

Asahi Group Holdings, Ltd.



FY2015 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 November 4, 2015.

This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2015)**

November 4, 2015

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 2015 (From January 1, 2015 to September 30, 2015)

(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 2015 3Q ended September 30, 2015 | 1,358,509 | 4.9 | 93,580 | 6.2 | 101,548 | 11.5 |
| Fiscal 2014 3Q ended September 30, 2014 | 1,295,046 | 3.0 | 88,111 | 5.2 | 91,044 | 7.8 |

(Note) Comprehensive income at the end of 3Q FY2015: 46,396 million yen (-32.7%)

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

| | Net income | % change | Net income per share (Primary) | Net income per share (Diluted) |
|---|-------------------|----------|--------------------------------|--------------------------------|
| | (Millions of yen) | (%) | (yen) | (yen) |
| Fiscal 2015 3Q ended September 30, 2015 | 68,975 | 26.8 | 149.84 | 149.77 |
| Fiscal 2014 3Q ended September 30, 2014 | 54,405 | 16.4 | 117.08 | 117.00 |

(2) Financial Condition

| | Total assets | Net assets | Shareholders' equity ratio |
|---|-------------------|-------------------|----------------------------|
| | (Millions of yen) | (Millions of yen) | (%) |
| Fiscal 2015 3Q ended September 30, 2015 | 1,859,617 | 873,079 | 46.2 |
| Fiscal 2014 ended December 31, 2014 | 1,936,609 | 896,510 | 45.5 |

(Note) Treasury stock at the end of 3Q FY2015: 858,782 million yen

Treasury stock at the end of FY2014: 881,091 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, 2014 | - | 22.00 | - | 23.00 | 45.00 |
| Year ended December 31, 2015 | - | 24.00 | - | | |
| Year ended December 31, 2015 (Forecast) | | | | 24.00 | 48.00 |

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

3. Projection for Fiscal 2015 (January 1, 2015 to December 31, 2015)

(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 2015 ending December 31, 2015 | 1,860,000 | 4.2 | 135,000 | 5.2 | 139,000 | 4.4 |

| | Net income | % change | Net income per share |
|--------------------------------------|-------------------|----------|----------------------|
| | (Millions of yen) | (%) | (yen) |
| Fiscal 2015 ending December 31, 2015 | 75,000 | 8.5 | 163.14 |

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

(Note)

(1) Changes in significant subsidiaries during this quarterly period : No

(2) Application of specific accounting methods for preparing the quarterly consolidated financial statements : Yes

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(1) Changes in accounting policies due to amendment of accounting standards : Yes

(2) Changes in accounting policies other than item (1) above : No

(3) Changes in accounting estimates : No

(4) Retrospective restatements : No

(4) Number of shares issued and outstanding at the end of the term (common stock)

(1) Issued stock including treasury stock:

Year ended September 30, 2015 483,585,862 shares

Year ended December 31, 2014 483,585,862 shares

(2) Treasury stock:

Year ended September 30, 2015 25,685,886 shares

Year ended December 31, 2014 20,984,062 shares

(3) Average of issued stock:

Year ended September 30, 2015 460,339,380 shares

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

*** Implementation status of quarterly review processes**

This summary of quarterly consolidated financial results is not subject to a quarterly review in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this summary of quarterly consolidated financial results, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act had not been completed.

*** Forward-looking statements and other special instructions**

The forward-looking statements that reflect Asahi's forecasts for consolidated and unconsolidated results in this document are based on information available at the time of the release of these materials and reasonable assumptions made by Asahi.

Certain risks and uncertainties could cause the results of Asahi to differ materially from any projections presented herein.

2. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of December 31, 2014 | As of September 30, 2015 |
|--|----------------------------|-----------------------------|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 65,064 | 58,327 |
| Notes and accounts receivable - trade | 353,704 | 295,773 |
| Merchandise and finished goods | 82,117 | 102,454 |
| Raw materials and supplies | 42,431 | 41,570 |
| Deferred tax assets | 13,012 | 13,957 |
| Other | 53,042 | 47,796 |
| Allowance for doubtful accounts | 5,529 | 5,214 |
| Total current assets | <u>603,842</u> | <u>554,666</u> |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 433,018 | 431,971 |
| Accumulated depreciation | 263,734 | 266,745 |
| Buildings and structures, net | <u>169,283</u> | <u>165,226</u> |
| Machinery, equipment and vehicles | 558,442 | 555,372 |
| Accumulated depreciation | 423,378 | 426,462 |
| Machinery, equipment and vehicles, net | <u>135,064</u> | <u>128,910</u> |
| Other | 184,091 | 184,057 |
| Accumulated depreciation | 105,693 | 105,841 |
| Other, net | <u>78,398</u> | <u>78,216</u> |
| Land | 202,051 | 199,146 |
| Construction in progress | 20,617 | 11,965 |
| Total property, plant and equipment | <u>605,415</u> | <u>583,465</u> |
| Intangible assets | | |
| Goodwill | 195,859 | 154,310 |
| Other | 99,930 | 90,031 |
| Total intangible assets | <u>295,790</u> | <u>244,341</u> |
| Investments and other assets | | |
| Investment securities | 375,044 | 417,901 |
| Net defined benefit asset | 19,252 | 22,870 |
| Deferred tax assets | 9,448 | 8,928 |
| Other | 30,942 | 30,016 |
| Allowance for doubtful accounts | 3,124 | 2,572 |
| Total investments and other assets | <u>431,561</u> | <u>477,143</u> |
| Total non-current assets | <u>1,332,767</u> | <u>1,304,950</u> |
| Total assets | <u>1,936,609</u> | <u>1,859,617</u> |

