



## CONVOCATION NOTICE OF THE 94<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

### DATE AND TIME

March 27 (Tuesday), 2018 at 1:00 p.m. (JST)  
(Reception start time: 11:30 a.m.)

### PLACE

Banquet Room “Tsuru,” Banquet Floor of “The Main”  
of Hotel New Otani, 4-1, Kioi-cho, Chiyoda-ku, Tokyo

### DEADLINE FOR EXERCISING VOTING RIGHTS VIA POSTAL MAIL AND INTERNET

No later than 5:30 p.m., March 26 (Monday), 2018 (JST)

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**ASAHI GROUP HOLDINGS, LTD.**  
Securities Code: 2502

**English Translation of Original Japanese**  
*This is a translation of the original notice in  
Japanese. In the event of any discrepancy, the  
original notice in Japanese shall prevail.*



Dear Shareholders:

You are cordially invited to attend  
the 94<sup>th</sup> Annual General Meeting of Shareholders  
of Asahi Group Holdings, Ltd., which will be held  
as described in the following particulars.

Sincerely,

March 5, 2018

**Akiyoshi Koji**

President and Representative Director

**ASAHI GROUP HOLDINGS, LTD.**

23-1, Azumabashi 1-chome, Sumida-ku, Tokyo



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## 1. DATE AND TIME

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## 2. PLACE

Banquet Room “Tsuru,” Banquet Floor of “The Main” of Hotel New Otani, 4-1, Kioi-cho, Chiyoda-ku, Tokyo

(Please note that if Banquet Room “Tsuru” becomes full, you will be guided to another venue.)

## 3. PURPOSES

### Items to be reported:

Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Reports of the audit results of the consolidated financial statements by the Independent Accounting Auditor and the Audit & Supervisory Board for the 94<sup>th</sup> term, from January 1, 2017 to December 31, 2017.

### Items to be resolved:

**Item 1:** Appropriation of Retained Earnings

**Item 2:** Reduction in Amount of Legal Capital Surplus

**Item 3:** Election of ten (10) Directors

**Item 4:** Election of one (1) Audit & Supervisory Board Member

Note: Among attached materials to be provided with this notice, the “Consolidated Statement of Changes in Equity,” “Notes to the Consolidated Financial Statements,” “Non-consolidated Statement of Changes in Net Assets” and “Notes to the Non-Consolidated Financial Statements,” are posted on the Company’s website in accordance with the provisions of relevant laws and regulations and the Article 15 of the Company’s Articles of Incorporation, and they are not attached to this notice.

Accordingly, the attached materials to this notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the Independent Accounting Auditor in preparing their audit reports and Audit & Supervisory Board Members and Audit & Supervisory Board in preparing their audit reports.

If there are any corrections to Reference Materials for General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements, they will be posted on the Company’s website.

**<http://www.asahigroup-holdings.com/en/>**

Please exercise your voting rights, which is the right to participate in the Company’s management.

## Guide to Exercising Voting Rights

A voting right at the General Meeting of Shareholders is an important right that entitles shareholders to participate in the Company’s management. Please refer to the following and exercise your voting rights by either method.

### Attending the General Meeting of Shareholders in person

Date and time of the General Meeting of Shareholders:  
March 27 (Tuesday), 2018, at 1:00 p.m. (JST) (Reception start time: 11:30 a.m.)

- Please submit the voting form at the reception desk at the venue.
- Please also bring this notice with you, to help us preserve resources.
- You are advised to arrive at the venue early, as the reception desk is expected to become extremely crowded immediately before the commencement of the meeting.
- Please note that anyone other than a shareholder who is entitled to exercise voting rights (e.g., non-shareholding proxy, person accompanying the shareholder) will not be allowed inside the venue.

### Not attending the General Meeting of Shareholders in person

If you are unable to attend the meeting in person, you may exercise your voting rights via either postal mail or Internet. Please review the attached “REFERENCE MATERIALS FOR GENERAL MEETING OF SHAREHOLDERS,” and exercise your voting rights no later than 5:30 p.m., March 26 (Monday), 2018 (JST) by following the “Guide to Exercising Voting Rights” on pages 3 - 5.

Deadline for exercising voting rights:  
No later than 5:30 p.m., March 26 (Monday), 2018 (JST)

### (1) Voting via Postal Mail

Please indicate your consent/dissent concerning the items shown on the voting form, and send back the form so that it will arrive no later than the deadline for exercising voting rights.

### <Guide to filling in the voting form for exercising voting rights>

Please indicate your consent/dissent with respect to each item here.

Your “voting code” (議決権行使コード) and “password” (パスワード), which are necessary for exercising voting right, are stated here.

\* If you exercise your voting rights in duplicate (i.e., voting online as well as voting by using the voting form), only the online vote will be counted.

Items 1, 2 and 4	
If you consent: Mark a <input type="radio"/> in the box marked “賛”	If you dissent: Mark a <input type="radio"/> in the box marked “否”

Item 3		
For all candidates		If you selectively veto certain candidates: Mark a <input type="radio"/> in the box marked “賛” and write the number of each candidate you choose to veto.
If you consent: Mark a <input type="radio"/> in the box marked “賛”	If you dissent: Mark a <input type="radio"/> in the box marked “否”	

\* If you submit a voting form without indicating your consent/dissent with respect to each item, this will be treated as an indication of consent for each item.

### Regarding the video of the General Meeting of Shareholders of the Company

A video of the proceedings of the 94th Annual General Meeting of Shareholders will be available on the “About the General Meeting of Shareholders” page of our website.

[http://www.asahigroup-holdings.com/ir/shareholders\\_guide/shareholders\\_meeting.html](http://www.asahigroup-holdings.com/ir/shareholders_guide/shareholders_meeting.html)  
(Japanese only)

Date and time that the video will be made available: Noon March 28 (Wednesday), 2018 (JST)  
(Planned)

## (2) Voting via Internet

Online voting website: <https://www.web54.net>

Please input your consent/dissent concerning each item no later than the deadline for exercising voting rights. For details, please refer to following pages.

### <Guide to exercising voting rights via the internet>

\* *The online voting website and Help Desk information are available only in Japanese.*

**If you intend to exercise your voting rights by online voting, please access the website noted below from a computer, smartphone or cellular phone and follow the instructions on the screen.**

Online voting website: <https://www.web54.net>

Deadline for exercising voting rights via the Internet:  
No later than 5:30 p.m., March 26 (Monday), 2018 (JST)



\* If your smartphone or cellular phone is equipped with a barcode reader, you may use the two-dimensional code at left in order to access the online voting website. For more detailed information on that procedure, please refer to the user manual of your smartphone or cellular phone.

## Accessing Procedures

The following charts display PC screens.

### 1. Access the online voting website

<https://www.web54.net>

Click on “次へすすむ” (“NEXT”).



### 2. Log in

Enter the “voting code” (議決権行使コード) indicated on the voting form and click on “ログイン” (“Log in”).

\* Shareholders who have not specified a “password” for themselves are required to register a new password.



### 3. Enter the password

Enter the “password” (パスワード) indicated on the voting form and click on “次へ” (“NEXT”).

\* Please note that shareholders who received the Convocation Notice of the Annual General Meeting of Shareholders for this fiscal year by e-mail will not find the “password” on their voting form. Such shareholders are asked to enter the “password” that they specified when registering their e-mail addresses.



### 4. Indicate your

**consent/dissent concerning each item by following the instructions displayed on the screen.**

\* If you exercise your voting rights online more than once, only the most recent vote will be counted.

## Inquiries for Online Voting

Please contact the following Help Desk for inquiries about online voting.

**Sumitomo Mitsui Trust Bank, Limited**

**Stock Transfer Web Support Phone No.**

**Toll-free (within Japan): 0120-652-031 (9:00 a.m. to 9:00 p.m.) (JST)**

## To Receive the Notices by E-mail

Shareholders who wish to receive the convocation notices of Annual General Meetings of Shareholders by e-mail beginning with the next meeting may so register on the e-mail address registration website noted below. Please note that the site cannot be accessed via cellular phone.

E-mail address registration website: <https://www.web5106.net>

# REFERENCE MATERIALS FOR GENERAL MEETING OF SHAREHOLDERS

## Agenda Items and Reference Information

### Item 1: Appropriation of Retained Earnings

The Company proposes the appropriation of retained earnings in the following manner:

#### Year-end dividends

Under the “Medium-Term Management Policy” formulated in 2016, Asahi Group Holdings, Ltd. (the “Company”), as a holding company of the Group (the Company and its subsidiaries are collectively or individually referred to as the “Group” or the “Asahi Group”), has been working toward the strengthening of “earnings power” by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine, and has been using the generated free cash flows for investing in foundation for growth including M&A deals while seeking stronger financial conditions. Meanwhile, in terms of shareholder returns, efforts are being made to achieve a dividend payout ratio\* of 30% (International Financial Reporting Standards (IFRS) basis) by fiscal year 2018.

Based on the aforementioned policy and taking into consideration a variety of factors, including the Company’s consolidated financial condition and achievement for this fiscal year, the Company proposes a year-end dividend of ¥45 per share, as follows. Since the Company previously paid out ¥30 per share as an interim-period dividend, the annual dividend for this fiscal year will amount to ¥75 per share, which is an increase of ¥21 per share from the previous fiscal year.

\* Dividend payout ratio is calculated based on profit attributable to owners of parent less a one-time profit or loss on the restructuring of business portfolio, etc. (net of tax expenses).

#### (1) Type of dividend asset

Cash

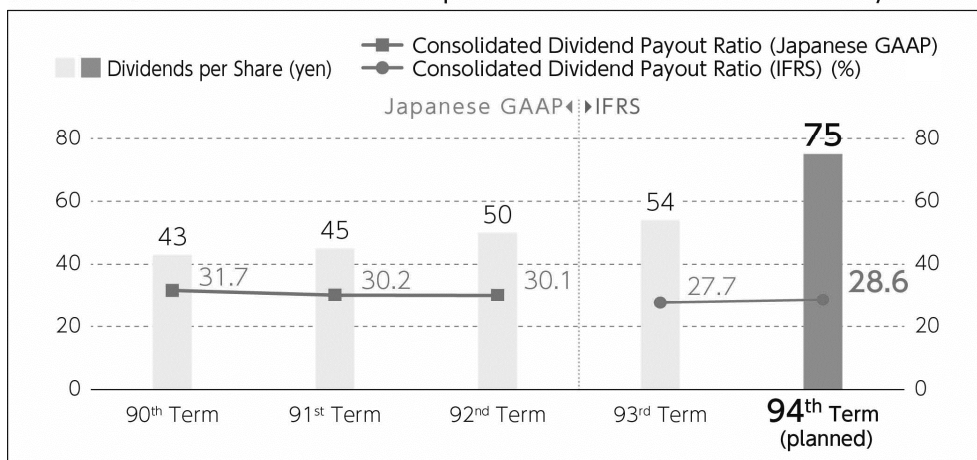
#### (2) Allocation of dividend assets to shareholders and total amount of allocation

¥45 per share of common stock      Total amount of payout: ¥20,615,584,185

#### (3) Effective date of dividends of Retained Earnings

March 28, 2018

[Reference] Trends in Annual Dividend per Share and Consolidated Dividend Payout Ratio



## **Item 2: Reduction in Amount of Legal Capital Surplus**

To secure agility and flexibility for future capital policies, the Company proposes to make a reduction in amount of legal capital surplus in accordance with the provisions of the Paragraph 1, Article 448 of the Companies Act.

### **1. Content of the reduction in amount of legal capital surplus**

The Company proposes to reduce the legal capital surplus of ¥130,292,423,460 by ¥80,000,000,000 and to allocate the full amount of the legal capital surplus reduction to other capital surplus. The total amount of the legal capital surplus after the reduction will be ¥50,292,423,460.

### **2. Effective date of reduction in amount of legal capital surplus**

May 31, 2018



### Item 3: Election of ten (10) Directors

At the conclusion of this Annual General Meeting of Shareholders, the terms of office of all ten (10) Directors will expire. The Company therefore asks the shareholders to elect ten (10) Directors.

The candidates for the position of Director are as follows.

