(1) Basis of consolidated financial statements

The Group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter referred to as the “IFRS”), pursuant to the provisions of Article 120-1 of the Ordinance of Companies Accounting. The latter part of the Article 120-1 prescribes some omissions of disclosure items required under IFRS.

(2) Consolidation

Number of consolidated subsidiaries: 146

Please see Item 1 of the “Business Report” (“Overview of Operations of the Asahi Group, section (5) Status of Major Establishments and Principal Subsidiaries”), for a summary of the current status of principal consolidated subsidiaries.

Asahi Breweries Europe Ltd was added to the scope of consolidation during this fiscal year due to its incorporation; and Plzeňský Prazdroj, a. s., Pivovary Topvar a. s., Kompania Piwowarska S.A., Ursus Breweries S. A., Dreher Sörgyarak Zrt. were also added to the scope of consolidation during this fiscal year due to the acquisition of their shares.

(3) The equity method

Number of companies accounted for using the equity method: 19

Principal affiliates accounted for using the equity method were Asahi Business Solutions Corp., Shenzhen Tsingtao Beer Asahi Co., Ltd., and Asahi Beer Communications, Ltd.

Tsingtao Brewery Co., Ltd. and PT Indofood Asahi Sukses Beverage were not accounted for by the equity method because they were classified as disposal groups held for sale.

(4) Significant accounting policies

1) Financial assets

The Group has early adopted IFRS 9 “Financial Instruments” (amended in July 2014).

(i) Initial recognition and measurement

The Group recognizes financial assets when it becomes a party to the contract on the financial instruments concerned. Financial assets purchased or sold in a regular way are recognized on the transaction date. Financial assets are classified as financial assets subsequently measured at amortized cost or financial assets subsequently measured at fair value.

Financial assets measured at fair value through profit or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition.

a. Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost only when the requirement that the objective of the Group’s business model is to hold assets in order to collect the contractual cash flows and the requirement that the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are both met.

b. Financial assets measured at fair value

Financial assets that do not satisfy either of the two requirements above are classified as financial assets measured at fair value.

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss.

Information on derivatives is provided in 11) Derivatives and hedge accounting.

(ii) Subsequent measurement

Subsequent to the initial recognition, financial assets are measured as follows, depending on the respective classifications.

a. Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method.

b. Financial assets measured at fair value

These financial assets are measured at fair value at the end of the fiscal period.

Changes in fair value of such financial assets are recognized in profit or loss or other comprehensive income, depending on their classification.

Dividend income arising from equity instruments designated as measured at fair value through other comprehensive income is recognized in profit or loss. If the fair value decreases significantly or the equity instrument is disposed of, the accumulated other comprehensive income is transferred to retained earnings.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the investment expire or when the Group transfers the investment and substantially all the risks and rewards of the ownership.

(iv) Impairment of financial assets

The Group estimates expected credit losses at the end of each fiscal period for recoverability of financial assets measured at amortized cost.

For financial instruments of which the credit risk has not increased significantly after initial recognition, expected credit losses within the next 12 months are recognized as loss allowance. For financial instruments of which the credit risk increased significantly after initial recognition, lifetime expected credit losses are recognized as loss allowance. However, for trade receivables, loss allowance is always measured based on lifetime expected credit losses.

If there is any objective evidence of impairment for financial assets of which the credit risk has increased significantly, interest income is measured at the amount calculated by multiplying the carrying amount less the loss allowance by the effective interest rate.

In determining whether any objective evidence of impairment exists, the Group uses the following requirements:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- Concessions granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;

- Increased probability that the borrower will enter bankruptcy or other financial reorganization;
- Disappearance of an active market for that financial asset because of financial difficulties.

When the Group has no reasonable expectation that all or a portion of a financial asset will be recovered, it reduces the amount directly from the carrying amount of the financial asset.

If in a subsequent period, the credit risk decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), reversal of previously recognized impairment loss is recognized in profit or loss.

2) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost is calculated principally using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies. The acquisition cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

3) Property, plant and equipment

Buildings and structures, machinery and vehicles, tools, furniture and fixtures, and land principally consist of production and processing equipment and facilities for the head office. Property, plant and equipment are recognized at the acquisition cost, and carried at cost less accumulated depreciation and accumulated impairment losses. An acquisition cost includes the purchase price, the costs directly related to acquisition of the asset, costs for asset dismantlement and removal and site restoration, and borrowing costs that are required to be capitalized. Concerning expenditure after acquisition, in cases when it is highly probably that future economic benefit relating to the item will flow to the Group, and the item has a cost that can be measured reliably, such costs are recognized either together in the carrying amount of the asset, or when deemed appropriate, as a separate asset. The carrying amounts of parts that are replaced are derecognized. Other repair and maintenance costs are recognized in profit or loss in the accounting period in which the cost was incurred.