(Continued)

<Consolidated Balance Sheets >

(Millions of yen)

| | As of December 31, 2014 | As of September 30, 2015 |
|---|----------------------------|-----------------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 130,402 | 109,488 |
| Short-term loans payable | 184,879 | 132,836 |
| Commercial papers | 76,000 | 119,000 |
| Current portion of bonds | 20,000 | - |
| Accrued alcohol tax | 110,361 | 108,627 |
| Income taxes payable | 27,396 | 15,209 |
| Deposits received | 18,255 | 15,332 |
| Provision for bonuses | 4,685 | 10,664 |
| Other | 185,393 | 152,602 |
| Total current liabilities | 757,374 | 663,762 |
| Non-current liabilities | | |
| Bonds payable | 113,000 | 148,000 |
| Long-term loans payable | 40,846 | 47,563 |
| Provision for directors' retirement benefits | 302 | 215 |
| Net defined benefit liability | 26,525 | 24,333 |
| Deferred tax liabilities | 48,611 | 50,609 |
| Asset retirement obligations | 430 | 420 |
| Other | 53,008 | 51,633 |
| Total non-current liabilities | 282,724 | 322,775 |
| Total liabilities | 1,040,099 | 986,537 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 182,531 | 182,531 |
| Capital surplus | 143,339 | 120,540 |
| Retained earnings | 477,427 | 517,406 |
| Treasury shares | 58,176 | 77,404 |
| Total shareholders' equity | 745,120 | 743,074 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 28,850 | 39,747 |
| Deferred gains or losses on hedges | 218 | 56 |
| Foreign currency translation adjustment | 107,832 | 76,270 |
| Remeasurements of defined benefit plans | 492 | 365 |
| Total accumulated other comprehensive income | 135,970 | 115,708 |
| Minority interests | 15,419 | 14,297 |
| Total net assets | 896,510 | 873,079 |
| Total liabilities and net assets | 1,936,609 | 1,859,617 |

(2) Consolidated Income Statements and Comprehensive Income Statement

<Consolidated Income Statements>

(Millions of yen)

| | As of September 30, 2014 | As of September 30, 2015 |
|---|-----------------------------|-----------------------------|
| Net sales | 1,295,046 | 1,358,509 |
| Cost of sales | 771,467 | 801,494 |
| Gross profit | 523,578 | 557,015 |
| Selling, general and administrative expenses | 435,467 | 463,434 |
| Operating income | 88,111 | 93,580 |
| Non-operating income | | |
| Interest income | 315 | 475 |
| Dividend income | 1,253 | 1,466 |
| Share of profit of entities accounted for using equity method | 4,426 | 9,962 |
| Other | 2,050 | 2,179 |
| Total non-operating income | 8,045 | 14,083 |
| Non-operating expenses | | |
| Interest expenses | 2,679 | 2,725 |
| Other | 2,432 | 3,390 |
| Total non-operating expenses | 5,111 | 6,115 |
| Ordinary income | 91,044 | 101,548 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 14,293 | 418 |
| Gain on sales of investment securities | 549 | 693 |
| Gain on step acquisitions | - | 5,932 |
| Total extraordinary income | 14,843 | 7,044 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 2,102 | 2,293 |
| Loss on sales of investment securities | 12 | 122 |
| Loss on valuation of investment securities | 24 | 70 |
| Impairment loss | - | 1,743 |
| Business integration expenses | 3,045 | 2,944 |
| Other | 1,831 | 1,973 |
| Total extraordinary losses | 7,016 | 9,148 |
| Income before income taxes and minority interests | 98,870 | 99,444 |
| Income taxes | 44,303 | 31,355 |
| Income before minority interests | 54,566 | 68,088 |
| Minority interests in income (loss) | 161 | 886 |
| Net income | 54,405 | 68,975 |

(Continued)

