

Asahi Group Holdings, Ltd.



FY2018 H1 Consolidated Financial Results (IFRS)

NOTE:

All information has been prepared in accordance with International Financial Reporting Standards (IFRS). 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 2, 2018. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2018 H1)**

August 2, 2018

Asahi Group Holdings, Ltd.

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

1. Overview of performance (From January 1, 2018 to June 30, 2018)

(figures are rounded down to the million)

(1) Business performance

(percentage figures represent the change from the previous year)

	Revenue		Core Operating Profit		Operating Profit		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2018 ended June 30, 2018	1,005,064	7.2	88,205	23.7	87,909	30.2	60,233	48.2
Fiscal 2017 ended June 30, 2017	937,375	20.4	71,314	30.7	67,516	27.9	40,656	34.0

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	(yen)	(yen)	(yen)
Fiscal 2018 ended June 30, 2018	60,378	48.3	(15,176)	-	131.80		131.80	
Fiscal 2017 ended June 30, 2017	40,723	32.4	119,851	-	88.89		88.89	

(Reference)

Profit before tax Fiscal 2018 H1 85,275 Millions of yen (41.0%) Fiscal 2017 H1 60,479 Millions of yen (26.9%)

*Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue - (COGS + general administrative cost)

*Core operating profit is not the index defined in IFRS. We think this index is useful for financial statements users so that we disclose it spontaneously.

*Figures of Fiscal 2017 ended June 30, 2017 (cumulative) are adjusted retroactively due to the confirmation of the tentative accounting process for business combination on March 2

(2) Financial Condition

	Total assets		Total Equity		Equity attributable to owners of parent		Equity ratio attributable to owners of parent	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(%)
Fiscal 2018 ended June 30, 2018	3,087,089		1,112,136		1,108,868		35.9	
Fiscal 2017 ended December 31, 2017	3,346,822		1,152,748		1,145,135		34.2	

2. Dividends

	Cash dividend per share				
	Q1	Q2	Q3	Year-end	Total annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2017 ended December 31, 2017	-	30.00	-	45.00	75.00
Fiscal 2018 ended June 30, 2018	-	45.00			
Fiscal 2018 ending December 31, 2018 (forecast)			-	45.00	90.00

Note: Changes to the latest dividend forecast announced: No

3. Forecast for Fiscal 2018 (January 1, 2018 to December 31, 2018)

	Revenue		Core Operating Profit		Operating Profit		Profit	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2018 ending December 31, 2018	2,140,000	2.6	220,000	12.0	204,000	11.4	142,300	2.5

	Profit attributable to owners of parent		Basic earnings per share	
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2018 ending December 31, 2018	142,000	0.7		309.98

Note: Changes to the latest consolidated results forecast announced: Yes

(Reference)

Profit before tax Fiscal 2018 foreca 203,000 Millions of yen (3.1%)

Notes

(1) Changes in status of material subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

New: - company (-), Excluded: - company (-)

(2) Changes in accounting policies, or changes in accounting estimates

- (1) Changes in accounting policies required by IFRS: Yes
- (2) Changes in accounting policies other than item (1) above: No
- (3) Changes in accounting estimates: No

(3) Number of shares (common stock):

(1) Issued share at period-end (including treasury shares):

Year ended June 30, 2018	483,585,862 shares
Year ended December 31, 2017	483,585,862 shares

(2) Treasury shares at period-end:

Year ended June 30, 2018	25,504,143 shares
Year ended December 31, 2017	25,461,769 shares

(3) Average number of outstanding shares during the period:

Year ended June 30, 2018	458,095,876 shares
Year ended June 30, 2017	458,130,380 shares

(Note) Numbers of treasury shares which are deducted for the calculation of Treasury shares at period-end and Average number of outstanding shares during the period include the common shares of the Company held by Japan Trustee Services Bank, Ltd. as the trust assets of a performance-linked stock compensation plan for Directors. (Year ended June 30, 2018 : 38,700 shares)

*** This Consolidated Financial Results is not subject to the review procedures**

*** 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 the 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.

4. Consolidated Financial Statements (Unaudited)

(1) Consolidated Statement of Financial Position (As of December 31, 2017 and June 30, 2018)