Land is not depreciated. The amount of depreciation of other assets is calculated by allocating the acquisition cost of each asset less the residual value using the straight-line method over the following major estimated useful lives:

Buildings and structures	3 to 50 years
Machinery and vehicles	2 to 15 years
Tools, furniture and fixtures	2 to 20 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each fiscal period, and revised where necessary.

Gains or losses on disposal are computed by comparing the carrying amount with the proceeds from disposal, and then recognized in profit or loss.

4) Goodwill and intangible assets

(i) Goodwill

Goodwill is tested for impairment in each fiscal period, and the carrying amount is the acquisition cost less accumulated impairment losses. Impairment losses of goodwill are

not reversed. Gain or loss on sales of business operations includes carrying amount of goodwill related to the business operation.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(ii) Trademarks

Individually acquired trademarks are recognized at the acquisition cost. Trademarks acquired through business combinations are recognized at fair value as of the acquisition date. Trademarks, for which a certain useful life is determined, except for those with indefinite useful lives, are recorded at the acquisition cost less accumulated amortization and accumulated impairment losses. The amount of amortization is calculated by allocating the acquisition cost of trademarks using the straight-line method principally over the estimated useful life of 20 to 40 years.

(iii) Software

Software is carried at its cost less accumulated amortization and accumulated impairment losses.

Development expenses directly related to design and testing of the Group's proprietary software are recognized as intangible assets only when they are reliably measurable, they are technically feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete the development and use the assets.

Other development expenses that do not satisfy these requirements are recognized as expenses as incurred. Development expenses previously recognized as expenses are not recognized as assets in subsequent fiscal periods.

Software is amortized primarily using the straight-line method over the estimated useful life of 5 years.

Expenses related to maintenance of software are recognized as expenses as incurred.

(iv) Other intangible assets

Other intangible assets are initially recognized at cost.

Other intangible assets, for which a certain useful life is determined, are carried at the cost less accumulated amortization and accumulated impairment losses. However, some intangible assets (such as leasehold interests in land) are determined to have indefinite useful lives and are not amortized, because they exist fundamentally as long as the business continues. The amount of amortization is calculated by allocating the acquisition cost of each other intangible asset using the straight-line method over the estimated useful life.

Residual values, useful lives and amortization methods of intangible assets are reviewed at the end of each fiscal period, and revised where necessary.

5) Leasing

The Group leases certain property, plant and equipment and intangible assets as a lessee. Leases of property, plant and equipment and intangible assets are classified as finance leases, when substantially all the risks and rewards of ownership are attributable to the Group. In cases of finance leases, leased properties are recognized as assets at the commencement of the lease term at fair value of the leased property or, if lower, the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance costs. The interest component, which is a finance cost, is expensed in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability in each

fiscal period. Property, plant and equipment and intangible assets acquired through finance lease are depreciated or amortized using the straight-line method over the useful life of the asset or, if shorter, the lease term.

Leases other than finance leases are classified as operating leases.

Lease payments in operating leases (less incentives received from the lessor) are recognized in profit or loss using the straight-line method over the lease term.

6) Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment in each fiscal period. Other non-financial assets are examined for impairment if there is an indication that the carrying amount may not be recovered due to occurrence of an event or change in the circumstances. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized at the excess amount. The recoverable amount is the higher of its fair value less costs of disposal of the asset and value in use. To assess impairment, an asset is grouped at the smallest unit which generates separately identifiable cash flows (cash-generating unit). Non-financial assets for which impairment losses are recognized, excluding goodwill, are reassessed at the end of each fiscal period for the possibility that the impairment losses may be reversed.

7) Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

If there are many similar obligations, the possibility that an outflow of resources will be required in settlement is determined taking into account the similar obligations as a whole. Provisions are recognized even if the possibility of the outflow is low for one item in the similar obligations.

Provisions are measured as the present value of expenditures expected to be required to settle the obligation, using the pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. An increase in provisions due to passage of time is recognized as interest expense.

