

# Asahi Group Holdings, Ltd.



## FY2014 2Q Financial Results

**NOTE:**

All information has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached materials have been rounded down to omit fractions less than one million yen. This document is a partial English translation of the Japanese Financial Statement which was filed at Stock Exchanges in Japan on August 6, 2014. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results  
(Fiscal 2014)**

August 6, 2014

**Asahi Group Holdings, Ltd.**

Code number: 2502  
Shares Listed: First Section of each of Tokyo Stock Exchanges  
Head Office: Tokyo  
Contact: Kazutomo Tamesada, General Manager, Public Relations Section  
Tel: + 81 3 5608 5126 (<http://www.asahigroup-holdings.com/en/>)  
US GAAP: Not applicable

## 1. Consolidated Financial Results for Fiscal 2014 (From January 1, 2014 to June 30, 2014)

### (1) Operating Results

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

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2014 2Q ended June 30, 2014	811,269	3.9	43,671	18.3	41,361	19.0
Fiscal 2013 2Q ended June 30, 2013	780,746	9.9	36,911	12.6	34,754	(3.1)

(Note) Comprehensive income at the end of 2Q FY2014: 30,969 million yen (-42.2%)

Comprehensive income at the end of 2Q FY2013: 53,543 million yen(48.1%)

	Net income	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2014 2Q ended June 30, 2014	19,360	25.5	41.70	39.69
Fiscal 2013 2Q ended June 30, 2013	15,422	(39.8)	33.88	33.84

### (2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	(%)
Fiscal 2014 2Q ended June 30, 2014	1,854,200	873,381	46.6
Fiscal 2013 ended December 31, 2013	1,791,555	827,481	45.7

(Note) Treasury stock at the end of 2Q FY2014: 863,630 million yen

Treasury stock at the end of FY2013: 819,294 million yen

## 2. Dividends

	Cash dividend per share				
	end of first	end of second	end of third	Year-end	Dividend per
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended December 31, 2013	-	21.50	-	21.50	43.00
Year ended December 31, 2014	-	22.00			
Year ended December 31, 2014 (Forecast)			-	22.00	44.00

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

## 3. Projection for Fiscal 2014 (January 1, 2014 to December 31, 2014)

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

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2014 ending December 31, 2014	1,783,000	4.0	127,000	8.1	131,500	6.4

	Net income	% change	Net income per share
	(Millions of yen)	(%)	(yen)
Fiscal 2014 ending December 31, 2014	69,000	11.7	148.65

(Note) Revisions to the forecast of consolidated results in the current quarter: Yes

#### 4. Other

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

(2) Adoption of simplified accounting methods or special accounting methods : Yes

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

- (1) Changes due to amendment of accounting standard: No
- (2) Change in accounting policies other than item (1) above: Yes
- (3) Changes in accounting estimate: Yes
- (4) Retrospective restatements: No

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

(1) Issued stock including treasury stock:

Year ended June 30, 2014	483,585,862 shares
Year ended December 31, 2013	483,585,862 shares

(2) Treasury stock:

Year ended June 30, 2014	10,175,881 shares
Year ended December 31, 2013	21,352,561 shares

(3) Average of issued Stock:

Year ended June 30, 2014	464,318,226 shares
Year ended June 30, 2013	455,251,022 shares

#### Implementation status of quarterly review processes

At the time of this document's release, review of the quarterly financial statements under the Financial Products and Exchange Law had not been completed.

#### Cautionary Statement with Respect to Forward-Looking Statements

This report contains forward-looking statements that reflect Asahi's forecasts for consolidated and unconsolidated results.