<Comprehensive Income Statement>

(Millions of yen)

| | As of September 30, 2014 | As of September 30, 2015 |
|---|-----------------------------|-----------------------------|
| Income before minority interests | 54,566 | 68,088 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,646 | 10,917 |
| Deferred gains or losses on hedges | 147 | 275 |
| Foreign currency translation adjustment | 6,791 | 46,433 |
| Remeasurements of defined benefit plans, net of tax | - | 113 |
| Share of other comprehensive income of entities accounted for using equity method | 3,104 | 13,434 |
| Total other comprehensive income | 14,396 | 21,692 |
| Comprehensive income | 68,962 | 46,396 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 68,423 | 48,990 |
| Comprehensive income attributable to minority interests | 538 | 2,593 |

(3) Notes regarding the premise of a going concern

No applicable items

(4) Segment information

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

1. Information on net sales and profits or losses for each reporting 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 yen to the segment income or loss includes corporate expenses of -9,987 million yen not allocated to any one segment, along with inter-segment sales and elimination of -676 million yen. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. The 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 for each reporting segment

No applicable items.

. Fiscal 2015 (January 1, 2015 to September 30, 2015)

1. Information on net sales and profits or losses for each reporting 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 | 701,327 | 373,007 | 82,399 | 180,205 | 21,568 | 1,358,509 | - | 1,358,509 |
| 2) Inter-segment sales | 20,557 | 3,431 | 1,613 | 1,732 | 42,678 | 70,013 | (70,013) | - |
| Total | 721,884 | 376,439 | 84,013 | 181,938 | 64,247 | 1,428,523 | (70,013) | 1,358,509 |
| Operating income/loss | 83,114 | 17,126 | 5,114 | 333 | 1,075 | 106,765 | (13,184) | 93,580 |

(Notes)

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

*2. An adjustment of -13,184 million yen to the segment income or loss includes corporate expenses of -12,384 million yen not allocated to any one segment, along with inter-segment sales and elimination of -800 million yen. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. The segment income and loss are based on adjusted operating income reported in the consolidated statements of income.

2. Matters related to changes in reporting segments, etc.

(Application of Accounting Standard for Retirement Benefits, etc.)

Effective from the first quarter of the current consolidated financial year (ending December 31, 2015), an accounting method has been changed for calculating retirement benefit liabilities and the service cost.

The effect of the said change on the segment income for the third quarter is, however, immaterial.

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the first quarter of the current consolidated financial year, differences caused by change in the Company's equity in the subsidiaries and affiliates with controlling interests have now been adjusted in capital surplus, and acquisition-related expenses have now been reported as expenses incurred during the consolidated financial year in which the said acquisition takes place.

As a result of this change, therefore, and in comparison with the old method, segment income in the third quarter of the consolidated financial year increased by 1 million yen in "Alcoholic beverages" segment, by 1,424 million yen in "Soft drinks" segment, by 49 million yen in "Foods" segment, and by 99 million yen in "Overseas" segment respectively. Furthermore, segment loss in "Adjusted" segment decreased by 300 million yen.

3. Information regarding asset impairment losses and goodwill based for each reporting segment

(Significant Asset Impairment Losses)

In the third quarter of the consolidated financial year, impairment losses are booked by 315 million yen in "Alcoholic beverages" segment and by 1,428 million yen in "Overseas" segment respectively.

(Significant Change in the Amount of Goodwill)

As a result of the application of Accounting Standard for Business Combinations, Accounting Standard for Consolidated Financial Statements, and of Accounting Standard for Business Divestiture, etc., effective from the first quarter of the current consolidated financial year, the amount in Goodwill has been reduced. In accordance with the said application, the amount of goodwill, as at the beginning of the third quarter of the current consolidated financial year, was reduced by 36 million yen in the "Alcoholic beverages" segment, by 24,855 million yen in the "Soft drinks" segment, by 794 million yen in the "Foods" segment, and by 6,235 million yen in the "Overseas" segment respectively.

(5) Notes on Significant Changes in Shareholders' Equity

Effective from the first quarter of the current consolidated financial year (ending December 31, 2015), an accounting method has been applied of Accounting Standard for Business Combinations, Accounting Standard for Consolidated Financial Statements, and of Accounting Standard for Business Divestiture, etc.

(Acquisition of own shares)

Asahi Group Holdings, Ltd. resolved at a meeting of the Board of Directors held on April 30, 2015 to repurchase its own shares under the provisions of Article 165, Paragraph 3 of the Corporate Law of Japan as set out by the provisions of Article 156 of the same law. Accordingly, the Company repurchased 4,982,100 of its own shares for 19,999 million yen between May 7, 2015 and June 23, 2015 in the open market using the trust method.

(6) Other notes

(Impact of Seasonal Factors)

The Asahi Groups business performance fluctuates with the seasons because demand in its main businesses of alcohol beverages and soft drinks is concentrated in the summer season.