

Asahi Group Holdings, Ltd.



FY2014 3Q 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 October 31, 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)**

October 31, 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 September 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 3Q ended September 30, 2014	1,295,046	3.0	88,111	5.2	91,044	7.8
Fiscal 2013 3Q ended September 30, 2013	1,257,032	10.3	83,770	23.8	84,459	18.8

(Note) Comprehensive income at the end of 3Q FY2014: ¥68,962 million (-30.5%)

Comprehensive income at the end of 3Q FY2013: ¥99,272 million yen(71.5%)

	Net income	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
	Fiscal 2014 3Q ended September 30, 2014	54,405	16.4	117.08
Fiscal 2013 3Q ended September 30, 2013	46,726	2.5	102.80	102.70

(2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	(%)
	Fiscal 2014 3Q ended September 30, 2014	1,836,027	852,956
Fiscal 2013 ended December 31, 2013	1,791,555	827,481	45.7

(Note) Treasury stock at the end of 3Q FY2014: ¥839,994 million

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

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

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

(Note)

(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

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

(1) Issued stock including treasury stock:

Year ended September 30, 2014 483,585,862 shares

Year ended December 31, 2013 483,585,862 shares

(2) Treasury stock:

Year ended September 30, 2014 21,005,142 shares

Year ended December 31, 2013 21,352,561 shares

(3) Average of issued Stock:

Year ended September 30, 2014 464,663,683 shares

Year ended September 30, 2013 454,521,331 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.

4. Consolidated Financial Statements (Unaudited)
(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
(Assets)		
Current assets		
Cash and deposits	42,200	45,010
Notes and accounts receivable - trade	317,106	279,484
Merchandise and finished goods	81,562	94,475
Raw materials and supplies	36,740	40,836
Deferred tax assets	15,504	15,470
Other	44,893	57,862
Allowance for doubtful accounts	(3,117)	(4,542)
Total current assets	<u>534,890</u>	<u>528,597</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	432,483	429,489
Accumulated depreciation	(267,877)	(260,403)
Buildings and structures, net	<u>164,605</u>	<u>169,085</u>
Machinery, equipment and vehicles	565,942	549,253
Accumulated depreciation	(444,958)	(420,545)
Machinery, equipment and vehicles, net	<u>120,984</u>	<u>128,708</u>
Other	180,080	188,925
Accumulated depreciation	(106,997)	(111,725)
Other, net	<u>73,082</u>	<u>77,200</u>
Land	206,110	207,747
Construction in progress	19,436	20,663
Total property, plant and equipment	<u>584,219</u>	<u>603,405</u>
Intangible assets		
Goodwill	196,203	208,751
Other	93,822	98,947
Total intangible assets	<u>290,025</u>	<u>307,699</u>
Investments and other assets		
Investment securities	331,427	342,567
Deferred tax assets	9,120	9,138
Other	47,519	47,952
Allowance for doubtful accounts	(5,647)	(3,334)
Total investments and other assets	<u>382,419</u>	<u>396,324</u>
Total non-current assets	<u>1,256,665</u>	<u>1,307,429</u>
Total assets	<u>1,791,555</u>	<u>1,836,027</u>

(Continued)

<Consolidated Income Statements and Comprehensive Income Statement>

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	118,650	109,349
Short-term loans payable	134,334	152,852
Commercial papers	67,000	108,000
Current portion of bonds	20,000	20,000
Accrued alcohol tax	110,371	110,346
Income taxes payable	32,151	22,041
Deposits received	18,087	14,233
Provision for bonuses	4,284	10,539
Other	161,201	160,887
Total current liabilities	666,081	708,251
Non-current liabilities		
Bonds payable	148,937	113,000
Long-term loans payable	33,450	47,181
Provision for retirement benefits	22,581	22,550
Provision for directors' retirement benefits	192	188
Deferred tax liabilities	37,745	38,276
Asset retirement obligations	429	437
Other	54,655	53,184
Total non-current liabilities	297,993	274,819
Total liabilities	964,074	983,070
(Net assets)		
Shareholders' equity		
Capital stock	182,531	182,531
Capital surplus	152,537	143,368
Retained earnings	428,661	462,714
Treasury shares	(40,032)	(58,233)
Total shareholders' equity	723,698	730,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,981	25,627
Deferred gains or losses on hedges	223	76
Foreign currency translation adjustment	74,390	83,910
Total accumulated other comprehensive income	95,595	109,614
Minority interests	8,186	12,961
Total net assets	827,481	852,956
Total liabilities and net assets	1,791,555	1,836,027

(2) Consolidated Income Statements and Comprehensive Income Statement

<Consolidated Income Statements>

(Millions of yen)