These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Asahi's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

**5. Consolidated Financial Statements (Unaudited)**  
**(1) Consolidated Balance Sheets**

(in million yen)

	As of December 31, 2013	As of June 30, 2014
<b>(Assets)</b>		
Current assets		
Cash and deposits	42,200	46,676
Notes and accounts receivable - trade	317,106	295,311
Merchandise and finished goods	81,562	98,701
Raw materials and supplies	36,740	37,327
Deferred tax assets	15,504	15,390
Other	44,893	60,982
Allowance for doubtful accounts	(3,117)	(4,385)
Total current assets	<u>534,890</u>	<u>550,004</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	432,483	441,820
Accumulated depreciation	(267,877)	(271,841)
Buildings and structures, net	<u>164,605</u>	<u>169,978</u>
Machinery, equipment and vehicles	565,942	584,065
Accumulated depreciation	(444,958)	(454,078)
Machinery, equipment and vehicles, net	<u>120,984</u>	<u>129,986</u>
Other	180,080	188,246
Accumulated depreciation	(106,997)	(112,558)
Other, net	<u>73,082</u>	<u>75,688</u>
Land	206,110	208,830
Construction in progress	19,436	17,474
Total property, plant and equipment	<u>584,219</u>	<u>601,957</u>
Intangible assets		
Goodwill	196,203	211,825
Other	93,822	97,865
Total intangible assets	<u>290,025</u>	<u>309,690</u>
Investments and other assets		
Investment securities	331,427	340,456
Deferred tax assets	9,120	9,233
Other	47,519	46,509
Allowance for doubtful accounts	(5,647)	(3,651)
Total investments and other assets	<u>382,419</u>	<u>392,547</u>
Total non-current assets	<u>1,256,665</u>	<u>1,304,196</u>
Total assets	<u>1,791,555</u>	<u>1,854,200</u>

(Continued)

<Consolidated Income Statements and Comprehensive Income Statement>

(in million yen)

	As of December 31, 2013	As of June 30, 2014
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable - trade	118,650	107,244
Short-term loans payable	134,334	188,320
Commercial papers	67,000	71,000
Current portion of bonds	20,000	58,431
Accrued alcohol tax	110,371	98,971
Income taxes payable	32,151	20,683
Deposits received	18,087	17,497
Provision for bonuses	4,284	4,358
Other	161,201	175,372
Total current liabilities	666,081	741,879
Non-current liabilities		
Bonds payable	148,937	78,000
Long-term loans payable	33,450	46,068
Provision for retirement benefits	22,581	22,525
Provision for directors' retirement benefits	192	171
Deferred tax liabilities	37,745	37,840
Asset retirement obligations	429	436
Other	54,655	53,896
Total non-current liabilities	297,993	238,939
Total liabilities	964,074	980,818
<b>(Net assets)</b>		
Shareholders' equity		
Capital stock	182,531	182,531
Capital surplus	152,537	154,519
Retained earnings	428,661	438,084
Treasury shares	(40,032)	(19,082)
Total shareholders' equity	723,698	756,053
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,981	24,390
Deferred gains or losses on hedges	223	6
Foreign currency translation adjustment	74,390	83,180
Total accumulated other comprehensive income	95,595	107,577
Minority interests	8,186	9,750
Total net assets	827,481	873,381
Total liabilities and net assets	1,791,555	1,854,200

**(2) Consolidated Income Statements and Comprehensive Income Statement**

&lt;Consolidated Income Statements&gt;

(in million yen)

	As of June 30, 2013	As of June 30, 2014
Net sales	780,746	811,269
Cost of sales	469,373	485,462
Gross profit	311,373	325,807
Selling, general and administrative expenses	274,461	282,135
Operating income	36,911	43,671
Non-operating income		
Interest income	187	202
Dividend income	1,060	1,205
Foreign exchange gains	652	-
Other	857	808
Total non-operating income	2,758	2,215
Non-operating expenses		
Interest expenses	1,853	1,723
Share of loss of entities accounted for using equity method	1,629	728
Other	1,432	2,074
Total non-operating expenses	4,915	4,525
Ordinary income	34,754	41,361
Extraordinary income		
Gain on sales of non-current assets	60	22
Gain on sales of investment securities	528	542
Total extraordinary income	588	565
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,389	1,577
Loss on sales of investment securities	36	-
Loss on valuation of investment securities	4	23
Business integration expenses	953	1,649
Other	1,669	1,423
Total extraordinary losses	4,054	4,674
Income before income taxes and minority interests	31,288	37,252
Total income taxes	15,762	17,885
Income before minority interests	15,526	19,366
Minority interests in income	104	6
Net income	15,422	19,360

(Continued)

