

Asahi Group Holdings, Ltd.



FY2016 1Q 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 April 28, 2016. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2016)**

April 28, 2016

Asahi Group Holdings, Ltd.

Code number: 2502
Shares Listed: First Section of each of Tokyo Stock Exchanges
Head Office: Tokyo
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US GAAP: Not applicable

1. Consolidated Financial Results for Fiscal 2016 (From January 1, 2016 to March 31, 2016)

(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 2016 1Q ended March 31, 2016	380,241	1.6	11,483	6.3	2,390	(81.6)
Fiscal 2015 1Q ended March 31, 2015	374,192	(0.2)	10,806	(29.7)	13,009	27.9

(Note) Comprehensive income at the end of 1Q FY2016: -17,012 million yen (-%)

Comprehensive income at the end of 1Q FY2015: 16,184 million yen (3.3%)

	Net income attributable to owners of the parent	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2016 1Q ended March 31, 2016	614	(95.4)	1.34	1.34
Fiscal 2015 1Q ended March 31, 2015	13,327	410.8	28.80	28.78

(2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	(%)
Fiscal 2016 1Q ended March 31, 2016	1,792,596	862,776	47.4
Fiscal 2015 ended December 31, 2015	1,901,554	891,829	46.2

(Note) Treasury stock at the end of 1Q FY2016: 849,671 million yen

Treasury stock at the end of FY2015: 877,672 million yen

2. Dividends

	Cash dividend per share				
	end of first	end of second	end of third	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended December 31, 2015	-	24.00	-	26.00	50.00
Year ended December 31, 2016	-				
Year ended December 31, 2016 (Forecast)		26.00	-	27.00	53.00

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

3. Projection for Fiscal 2016 (January 1, 2016 to December 31, 2016)

(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 2016 ending June 30, 2016	860,000	0.4	44,300	(6.3)	39,100	(24.4)
Fiscal 2016 ending December 31, 2016	1,870,000	0.7	137,000	1.4	138,000	(5.4)

	Net income	% change	Net income per share
	(Millions of yen)	(%)	(yen)
Fiscal 2016 ending June 30, 2016	19,800	(49.9)	43.22
Fiscal 2016 ending December 31, 2016	80,000	4.7	174.62

(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 : No

(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:

Three months ended March 31, 2016	483,585,862 shares
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Year ended December 31, 2015	483,585,862 shares
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(2) Treasury stock:

Three months ended March 31, 2016	25,449,040 shares
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Year ended December 31, 2015	25,676,299 shares
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(3) Average of issued stock:

Three months ended March 31, 2016	458,087,613 shares
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Three months ended March 31, 2015	462,802,131 shares
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*** Implementation status of quarterly review processes**

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

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

(1) 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) 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.

2. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
(Assets)		
Current assets		
Cash and deposits	48,210	66,897
Notes and accounts receivable - trade	362,240	267,397
Merchandise and finished goods	91,200	95,911
Raw materials and supplies	41,114	39,540
Deferred tax assets	15,048	16,541
Other	47,546	46,281
Allowance for doubtful accounts	(4,861)	(1,251)
Total current assets	<u>600,498</u>	<u>531,318</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	433,344	433,073
Accumulated depreciation	(267,980)	(269,364)
Buildings and structures, net	<u>165,364</u>	<u>163,709</u>
Machinery, equipment and vehicles	561,787	560,951
Accumulated depreciation	(426,872)	(429,672)
Machinery, equipment and vehicles, net	<u>134,914</u>	<u>131,279</u>
Other	184,187	183,624
Accumulated depreciation	(105,598)	(106,095)
Other, net	<u>78,588</u>	<u>77,528</u>
Land	193,891	192,629
Construction in progress	9,339	9,260
Total property, plant and equipment	<u>582,098</u>	<u>574,407</u>
Intangible assets		
Goodwill	145,104	140,524
Other	90,444	89,605
Total intangible assets	<u>235,549</u>	<u>230,130</u>
Investments and other assets		
Investment securities	422,469	397,046
Net accrued benefit asset	24,574	24,796
Deferred tax assets	8,183	7,116
Other	30,752	32,341
Allowance for doubtful accounts	(2,571)	(4,561)
Total investments and other assets	<u>483,408</u>	<u>456,740</u>
Total non-current assets	<u>1,301,056</u>	<u>1,261,278</u>
Total assets	<u>1,901,554</u>	<u>1,792,596</u>

(Continued)