	As of September 30,2013	As of September 30,2014
Net sales	1,257,032	1,295,046
Cost of sales	750,003	771,467
Gross profit	507,028	523,578
Selling, general and administrative expenses	423,258	435,467
Operating income	83,770	88,111
Non-operating income		
Interest income	286	315
Dividend income	1,070	1,253
Foreign exchange gains	489	539
Share of profit of entities accounted for using equity method	2,527	4,426
Other	983	1,510
Total non-operating income	5,356	8,045
Non-operating expenses		
Interest expenses	2,730	2,679
Other	1,937	2,432
Total non-operating expenses	4,667	5,111
Ordinary income	84,459	91,044
Extraordinary income		
Gain on sales of non-current assets	205	14,293
Gain on sales of investment securities	988	549
Gain on transfer of business	900	-
Total extraordinary income	2,093	14,843
Extraordinary losses		
Loss on sales and retirement of non-current assets	2,066	2,102
Loss on sales of investment securities	36	12
Loss on valuation of investment securities	4	24
Business integration expenses	1,627	3,045
Other	1,831	1,831
Total extraordinary losses	5,566	7,016
Income before income taxes and minority interests	80,986	98,870
Income taxes	33,980	44,303
Income before minority interests	47,006	54,566
Minority interests in income	279	161
Net income	46,726	54,405

(Continued)

<Consolidated Income Statements and Comprehensive Income Statement>

(Millions of yen)

	As of September 30,2013	As of September 30,2014
Income before minority interests	47,006	54,566
Other comprehensive income		
Valuation difference on available-for-sale securities	17,129	4,646
Deferred gains or losses on hedges	36	(147)
Foreign currency translation adjustment	11,968	6,791
Share of other comprehensive income of associates accounted for using equity method	23,132	3,104
Total other comprehensive income	52,265	14,396
Comprehensive income	99,272	68,962
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	98,747	68,423
Comprehensive income attributable to minority interests	525	538

(3) Notes regarding premise of a going concern

No applicable items

(4) Segment information

Fiscal 2013 (January 1, 2013 to September 30, 2013)

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

(Millions of yen)

	Alcohol beverages	Soft drinks	Foods	Overseas	Others *1	Total	Adjustment *2	Consolidated total*3
I. Net sales								
1) To outside customers	672,737	352,715	75,832	134,425	21,320	1,257,032	-	1,257,032
2) Inter-segment sales	17,378	3,765	1,528	494	39,417	62,584	(62,584)	-
Total	690,116	356,480	77,361	134,920	60,738	1,319,617	(62,584)	1,257,032
Operating income/loss	81,009	14,848	2,698	(6,268)	756	93,044	(9,273)	83,770

(Notes)

*1. "Others" includes the distribution business and others.

*2. An adjustment of -¥9,273 million to segment income or loss includes corporate expenses of -¥8,702 million not allocated to any one segment, along with inter-segment sales and elimination of -¥571 million. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. 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.

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Fiscal 2014 (January 1, 2014 to September 30, 2014)

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

(Millions of yen)

	Alcohol beverages	Soft drinks	Foods	Overseas	Others *1	Total	Adjustment *2	Consolidated total*3
I. Net sales								
1) To outside customers	675,744	359,173	79,053	159,917	21,156	1,295,046	-	1,295,046
2) Inter-segment sales	17,621	3,614	1,435	1,064	40,783	64,519	(64,519)	-
Total	693,366	362,787	80,489	160,982	61,940	1,359,565	(64,519)	1,295,046
Operating income/loss	81,508	17,185	3,387	(3,233)	(71)	98,775	(10,664)	88,111

(Notes)

*1. "Others" includes the distribution business and others.

*2. An adjustment of -¥10,664 million to segment income or loss includes corporate expenses of -¥9,987 million not allocated to any one segment, along with inter-segment sales and elimination of -¥676 million. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. 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.

Asahi Group Holdings, Ltd. changed the depreciation method of tangible fixed assets at the end of the third quarter of the current financial year.

Accordingly, segment income in the third quarter of the current financial year increased by ¥923 million in Alcohol Beverages, ¥1,963 million in Soft Drinks, and ¥312 million in Foods respectively, while segment loss decreased by ¥45 million in Others and ¥345 million in Adjustment respectively.

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

There are no applicable items.

(5) 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 10,873,212 shares (book value: ¥20,387 million). In addition, the Company's treasury stock decreased by 4,632,600 shares (book value: ¥10,899 million) to allot our treasury shares towards the shares to be delivered as consideration in connection with the acquisition pursuant to the resolution dated June 4, 2014 of its Board of Directors.

Asahi Group Holdings, Ltd. adopted a resolution 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. Accordingly, the Company repurchased 15,475,800 of its own shares for ¥49,999 million between July 9, 2014 and September 12, 2014 on the open market using the trust method.

Additionally, the treasury stock increased following for purchase of the Non-unit shares, totaling ¥18,200 million net gain in treasury stock and resulting in the net balance of ¥58,233 million treasury stock as at the end of the third quarter of the current financial year.

In accordance with the payment of treasury stock to allot our treasury shares towards the shares to be delivered as consideration, totaling ¥9,060 million net drop in capital surplus and resulting in the net balance of ¥143,368 million capital surplus as at the end of the third quarter of the current financial year.

(6) Major Subsequent Events

No applicable items.