<Consolidated Income Statements and Comprehensive Income Statement>

	(in million yen)	
	As of	As of
	June 30, 2013	June 30, 2014
Income before minority interests	15,526	19,366
Other comprehensive income		
Valuation difference on available-for-sale securities	10,272	3,409
Deferred gains or losses on hedges	84	△217
Foreign currency translation adjustment	10,509	4,084
Share of other comprehensive income of associates accounted for using equity method	17,150	4,326
Total other comprehensive income	38,017	11,602
Comprehensive income	53,543	30,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	53,007	31,342
Comprehensive income attributable to minority interests	535	△372

### (3) Consolidated Statements of Cash Flows

	(in million yen)	
	As of June 30, 2013	As of June 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	31,288	37,252
Depreciation	31,628	29,212
Amortization of goodwill	6,233	6,059
Increase (decrease) in provision for retirement benefits	(1,296)	(1,643)
Share of other comprehensive income of associates accounted for using equity method	(494)	(727)
Interest and dividend income	(1,247)	(1,407)
Interest expenses	1,853	1,723
Share of (profit) loss of entities accounted for using equity method	1,629	728
Loss (gain) on valuation of investment securities	4	23
Loss (gain) on sales of shares of subsidiaries and associates	30	-
Loss (gain) on sales and retirement of non-current assets	1,329	1,554
Decrease (increase) in notes and accounts receivable - trade	21,200	27,606
Decrease (increase) in inventories	(17,906)	(14,480)
Increase (decrease) in notes and accounts payable - trade	(5,720)	(14,819)
Increase (Decrease) in accrued alcohol tax payable	(5,405)	(11,419)
Other, net	3,452	3,717
Subtotal	66,580	63,378
Interest and dividend income received	3,001	4,833
Interest expenses paid	(1,868)	(1,763)
Income taxes paid	(15,780)	(39,553)
Net cash provided by (used in) operating activities	51,932	26,895
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,119)	(25,714)
Proceeds from sales of property, plant and equipment	331	143
Purchase of intangible assets	(2,805)	(6,007)
Purchase of investment securities	(2,712)	(3,760)
Proceeds from sales of investment securities	2,630	1,094
Purchase of subsidiaries stocks and others resulting in change in scope of consolidation	-	(23,638)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(117)	-
Payments of loans receivable	(286)	(383)
Collection of loans receivable	776	530
Other, net	(2,569)	(4,224)
Net cash provided by (used in) investing activities	(21,871)	(61,962)



(Continued)

<Consolidated Statements of Cash Flows>

	(in million yen)	
	As of	As of
	June 30, 2013	June 30, 2014
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	16,244	53,604
Repayments of lease obligations	(4,230)	(4,770)
Proceeds from long-term loans payable	6,000	9,190
Repayments of long-term loans payable	(7,180)	(337)
Share of other comprehensive income of associates accounted for using equity method	-	(10,000)
Purchase of treasury shares	(30,010)	(17)
Cash dividends paid	(6,523)	(9,938)
Proceeds from share issuance to minority shareholders	457	2,310
Other, net	814	(454)
Net cash provided by (used in) financing activities	(24,429)	39,587
Effect of exchange rate change on cash and cash equivalents	1,113	(221)
Net increase (decrease) in cash and cash equivalents	6,745	4,298
Cash and cash equivalents at beginning of period	34,320	41,116
Cash and cash equivalents at end of period	41,066	45,415

(4) Notes regarding premise of a going concern

No applicable items

(5) Segment information

I Fiscal 2013 (January 1, 2013 to June 30, 2013)

1. Information on net sales and profits or losses by reported segment

(in Millions yen)

	Alcohol beverages	Soft drinks	Foods	Overseas	Others	Total	Adjustment	Consolidated total
I. Net sales								
1) To outside customers	409,693	216,292	50,089	90,813	13,859	780,746	-	780,746
2) Inter-segment sales	10,901	2,812	1,080	151	24,869	39,814	(39,814)	-
Total	420,594	219,104	51,169	90,964	38,728	820,561	(39,814)	780,746
Operating income/loss	40,567	5,343	1,376	(4,271)	427	43,443	(6,531)	36,911

(Notes)

- "Others" includes the distribution business and others.
- An adjustment of -¥6,531 million to segment income or loss includes corporate expenses of -¥5,734 million not allocated to any one segment, along with inter-segment sales and elimination of -¥796 million. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.
- Segment income and loss are based on adjusted operating income reported in the consolidated statements of income.