Candidate Number	Name (Age)	Position	Responsibilities	Attended Board of Directors meetings
1	Naoki Izumiya (69) • Reappointment	Chairman and Representative Director CEO	Overall Management	13/13
2	Akiyoshi Koji (66) • Reappointment	President and Representative Director COO	Overall Management	13/13
3	Katsutoshi Takahashi (63) • Reappointment	Senior Managing Director and Senior Managing Corporate Officer	Procurement Production Logistics  Soft Drinks Business	13/13
4	Yoshihide Okuda (62) • Reappointment	Senior Managing Director and Senior Managing Corporate Officer	Audit General & Legal Affairs Management Human Resources Information Technology  Alcoholic Beverages Business	13/13
5	Noboru Kagami (59) • Reappointment	Director and Corporate Officer	Corporate Social Responsibility Research & Development Quality Assurance  Foods Business	13/13

Candidate Number	Name (Age)	Position	Responsibilities	Attended Board of Directors meetings
6	Kenji Hamada (54) • Reappointment	Director and Corporate Officer (CFO)	Corporate Strategy Public Relations Investor Relations Finance International Non-Alcohol Beverages Business Southeast Asia Beverages Business	13/13
7	Atsushi Katsuki (58) • Reappointment	Director and Corporate Officer	Business Development International Non-Alcohol Beverages Business Oceania Business	10/10
8	Naoki Tanaka (72) • Reappointment • Outside • Independent	Outside Director	—	12/13
9	Tatsuro Kosaka (65) • Reappointment • Outside • Independent	Outside Director	—	13/13
10	Yasushi Shingai (62) • New candidate • Outside • Independent	—	—	—

Notes:


1. The age, position and responsibilities are as of this Annual General Meeting of Shareholders.
2. Attended Board of Directors meetings is the number of times the Director attended Board of Directors meetings held in FY2017.
3. As candidate for Director Atsushi Katsuki was newly elected at the 93<sup>rd</sup> Annual General Meeting of Shareholders held on March 28, 2017, the above number of Board of Directors meetings held that he could attend is different from other Directors.

Reappointment: candidate for reappointment

New candidate: candidate for new appointment

Outside: candidate for Outside Director

Independent: candidate for independent director/auditor

	Candidate Number	Name	Note to Appointment
	1	Naoki Izumiya	Reappointment
	Date of Birth (Age)	August 9, 1948 (69 years old)	
	Owned Shares of the Company	51,800 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	15 years	
	Attended BOD* meetings (FY2017)	13/13	

#### Reasons for recommending Naoki Izumiya as a candidate for Director

Naoki Izumiya has a track record encompassing his experience in exercising strong leadership geared to achieving objectives of the medium-term management plan, since being appointed as President and Representative Director of the Company in March 2010. Since being appointed as the Company's Chairman and Representative Director in March 2016, he has led the efforts to enhance the Group's corporate value as the CEO, and fulfills his duties as a Director.

Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.

#### Position and Responsibilities

Position: Chairman and Representative Director, CEO  
 Responsibilities: Overall Management


#### Career Summary

Apr. 1972 Joined the Company  
 Mar. 2000 Corporate Officer, Senior General Manager of Group Management Strategy Headquarters  
 Oct. 2000 Corporate Officer, Senior General Manager of Strategy Planning Headquarters  
 Sep. 2001 Corporate Officer, Deputy General Manager of Tokyo Metropolitan Headquarters, General Manager of Tokyo Branch  
 Mar. 2003 Director  
 Mar. 2004 Managing Director  
 Mar. 2006 Managing Director, Managing Corporate Officer, Senior General Manager of Sales & Marketing Headquarters for Alcoholic Beverages  
 Mar. 2009 Senior Managing Director, Senior Managing Corporate Officer  
 Mar. 2010 President and Representative Director  
 Mar. 2014 President and Representative Director, CEO  
 Mar. 2016 Chairman and Representative Director, CEO (to the present)

#### Candidate's special interests in the Company

There are no special interests between Naoki Izumiya and the Company.

\*BOD stands for Board of Directors.

	Candidate Number	Name	Note to Appointment
	2	<b>Akiyoshi Koji</b>	Reappointment
	Date of Birth (Age)	November 8, 1951 (66 years old)	
	Owned Shares of the Company	15,700 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	11 years	
Attended BOD meetings (FY2017)	13/13		

#### Reasons for recommending Akiyoshi Koji as a candidate for Director

Akiyoshi Koji has a track record that includes strengthening the alcoholic beverages business and contributing to improved profitability as President and Representative Director of Asahi Breweries, Ltd. Since being appointed as the President and Representative Director of the Company in March 2016, Akiyoshi Koji has been fulfilling his duties as a Director, which has included him exercising strong leadership and his efforts as COO to enhance the Group's corporate value. Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.

#### Position and Responsibilities


Position: President and Representative Director, COO  
 Responsibilities: Overall Management


#### Career Summary

Apr. 1975 Joined the Company  
 Sep. 2001 Corporate Officer  
 Mar. 2003 Managing Director, Senior General Manager of Planning Division of Asahi Soft Drinks Co., Ltd.  
 Mar. 2006 Senior Managing Director, Senior General Manager of Planning Division of Asahi Soft Drinks Co., Ltd.  
 Mar. 2007 Managing Director, Managing Corporate Officer of the Company  
 Jul. 2011 Director of the Company  
 President and Representative Director of Asahi Breweries, Ltd.  
 Mar. 2016 President and Representative Director, COO of the Company  
 (to the present)

#### Candidate's special interests in the Company

There are no special interests between Akiyoshi Koji and the Company.

	Candidate Number	Name	Note to Appointment
	3	<b>Katsutoshi Takahashi</b>	Reappointment
	Date of Birth (Age)	September 24, 1954 (63 years old)	
	Owned Shares of the Company	6,000 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	5 years	
Attended BOD meetings (FY2017)	13/13		
<b>Reasons for recommending Katsutoshi Takahashi as a candidate for Director</b>			
<p>Katsutoshi Takahashi fulfills his duties as a Director on the basis of a track record encompassing his experience in advancing initiatives to improve quality and maximize the effect of capital investment in the overall supply chain thorough management of procurement, production, and logistics, since being appointed as one of the Company's Directors.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.</p>			
<b>Position and Responsibilities</b>			
<p>Position: Senior Managing Director and Senior Managing Corporate Officer  Responsibilities: Procurement, Production, Logistics  Soft Drinks Business</p>			
<b>Career Summary</b>			
<p>Apr. 1977    Joined Yoshida Kogyo K.K. (current YKK Corporation)  May 1991    Joined the Company  Mar. 2008    Corporate Officer, Senior Deputy General Manager of Production Headquarters, General Manager of Production Technology Department  Jul. 2011    Corporate Officer, Senior Deputy General Manager of Research &amp; Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.  Mar. 2012    Corporate Officer, General Manager of the Production Section of the Company  Corporate Officer, Senior Deputy General Manager of Research &amp; Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.  Sep. 2012    Corporate Officer, General Manager of the Production Section of the Company  Corporate Officer, Senior Deputy General Manager of Research &amp; Development-Production Headquarters of Asahi Breweries, Ltd.  Mar. 2013    Director, Corporate Officer of the Company  Mar. 2015    Managing Director, Managing Corporate Officer of the Company  Mar. 2017    Senior Managing Director, Senior Managing Corporate Officer of the Company  (to the present)</p>			
<b>Candidate's special interests in the Company</b>			
There are no special interests between Katsutoshi Takahashi and the Company.			

	Candidate Number	Name	Note to Appointment
	4	<b>Yoshihide Okuda</b>	Reappointment
	Date of Birth (Age)	January 3, 1956 (62 years old)	
	Owned Shares of the Company	6,100 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	5 years	
	Attended BOD meetings (FY2017)	13/13	

**Reasons for recommending Yoshihide Okuda as a candidate for Director**

Yoshihide Okuda fulfills his duties as a Director on the basis of a track record encompassing his experience in promoting transformative initiatives involving capital policy serving as CFO and initiatives to strengthen corporate governance, since being appointed as one of the Company's Directors. Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.

**Position and Responsibilities**


Position: Senior Managing Director and Senior Managing Corporate Officer  
 Responsibilities: Audit, General & Legal Affairs Management, Human Resources, Information Technology  
 Alcoholic Beverages Business

**Career Summary**

Apr. 1978 Joined Konishiroku Photo Industry Co., Ltd. (current Konica Minolta, Inc.)  
 Sep. 1988 Joined the Company  
 Mar. 2010 Corporate Officer, General Manager of Finance Department  
 Mar. 2011 Corporate Officer, General Manager of Finance Department of the Company  
 Senior Managing Director of Asahi Management Services Co., Ltd. (current Asahi Professional Management Co., Ltd)  
 Jul. 2011 Corporate Officer, General Manager of Finance Section of the Company  
 Senior Managing Director of Asahi Management Services Co., Ltd.  
 Sep. 2012 Corporate Officer in charge of promoting efficiency (administrative sections overall) of the Company  
 Senior Managing Director of Asahi Professional Management Co., Ltd.  
 Mar. 2013 Director, Corporate Officer of the Company  
 President and Representative Director of Asahi Professional Management Co., Ltd.  
 Mar. 2015 Managing Director, Managing Corporate Officer of the Company  
 President and Representative Director of Asahi Professional Management Co., Ltd.  
 Mar. 2017 Senior Managing Director, Senior Managing Corporate Officer of the Company  
 (to the present)

**Candidate's special interests in the Company**


There are no special interests between Yoshihide Okuda and the Company.


	Candidate Number	Name	Note to Appointment
	<b>5</b>	<b>Noboru Kagami</b>	Reappointment
	Date of Birth (Age)	November 29, 1958 (59 years old)	
	Owned Shares of the Company	3,998 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	2 years	
	Attended BOD meetings (FY2017)	13/13	
<b>Reasons for recommending Noboru Kagami as a candidate for Director</b>			
<p>Noboru Kagami fulfills his duties as a Director on the basis of a track record encompassing his experience in managing CSR, R&amp;D, and quality assurance, and promoting group management strategies in accordance with the Medium-Term Management Policy, since being appointed as one of the Company's Directors.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.</p>			
<b>Position and Responsibilities</b>			
<p>Position: Director and Corporate Officer  Responsibilities: Corporate Social Responsibility, Research &amp; Development, Quality Assurance  Foods Business</p>			
<b>Career Summary</b>			
<p>Apr. 1982    Joined the Company  Sep. 2012    Corporate Officer, General Manager of Fukushima Brewery of Asahi Breweries, Ltd.  Jan. 2013    Corporate Officer, General Manager of Hakata Brewery of Asahi Breweries, Ltd.  Mar. 2016    Director, Corporate Officer of the Company  (to the present)</p>			
<b>Candidate's special interests in the Company</b>			
<p>There are no special interests between Noboru Kagami and the Company.</p>			


	Candidate Number	Name	Note to Appointment
	<b>6</b>	<b>Kenji Hamada</b>	Reappointment
	Date of Birth (Age)	January 7, 1964 (54 years old)	
	Owned Shares of the Company	2,550 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	2 years	
	Attended BOD meetings (FY2017)	13/13	
<b>Reasons for recommending Kenji Hamada as a candidate for Director</b>			
<p>Kenji Hamada fulfills his duties as a Director on the basis of a track record encompassing his experience in managing corporate strategy, public relations, investor relations, and international non-alcohol beverages business, and promoting initiatives to improve asset and capital efficiency as CFO, since being appointed as one of the Company's Directors.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.</p>			
<b>Position and Responsibilities</b>			
<p>Position: Director and Corporate Officer (CFO)</p> <p>Responsibilities: Corporate Strategy, Public Relations, Investor Relations, Finance, International Non-Alcohol Beverages Business Southeast Asia Beverages Business</p>			
<b>Career Summary</b>			
<p>Apr. 1986    Joined the Company</p> <p>Sep. 2012    Senior Officer, General Manager of Corporate Strategy Section of the Company</p> <p>Mar. 2014    Corporate Officer, General Manager of Corporate Strategy Section of the Company</p> <p>Mar. 2016    Director, Corporate Officer of the Company (to the present)</p>			
<b>Candidate's special interests in the Company</b>			
There are no special interests between Kenji Hamada and the Company.			