8) Employee benefits

(i) Post-employment benefits

The Group companies have various plans. The Group has adopted a defined benefit plan, and certain consolidated subsidiaries have established a retirement benefit trust. In addition to these plans, certain consolidated subsidiaries have introduced a defined contribution plan and a retirement benefit prepayment plan.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions to other separate entities and will have no legal or constructive obligations to make further contributions.

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year and discounting that amount. The Group recognizes the amount calculated by deducting fair value of plan assets from the present value of defined benefit obligations as net defined benefit liability (asset).

Defined benefit obligations are calculated using the projected unit credit method. The discount rates are determined based on market yields of high quality corporate bonds at

the end of the fiscal period that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year.

Contributions to the plans are determined based on regular actuarial calculation and usually paid to insurance companies or funds managed by trust companies.

When it is discovered as a result of the calculation that the Group has a surplus in the defined benefit plan, net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of future refunds from the plan or a reduction in future contributions to the plan. In calculating the present value of economic benefits, the Group takes into account minimum funding requirements applicable to its plan. Economic benefits shall be available to the Group, if the economic benefits can be realized during the life of the plan or at the time when the pension liabilities are settled.

The Group recognizes remeasurements of the net defined benefit liability (asset) arising from the defined benefit plan in other comprehensive income and immediately transfers them to retained earnings.

Contributions to the defined contribution plan are recognized as employee benefits expense in profit or loss in the period during which employees render their service.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as expenses when the relevant service is rendered. Bonuses are recognized as a liability at the amount estimated to be paid under the plans, when the Group has present legal or constructive obligations to pay as a result of past service rendered by employees, and the amount of obligations can be reliably estimated.

9) Revenues

Revenues consist of fair value of consideration received for sale of goods, rendering of services and others in the Group's ordinary business activities. Revenues are presented on a net basis after the deduction of sales returns, rebates and discounts.

(i) Sale of goods

- Alcoholic Beverages Segment – Manufacture and sale of beer, happoshu (low-malt beer), shochu (distilled spirits), whisky and other liquor products, restaurant business, wholesale business, and others
- Soft Drinks Segment – Manufacture and sale of soft drinks and others
- Foods Segment – Manufacture and sale of foods and medicines
- International Operations Segment – Manufacture and sale of beer and other liquor products and soft drinks, and others

The Group recognizes revenues when the significant risks and rewards of ownership of the goods have been transferred to the customer, the collectability of consideration is high, related costs and the possibility of sales returns can be measured reasonably, the Group does not retain continuing managerial involvement in association with the goods, and the amount of revenues can be measured reliably. Revenues are usually recognized when the Group delivered the goods to the customer and any incomplete obligation no longer exists.

(ii) Rendering of services

The Group provides real estate business such as building management, logistics business such as warehousing, and other services.

Revenues from the rendering of services are recognized when the service is provided.

(iii) Gross and net presentation of revenues

The Group thinks that it is acting as a principal in a transaction when it has exposure to the significant risks and rewards associated with the sale of goods or the provision of services, and presents the gross amount of the transaction as revenues.

The Group considers that it is acting as an agent in a transaction when it does not have exposure to the significant risks and rewards associated with the sale of goods or the provision of services, and presents only the net amount of the transaction after the deduction of payments made to a third party from the total amount of consideration earned from the transaction as revenues.

(iv) Interest income

Interest income is recognized using the effective interest method.

(v) Dividend income

Dividend income is recognized when the right to receive dividends is established.

10) Foreign currency translation

(i) Functional currency and presentation currency

Items included in financial information of each company of the Group are recorded in the functional currency of the primary economic environment in which the company operates (hereinafter referred to as the “functional currency”). The consolidated financial statements are presented in Japanese Yen, which is the presentation currency of the Group.

(ii) Transactions and transaction balances

Foreign currency transactions are translated into functional currencies using the exchange rate at the date of the transactions. Foreign exchange differences arising from settlement of transactions and those arising from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the fiscal period are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and qualifying cash flow hedges are recognized in other comprehensive income.

(iii) Foreign operations

Operating results and financial position of all the foreign operations using a functional currency that is not the presentation currency are translated into the presentation currency in the ways described below. Among the foreign operations, there is no company that uses a currency of a hyperinflationary economy.