2. Information regarding asset impairment losses and goodwill based on reporting segments

(Significant asset impairment losses)

There are no applicable items.

II. Fiscal 2014 (January 1, 2014 to June 30, 2014)

1. Information on net sales and profits or losses by reported segment

(in Millions yen)

	Alcohol beverages	Soft drinks	Foods	Overseas	Others	Total	Adjustment	Consolidated total
I. Net sales								
1) To outside customers	417,683	226,264	52,794	100,573	13,954	811,269	-	811,269
2) Inter-segment sales	11,089	2,229	913	570	26,035	40,839	(40,839)	-
Total	428,772	228,494	53,708	101,144	39,989	852,109	(40,839)	811,269
Operating income/loss	43,018	8,474	1,963	(2,364)	(158)	50,932	(7,260)	43,671

(Notes)

- "Others" includes the distribution business and others.
- An adjustment of -¥7,260 million to segment income or loss includes corporate expenses of -¥6,579 million not allocated to any one segment, along with inter-segment sales and elimination of -¥680 million. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.
- Segment income and loss are based on adjusted operating income reported in the consolidated statements of income.

## 2. Matters Related to Changes in Reportable Segments, etc.

As has been stated in “(3) Changes in Accounting Policies, Accounting Estimates and Retrospective Restatements,” under “2. Other Summary Information (Notes),” the Company has changed its depreciation methods for property, plant and equipment in the first six months of the current financial year ending December 2014 (January 1, 2014 to June 30, 2014).

Accordingly, segment income in the second quarter of the current financial year increased by ¥578 million in Alcoholic Beverages, ¥1,131 million in Soft Drinks, and ¥203 million in Foods respectively, while segment loss decreased by ¥27 million in Others and ¥228 million in Adjustment respectively.

## 3. Information regarding asset impairment losses and goodwill based on reporting segments

There are no applicable items.

### (6) Notes on Significant Changes in Shareholders' Equity

In accordance with the conversion exercises of the Euroyen Convertible Bond due 2023 (bond with stock acquisition rights, tenkanshasaigata shinkabu yoyakuken-tsuki shasai) and of the Euroyen Convertible Bond due 2028 (bond with stock acquisition rights, tenkanshasaigata shinkabu yoyakuken-tsuki shasai), the Company's treasury stock decreased by ¥20,387 million in the first six months of the current financial year ending December 31, 2014.

Additionally, the treasury stock decreased following the exercises of the Company's stock options, totaling ¥20,950 million net drop in treasury stock and resulting in the net balance of ¥19,082 million treasury stock as at the end of the second quarter of the current financial year.

### (7) Segment information

Asahi Group Holdings, Ltd. hereby announces that, in connection with the acquisition of the Zero Coupon Convertible Bonds due 2023 (bonds with stock acquisition rights, tenkanshasaigata shinkabu yoyakuken-tsuki shasai) and the Zero Coupon Convertible Bonds due 2028 (bonds with stock acquisition rights, tenkanshasaigata shinkabu yoyakuken-tsuki shasai) (together, the “Bonds”) pursuant to the resolution dated June 4, 2014 of its Board of Directors, the assets to be delivered in exchange for the Bonds have been determined and the acquisition of the Bonds has been completed today as set forth below.

Assets to be delivered in exchange for the Bonds

Aggregate amount of cash	Approximately JPY 28,750 million
Aggregate number of shares (1) (Breakdown)	<u>4,632,600 shares</u>
Zero Coupon Convertible Bonds due 2023	
Cash amount equal to 100% of the principal amount	JPY 8,758 million
Shares (1)	<u>1,375,500 shares</u>
Cash amount with respect to Non-unit shares (2)	Approximately JPY 20 million
Zero Coupon Convertible Bonds due 2028	
Cash amount equal to 100% of the principal amount	JPY 19,647 million
Cash Shares (1)	<u>3,257,100 shares</u>
Cash amount with respect to Non-unit shares (2)	Approximately JPY 325 million

(1) We expect to allot our treasury shares towards the shares to be delivered as consideration.