	Candidate Number	Name	Note to Appointment
	7	<b>Atsushi Katsuki</b>	Reappointment
	Date of Birth (Age)	March 17, 1960 (58 years old)	
	Owned Shares of the Company	2,598 shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	1 year	
Attended BOD meetings (FY2017)	10/10		
<b>Reasons for recommending Atsushi Katsuki as a candidate for Director</b>			
<p>Atsushi Katsuki, having primarily engaged in operations involving corporate alliances and international business, fulfills his duties as a Director on the basis of a track record encompassing his experience in managing business development and international non-alcohol beverages business, and establishing foundations for the steady growth of the Oceania business, since being appointed as one of the Company's Directors.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as a Director.</p>			
<b>Position and Responsibilities</b>			
<p>Position: Director and Corporate Officer  Responsibilities: Business Development, International Non-Alcohol Beverages Business  Oceania Business</p>			
<b>Career Summary</b>			
<p>Apr. 1984    Joined The Nikka Whisky Distilling Co., Ltd  Sep. 2002    Transferred to the Company  Oct. 2011    Managing Director of Asahi Holdings (Australia) Pty Ltd  Apr. 2014    Director, Group CEO of Asahi Holdings (Australia) Pty Ltd  Mar. 2016    Corporate Officer of the Company,  Director, Group CEO of Asahi Holdings (Australia) Pty Ltd  Mar. 2017    Director, Corporate Officer of the Company  (to the present)</p>			
<b>Candidate's special interests in the Company</b>			
<p>There are no special interests between Atsushi Katsuki and the Company.</p>			

	Candidate Number	Name	Note to Appointment
	8	<b>Naoki Tanaka</b>	Reappointment Outside Independent
	Date of Birth (Age)		September 1, 1945 (72 years old)
	Owned Shares of the Company		— shares
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)		9 years
	Attended BOD meetings (FY2017)		12/13
<b>Reasons for recommending Naoki Tanaka as a candidate for Outside Director</b>			
<p>Naoki Tanaka fulfills his duties as an Outside Director of the Company on the basis of his abundant experience as a member of government councils and his broad knowledge as a specialist deeply versed in domestic and international economic policy.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as an Outside Director.</p>			
<b>Position</b>			
Outside Director			
<b>Career Summary</b>			
<p>Jan. 1971 Senior Fellow of Kokumin Keizai Research Institute</p> <p>Apr. 1997 President of the 21st Century Public Policy Institute</p> <p>Apr. 2007 President of Center for International Public Policy Studies (to the present)</p> <p>Mar. 2009 Director of the Company (to the present)</p>			
<b>Significant Concurrent Positions</b>			
President of Center for International Public Policy Studies			
<b>Views on independence</b>			
<p>The Group maintains transactional relationships with neither Naoki Tanaka nor entities where he concurrently serves, and based on the "Criteria for independence of Outside Directors and Outside Audit &amp; Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Naoki Tanaka meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.</p>			
<b>Candidate's special interests in the Company</b>			
There are no special interests between Naoki Tanaka and the Company.			
<b>Regarding agreements limiting the liability</b>			
<p>To enable him to contribute fully in his role as an Outside Director, the Company has entered into an agreement with Naoki Tanaka that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, his liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If his election is approved, the current agreement will be extended.</p>			

	Candidate Number	Name	Note to Appointment
	9	Tatsuro Kosaka	Reappointment Outside Independent
	Date of Birth (Age)	January 18, 1953 (65 years old)	
	Owned Shares of the Company	— shares	
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)	2 years	
	Attended BOD meetings (FY2017)	13/13	
Reasons for recommending Tatsuro Kosaka as a candidate for Outside Director			
<p>Tatsuro Kosaka fulfills his duties as an Outside Director of the Company on the basis of his abundant experience and broad knowledge as a corporate manager gained primarily while serving as the Chief Operating Officer of a global corporation and from his involvement in various business reforms including the medium-term management plan.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as an Outside Director.</p>			
Position			
Outside Director			
Career Summary			
<p>Apr. 1976    Joined Chugai Pharmaceutical Co., Ltd.</p> <p>Oct. 2002    Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.</p> <p>Oct. 2004    Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.</p> <p>Mar. 2005    Senior Vice President, Deputy Managing Director of Sales &amp; Marketing Group of Chugai Pharmaceutical Co., Ltd.</p> <p>Jul. 2005    Senior Vice President, Head of Strategic &amp; Marketing Unit of Chugai Pharmaceutical Co., Ltd.</p> <p>Mar. 2008    Senior Vice President, Head of Lifecycle Management &amp; Marketing Unit of Chugai Pharmaceutical Co., Ltd.</p> <p>Mar. 2010    Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.</p> <p>Mar. 2012    Representative Director, President of Chugai Pharmaceutical Co., Ltd. (to the present)</p> <p>Mar. 2016    Director of the Company (to the present)</p>			
Significant Concurrent Positions			
Representative Director, President of Chugai Pharmaceutical Co., Ltd.			
Views on independence			
<p>The Group maintains transactional relationships with neither Tatsuro Kosaka nor entities where he concurrently serves, and based on the "Criteria for independence of Outside Directors and Outside Audit &amp; Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Tatsuro Kosaka meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.</p>			
Candidate's special interests in the Company			
There are no special interests between Tatsuro Kosaka and the Company.			
Regarding agreements limiting the liability			
<p>To enable him to contribute fully in his role as an Outside Director, the Company has entered into an agreement with Tatsuro Kosaka that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, his liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If his election is approved, the current agreement will be extended.</p>			

	Candidate Number	Name	Note to Appointment
	<b>10</b>	<b>Yasushi Shingai</b>	New candidate Outside Independent
	Date of Birth (Age)	January 11, 1956 (62 years old)	
	Owned Shares of the Company	— shares	

#### Reasons for recommending Yasushi Shingai as a candidate for Outside Director

Yasushi Shingai served as the Chief Financial Officer of a global corporation, and has abundant experience and broad knowledge as a corporate manager in Japan and overseas that include directing acquisitions of and integrations with foreign companies. Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his appointment as an Outside Director.

#### Career Summary

Apr. 1980 Joined Japan Tobacco and Salt Public Corporation (current Japan Tobacco Inc.)  
Jul. 2001 Vice President of Financial Planning Division of Japan Tobacco Inc.  
Jun. 2004 Senior Vice President, Head of Finance Group of Japan Tobacco Inc.  
Jul. 2004 Senior Vice President, Chief Financial Officer of Japan Tobacco Inc.  
Jun. 2005 Member of the Board, Senior Vice President, and Chief Financial Officer of Japan Tobacco Inc.  
Jun. 2006 Member of the Board of Japan Tobacco Inc.,  
Executive Vice President of JT International S.A.  
Jun. 2011 Executive Deputy President and Representative Director of Japan Tobacco Inc.  
Jan. 2018 Member of the Board of Japan Tobacco Inc.  
(to the present)

#### Significant Concurrent Positions

Member of the Board of Japan Tobacco Inc., External Board Director of Recruit Holdings Co., Ltd.

#### Views on independence

Although the Group maintains transactional relationships with each group of Japan Tobacco Inc. and Recruit Holdings Co., Ltd., where Yasushi Shingai concurrently serves, the amounts involved in such transactions account for less than 1% of the consolidated revenue (or consolidated net sales) of the Company and respective companies. As such, based on the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Yasushi Shingai meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.

#### Candidate's special interests in the Company

There are no special interests between Yasushi Shingai and the Company.

#### Regarding agreements limiting the liability

If election of Yasushi Shingai is approved, the Company plans to newly enter into an agreement with him that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act in order to enable him to contribute fully in his role as an Outside Director. Under the terms of this agreement, such liability will be limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher.


Note: Yasushi Shingai currently serves as Member of the Board of Japan Tobacco Inc., but plans to retire from that position at the conclusion of the Ordinary General Meeting of Shareholders of Japan Tobacco Inc. to be held on March 27, 2018.

#### Item 4: Election of one (1) Audit & Supervisory Board Member

At the conclusion of this Annual General Meeting of Shareholders, the term of office of Audit & Supervisory Board Member Katsutoshi Saito will expire. The Company therefore asks the shareholders to elect one (1) Audit & Supervisory Board Member.

The candidate for the position of Audit & Supervisory Board Member is as follows.

This proposal is submitted with the prior consent of the Audit & Supervisory Board.

	Name		Note to Appointment
	<b>Katsutoshi Saito</b>		Reappointment Outside Independent
	Date of Birth (Age)		December 6, 1943 (74 years old)
	Owned Shares of the Company		— shares
	Tenure (at the conclusion of this Annual General Meeting of Shareholders)		4 years
	Attended BOD meetings (FY2017)		13/13
	Attended ASB* meetings (FY2017)		7/7
Reasons for recommending Katsutoshi Saito as a candidate for Outside Audit & Supervisory Board Member			
<p>Katsutoshi Saito, having long served as an executive of a global corporation, fulfills his duties as an Outside Audit &amp; Supervisory Board Member of the Company with his abundant experience and broad knowledge as a corporate manager.</p> <p>Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to seek sustained corporate value enhancement while promoting global management of operations and thus we recommend his reappointment as an Outside Audit &amp; Supervisory Board Member.</p>			
Position			
Outside Audit & Supervisory Board Member			
Career Summary			
Apr. 1967	Joined The Dai-ichi Mutual Life Insurance Company (current Dai-ichi Life Holdings, Inc.)		
Jul. 1994	Director of The Dai-ichi Mutual Life Insurance Company		
Apr. 1997	Managing Director of The Dai-ichi Mutual Life Insurance Company		
Apr. 2001	Senior Managing Director of The Dai-ichi Mutual Life Insurance Company		
Apr. 2003	Senior Managing Director and Representative Director of The Dai-ichi Mutual Life Insurance Company		
Jul. 2004	President and Representative Director of The Dai-ichi Mutual Life Insurance Company		
Apr. 2010	Deputy Chairman and Representative Director of The Dai-ichi Life Insurance Company, Limited		
Jun. 2011	Chairman and Representative Director of The Dai-ichi Life Insurance Company, Limited		
Mar. 2014	Audit & Supervisory Board Member of the Company (to the present)		
Apr. 2017	Senior Advisor of The Dai-ichi Life Insurance Company, Limited (to the present)		
Significant Concurrent Positions			
Advisor of The Dai-ichi Life Insurance Company, Limited., Outside Director of Imperial Hotel, Ltd., Outside Corporate Auditor of Tokyu Corporation			

\*ASB stands for Audit & Supervisory Board.

<b>Views on independence</b>
Although the Group maintains transactional relationships with each group of The Dai-ichi Life Insurance Company, Limited, Imperial Hotel, Ltd. and Tokyu Corporation, where Katsutoshi Saito concurrently serves, the amounts involved in such transactions account for less than 1% of the consolidated revenue (or consolidated net sales) of the Company and the respective companies. As such, based on the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Katsutoshi Saito meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.
<b>Candidate’s special interests in the Company</b>
There are no special interests between Katsutoshi Saito and the Company.
<b>Regarding agreements limiting the liability</b>
To enable him to contribute fully in his role as an Outside Audit & Supervisory Board Member, the Company has entered into an agreement with Katsutoshi Saito that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, his liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If his election is approved, the current agreement will be extended.

Note: The age and position are as of this Annual General Meeting of Shareholders.

**[Reference] Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members**

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The Company has established standards as set forth below for objectively assessing the independence of its Outside Directors and Outside Audit & Supervisory Board Members (herein this section the “Outside Directors/Audit & Supervisory Board Members”) and accordingly deems that an Outside Director/Audit & Supervisory Board Member lacks sufficient independence for the Company if any of the following apply, such that he or she is:

1. A party who serves as an executive<sup>\*1</sup> of the Company or a subsidiary of the Company (herein this section collectively referred to as the “Group”) or has served as an executive of the Group in the past;
2. A party for whom the Group is a major business partner<sup>\*2</sup> (or if the business partner is an incorporated entity, an executive thereof);
3. A party who is a major business partner of the Group<sup>\*3</sup> (or if the business partner is an incorporated entity, an executive thereof);
4. A consultant, certified public accountant or other accounting professional, or an attorney at law or other legal professional who has been paid substantial amounts of money or other financial benefits<sup>\*4</sup> other than Directors’ and Audit & Supervisory Board Members’ remuneration paid by the Group (or if the party receiving such financial benefits is an incorporated entity, association or other organization, then persons belonging to such organization);
5. A certified public accountant who belongs to the auditing firm which serves as the Independent Accounting Auditor of the Group;
6. A major shareholder<sup>\*5</sup> of the Group (or if the major shareholder is an incorporated entity, an executive thereof);
7. An executive of an incorporated entity that is a major shareholder of the Group;
8. An executive of a company which has a relationship involving cross-assumption of office of Outside Directors/Audit & Supervisory Board Members<sup>\*6</sup>;
9. A party who receives substantial donations<sup>\*7</sup> from the Group (or if the party receiving such donations is an incorporated entity, association or other organization, then an executive thereof);
10. A close relative<sup>\*9</sup> of a party who falls under any of the above items from 1 to 9 (limited to important persons<sup>\*8</sup>, with the exception of item 1);
11. A party who has fallen under any of the above items from 2 to 10 during the past five (5) years;
12. A party who has exceeded the tenure of Outside Directors/Audit & Supervisory Board Members stipulated by the Company<sup>\*10</sup>; or
13. Notwithstanding the provisions of the respective items above, a party with respect to whom there are special grounds for deeming there to be potential for conflict of interests with general shareholders.

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\*1. “Executive” refers to an executive as defined in Item 6, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act, and includes both executive directors and employees, but does not include Audit & Supervisory Board Members.

\*2. “Party for whom the Group is a major business partner” refers to a party whose transactions in the most recent fiscal year amount to 2% or more of the consolidated net sales of the business partner’s group.