- a. Assets and liabilities are translated using the closing rate as of the end of the fiscal period.
- b. Income and expenses are translated using the average rate (unless the average rate is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction date, in which case income and expenses are translated using the rate on the transaction date).
- c. All resulting exchange differences are recognized in other comprehensive income and accumulated in exchange differences on foreign operations, which is other components of equity.

When a foreign operation is partially disposed of or sold, the exchange differences recognized in other comprehensive income are recognized in profit or loss as part of a gain or loss on the sale.

11) Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is concluded and subsequently remeasured at fair value at the end of each fiscal period. The method of recognizing gains or losses arising as a result of the remeasurement depends on whether the derivative is designated as a hedging instrument, and if it was designated as a hedging instrument, on the nature of the hedged item.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedge of a particular risk associated with recognized assets or liabilities, or highly probable forecast transactions) and certain borrowings denominated in foreign currencies as hedging instruments of net investments in foreign operations.

The Group documents the relationship between the hedging instrument and the hedged item and the risk management objective and strategy for exercising the hedging transactions at the inception of the transaction. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives or non-derivative hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of hedged items or foreign exchange fluctuations in net investments in foreign operations.

The Group assesses the effectiveness of hedges on an ongoing basis, and determines that a hedge is effective when the requirement that there is an economic relationship between the hedged item and the hedging instrument, the requirement that the effect of credit risk does not significantly dominate the value changes that result from the economic relationship, and the requirement that the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantities of the hedged item actually hedged and the hedging instrument actually used are all satisfied.

The effective portion of changes in fair value of derivatives that are designated as a hedging instrument of cash flow hedges and satisfy the requirements as the hedging instrument is recognized in other comprehensive income. Gains or losses on the ineffective portion are immediately recognized in profit or loss.

Accumulated gains or losses recognized through other comprehensive income are transferred to profit or loss in the period during which cash flows arising from the hedged item affect profit or loss. However, when a forecast transaction as the hedged item results in the recognition of non-financial assets (e.g. inventories or property, plant and equipment), gains or losses previously deferred in other comprehensive income are transferred and included in the initial acquisition cost of the asset. The deferred amount is eventually recognized as cost of sales for inventories, or as depreciation expense for property, plant and equipment.

Application of hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting due to expiry, sale of the hedging instrument and so on. When the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income remain as accumulated other comprehensive income. When a forecast transaction is no longer expected to occur and in other cases, accumulated gains or losses recognized in other comprehensive income are immediately transferred to profit or loss.

With regard to derivatives or non-derivative hedging instruments, including borrowings, held for hedging foreign exchange fluctuation risk in net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedging of net investments in foreign operations. Of exchange differences for derivatives or non-derivative hedging instruments, the portion deemed ineffective as a hedge and not subject to the assessment of hedging effectiveness are

recognized in profit or loss.

Accumulated gains or losses recognized in other comprehensive income through net investment hedges are transferred to profit or loss upon disposal of foreign operations.

12) Accounting for consumption taxes

Consumption taxes that are received from customers and paid to tax authorities are excluded from revenue, cost of sales, and expense on the consolidated statements of profit or loss.

2. Notes to Consolidated Statement of Financial Position

(1) Pledged assets and secured liabilities

The following assets have been provided as collateral for short-term loans payable of ¥4,209 million.

Property, plant and equipment	¥4,037 million
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(2) Accumulated depreciation on property, plant and equipment	¥837,668 million
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(3) Bad debt provisions directly deducted from assets

Trade and other receivables	¥3,084 million
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Other financial assets	¥864 million
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(4) Contingent liabilities

Guarantees	¥2,981 million
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(5) Changes in presentation

“Provisions” that was included in other current liabilities in the previous fiscal year is shown separately from this fiscal year due to its increased materiality. The amount of “provisions” in the previous fiscal year was ¥4,870 million.

3. Notes to Consolidated Statement of Changes in Equity

(1) Total number of the issued shares as of the end of this fiscal year

Common stock	483,585,862 shares
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(2) Dividends during this fiscal year

1) It was resolved at the 93rd Annual General Meeting of Shareholders of March 28, 2017 as follows:

Dividends on common stock

Total amount of dividends:	¥12,827 million
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Dividend per share:	¥28
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Record date:	December 31, 2016
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Effective date:	March 29, 2017
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2) It was resolved at the Board of Directors Meeting of August 3, 2017, as follows:

Interim dividends on common stock

Total amount of interim dividends:	¥13,743 million
Interim dividend per share:	¥30
Record date:	June 30, 2017
Effective date:	September 1, 2017

3) Dividends after the end of this fiscal year

The following item has been placed on the agenda for approval at the 94th Annual General Meeting of Shareholders scheduled for March 27, 2018.