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
(Assets)		
Current assets		
Cash and cash equivalents	58,054	62,497
Trade and other receivables	433,436	406,083
Inventories	155,938	170,359
Income tax receivables	12,354	5,699
Other financial assets	6,896	7,539
Other current assets	27,104	32,861
Subtotal	693,785	685,040
Assets held for sale	118,641	—
Total current assets	812,426	685,040
Non-current assets		
Property, plant and equipment	717,914	683,735
Goodwill and intangible assets	1,538,679	1,444,326
Investments accounted for using equity method	4,846	8,063
Other financial assets	219,142	214,383
Deferred tax assets	11,388	9,564
Net defined benefit assets	26,055	25,321
Other non-current assets	16,368	16,652
Total non-current assets	2,534,396	2,402,048
Total assets	3,346,822	3,087,089
(Liabilities and Equity)		
Liabilities		
Current liabilities		
Trade and other payables	433,582	419,602
Bonds and borrowings	359,722	259,915
Income tax payables	51,856	33,916
Allowance	15,451	14,394
Other financial liabilities	29,224	28,595
Other current liabilities	144,355	139,231
Subtotal	1,034,191	895,655
Liabilities directly related to assets held for sale	17,965	—
Total current liabilities	1,052,157	895,655
Non-current liabilities		
Bonds and borrowings	902,203	848,257
Net defined benefit liabilities	25,488	25,345
Deferred tax liabilities	156,780	142,621
Other financial liabilities	52,997	59,476
Other non-current liabilities	4,446	3,596
Total non-current liabilities	1,141,917	1,079,296
Total liabilities	2,194,074	1,974,952
Equity		
Issued capital	182,531	182,531
Share premium	119,051	119,103
Retained earnings	713,146	753,905
Treasury shares	(76,747)	(76,987)
Other components of equity	210,592	130,315
Other components of equity related to disposal group held for sale	(3,440)	—
Total equity attributable to owners of parent	1,145,135	1,108,868
Non-controlling interests	7,612	3,268
Total equity	1,152,748	1,112,136
Total liabilities and equity	3,346,822	3,087,089

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

(From January 1 to June 30, 2017 and 2018)

<Consolidated Income Statements>

(Millions of yen)

	Previous year (From January 1 to June 30)	Current year (From January 1 to June 30)
Revenue	937,375	1,005,064
Cost of sales	(587,114)	(618,019)
Gross Profit	350,260	387,044
Selling, general and administrative expenses	(278,946)	(298,839)
Other operating income	915	2,710
Other operating expense	(4,712)	(3,005)
Operating Profit	67,516	87,909
Finance income	1,720	4,244
Finance costs	(5,007)	(6,374)
Share of profit (loss) of entities accounted for using equity method	(3,749)	397
Loss on sales of investments accounted for using equity method	—	(901)
Profit before tax	60,479	85,275
Income tax expense	(19,822)	(25,042)
Profit for the period	40,656	60,233
Profit attributable to:		
Owners of parent	40,723	60,378
Non-controlling interests	(66)	(145)
Total	40,656	60,233
Basic earnings per share (JPY)	88.89	131.80
Diluted earnings per share (JPY)	88.89	131.80

<Consolidated Statement of Comprehensive Income>

(Millions of yen)

	Previous year (From January 1 to June 30)	Current year (From January 1 to June 30)
Profit for the period	40,656	60,233
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial instruments measured at fair value through other comprehensive income	3,708	3,974
Remeasurements of defined benefit plans	18	—
Items that might be reclassified to profit or loss		
Cash flow hedges	(12,254)	1,201
Hedging cost	—	(409)
Translation difference on foreign operations	83,221	(82,732)
Share of other comprehensive income of entities accounted for using equity method	4,500	2,556
Total other comprehensive income	79,194	(75,409)
Total comprehensive income	119,851	(15,176)
Total comprehensive income attributable to:		
Owners of parent	120,139	(15,733)
Non-controlling interests	(288)	557