\*3. “Party who is a major business partner of the Group” refers either to a party whose transactions in the most recent fiscal year amount to 2% or more of the Company’s consolidated revenue, or a party who loans to the Group an amount equivalent to 2% or more of the Company’s consolidated total assets as of the end of the most recent fiscal year.

\*4. “Substantial amounts of money or other financial benefits” refers to money and other financial benefits amounting to 10 million yen or more annually, excluding Directors’ and Audit & Supervisory Board Members’ remuneration, for the most recent fiscal year (if such financial benefits are obtained by an incorporated entity, association or other organization, it refers to money or other financial benefits amounting to 2% or more of

such organization's total revenues for the most recent fiscal year).

- \*5. "Major shareholder" refers to a person or incorporated entity that directly or indirectly holds 10% or more of the Company's total voting rights.
- \*6. "Relationship involving cross-assumption of office of Outside Directors/Audit & Supervisory Board Members" refers to a relationship where an executive of the Group serves as an outside director/audit & supervisory board member of another company, and an executive of that company serves as an Outside Director/Audit & Supervisory Board Member of the Company.
- \*7. "Substantial donations" refers to annual donations of 10 million yen or more made during the most recent fiscal year.
- \*8. "Important person" refers to Directors (excluding Outside Directors), executive officers, Corporate Officers, and other executives in positions of General Manager or above; certified public accountants belonging to auditing firms or accounting offices; attorneys at law belonging to legal professional corporations or law firms; councilors, directors or other officers belonging to incorporated foundations, incorporated associations, educational institutions and other incorporated entities; and other persons objectively and reasonably deemed to be in positions of similar importance.
- \*9. "Close relative" refers to a spouse or persons within the second degree of consanguinity.
- \*10. "Tenure of Outside Directors/Audit & Supervisory Board Members stipulated by the Company" means ten (10) years with respect to Directors and twelve (12) years with respect to Audit & Supervisory Board Members.

End



## (Attached Materials)

# BUSINESS REPORT

From January 1, 2017 to December 31, 2017

## 1. Overview of Operations of the Asahi Group

### (1) Business Progress and Results

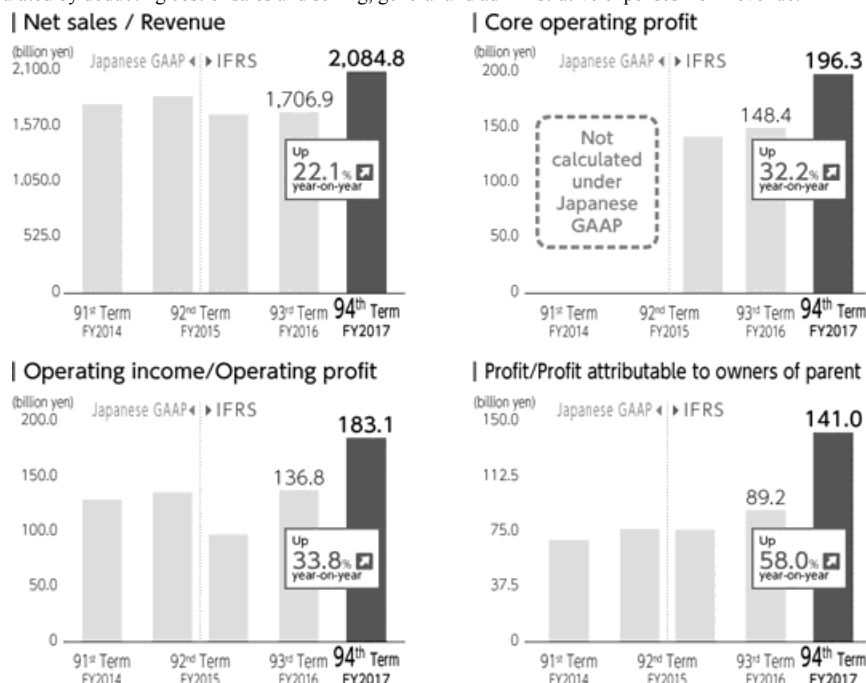
During this fiscal year, driven by solid economic growth in the US and Europe with increases in the number of employees and consumer spending in addition to signs of a pick-up in Chinese and other Asian economies, an overall mild recovery in the global economy continued. The Japanese economy was on a modest recovery track with an uptick in consumer spending on the back of the improved employment/income environment, in addition to improved corporate earnings.

Under these circumstances, the Asahi Group worked toward the further development of ongoing efforts for the “Management for Corporate Value Enhancement” under the “Medium-Term Management Policy” established in 2016 by setting three key priorities: i) strengthening of earnings power, ii) asset and capital efficiency improvement, and iii) reinforcement of ESG initiatives.

Particularly for “strengthening of earnings power,” the Group worked in Japan to position a profit base as the cornerstone of earnings with high value addition and differentiation as key areas of focus while in overseas markets promoting the creation of synergies utilizing leading premium brands and extensive sales networks centered on its operations in Europe.

As a result, the Asahi Group posted revenue of ¥2,084,877 million, a year-on-year increase of 22.1%. Core operating profit\* increased by 32.2% year-on-year to ¥196,368 million, and operating profit rose by 33.8% to ¥183,192 million. Profit attributable to owners of parent totaled ¥141,003 million, an increase of 58.0% year-on-year compared with the previous year.

\* Core operating profit is the Company’s original indicator of profit, which measures the ordinary business earnings calculated by deducting cost of sales and selling, general and administrative expenses from revenue.



Note: Starting from the 93<sup>rd</sup> term (FY2016), the Asahi Group has adopted International Financial Reporting Standards (IFRS). For reference, two sets of figures are presented alongside one another for the 92<sup>nd</sup> term (FY2015): one conforming to IFRS and one conforming to Japanese GAAP.

## ■ Financial and Profit/Loss Indicators of the Asahi Group

	91 <sup>st</sup> term FY2014	92 <sup>nd</sup> term FY2015	93 <sup>rd</sup> term FY2016	94 <sup>th</sup> term FY2017 (current year)	
	Japanese GAAP		IFRS		
Net sales/ Revenue	1,785,478	1,857,418	1,689,527	1,706,901	(million yen) <b>2,084,877</b>
Core operating profit* <sup>1</sup>	–	–	140,691	148,486	(million yen) <b>196,368</b>
Operating income/ Operating profit	128,305	135,119	96,626	136,889	(million yen) <b>183,192</b>
Ordinary income	133,168	145,946	–	–	(million yen) –
Profit/ Profit attributable to owners of parent	69,118	76,427	75,770	89,221	(million yen) <b>141,003</b>
Operating margin/ Operating profit ratio	7.2	7.3	5.7	8.0	(%) <b>8.8</b>
EBITDA* <sup>2</sup>	192,308	197,993	197,287	205,803	(million yen) <b>285,394</b>
Earnings per share/ Basic earnings per share* <sup>3</sup>	148.92	166.25	164.82	194.75	(yen) <b>307.78</b>
Total assets/ Total assets* <sup>4</sup>	1,936,609	1,901,554	1,804,673	2,094,332	(million yen) <b>3,346,822</b>
Net assets/ Total equity	896,510	891,829	803,682	846,105	(million yen) <b>1,152,748</b>
Net assets per share/ Equity attributable to owners of parent per share* <sup>5</sup>	1,904.64	1,916.69	1,723.97	1,825.57	(yen) <b>2,499.62</b>
ROE (Return On Equity/ Profit ratio to equity attributable to owners of parent)	8.1	8.8	9.7	11.0	(%) <b>14.2</b>
Adjusted profit attributable to owners of parent* <sup>6</sup>	–	–	–	89,221	(million yen) <b>120,133</b>
Adjusted earnings per share* <sup>7</sup>	–	–	–	194.75	(yen) <b>262.23</b>
Adjusted ROE (Adjusted profit ratio to equity attributable to owners of parent)* <sup>8</sup>	–	–	–	11.2	(%) <b>13.7</b>

Note: Items with “/” indicate “Japanese GAAP / IFRS.”

- \*1. Core operating profit is the Company’s original indicator of profit, which measures the ordinary business earnings calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
- \*2. EBITDA is equal to the sum of operating income before amortization of goodwill, etc., and depreciation under Japanese GAAP, and the sum of core operating profit and amortization and depreciation on the IFRS basis.
- \*3. Earnings per share/ Basic earnings per share is calculated based on the average total number of shares outstanding during the term. The total number of shares outstanding is exclusive of treasury shares.
- \*4. As acquisition cost allocation was revised following the finalization of the provisional accounting treatment relating to a business combination carried out in the 93<sup>rd</sup> term (FY2016), this has been reflected in total assets of the 93<sup>rd</sup> term (FY2016).
- \*5. Net assets per share/Equity attributable to owners of parent per share is calculated based on the total number of shares outstanding at the end of the fiscal year. The total number of shares outstanding is exclusive of treasury shares.
- \*6. Adjusted profit attributable to owners of parent is profit attributable to owners of parent less a one-time profit or loss on the restructuring of business portfolio (net of tax expenses), etc.
- \*7. Adjusted earnings per share is calculated based on adjusted profit attributable to owners of parent.
- \*8. Adjusted ROE is calculated based on adjusted profit attributable to owners of parent divided by total equity attributable to owners of parent (net of exchange differences on translation of foreign operations, and changes of fair value of investment in financial assets measured at fair value through other comprehensive income).

## ■ Overview by Business Segment for 94<sup>th</sup> Term

### Asahi Group Revenue by Segment

Segment	93 <sup>rd</sup> term FY2016 (million yen)	94 <sup>th</sup> term FY2017 (current year) (million yen)	Change in amount (million yen)	Change in percentage (%)
Alcoholic Beverages	976,649	<b>968,858</b>	(7,790)	(0.8)
Soft Drinks	363,905	<b>374,517</b>	10,611	2.9
Foods	110,824	<b>113,785</b>	2,961	2.7
International Operations	250,316	<b>621,112</b>	370,795	148.1
Other Businesses	102,279	<b>106,141</b>	3,861	3.8
Adjustment*	(97,073)	<b>(99,537)</b>	(2,464)	–
Total	1,706,901	<b>2,084,877</b>	377,975	22.1

\* The adjustment is the elimination amount of intersegment revenue and revenue of the corporate portion not attributable to any segment.

## Alcoholic Beverages Segment



**Main products:** Beer, Happoshu (low-malt beer), New genre (malt-type), Whisky and other spirits, Wine, RTD<sup>\*1</sup>, Shochu, Beer-taste beverages

In the alcoholic beverages segment, the Group made efforts to create new value and new demand through innovation, and to enhance the cost competitiveness, under the slogan of “Aim to be the leading company in alcohol beverages in Japan by nurturing No. 1 brands and structural reforms.”

In the beer-type beverages sector, we worked on enhancing the brand value of “Asahi Super Dry” mainly by launching “Asahi Super Dry EXTRA HARD” and “Asahi Super Dry SHUNREI KARAKUCHI,” premium limited brewed products to mark the 30th anniversary of the launch of “Asahi Super Dry.” For the new genre “Clear Asahi” brand, we launched “Clear Asahi Zeitaku ZERO,” the product rich in flavor from barley despite being carbohydrate-free<sup>\*2</sup>, and expanded limited-time products for each season, striving to further strengthen the brand’s market position.

In the sectors of alcoholic beverages other than beer-type beverages, the Group enhanced the product lineup of “Asahi MOGITATE” and expanded the offering of “WILKINSON HARD” series with the aim of building brand power for RTD. For whisky and other spirits, we endeavored to enhance brand value of our mainstay brands mainly by actively conducting marketing activities for “Black Nikka” brands.

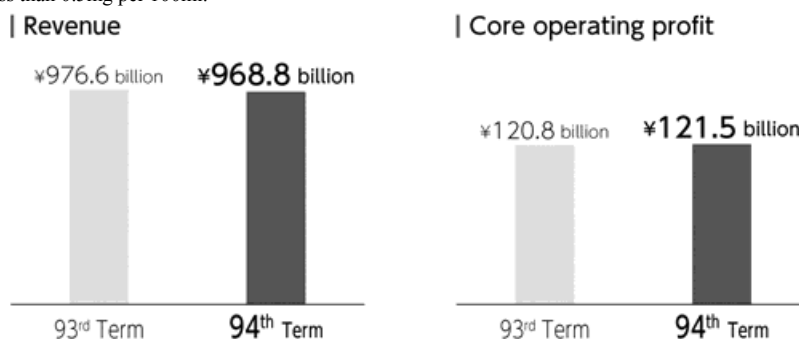
In the alcohol-taste beverages sector, we worked hard to strengthen brand power of the beer-taste beverage “Asahi DRY ZERO” with “improved refreshing aftertaste ideal to accompany any meal” and launch of consumer campaigns.