Dividends on common stock

Source of dividends:	Retained earnings
Total amount of dividends:	¥20,615 million
Dividend per share:	¥45
Record date:	December 31, 2017
Effective date:	March 28, 2018

4. Notes on Financial Instruments

(1) Status of financial instruments

1) Capital management

The Group's purpose for capital management is to maintain its ability to continue as a going concern in order to provide returns to shareholders, grant benefits to other stakeholders and maintain the most appropriate capital structure for reducing capital cost.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, redeem the capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors the capital based on the capital and liabilities ratio. This ratio is calculated by dividing the amount of net liabilities by the capital. The amount of net liabilities is calculated by deducting cash and cash equivalents from interest-bearing debts. The capital shall be the "equity" presented in the consolidated statement of financial position (the portion attributable to owners of parent).

2) Risk management

The Group's activities are exposed to various financial risks such as market risks (including foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. The Group's risk management policy aims to specialize in the unpredictability of financial markets and minimize the potentially adverse impact on the Group's financial performance. The Group uses derivatives to hedge certain risk exposures.

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial papers and bonds while taking into account the changing business environment. In doing so, the Company and its principal consolidated subsidiaries consider the balance between direct and indirect financing or the balance between short- and long-term debt based on fund procurement costs and risk diversification in response to changes in the business environment. Looking to use funds efficiently, the Group introduced a cash management system among the Company and its principal consolidated subsidiaries in Japan to reduce consolidated interest-bearing debt. If

surplus funds are generated temporarily, the Company invests it only in safe financial instruments.

The Group uses derivatives to the extent of balances of foreign currency denominated assets and liabilities and bonds and borrowings, as means to mitigate foreign exchange risk, interest rate risk and price risk of raw materials and others, and to reduce funding cost.

When using derivatives, the Company trades with financial institutions only with high credit ratings.

At the Company, the Finance Section is in charge of executing and managing derivatives, in accordance with internal rules. Agreements on individual derivatives are entered into after approval is received in accordance with the internal authorization criteria. The Finance Section understands the status of derivatives including the content and balances, and reports it to the General Manager of the Finance Section and Directors in charge of finance as needed.

The consolidated subsidiaries also enter into such agreements in accordance with the Group's authorization criteria, and the Company reviews their status based on reports submitted by them on regular basis.

(i) Market risk

a. Foreign exchange risk

The Group conducts business activities internationally and is exposed to foreign exchange risk primarily related to US dollar and euro. Foreign exchange risk arises from forecast transactions such as future purchase, sale, financing and repayment or assets and liabilities that have already been recognized.

The Group uses foreign exchange contracts and currency swaps to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

When designating hedging instruments, currency basis spreads for currency swap are excluded as cost of hedging.

Although receivables, payables and others denominated in a foreign currency have a risk of foreign exchange fluctuations, the impact is limited since the risk is offset with the exchange contracts.

b. Price risk

The Group is exposed to price risk of equity instruments because it holds investments classified as the category measured at fair value in the consolidated statement of financial position. To manage price risk arising from investments in equity instruments, the Group regularly keeps track of fair value, financial conditions of issuers and others, and also reviews the overall status on an ongoing basis.

The Group has no equity instruments held for short-term trading and does not intend to actively trade these investments.

Furthermore, the Group is exposed to price risk of raw materials since prices of major raw materials used in its products fluctuate according to weather, natural disaster and other factors. The Group engages in commodity swap transactions to mitigate risks of fluctuations in raw materials prices. Although commodity swap transactions used by the Group have risks of fluctuations in market prices of commodities, price risk is limited because these risks are offset with risks of fluctuations in market prices of commodities in association with trade payables of those commodities that the Group has.

c. Interest rate risk

The Group raises funds with variable interest rates and is exposed to interest rate risk. Interest rate risk mainly arises from non-current borrowings.

The Group uses interest rate swaps, which substantially fix interest rates, to mitigate interest rate risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

(ii) Credit risk

The Group is exposed to customers' credit risks for trade receivables (notes and accounts receivable-trade), other receivables (accounts receivable - other) and other financial assets (operating loans and others).