(2) With respect to the Non-unit shares, we will deliver the cash amount equal to the aggregate market value of those shares on the Acquisition Option Date.

(Acquisition of Corporate Bond)

Asahi Group Holdings, Ltd. announced that it has resolved at a meeting of the Board of Directors held on January 27 to issue the Bonds in July 9 2014.

1	Name of the Bonds	Asahi Group Holdings, Ltd. 5th Series Unsecured Straight Bonds (with inter-bond pari passu clause)
2	Total amount of issue	¥ 25 billion
3	Interest rate	0.229% per annum
4	Issue price	¥ 100 per face value ¥ 100
5	Redemption price	¥ 100 per face value ¥ 100
6	Term and Redemption method	5 years
	(1) Maturity date	The Principal of the Bonds shall be redeemed in a lump sum on July 12, 2019.
	(2) Retirement by purchase	The Company may repurchase the Bonds on or after the day after the Closing date, unless otherwise provided for by the Book-entry transfer institution.
7	Closing date	July 15, 2014
8	Collateral	The Bonds are neither secured by any collateral nor guaranteed, and there are no particular assets reserved for the payment of the Bonds.
9	Use of proceeds	Redemption of bonds, repayment of borrowings, and funds for investments.

1	Name of the Bonds	Asahi Group Holdings, Ltd. 6th Series Unsecured Straight Bonds (with inter-bond pari passu clause)
2	Total amount of issue	¥ 10 billion
3	Interest rate	0.366% per annum
4	Issue price	¥ 100 per face value ¥ 100
5	Redemption price	¥ 100 per face value ¥ 100
6	Term and Redemption method	7 years
	(1) Maturity date	The Principal of the Bonds shall be redeemed in a lump sum on July 15, 2021.
	(2) Retirement by purchase	The Company may repurchase the Bonds on or after the day after the Closing date, unless otherwise provided for by the Book-entry transfer institution.
7	Closing date	July 15, 2014
8	Collateral	The Bonds are neither secured by any collateral nor guaranteed, and there are no particular assets reserved for the payment of the Bonds.
9	Use of proceeds	Redemption of bonds, repayment of borrowings, and funds for investments.

(Sale of Noncurrent Assets)

Asahi Breweries, Ltd., one of the Company's consolidated subsidiaries, sold its noncurrent asset as outlined below:

1. Reason for the sale:

The land for the Nishinomiya Plant was sold off in order to attain more efficient utilization of noncurrent assets. Nishinomiya Plant was closed down earlier in August 2012, following the plant restructuring strategy aimed at improvement in profitable structure.

2. Name of the buyer:

ARK Real Estate Co., Ltd.

3. Type of the Noncurrent Asset Sold and its Use Prior to the Sale:

Type of the Noncurrent Asset Sold: land (101,041.32m<sup>2</sup>)

Pre-Sale Use: a production plant

4. Schedule for the Sale:

September 26, 2013: Board Meeting Resolution

September 26, 2013: Signing of the Contract

July 31, 2014: Delivery of the land ownership

Effect of Said Sale on Income Statement: Approx. ¥14 billion gains shall be reported under gain (loss)

on sales and retirement of noncurrent asset in the third quarter of the current financial year ending December 2014.

(8) Additional information

(Acquisition of Own Shares)

Asahi Group Holdings, Ltd. announced that it has resolved at a meeting of the Board of Directors held on June 4 to repurchase its own shares based on Article 156 of the Corporation Law of Japan as applied pursuant to Article 165, Paragraph 3 of the same law, as outlined below.

1. Reason for Repurchase

To enhance shareholder returns and to improve capital efficiency.

2. Details of Repurchase

(1) Class of shares to be repurchased

Common shares

(2) Total number of shares to be repurchased

20 million (maximum)

(3) Total amount of repurchase

50 billion yen (maximum)

(4) Period of repurchase

From July 9 to October 31, 2014

(5) Method of repurchase

Purchase in the market through a trust bank