As a result of these efforts, despite a stronger-than-previous-year sales of alcoholic beverages other than beer-type beverages and of alcohol-taste beverages, revenue from the alcoholic beverages segment decreased by 0.8% from the previous year to ¥968,858 million due to a decrease in sales volume of beer-type beverages reflecting such factors as unseasonable weather in summer season.

Despite a decline in sales, core operating profit increased by 0.6% year-on-year to ¥121,516 million as a result of the efforts of enhancing efficiency of advertising and sales promotion expenses as well as reducing costs such as raw materials. (Operating profit stood at ¥113,560 million, representing a year-on-year increase of 2.1%.)

\*1. RTD stands for “Ready To Drink,” which refers to a type of beverage sold in a prepared form and ready for consumption, such as canned chuhai.

\*2. In compliance with the nutrition labeling standards, “carbohydrate-free” is labeled when contained carbohydrates are less than 0.5mg per 100ml.



## Soft Drinks Segment



**Main products:** Carbonated drinks, Coffee, Tea, Milk-based beverages, Lactic acid drinks, Mineral water, Fruit drinks

In the soft drinks segment, the Group engaged in establishing solid earnings base through not only focusing management assets on core brands, and promoting growth by enhancing product competitiveness centered on health functionality, but also optimizing production efficiency through such means as improving capacity utilization.

For the mainstay brands, aiming at improving brand value, the Group launched “MITSUYA Shinshibori” containing clear fruit juice<sup>\*1</sup> for “MITSUYA” brand, and introduced “Asahi JUROKUCHA Gotochi Sozai Blend” a blend of local ingredients from seven regions<sup>\*2</sup> in Japan for “JUROKUCHA” brand, while expanding the product lineup for “WONDA Kiwami” canned coffee supervised by a well-established café to mark the 20th anniversary of launch of “WONDA” brand. As for “OISHII-MIZU” brand, we proposed new product value through the leveraging of brand assets mainly by the release of a natural-water sourced sparkling water with added “CALPIS” lactic acid bacteria named “Asahi OISHII-MIZU Plus <CALPIS> no Nyusankin Sparkling.”

For the field of health function domain, the Group strived to strengthen its market presence with renewals of “Mamoru Hataraku Nyusankin” and “Todoku Tsuyosano Nyusankin,” and the launch of “KARADA CALPIS,” the Food with Functional Claims with its unique lactic acid bacteria.

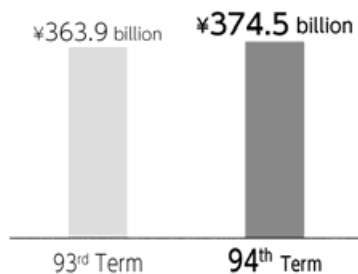
Accordingly, revenue from the soft drinks segment increased by 2.9% from the previous fiscal year to ¥374,517 million due to stronger-than-previous-year sales volume of carbonated drinks and milk-based beverages, etc.

Core operating profit increased by 18.5% year-on-year to ¥38,321 million as a result of increased sales and the efforts of reducing manufacturing costs by improving the component ratio of product categories and size/type of containers and by improving the capacity utilization through optimized production structure. (Operating profit stood at ¥44,407 million, representing a year-on-year increase of 35.5%.)

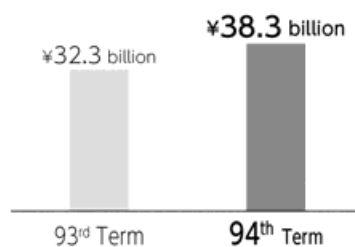
\*1. Clear fruit juice is a fruit juice without pulp, which is made by resolving and filtrating extracted fruit juice with pulp (turbid fruit juice).

\*2. Seven regions: Hokkaido, Tohoku, Kanto and Koshinetsu, Chubu and Hokuriku, Kansai, Chugoku and Shikoku, and Kyushu and Okinawa.

### | Revenue



### | Core operating profit



## Foods Segment



**Main products:** Confectionery, Nutritional snacks, Supplements, Quasi-drugs, Baby foods, Infant formula, Freeze-dried foods

In the foods segment, the Group worked to build a business foundation for sustainable growth through enhancing product power well ahead of changes in the market and nurturing brands, in addition to “focusing more on our strengths” and creating synergies by integrated business.

For the tablet-type confectionery “MINTIA,” we strived to strengthen its brand power by the launch of “MINTIA EXCARE,” the product offering new value with throat refreshing and moistening effect, and the renewal of the large-size tablet “MINTIA Breeze.”

In the category of dietary supplements, we pursued enhanced brand value by releasing the affordable pouch-type “Dear-Natura Style” and making the product lineup of the Food with Functional Claims “Dear-Natura Gold” more extensive.

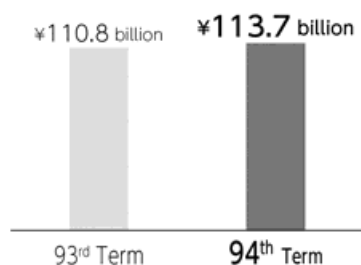
In the baby foods sector, the Group worked to strengthen its brand power through aggressive sales promotion activities for “Goo-Goo Kitchen” and “Eiyo Marche.” For senior products, we worked to improve our presence in the nursing care foods market by newly launching “Balance Kondate.”

In the freeze-dried foods sector, we made efforts for sales expansion by presenting our new soup brands “The Umami” and “Kyo no Soup,” in addition to enhancing marketing activity for our mainstay “Itsumono Omisoshiru.”

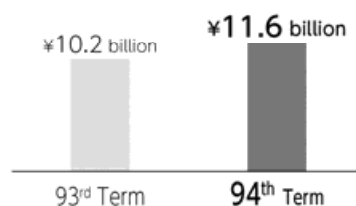
As a result of the above, the foods segment increased by 2.7% year-on-year to ¥113,785 million, reflecting strong performances in the core brands.

Core operating profit increased by 13.4% year-on-year to ¥11,626 million as a result of increased sales and the efforts of streamlining advertising and sales promotion expenses, and reducing manufacturing costs. (Operating profit decreased 4.3% year-on-year to ¥10,893 million.)

### | Revenue



### | Core operating profit



## International Operations Segment



**Main products:** Beer, Low-alcohol beverages, Carbonated drinks, Mineral water, Sport drinks, Tea, Condensed milk

In the international operations segment, the Group worked hard to build the business foundation, aiming at becoming a global player with its growth centered on the premium market of beer category, with the completed acquisition of beer businesses in Western, Central and Eastern Europe as well as improved profitability in existing business through boosting core brands and creating synergies.

In the Europe business segment, we reinforced marketing activities focused on improving the value of our mainstay brands in Western Europe by further dissemination of information for the “Peroni” brand and other efforts. Furthermore, initiatives for creating synergy, including the establishment of manufacturing and sales platforms for “Asahi Super Dry” with our own brewery and sales networks in Europe, have been promoted. In addition, for the beer businesses in Central and Eastern Europe acquired in March 2017, we worked to build platforms for continuous business growth in each country, as seen in the proactive sales promotion for core brands of “Pilsner Urquell” and “Kozel” and the launch of new products in the Czech Republic.

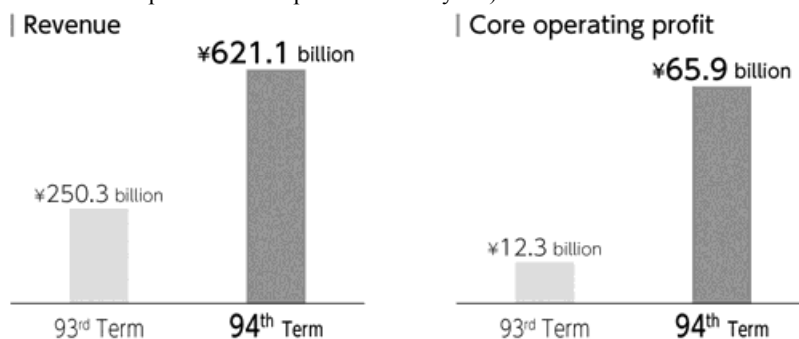
In the Oceania business segment, as to the soft drinks sector, the Group put efforts into further enhancing its presence in the market through the introduction of “Schweppes” carbonated drink products with new packaging and initiatives for enlarging shares in the expanding water category. As to alcoholic beverages sector, the Group strived to create the synergy effect utilizing its brands. These initiatives included the effort to further enhancing the brand strength of “Asahi Super Dry,” the introduction of “Peroni” brand to markets, and marketing activities focused on the core low-alcohol beverages.

In the Southeast Asia business segment, the Group extended the product lineup and sales campaigns for “WONDA” and “CALPIS” in Malaysia, and worked to strengthen the power of “Honey Gold” brand in Myanmar, in an effort to improve its presence in each market mainly by the enhancement of its own brands.

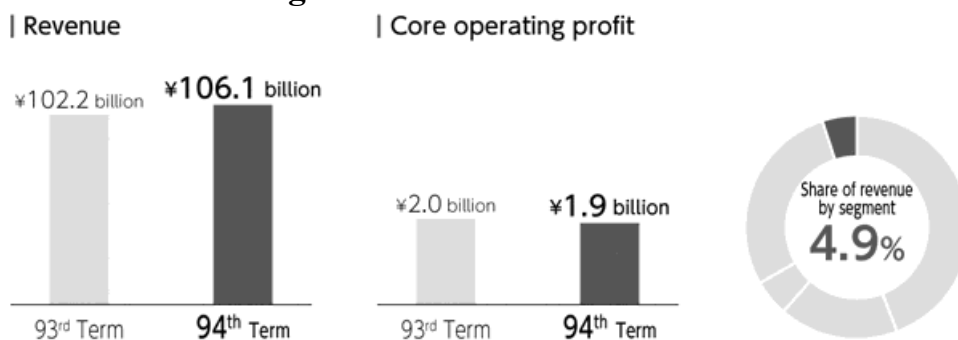
In the China business segment, the Group worked toward increased sales volume of “Asahi Super Dry” by getting more restaurants and bars to serve draft beer in kegs as well as strengthening sales activities for convenience stores and through e-commerce.

As a result of the above, the international operations segment posted revenue of ¥621,112 million, increased by 148.1% year-on-year, as the Oceania business has been robust along with contributions from newly acquired operations in Europe.

Core operating profit increased by 434.0% year-on-year to ¥65,938 million with the contribution of operations in Europe, despite acquisition-related costs incurred from the acquisition of beer businesses in Central and Eastern Europe. (Operating profit was ¥34,837 million, an increase of ¥34,845 million compared with the previous fiscal year.)



## Other Businesses Segment



**Main businesses:** Cargo transportation, Production and distribution of health foods and feedstuffs

In the other businesses segment, revenue increased by 3.8% year-on-year to ¥106,141 million mainly due to expansion of outsourcing in the cargo transportation business and an increase in sales of health foods.

Core operating profit decreased 0.4% year-on-year to ¥1,992 million due to increased sales promotions related to health foods. (Operating profit decreased 0.2% year-on-year to ¥1,979 million.)



## (2) Status of Capital Expenditures

Consolidated capital expenditures in this year totaled ¥96,265 million, the segment breakdown of which is as follows. A large portion of the capital expenditures represented investments made for the purpose of enhancing efficiency and production capacity.

Business segment	Amount of capital expenditure (million yen)
Alcoholic Beverages	25,756
Soft Drinks	25,855
Foods	4,752
International Operations	37,169
Other Businesses	549
Company-wide (common)	2,182
Total	96,265

## (3) Financing Activities

The Company financed the capital expenditures detailed in item (2) above and capital requirements including those for acquiring beer businesses in Central and Eastern Europe through loans from financial institutions and the issuance of commercial papers and bonds.

Funds required for companies' businesses of the Asahi Group are primarily sourced by the Company.