In accordance with the accounting rules, the Group regularly monitors trade receivables and operating loans to major business partners, and routinely checks the management status of deadlines and balances for each business partner. The Group monitors bad debts and their collection status.

When executing derivatives, the Group trades with financial institutions only with high credit ratings to minimize credit risk.

The Group classifies receivables and others based on credit risk profile to calculate loss allowance.

For trade receivables, loss allowance is always recognized at the amount equal to lifetime expected credit losses. For receivables other than trade receivables, loss allowance is recognized at the amount equal to 12-month expected credit losses. However, in cases such as overdue because the credit risk is considered to have significantly increased from the initial recognition, loss allowance is recognized at the amount equal to lifetime expected credit losses.

The amount of loss allowance is calculated as follows:

- Trade receivables

The simplified approach is applied. The Group categorizes receivables according to credit risk profile of the counterparty and calculates loss allowance by multiplying the receivables by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses calculated according to the category.

- Receivables other than trade receivables

The principle approach is applied. Loss allowance for receivables for which the credit risk is not considered to have significantly increased is calculated by multiplying the carrying amount by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses for similar assets. For assets for which the credit risk is considered to have significantly increased and credit-impaired financial assets, loss allowance is calculated as difference between the amount of the present value, which is computed by discounting estimated future cash flows using the original effective interest rate of the asset, and the carrying amount.

(iii) Liquidity risk

The Group raises funds via loans and by issuing commercial papers and bonds, and is exposed to liquidity risk, which means there is a possibility the Group fails to make payment on the due date due to deterioration in the funds procurement environment.

Since the Company and its principal consolidated subsidiaries have introduced the cash management system, the Company manages liquidity risks of those companies participating in this system.

Based on reports from each Group company, the Company creates its cash management plan and updates the plan on a timely basis. The Group monitors an ongoing forecast for fund demand, while always maintaining sufficient margin in the unused portion of the

contractual credit line and ensuring that all loan agreements do not conflict with the limit and restrictive provisions (if applicable). In these forecasts, the Group takes into account its borrowing and financing plan, compliance with restrictive provisions, adherence to internal targets for the statements of financial position ratio as well as applicable external regulatory and statutory requirements, such as a regulation of currency, if any.

Surplus that the Company and its principal consolidated subsidiaries hold in excess of the balance necessary for management of working capital is managed at the Group level under the cash management system. The Group chooses financial instruments with appropriate maturity and liquidity, and makes investments in current deposits, time deposits, money market deposits and marketable securities to ensure a sufficient margin determined in the above forecast.

(2) Fair value of financial instruments

In fair value measurement, the Group uses observable market data whenever available. The fair value measurement is categorized into any of the following levels according to the level classification of inputs:

Level 1: Input consisting of quoted unadjusted market prices in active markets for identical assets and liabilities

Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1

Level 3: Input that is not based on observable market data

Transfer between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the transfer.

Financial instruments measured at amortized cost

Carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

	Carrying amount	Fair value
Long-term loans receivable	1,485	1,445
Long-term loans payable	492,456	492,372
Bonds	539,945	542,279
Lease obligations	22,990	23,385

(million yen)

The above figures include balances of the current portion of those loans receivable and payable, bonds and lease obligations whose repayments or redemption is scheduled within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value are not included in the table above.

The fair value of long-term loans receivable is calculated by discounting the expected amount of principal and interest receivable by the interest rate expected if a similar new loan were to be issued, thereby deriving the present value.

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new borrowing were to be taken out, thereby deriving the present value.

The fair value of bonds is set to market prices when market prices are available.

The fair value of lease obligations is calculated by taking the present value of the obligation concerned – discounting the total amount of principal and interest by the interest rate expected if a similar new lease transaction were to be conducted.

In the above fair value measurement, bonds are classified into Level 2, while others are

classified into Level 3. For bonds in Level 2, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. Fair value of financial instruments in Level 3 is measured by discounting contractual cash flows using the market interest rate, and the difference with carrying amount is due to a difference between the market interest rate and the contractual interest rate.

5. Per Share Information

(1) Equity attributable to owners of parent per share	¥2,499.62
(2) Basic earnings per share	¥307.78

6. Additional Information

The Group completed the acquisition of the beer business in 5 Central and Eastern European countries (Czech Republic, Slovak Republic, Poland, Hungary and Romania) and other related assets as of March 31, 2017. The purchase price of the beer business in the 5 Central and Eastern European countries was ¥899,077 million. The main contents of the assets acquired and liabilities assumed at the date of the business combination were goodwill of ¥427,995 million and intangible assets of ¥484,665 million.