(3) Consolidated Statement of Changes in Equity
Fiscal 2017 (January 1 to June 30, 2017)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2017	182,531	118,668	589,935	(76,709)	51,881	—	(219)
Comprehensive income							
Profit for the period			40,723				
Other comprehensive income					3,708	18	(12,223)
Total comprehensive income	—	—	40,723	—	3,708	18	(12,223)
Transfer to non-financial assets							12,054
Transactions with owners							
Dividends			(12,827)				
Purchase of treasury shares				(16)			
Disposal of treasury shares		0		0			
Changes through business combinations							
Share-based payment transaction		24					
Transfer from other components of equity to retained earnings			2,463		(2,444)	(18)	
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	24	(10,364)	(16)	(2,444)	(18)	—
Acquisition of non-controlling interests without change in control		2					
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—	—
Total transactions with owners	—	27	(10,364)	(16)	(2,444)	(18)	—
Balance as of June 30, 2017	182,531	118,695	620,295	(76,725)	53,144	—	(388)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2017	—	(29,734)	21,927	—	836,354	9,750	846,105
Comprehensive income							
Profit for the period			—		40,723	(66)	40,656
Other comprehensive income		87,912	79,416		79,416	(221)	79,194
Total comprehensive income	—	87,912	79,416	—	120,139	(288)	119,851
Transfer to non-financial assets			12,054		12,054		12,054
Transactions with owners							
Dividends			—		(12,827)	(405)	(13,232)
Purchase of treasury shares			—		(16)		(16)
Disposal of treasury shares			—		0		0
Changes through business combinations			—		—	300	300
Share-based payment transaction			—		24		24
Transfer from other components of equity to retained earnings			(2,463)		—		—
Other increase (decrease)			—		—	266	266
Total contributions by owners and distribution to owners	—	—	(2,463)	—	(12,819)	161	(12,658)
Acquisition of non-controlling interests without change in control			—		2	(42)	(39)
Total changes in ownership interests in subsidiaries	—	—	—	—	2	(42)	(39)
Total transactions with owners	—	—	(2,463)	—	(12,816)	118	(12,698)
Balance as of June 30, 2017	—	58,178	110,934	—	955,731	9,581	965,312

(3) Consolidated Statement of Changes in Equity
Fiscal 2018 (January 1 to June 30, 2018)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2018	182,531	119,051	713,146	(76,747)	71,386	—	(624)
Comprehensive income							
Profit for the period			60,378				
Other comprehensive income					3,974		1,071
Total comprehensive income	—	—	60,378	—	3,974	—	1,071
Transfer to non-financial assets							271
Transactions with owners							
Dividends			(20,615)				
Purchase of treasury shares				(240)			
Disposal of treasury shares		0		0			
Changes through business combinations							
Changes through sales of consolidated subsidiaries							
Changes in scope of consolidation							
Share-based payment transaction		51					
Transfer from other components of equity to retained earnings			995		(995)		
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	51	(19,619)	(240)	(995)	—	—
Acquisition of non-controlling interests without change in control							
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—
Total transactions with owners	—	51	(19,619)	(240)	(995)	—	—
Balance as of June 30, 2018	182,531	119,103	753,905	(76,987)	74,365	—	717

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2018	(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Comprehensive income							
Profit for the period			—		60,378	(145)	60,233
Other comprehensive income	(409)	(84,188)	(79,552)	3,440	(76,112)	702	(75,409)
Total comprehensive income	(409)	(84,188)	(79,552)	3,440	(15,733)	557	(15,176)
Transfer to non-financial assets			271		271		271
Transactions with owners							
Dividends			—		(20,615)	(463)	(21,079)
Purchase of treasury shares			—		(240)		(240)
Disposal of treasury shares			—		0		0
Changes through business combinations			—		—		—
Changes through sales of consolidated subsidiaries			—		—	(1,711)	(1,711)
Changes in scope of consolidation			—		—	(2,703)	(2,703)
Share-based payment transaction			—		51		51
Transfer from other components of equity to retained earnings			(995)		—		—
Other increase (decrease)			—		—	(22)	(22)
Total contributions by owners and distribution to owners	—	—	(995)	—	(20,804)	(4,901)	(25,706)
Acquisition of non-controlling interests without change in control			—		—		—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—
Total transactions with owners	—	—	(995)	—	(20,804)	(4,901)	(25,706)
Balance as of June 30, 2018	(1,589)	56,821	130,315	—	1,108,868	3,268	1,112,136

(4) Notes to the Condensed Consolidated Financial Statements

(Changes in Accounting Policies)

Asahi Group has adopted IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15" since FY2018 Q1. We applied the method to recognize the cumulative impacts incurred by the application of this standard on the application start date, which is permitted as a provisional measure.

We recognized the revenue based on 5 steps approach as below in accordance with IFRS 15.

STEP1 Identify the contract(s) with a customer

STEP2 Identify the separate performance obligations (PO) in the contract

STEP3 Determine the transaction price

STEP4 Allocate the transaction price to the separate POs

STEP5 Recognize revenue when the entity satisfies a PO

The impact compared with the previous accounting standard is minor for the condensed consolidated financial statements.

(Notes Regarding Going Concern Assumptions)

None