### Overview of issued bonds

Issued bonds	Date of issue	Amount issued
The 9th issue of Unsecured Corporate Bonds (3 years)	June 13, 2017	¥100,000 million
The 10th issue of Unsecured Corporate Bonds (5 years)	June 13, 2017	¥130,000 million
The 11th issue of Unsecured Corporate Bonds (7 years)	June 13, 2017	¥20,000 million
The 12th issue of Unsecured Corporate Bonds (10 years)	June 13, 2017	¥30,000 million
Euro denominated senior unsecured bonds due 2021	September 19, 2017	EUR 600 million
Euro denominated senior unsecured bonds due 2025	September 19, 2017	EUR 600 million

## (4) Status of Principal Lenders

(As of December 31, 2017)

Lender	Outstanding balance (million yen)
Sumitomo Mitsui Banking Corporation	156,588
Mizuho Bank, Ltd.	61,194
Sumitomo Mitsui Trust Bank, Limited	50,000
The Norinchukin Bank	50,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,700

## (5) Status of Major Establishments and Principal Subsidiaries

(As of December 31, 2017)

### 1) Asahi Group Holdings, Ltd.

(Head office)

23-1, Azumabashi 1-chome, Sumida-ku, Tokyo

(Laboratory)

Research & Development Center (Moriya City, Ibaraki)

### 2) Subsidiaries

Company name	Location of head office	Issued capital (million yen)	Shareholdings (%)	Main operations
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	20,000	100.0	Production and marketing of alcoholic beverages
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	11,081	100.0	Production and marketing of soft drinks
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	5,000	100.0	Production and marketing of foods
Asahi Europe Ltd	Surrey, the United Kingdom	290,994 (EUR 2,431,546 thousand)	100.0	Overseeing alcoholic beverages operations in Western Europe
Asahi Breweries Europe Ltd	Surrey, the United Kingdom	904,609 (EUR 7,405,000 thousand)	100.0	Overseeing alcoholic beverages operations in Central and Eastern Europe
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	132,697 (AUD 1,806,901 thousand)	100.0	Overseeing soft drinks and alcoholic beverages operations in Oceania
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	9,996 (CNY 737,487 thousand)	100.0	Overseeing alcoholic beverages operations, and marketing of alcoholic beverages in China
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	50	100.0	Contracting of clerical work

Notes:

1. There were 146 consolidated subsidiaries of the Company as of the end of this year, including those listed above. There were 19 companies accounted for using equity method.
2. There were no wholly owned specified subsidiaries of the Company as of the end of this year.

## (6) Significant Developments such as Corporate Reorganization

- 1) The Company completed the acquisition of all the issued shares of eight companies, including Plzeňský Prazdroj, a.s., through Asahi Breweries Europe Ltd on March 31, 2017.
- 2) The Company transferred all the issued shares of LB Co., Ltd. on November 30, 2017.
- 3) The Company transferred all the issued shares of Tingyi-Asahi Beverages Holding Co., Ltd. held by the Company through AI Beverage Holding Co., Ltd. on December 15, 2017.
- 4) The Company entered into share transfer agreements with Fosun Industrial Holdings Limited and six other companies to transfer all the issued shares in Tsingtao Brewery Company Limited held by the Company on December 20, 2017.
- 5) The Company entered into share transfer agreements with PT Indofood CBP Sukses Makmur Tbk and PT Prima Intipangan Sejati to transfer all the issued shares of PT Asahi Indofood Beverage Makmur and PT Indofood Asahi Sukses Beverage held by the Company through Asahi Group Holdings Southeast Asia Pte. Ltd. on December 22, 2017.

**(7) Employees**

(As of December 31, 2017)

Business segment	Number of employees	Increase (decrease) from the end of the previous term
Alcoholic Beverages	5,897	(9)
Soft Drinks	3,381	(151)
Foods	1,294	4
International Operations	17,435	7,222
Other Businesses	2,240	152
Company-wide (common)	617	27
Total	30,864	7,245

## **(8) Management Perspectives**

### **1) Management Basic Policy**

Under the group-wide corporate philosophy of “The Asahi Group aims to satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and the enrichment of society worldwide,” the Group conducts business activities in the “Alcoholic Beverages,” “Soft Drinks” and “Foods” segments and the “International Operations” of such segments, under the command of Asahi Group Holdings, Ltd., a pure holding company.

In addition, the Group makes efforts to resolve social issues through our business activities in the three business activity domains of “Food and Health,” “The Environment” and “People and Society,” and set out the respective material issues (priority themes) in each domain, toward the realization of a “sustainable society,” which is essential for developing our corporate activities.

### **2) Long-Term Vision**

The Asahi Group sets out the updated version of the Long-Term Vision in 2016 of “striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness, and innovation).” Meanwhile, setting the future image of business in the next ten years or so, the Group, as a comprehensive beverage and food business group whose core business is alcoholic beverages, aims to be an industry leader in Japan with high value addition as a key area of focus and to establish a unique position as a global player that leverages strengths originating in Japan. Furthermore, in the Long-Term Vision, the Group has defined “To seek ‘sustained corporate value enhancement’ by pursuing satisfaction for all stakeholders” as its vision set forth for all its stakeholders.

### **3) Medium-Term Management Policy**

While providing Key Performance Indicator guidelines for the coming three years or so, the Medium-Term Management Policy for the realization of the Long-Term Vision sets the following three key priorities. Under this policy, the Group works toward the further development of the ongoing “Management for Corporate Value Enhancement.”

- A Strengthening of earnings power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine
- B Asset and capital efficiency improvement that takes into consideration capital cost
- C Reinforcement of ESG initiatives to increase sustainability

Going forward, the Company will deepen dialogue with our shareholders, investors and other stakeholders and aim to become a corporate group trusted not only in Japan but also around the world by positioning the Long-Term Vision and the Medium-Term Management Policy as a stakeholder engagement agenda.

### **4) Policy for 95<sup>th</sup> Term (FY 2018)**

With steady economic recovery expected in the fiscal year 2018 domestically and globally, the Asahi Group will work further toward the positioning of the domestic profit base as the cornerstone of earnings through the enhancement of the value of brands by adding value as key areas of focus, in line with the Medium-Term Management Policy. For global operations, centered on its operations in Europe, the Group will accelerate the development of the International Operations as a growth engine through initiatives for creating synergies aimed at becoming a global premium beer manufacturer with strong competitiveness. In addition, with the enhancement of our financial position by boosting asset/capital efficiency and the further promotion of ESG efforts, the Group will speed up the progress of management reforms to further develop management for corporate value enhancement.

With these efforts, the Group projects revenue to be ¥2,140,000 million, core operating profit to be ¥220,000 million, operating profit to be ¥200,000 million, profit attributable to owners of parent to be ¥142,000 million, and adjusted profit attributable to owners of parent to be ¥136,000 million, for the 95<sup>th</sup> fiscal year.

The Group cordially requests shareholders’ continuing encouragement and support.

### Corporate Philosophy of the Asahi Group

**The Asahi Group aims to satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and the enrichment of society worldwide.**

### Long-Term Vision

**Striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness and innovation)**

As a comprehensive beverage and food business group whose core business is alcohol beverages, aim to be an industry leader in Japan with high value addition as a key area of focus and establish a unique position as a global player that leverages strengths originating in Japan.

**Seek “sustained corporate value enhancement” by pursuing satisfaction for all stakeholders**

Vision for Stakeholders

Customers	Continue to create new value based on strengths nurtured in Japan and achieve the No. 1 ranking for customer satisfaction in Japan and each region of the world.
Business partners	Develop relationships with our business connections and alliance partners that enable mutual growth through new value creation.
Society	Contribute to the resolution of social problems through the Group’s businesses in areas such as development of a wholesome food culture.
Employees	Develop an environment in which employees experience both personal and corporate growth and can work vigorously.
Shareholders	Enhance corporate value (equity value) through sustained profit creation and shareholder returns.

### Medium-Term Management Policy

**Further development of management to enhance corporate value in order to achieve sustainable growth**

Key Performance Indicator (KPI) Guidelines

Guidelines for next 3 years out

Revenue	• Stable growth from existing businesses – Business reorganization + New M&A
Core operating profit	• CAGR (Compound annual growth rate): Mid to high single digit
EPS (after adjustment*)	• CAGR (Compound annual growth rate): Mid to high single digit
ROE (after adjustment*)	• Maintenance of 13% or higher

\* “After adjustment” refers to figures that exclude one-time extraordinary factors such as restructuring of business portfolio and exchange rate fluctuations.

Financial and Cash Flow Guidelines

Guidelines for next 3 years out

Cash Flow	• Free cash flows: above ¥140 billion (annual average) • Impact of business restructuring: approx. ¥100 billion (FY2018 forecast)
Debt Reduction	• Net debt / EBITDA <sup>*1</sup> : around 3 times by the end of FY2019 • Net D/E ratio <sup>*2</sup> : below 1 time by the end of FY2018
Investment for growth	• Prioritize strengthening financial structure and consider M&A for expansion of foundations for growth
Shareholder Returns	• Stable dividend increases with the aim of a dividend payout ratio of 30% <sup>*3</sup>

\*1. Net debt / EBITDA (EBITDA net debt equity ratio) = (interest-bearing debt - cash) / EBITDA

\*2. Net D/E ratio (net debt equity ratio) = (interest-bearing debt - cash) / equity

\*3. Dividend payout ratio is calculated as profit attributable to owners of parent less a one-time profit or loss on the restructuring of business portfolio (net of tax expenses), etc.

## 2. Corporate Governance System

### (1) Basic Concept

With the belief that “growth-oriented governance” by which to make transparent, fair, swift and bold decisions is indispensable for striving to achieve sustainable growth and increase corporate value over the medium- to long-term, the Company has established its Corporate Governance Guidelines, and makes efforts primarily in the following areas:

#### 1) Ensuring rights of and equality among shareholders

Recognizing that “a shareholder is equal in accordance with his/her equity interest,” the Company strives to ensure substantial equality of shareholders and conduct appropriate information disclosure by posting various information for shareholders and/or individual investors with updates, as needed, on its website. Information disclosure is also ensured for overseas investors using the English website, as well as the issuance of the English-version Convocation Notice of the General Meeting of Shareholders in view of the convenience of exercising of shareholders’ rights by foreign shareholders. Furthermore, the Company has streamlined a system that allows for employees assigned to assist the Audit & Supervisory Board, who are not subject to directives or orders from Directors or employees, under the control of the Audit & Supervisory Board, so that Audit & Supervisory Board Members can handle claims from any minority shareholders against the Company or any Director and Audit & Supervisory Board Member, independently from management to substantially ensure the rights of minority shareholders.

#### 2) Appropriate Collaboration with Stakeholders

The Company has identified corporate value not only as financial value, but also as a summation of financial value and social value that is closely related to each other, and has set its vision vis-à-vis its customers, business partners, society, employees, and shareholders as stakeholders, as described below, to practice appropriately in collaboration with them.

Customers:	Continue to create new value based on strengths nurtured in Japan and achieve the No. 1 ranking for customer satisfaction in Japan and each region of the world.
Business partners:	Develop relationships with our business partners and alliance partners that enable mutual growth through new value creation.
Society:	Contribute to the resolution of social problems through the Group’s businesses in areas such as development of a wholesome food culture.
Employees:	Develop an environment in which employees experience both personal and corporate growth and can work vigorously.
Shareholders:	Enhance corporate value (equity value) through sustained profit creation and shareholder returns.

#### 3) Ensuring Proper Information Disclosure and Transparency Thereof

The Company formulated the “Disclosure Policy” and proactively addresses the voluntary disclosure of information. The Company strives to provide well-balanced information disclosure between financial information, such as accounting, and non-financial information, such as management strategies, risks and governance, by publicizing the Integrated Report, in addition to the statutory disclosure, timely disclosure and other information disclosures on the website.

#### 4) Responsibilities of the Board of Directors

The Company’s Board of Directors appropriately fulfills their roles and responsibilities to ensure the sustainable growth and the increase of corporate value over the medium- to long-term of the Company, as well as to promote the improvement of earning capacity and capital efficiency by taking into account their fiduciary responsibility and accountability to shareholders. Such initiatives include determining the Long-Term Vision and Medium-Term Management Policies and promoting their execution, while also properly supporting management’s risk taking by streamlining the internal control system and risk management system.

The Board of Directors, in deliberating management strategies etc., mainly prepared by management, takes care to plan the meetings as a venue for constructive discussion by avoiding ritual discussion with measures such as sharing information with Outside Directors and a preliminary explanation of agenda items thereto in the review process or receiving reports on the

results of discussion from the Audit & Supervisory Board, thereby aiming for the sustainable growth and the increase of corporate value over the medium- to long-term of the Company.

#### **5) Dialogues with Shareholders**

For promoting constructive dialogues with shareholders, the Company shall appoint an officer as a responsible executive in charge of dialogues with shareholders and ensure well-organized collaboration among the auxiliary departments by providing the information for the dialogues. In addition, the Company shall endeavor to understand the shareholder structure and conduct various explanatory meetings by Representative Directors of the Company, visits to domestic/overseas investors and/or factory tours for shareholders.

### **(2) Characteristics of Current Systems**

As a company with an Audit & Supervisory Board, the Company audits the execution of duties by the Directors utilizing the Audit & Supervisory Board, of which a majority of the board members are independent Outside Audit & Supervisory Board Members, while taking advantage of the audit & supervisory board members system with its independence, and in which the power of final decision making is given to each person and which has Standing Audit & Supervisory Board Members. In addition, the Nomination Committee and the Compensation Committee have been established to act as advisory bodies to the Board of Directors, of which half the members of each committee are independent Outside Directors. Under the system of these discretionary bodies, the Company has created a structure that allows independent Outside Directors/Audit & Supervisory Board Members to monitor the management of the Company with high effectiveness.