Since the Group is currently examining to specify identifiable assets and liabilities at the date of the business combination and the allocation of the acquisition cost is underway, the amounts of goodwill arose from the acquisition, and the assets acquired and liabilities assumed at the date of the business combination are preliminary.

7. Other

The stated amounts are the figures after truncating fractions less than the representative unit.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2017

(million yen)

	Shareholders' equity						
	Capital surplus				Retained earnings		
	Issued capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	182,531	130,292	21,390	151,683	195,000	67,045	262,045
Changes of items during period							
Dividends						(26,571)	(26,571)
Profit						65,975	65,975
Purchase of treasury shares							
Disposal of treasury shares			0	0			
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	0	0	-	39,404	39,404
Balance at end of current period	182,531	130,292	21,390	151,683	195,000	106,450	301,450

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(76,709)	519,550	8,923	(356)	8,566	528,117
Changes of items during period						
Dividends		(26,571)				(26,571)
Profit		65,975				65,975
Purchase of treasury shares	(38)	(38)				(38)
Disposal of treasury shares	0	0				0
Net changes of items other than shareholders' equity			(1,747)	(275)	(2,022)	(2,022)
Total changes of items during period	(38)	39,366	(1,747)	(275)	(2,022)	37,343
Balance at end of current period	(76,747)	558,917	7,175	(631)	6,543	565,460

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Notes to Significant Accounting Policies

(1) Valuation basis and method for securities

Shares in subsidiaries and affiliates:

Stated at cost based on the moving-average method

Available-for-sale securities

Securities with market value:

Carried at the average market value for the month immediately preceding the balance sheet date (related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method).

Securities without market value:

Stated at cost based on the moving-average method

(2) Valuation basis and method for derivatives

Market price method

(3) Depreciation methods for non-current assets

Property, plant and equipment (excluding leased assets):

Property, plant and equipment are depreciated using the straight-line method.

The estimated useful lives of the assets are based on the same standards as those specified in the Corporation Tax Act.

Intangible assets (excluding leased assets):

Intangible assets are amortized using the straight-line method.

The estimated useful lives of the assets are based on the same standards as those specified in the Corporation Tax Act.

Software for internal use is amortized by the straight-line method over a useful life of 5 years. Trademarks is mainly amortized over 20 years using the straight-line method.

Leased assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

(4) Accounting criteria for allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and the amounts calculated using the rate of actual collection losses with respect to the other receivables.

Provision for bonuses:

A provision for bonuses is provided to prepare for the bonus payment to employees at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

Provision for directors' bonuses:

A provision for directors' bonuses is provided to prepare for the bonus payment to officers at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

(5) Hedging accounting method

1) Hedging accounting method

The Company defers gains or losses on its hedges.

For foreign exchange contracts and currency swaps, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations. For interest rate swaps, the Company applies exceptional treatment when the swap in question meets the conditions for application of such exceptional treatment.

2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts, interest rate swaps, currency swaps and borrowings denominated in foreign currencies

Hedged items: Forecasted foreign currency transactions, loans receivable in foreign currencies, interest on borrowings, borrowings denominated in foreign currencies and investments in foreign subsidiaries

3) Hedging policy

Derivatives are used to avoid risks associated with fluctuations in foreign exchange markets and in interest rates and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged derivatives.

4) Method of evaluating the effectiveness of hedging

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedging instruments and of the hedged items over the entire period of the hedge.

When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under exceptional treatment, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

(6) Other significant items associated with the preparation of non-consolidated financial statements

Treatment of consumption taxes

Consumption taxes are excluded from the statements of income, except in the case of non-deductible consumption taxes related to non-current assets that are charged when incurred.

(Additional Information)

Effective from the fiscal year ended December 31, 2017, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

2. Notes to the Non-Consolidated Balance Sheets

(1) Accumulated depreciation on property, plant and equipment ¥30,591 million

(2) Contingent liabilities

1) Guarantees against bank loans

Guarantees: ¥42,687 million

2) Guarantees against derivatives

Guarantees: ¥511 million

(3) Monetary claims and obligations with associates (excluding those classified separately in

the Balance Sheets)

Short-term monetary claims on associates:	¥222,121 million
Short-term monetary obligations to associates:	¥151,761 million

3. Notes to the Non-Consolidated Statements of Income

(1) Loss on valuation of shares of subsidiaries and associates

The loss on valuation of shares of subsidiaries and associates is the loss on valuation of shares of the intermediate holding company for the Southeast Asia business, Asahi Group Holdings Southeast Asia Pte. Ltd.