<Consolidated Balance Sheets >

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	126,800	91,985
Short-term loans payable	156,239	129,017
Commercial papers	63,000	127,000
Current portion of bonds	30,000	30,000
Accrued alcohol tax	110,044	76,603
Income taxes payable	23,460	6,446
Deposits received	18,076	15,904
Provision for bonuses	4,917	9,852
Other	182,654	154,400
Total current liabilities	715,193	641,210
Non-current liabilities		
Bonds payable	118,000	118,000
Long-term loans payable	47,690	51,882
Provision for directors' retirement benefits	237	195
Net accrued benefit liability	23,377	22,256
Deferred tax liabilities	54,445	46,068
Asset retirement obligations	441	442
Other	50,339	49,766
Total non-current liabilities	294,531	288,610
Total liabilities	1,009,725	929,820
(Net assets)		
Shareholders' equity		
Capital stock	182,531	182,531
Capital surplus	120,524	120,221
Retained earnings	524,859	513,568
Treasury shares	(77,377)	(76,693)
Total shareholders' equity	750,537	739,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,799	37,013
Deferred gains or losses on hedges	(82)	176
Foreign currency translation adjustment	81,259	72,405
Remeasurements of accrued benefit plans	157	448
Total accumulated other comprehensive income	127,134	110,043
Minority interests	14,157	13,104
Total net assets	891,829	862,776
Total liabilities and net assets	1,901,554	1,792,596

(2) Consolidated Income Statements and Comprehensive Income Statement

<Consolidated Income Statements>

(Millions of yen)

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2016
Net sales	374,192	380,241
Cost of sales	226,944	226,260
Gross profit	147,247	153,980
Selling, general and administrative expenses	136,441	142,496
Operating income	10,806	11,483
Non-operating income		
Interest income	278	95
Dividend income	278	331
Equity in earnings of affiliates	2,889	-
Other	1,082	331
Total non-operating income	4,529	757
Non-operating expenses		
Interest expenses	966	844
Equity in losses of affiliates	-	7,130
Other	1,359	1,876
Total non-operating expenses	2,326	9,851
Ordinary income	13,009	2,390
Extraordinary income		
Gain on sales of non-current assets	41	1,998
Gain on sales of investment securities	39	105
Gain on step acquisitions	3,650	-
Other	-	120
Total extraordinary income	3,732	2,224
Extraordinary losses		
Loss on sales and retirement of non-current assets	458	851
Loss on sales of investment securities	5	-
Loss on valuation of investment securities	-	17
Impairment loss	1,428	-
Business integration expenses	650	492
Other	599	10
Total extraordinary losses	3,141	1,371
Income before income taxes and minority interests	13,600	3,242
Income taxes	677	2,721
Income before minority interests	12,923	521
Minority interests in income (loss)	(404)	(93)
Net income attributable to owners of the parent	13,327	614

(Continued)

<Comprehensive Income Statement>

(Millions of yen)

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2016
Income before minority interests	12,923	521
Other comprehensive income		
Valuation difference on available-for-sale securities	7,840	(8,786)
Deferred gains or losses on hedges	495	258
Foreign currency translation adjustment	(16,532)	(5,588)
Remeasurements of accrued benefit plans	6	272
Share of other comprehensive income of equity method affiliates	11,450	(3,689)
Total other comprehensive income	3,260	(17,534)
Comprehensive income	16,184	(17,012)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	17,022	(16,476)
Comprehensive income attributable to minority interests	(838)	(536)

(3) Notes regarding the premise of a going concern

No applicable items

(4) Segment information

Fiscal 2015 (January 1, 2015 to March 31, 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	181,388	93,470	26,419	63,570	9,342	374,192	-	374,192
2) Inter-segment sales	4,924	627	493	401	11,379	17,825	(17,825)	-
Total	186,313	94,098	26,912	63,972	20,722	392,018	(17,825)	374,192
Segment income / loss	14,410	(860)	931	270	(187)	14,564	(3,758)	10,806

(Notes)

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

*2. An adjustment of -3,758 million yen to the segment income or loss includes corporate expenses of -3,608 million yen not allocated to any one segment, along with inter-segment sales and elimination of -149 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 or loss are adjusted with operating income reported in the consolidated financial statements.

2. Information regarding impairment losses of non-current assets and goodwill for each reporting segment

(Significant impairment loss regarding the non-current assets)

Impairment loss of 1,428 million yen was included in Overseas segment.