### **(3) Structure of the Board of Directors**

The Company has three or more Outside Directors who have been elected from among corporate managers and/or experts in view of their experience, insight and professional background to ensure the balance and diversity in terms of knowledge, experience and ability of the entire board. As for internal Directors, the Board of Directors comprehensively evaluates and judges the candidates' experience, insight, professional background, etc. with reference to the requirements for Directors, which are determined based on the management strategies of the Company, the "Corporate Philosophy of the Asahi Group" and the "Asahi Group's Corporate Action Guidelines."

### **(4) Evaluation of Effectiveness of the Board of Directors**

To contribute to the creation of corporate value over the medium- to long-term, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors on an annual basis, and discloses the summary of the evaluation results.

The English-version summary of the evaluation is posted on the following Company website:

<http://www.asahigroup-holdings.com/en/whoweare/governance/policy.html>

### **(5) Requirements for Directors and Audit & Supervisory Board Members**

The Board of Directors appoints candidates who have a wealth of experience, excellent insight and expertise, which are appropriate for such positions of the Company for the purpose of realizing effective corporate governance.

Also, in the interests of higher fairness and transparency in determining the personnel affairs of officers, the Company has established the Nomination Committee to act as an advisory body to the Board of Directors, of which half the committee members are Outside Directors, and the Board of Directors shall consult with the Nomination Committee concerning the candidates for Directors and Audit & Supervisory Board Members and receive reports on the findings and views of the Nomination Committee concerning this.

## (6) Succession Plan and Training

Pursuant to the requirements demanded of its Directors, the Company has identified the matters of succession (cultivation of successors) and pipeline (personal resources of successors) of its Directors and Corporate Officers as the highest priorities, and has developed a succession plan for the CEO, etc. The Board of Directors properly supervises the succession plan.

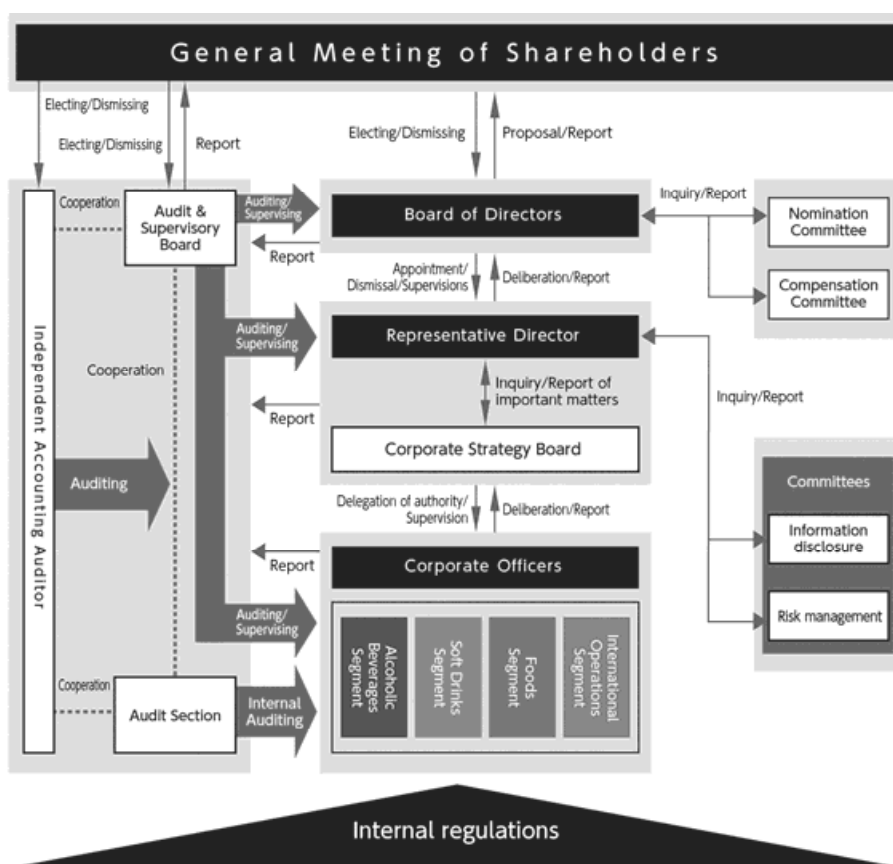
For the Directors and Audit & Supervisory Board Members, the Company provides training required for their roles and responsibilities on a regular basis and sets the requirements for each of them according to his/her executive stage, and conducts training that contributes to enhancement in their overall performance in accordance with such requirements. On the occasions of their appointments, the Company provides Outside Directors/Audit & Supervisory Board Members with information relating to the overview of the Asahi Group including its businesses, financial affairs and organizations, and implements measures, such as office visits, to facilitate their understanding of the Group as needed.

## (7) Criteria for judgment of independence of Outside Directors/Audit & Supervisory Board Members

The criteria for judgment of independence of Outside Directors/Audit & Supervisory Board Members are as described on pages 22 and 23.

## (8) System chart

The corporate governance system of the Company is shown in the chart below.





## **(9) Roles and compositions of the advisory bodies**

The roles and compositions of the advisory committees and deliberative bodies are as described below:

### **1) Nomination Committee**

The Nomination Committee provides reports on its findings and views about candidates, etc. for Directors, Audit & Supervisory Board Members and Corporate Officers in response to the inquiries referred from the Board of Directors. The Committee consists of two Outside Directors and two internal Directors, and an internal Director is co-operatively appointed as its chairperson. The Committee held four meetings during fiscal 2017, and provided reports on its findings and views primarily about personnel affairs of officers and representatives of principal subsidiaries.

### **2) Compensation Committee**

The Compensation Committee provides reports on its findings and views about the remuneration system and amount of remuneration for Directors and Corporate Officers in response to the inquiries referred from the Board of Directors. The Committee consists of two Outside Directors and two internal Directors, and an Outside Director is co-operatively appointed as its chairperson. The Committee held a total of three meetings during fiscal 2017, and provided reports on its findings and views primarily about officers' bonuses, the revision of the officers' remuneration plan and the Performance-Linked Stock Compensation.

### **3) Information Disclosure Committee**

The Information Disclosure Committee is responsible for centrally managing and controlling corporate information disclosure, and provides reports on its findings and views in response to the inquiries referred from the President and Representative Director from the perspective of fair, expeditious and wide-ranging information disclosure. The Committee consists of internal Directors and Corporate Officers excluding the Chairman and Representative Director and the President and Representative Director, and the Director in charge of public relations serves as its chairperson. The Committee held a total of eighteen meetings during fiscal 2017, analyzed the contents of relevant information, and provided reports on its findings and views about the need or otherwise, contents, methods, etc. of information disclosure in light of the Timely Disclosure Rules, etc. of the Tokyo Stock Exchange.

### **4) Risk Management Committee**

The Risk Management Committee provides reports on its findings and views about policies on overall risk management activities and the measures against main risks in response to the inquiries referred from the President and Representative Director. The Risk Management Committee consists of internal Directors and external attorneys at law and the Director in charge of general and legal affairs serves as its chairperson. In addition, Standing Audit & Supervisory Board Members attend this Committee's meetings and state opinions as necessary. The Committee held a total of four meetings during fiscal 2017, and provided reports on its findings and views about the findings of periodic risk surveys, the status operation of whistle blowing system.

### **5) Corporate Strategy Board**

The Corporate Strategy Board provides reports on its findings and views about evaluation of the legality, objectivity and reasonableness and of substantial matters concerning business execution in response to the inquiries referred from the Chairman and Representative Director or the President and Representative Director. The Board consists of internal Directors, Corporate Officers and Standing Audit & Supervisory Board Members, and the President and Representative Director serves as its chairperson. The Board held a total of fifty meetings during fiscal 2017, and provided reports on its findings and views primarily about development of corporate strategies and status of business executions by Group companies.

(As of December 31, 2017)

Name	Nomination Committee	Compensation Committee	Information Disclosure Committee	Risk Management Committee	Corporate Strategy Board
<b>Directors</b>					
Naoki Izumiya	◎			○	○
Akiyoshi Koji	○			○	◎
Katsutoshi Takahashi		○	○	○	○
Yoshihide Okuda		○	○	◎	○
Noboru Kagami			○	○	○
Kenji Hamada			◎	○	○
Atsushi Katsuki			○	○	○
*Mariko Bando	○	○			
*Naoki Tanaka	○	◎			
*Tatsuro Kosaka					
<b>Audit &amp; Supervisory Board Members</b>					
Akira Muto				□	○
Tetsuo Tsunoda				□	○
*Katsutoshi Saito					
*Yumiko Waseda					
*Yutaka Kawakami					

Note: \* denotes Outside Directors / Audit & Supervisory Board Members

- ◎ denotes committee chairpersons
- denotes committee members
- denotes monitoring by attendance

### **3. Systems to Ensure Appropriate Execution of Directors' Duties in Conformity With Laws and Regulations and the Articles of Incorporation, and Other Systems to Ensure Appropriate Business Operations**

#### **Overview of the resolution regarding systems to ensure appropriate business operations**

The Board of Directors passed the following resolution with respect to the above-mentioned systems.

The Company has adopted the following corporate philosophy of the Asahi Group: "The Asahi Group aims to satisfy its customers with the highest levels of quality and integrity, while contributing to the promotion of healthy living and enrichment of society worldwide." To make these aims a reality, the Company shall:

- establish, in accordance with the Companies Act and the Enforcement Regulations of the Companies Act, the following basic policies (the "Basic Policies") to improve systems designed to ensure the appropriate execution of Directors' duties in conformity with laws and regulations and the Articles of Incorporation of the Company and its subsidiaries (herein this section the "Group Companies") and ensure the appropriate business operations of the Group Companies (herein this section the "Internal Control System");
- recognize that it is the Representative Director(s) who shall assume the ultimate responsibility for the improvement of the Internal Control System in accordance with this resolution and demand the Representative Director(s) to cause the Directors and Corporate Officers, through the respective departments and organizations they are in charge of, to develop and fully enforce individual internal regulations that will be applied to the Company and the entire Asahi Group and are required based on the Basic Policies; and
- take steps to maintain and enhance the effectiveness of the Internal Control System by reviewing the Basic Policies and relevant internal regulations that will be applied to the Company or the entire Asahi Group in a timely and appropriate manner in accordance with changes in conditions and circumstances.

#### **(1) System to ensure execution of duties by Directors and employees of the Company and the Group Companies in conformity with laws and regulations and the Articles of Incorporation of the Company and the Group Companies**

- 1) In accordance with a statement of "Fair and Transparent Corporate Ethics" as stipulated in "Asahi Group's Corporate Action Guidelines," the Company shall establish "Asahi Group Corporate Ethics Regulation" and "Asahi Group Corporate Ethics Guidelines" and procure its Directors, Audit & Supervisory Board Members and employees abide by these regulations.
- 2) In accordance with "Asahi Group Risk Management Regulations," the Company shall establish the "Risk Management Committee," which will oversee the compliance and risk management of the Asahi Group. One of the committee's members shall be an external attorney at law.
- 3) An officer of the Company in charge shall have authority over compliance and risk management within the Asahi Group. The sections in charge of general and legal affairs shall handle day-to-day compliance and risk management tasks.
- 4) The Company shall assign responsible persons in charge of compliance and risk management in the Company and the Group Companies. The responsible person shall make efforts to prioritize compliance in all aspects of business activities at each Group Company.
- 5) The Company shall establish a "Clean Line System" for employees of the Asahi Group, enabling them to blow the whistle on illicit behavior of others.
- 6) The Company shall establish "Asahi Group Procurement Regulations" addressing mutual cooperation for fair and equitable deals and social responsibilities between each Group Company and suppliers and a system that enables suppliers to blow a whistle on breaches of

the Policy as necessary. The Company shall inform and spell out these measures to its suppliers to enable the Company to develop an Internal Control System in cooperation with its suppliers.

- 7) To ensure antisocial forces do not exert any undue influence on the Group, all relevant information shall be shared within the Asahi Group and the Company shall establish an internal system on the measures. The Company shall also cooperate closely with industry bodies, local communities, the police and other external specialist organizations in this field.
- 8) The operational details of the aforementioned agencies and systems shall be spelled out under a separately prepared set of internal regulations that will be applied to the Company or the entire Asahi Group.

**(2) System to ensure the preservation and management of information related to execution of duties by Directors**

- 1) Information related to execution of duties by Directors shall be properly preserved and managed in accordance with “Document-Management Regulations” and other related internal regulations that will be applied to the Company or the entire Asahi Group.
- 2) The aforementioned information shall be preserved and managed in a way accessible by Directors and Audit & Supervisory Board Members for inspection at any time.
- 3) Control over the clerical tasks related to preservation and management of the aforementioned information shall be determined in accordance with internal regulations that will be applied to the Company or the entire Asahi Group.