(2) Transactions with associates

Operating revenue:	¥136,295 million
Operating expenses:	¥4,812 million
Transactions other than operating transactions:	¥766 million

4. Notes to the Non-Consolidated Statements of Changes in Net Assets

Treasury shares

Type of stock	Number of shares as of Jan. 1, 2017	Increase during this fiscal year	Decrease during this fiscal year	Number of shares as of Dec. 31, 2017
Common stock	25,453,509	8,274	14	25,461,769

(The outline of a change reason)

The increase in the number of shares was the result of the following:

Increase resulting from purchases of Less-than-One-Unit Shares from shareholders upon request: 8,274 shares

The decrease in the number of shares was the result of the following:

Decrease resulting from sales of Less-than-One-Unit Shares to shareholders upon request: 14 shares

5. Notes to tax effect accounting

(1) Breakdown of main reasons for deferred tax assets and liabilities

(Deferred tax assets)

Shares of subsidiaries and associates due to restructuring:	¥16,703 million
Allowance for doubtful accounts, in excess of tax-deductible amount:	¥588 million
Loss on valuation of investment in subsidiaries, non-tax deductible:	¥31,596 million
Loss on valuation of capital contributions for subsidiaries, non-tax deductible:	¥4,558 million
Deferred loss on transfer of business between consolidated corporations:	¥942 million
Gain on transfer of shares of subsidiaries and associates:	¥10,793 million
Others:	¥1,284 million
Subtotal deferred tax assets:	¥66,466 million
Valuation allowance:	¥(38,020) million
Total deferred tax assets	¥28,446 million

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	¥(2,916) million
Deferred gain on transfer of business between consolidated corporations:	¥(5,026) million
Total deferred tax liabilities	¥(7,942) million

Net deferred tax assets: ¥20,503 million

(2) Breakdown of main items which caused the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

Statutory effective tax rates:	30.9%
(Adjustments)	
Permanent difference (non-deductible), including entertainment expenses:	0.2%
Valuation allowance:	16.3%
Permanent difference (non-taxable), including dividend income:	(46.5)%
Tax credit:	(0.2)%
Others:	(0.3)%
Effective tax rates after adoption of tax effect accounting:	0.3%

6. Notes to related party transactions

Subsidiaries and affiliates

(million yen)

Type	Company	Percentage of voting rights held	Relationship with related party	Description of transaction	Transaction amount	Account item	Balance as of Dec. 31, 2017
Subsidiary	Asahi Breweries, Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	87,838	–	–
				Loaning funds (Note 2)	3,002	Short-term loans receivable	171,745
Subsidiary	Asahi Soft Drinks Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	26,859	–	–
Subsidiary	AI Beverage Holding Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Deposits received (Note 3)	51,208	Deposits received	68,843
Subsidiary	Asahi Breweries Europe Ltd	100% direct ownership	–	Borrowing of funds (Note 3)	54,171	Short-term loans payable	54,171
Subsidiary	Asahi Holdings (Australia) Pty Ltd	100% direct ownership	Interlocking of directors/ corporate auditors	Guarantees for liabilities (Note 4)	15,650	–	–
Subsidiary	Asahi Professional Management Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Outsourcing indirect services, etc. (Note 5)	4,137	–	–

Terms and conditions of transaction and policy on determination thereof

Note 1: Operating revenue is determined in accordance with certain reasonable standards in order to provide supervision, guidance regarding business management.

Note 2: The interest rate for the loans receivable is reasonably determined, taking the market interest rate into consideration.

For the transaction amount, the amount of net increase (decrease) in this fiscal year is stated.

Note 3: The interest rates for the deposits received and short-term loans payable are reasonably determined, taking the market interest rate into consideration.

For the transaction amount, the amount of net increase (decrease) in this fiscal year is stated.

Note 4: The Company guaranteed bank loans in the amount of AUD177 million.

Note 5: The amount of outsourced indirect and other services is determined based on certain reasonable criteria.

7. Notes to per share information

(1) Net assets per share:	¥1,234.30
(2) Earnings per share (Net income per share):	¥144.01

8. Other

The stated amounts are the figures after truncating fractions less than the representative unit.