(Key changes in goodwill)

Due to the adoption of Accounting Standard for Business Combination, Accounting Standard for Consolidated Financial Statements and Accounting Standard for Business Divestitures in this term, goodwill was reduced. At the beginning of this term, the reduction of goodwill includes 36 million yen in Alcohol Beverages, 24,855 million yen in Soft Drinks, 794 million yen in Foods and 6,235 million yen in Overseas, respectively.

. Fiscal 2016 (January 1, 2016 to March 31, 2016)

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	189,941	95,448	26,939	57,775	10,136	380,241	-	380,241
2) Inter-segment sales	5,376	1,227	369	622	11,717	19,312	(19,312)	-
Total	195,317	96,675	27,309	58,398	21,854	399,554	(19,312)	380,241
Segment income / loss	14,626	(390)	1,635	495	(520)	15,846	(4,362)	11,483

(Notes)

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

*2. An adjustment of -4,362 million yen to the segment income or loss includes corporate expenses of -4,216 million yen not allocated to any one segment, along with inter-segment sales and elimination of -145 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 or loss are adjusted with operating income reported in the consolidated financial statements.

2. Information regarding impairment losses of non-current assets and goodwill for each reporting segment

There are no applicable items.

3. Items regarding changes of each reporting segment

From this term, the review of internal management system taking the opportunity of business restructuring resulted in the changes of reporting segment of some consolidated subsidiaries.

The segment information of this term is based on the reporting segment after the changes.

(5) 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. Demand is lowest during the first quarter in particular.

(6) Significant subsequent events

Asahi Group Holdings, Ltd. ("Asahi") have made a final binding offer to Anheuser-Busch InBev SA/NV ("AB InBev") to acquire the Italian, Dutch and British businesses and other related assets of SABMiller plc ("SABMiller") ("Target Business") subject to the completion of AB InBev's acquisition of SABMiller on 10 February 2016.

Thereafter, Asahi reached an agreement of execution of a share purchase with AB InBev, following completion of the relevant employee information and consultation processes applicable to the sale of Target Business on 19 April 2016

Asahi also made commitment line contract with financial institutions for certifying the financial support.

This Transaction will be completed concurrently with and subject to the completion of AB InBev's acquisition of SABMiller.

1. Overview of business combination

(1) The company names and business descriptions of Target Business

Company name	Business description
Birra Peroni S.r.l.	manufacturing, sales and distribution of beer
Royal Grolsch NV	manufacturing, sales and distribution of beer
Meantime Brewing Company Ltd.	manufacturing, sales and distribution of beer
Miller Brands (UK) Ltd.	importation and distribution of beer

(2) The rationale to execute business combination

Asahi has updated its Long-Term Vision, which articulates foresight into the future for the entire Asahi Group, and has formulated a new Medium-Term Management Policy aimed at further development of management for corporate value enhancement. For the new Long-Term Vision, Asahi, as a comprehensive beverage and food business group with the alcohol beverages business at its core, has set its future vision that, domestically, it will be an industry leader focused on high value addition and internationally, it will establish a distinct position as a global player that leverages strengths originating in Japan.

In addition, as one of the strategic imperatives under the new Medium-Term Management Policy, Asahi envisages strengthening its earnings power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as its growth engine.

Asahi has been working to expand its overseas growth platform, mainly in Asia and Oceania, for some time, and has successfully created a capable network in Southeast Asia, China and Oceania. In an environment of slower economic growth in emerging countries and further global consolidation, Asahi intends to respond to various risks and opportunities and further accelerate its growth by leveraging the strengths developed in Japan.

As part of these strategies, Asahi has proposed to acquire the Peroni, Grolsch and Meantime brands, as well as the Italian, Dutch and British companies of SABMiller that manufacture and distribute these brands. Grolsch and Peroni are two of the best-known premium beer brands in the world with over 400 years and 150 years of history, respectively, and both are well recognized inter alia in Europe. Meantime is a pioneer brand in craft beer category in UK and is rapidly growing its popularity amongst the younger generation in urban areas such as London.

Through this proposed acquisition, Asahi aims to expand its growth platform in Europe and become a global player with a distinct position, leveraging the distribution network of the Target Business to maximize synergies through increasing the presence of its flagship "Asahi Super Dry" brand.

(3) The date of business combination

Second half of 2016 (plan)

(4) The legal style of business combination

Acquisition of the share

This transaction is mainly subject to the completion of AB InBev's acquisition of SABMiller and European Committee will approve Asahi as the buyer of Target Business.

(5) The name after combination

Not change

(6) The ratio of voting right

Not yet confirmed

2. Purchase price

EUR 2,550 on a cash free debt free enterprise value basis

This figure is approximate calculation and the actual purchase price may differ from the above figure.