**(3) Regulations and other organizational structures of the Asahi Group to manage risk of loss**

- 1) The Company shall develop and adopt “Asahi Group Risk Management Regulations” and shall affirm them as the highest standards governing risk management within the Asahi Group. It shall also establish a manual on the Regulations and disseminate the same among all over the Group.
- 2) In addition to having the appropriate sections manage risk in their respective areas, the “Risk Management Committee” shall perform comprehensive risk management across the entire Asahi Group. The “Risk Management Committee” shall periodically analyze and evaluate risks in accordance with the “Asahi Group Risk Management Regulations” and, when necessary, carry out comprehensive reviews of the risk management system. Utmost attention shall be paid to the risk of failing to maintain product quality. As a food and drink manufacturing group, the Asahi Group strongly recognizes their social responsibility to consumers to ensure the safety and security of their products.
- 3) In the event of any major accident, disaster or scandal, etc., the Company shall establish a “Crisis-Response Meeting” chaired by a Representative Director.

**(4) System to ensure efficient execution of duties by Directors of the Company and the Group Companies**

- 1) To ensure efficient performance of duties by Directors, the Board of Directors shall divide duties in a reasonable way to be delegated to respective Directors and shall appoint appropriate persons as Corporate Officers in charge of respective sections.
- 2) The Company shall establish “Regulation of Authority” and “Asahi Group’s Regulation of Authority” stipulating rules of delegation of power and for a mutual checks-and-balances mechanism among sections and among Group Companies.
- 3) The Company shall ensure the effective utilization of the “Corporate Strategy Board,” consisting of the Company’s internal Directors, Corporate Officers, and Standing Audit & Supervisory Board Members by formulating the Asahi Group’s corporate strategy and implementing progress management, etc.
- 4) To maximize operational efficiency, the Company shall utilize indices that provide an objective and rational way of measuring its management and control of operations; and it shall employ a unified system of follow-up and evaluation.

- 5) To use funds efficiently, a cash management system among the Company and the Group Companies is introduced.

**(5) System to ensure appropriate operations of the Asahi Group**

- 1) All systems required for the Internal Control, including those for compliance and risk management, shall apply comprehensively across the entire Asahi Group. As the holding company, the Company shall manage the said systems of the Group Companies while respecting their autonomy, and supporting the development and operation of the Internal Control System, in accordance with the conditions and circumstances with which individual companies are facing.
- 2) While cooperating with the internal auditing organs established within the Asahi Group, the section in charge of internal auditing in the Company shall get a grasp of and evaluate the Internal Control System and discipline in day-to-day tasks within the Asahi Group by directly and indirectly auditing the Group Companies, and this section shall also conduct the evaluation of internal control related to financial reporting of the Group Companies and submit the relevant reports.
- 3) Decision-making authority related to business activities of the Group Companies shall be subject to the document entitled “Asahi Group’s Regulation of Authority.”
- 4) Each of the Group Companies will provide reports at the “Corporate Strategy Board” one or more times each quarter on performance of its operations including risk-related information.

**(6) Securement of employees in the event that Audit & Supervisory Board Members request staff to assist in their auditing duties**

The “Audit & Supervisory Board” shall appoint staff to serve the Audit & Supervisory Board, for assistance in the activities of the Audit & Supervisory Board Members.

**(7) Independence of employees assigned to assist the Audit & Supervisory Board Members from the Directors and ensuring the effectiveness of instructions given to relevant staff**

- 1) When a member of the staff who serves the Audit & Supervisory Board, as stipulated in the previous paragraph, receives an order from an Audit & Supervisory Board Member in relation to auditing duties, he/she shall not be subject to directives or orders from Directors or other employees regarding that order.
- 2) Any issuance of orders to, personnel transfers of, merit evaluations of, or reprimands of a member of the staff who serves the Audit & Supervisory Board shall require the prior concurrence of Audit & Supervisory Board Members.

**(8) System for Directors’ and employees’ reporting to Audit & Supervisory Board Members**

- 1) Directors and employees shall report regularly to Audit & Supervisory Board Members on matters related to the Internal Control System, and shall report on an as-needed basis when a significant event occurs. When necessary, the Audit & Supervisory Board Members shall be entitled to request reports from the Directors and employees (including from Directors and employees of the Group Companies).
- 2) Directors shall ensure that Audit & Supervisory Board Members have every opportunity to participate in discussions of important bodies, etc. such as the Board of Directors meetings, the “Corporate Strategy Board” meetings and the “Risk Management Committee” meetings. Directors shall provide details of the agenda items of such meetings beforehand for Audit & Supervisory Board Members.
- 3) Audit & Supervisory Board Members shall at all times have the right to review the minutes of important meetings, documents of approval, etc.

**(9) System for reporting, by the Group Companies’ Directors, Corporate Auditors, employees or persons receiving reports, to the Company’s Audit & Supervisory Board Members**

- 1) The Group Companies’ Directors, Corporate Auditors, employees or persons receiving reports from them shall report regularly to the Company’s Audit & Supervisory Board Members on matters related to the Internal Control System and, shall report on an as-needed basis when a significant event occurs. When necessary, the Audit & Supervisory Board Members shall be entitled to request reports from the Directors and employees of the Group Companies.
- 2) The Company’s or the Group Companies’ sections in charge of internal auditing shall report the results of the Group Companies’ internal audits to the Audit & Supervisory Board Member of the Company without delay.
- 3) The whistle blowing contacts under the Clean Line System shall be the Company’s Audit & Supervisory Board Members, section in charge of general and legal affairs, or external attorneys at law designated by the Company (“external attorneys at law”), and the information reported to the Company’s section in charge of general and legal affairs or the external attorneys at law shall be reported to the Company’s Audit & Supervisory Board Members.
- 4) The Company prohibits any party from treating the whistle blower prescribed in the preceding item and this item in any manner disadvantageous to him/her on the ground of the whistle blow.

**(10) Policy on procedures for advance or reimburse expenses incurred in association with Audit & Supervisory Board Members’ execution of their duties, and treatment of other expenses or debts incurred in association with the execution of their duties**

To defray expenses incurred in association with the Audit & Supervisory Board Members’ execution of their duties, the Company shall secure a certain specific amount of budget and shall, in response to the request of the Audit & Supervisory Board or the Standing Audit & Supervisory Board Members concerned, advance or reimburse expenses or otherwise treat debts incurred in association with the Audit & Supervisory Board Members’ execution of their duties.

**(11) Other systems ensuring effective auditing by Audit & Supervisory Board Members**

To ensure the effectiveness of auditing activities, Directors shall ensure opportunities for Audit & Supervisory Board Members to exchange information and opinions regularly with members of the section in charge of internal auditing of the Company and with the Independent Accounting Auditor.

**Overview of operation of systems to ensure appropriate business operations**

**(1) Overall Internal Control System**

- 1) In order to develop and operate the Internal Control Systems of the Company and the Group Companies and effectively achieve the objectives of internal control, the section of the Company in charge of internal auditing cooperates with the internal auditing organs established within the Asahi Group in conducting audits to determine whether business operations are executed properly and efficiently in accordance with annual audit plans. During fiscal 2017, the Company and a total of 22 Group Companies were audited.
- 2) With respect to internal control over financial reporting, the evaluating organ established within the Asahi Group performs evaluation of the Group Companies’ internal control activities pursuant to the “Basic Regulations for the Evaluation and Reporting of Internal Control for Financial Reporting.”

## **(2) Compliance System**

- 1) The Company tries hard to keep its employees informed about the “Asahi Group Corporate Ethics Regulation” and the “Asahi Group Corporate Ethics Guidelines.”
- 2) The Company promotes awareness of compliance by putting managers responsible for compliance and risk management in place in the Company and the Group Companies and conducting education and training by job class.
- 3) The Company conducts multifaceted and multilayered surveys of compliance awareness and behavior by conducting a “Compliance Questionnaire” to the employees, etc. of the Company and the Group Companies. In fiscal 2017, the questionnaire results revealed that: “Compliance awareness remained at a high level.”

## **(3) Risk Management System**

- 1) The Company conducts cross-sectional risk management for the entire Asahi Group through the “Risk Management Committee” as the highest-ranking risk management deliberation/promotion organ. During fiscal 2017, the Committee met for a total of four times to conduct cross-sectional analyses and evaluations under the themes of “quality,” “compliance,” “governance,” “personnel/labor affairs,” “IT,” “finance/accounting,” etc. on the basis of the findings of periodic risk surveys conducted by sections concerned.
- 2) By keeping in place the “Clean Line System,” the Company detects and resolves risk problems early, and effectively prevents risk problems themselves from occurring.
- 3) The Company has a system in place to deal with any major accident, disaster, scandal, etc. by setting up a “Crisis-Response Meeting” chaired by the Representative Director.

## **(4) Business Management of Group Companies**

- 1) With respect to the Group Companies’ business management, the Company has put in place a system whereby, pursuant to the “Asahi Group’s Regulation of Authority,” the Group Companies’ business executions are subject to resolutions of the Company’s Board of Directors or decisions of an individual Director or the responsible persons of the responsible sections of the Company, depending on the degree of their importance.
- 2) Once a month, the “Corporate Strategy Board” receives reports from main Group Companies on the status of their business executions.

## **(5) Execution of Directors’ Duties**

In order to ascertain the efficiency of Directors’ duties, the Board of Directors conducts rational assignment sharing of services to be performed by Directors and Corporate Officers, and has each Director and Corporate Officer report on the status of his/her business execution once every three months.

## **(6) Execution of Audit & Supervisory Board Members’ Duties**

- 1) Audit & Supervisory Board Members attend meetings of the Board of Directors, the “Corporate Strategy Board,” the “Risk Management Committee” and other important organs, thereby confirming the status of development and operation of the Internal Control System.
- 2) Audit & Supervisory Board Members enhance the effectiveness of auditing by finding opportunities regularly or as needed for exchanging information and views with the section in charge of internal auditing, the Independent Accounting Auditors, etc. During fiscal 2017, Audit & Supervisory Board Members had opportunities to exchange information and views with the section in charge of internal auditing for a total of three times, with the Independent Accounting Auditors for a total of twelve times, and with an organ within the Asahi Group in charge of evaluations on internal control for financial reporting for a total of four times.
- 3) The Company ensures that Audit & Supervisory Board Members will be able to smoothly perform their duties by posting four dedicated employees to the Audit & Supervisory Board.

## **4. Basic Policy Concerning the Persons Who Control Decisions on the Company's Financial and Business Policy**

### **(1) Basic policy**

According to the Company's view, the persons who control decisions on its financial and business policy must properly grasp various matters concerning its business, including the initiatives to "create appealing products," to "care about quality and craftsmanship" and to "convey the sense of joy to customers," which form the source of the corporate value of the Asahi Group, and other tangible and intangible management resources thereof, potential effects of forward-looking measures and other items that constitute the corporate value, and must enable the Company to maintain and increase the Asahi Group's corporate value as well as the common interests of shareholders continuously and sustainably.

Upon facing a proposal of large-scale share purchases, the Company is not always in a position to automatically object to the purchases even if it is a so-called hostile takeover, which is pursued without approval from the Board of Directors, provided that such takeover contributes to the increase of the corporate value and the common interests of shareholders of the Company. Also, the Company recognizes that the final decision as to whether to accept a proposal for an acquisition of shares in the Company that would lead to a transfer of control of the Company should be made based on the will of the shareholders as a whole.

It shall be noted, however, that there are not a few cases of large-scale share purchases that would not contribute to the increase of the corporate value and the common interests of shareholders of a company, including ones that would, in light of their purposes, etc., cause obvious damage to the corporate value and the common interests of shareholders or could effectively coerce shareholders to sell their shares, ones that the purchaser does not provide information and/or time reasonably necessary for the target company's board of directors and shareholders to review and examine details of the proposed purchase or for the target company's board of directors to make an alternative proposal, and ones where the target company's board of directors would have to conduct negotiation with the purchaser so as to seek more favorable terms than those initially proposed by the purchaser.

The person who intends to conduct a large-scale purchase of shares in the Company must have an understanding of the source of the Asahi Group's corporate value and have the capability to maintain and enhance it in the medium- and long-term; otherwise, the Asahi Group's corporate value and the common interests of shareholders would be damaged.

The Company thus believes that it is necessary to protect the Asahi Group's corporate value, and in turn, the common interests of shareholders, from such large scale share purchases.

### **(2) Framework that contributes to realization of the basic policy**

#### **1) Special Measures Contributing to Realization of the Basic Policy**

In 2016, the Company updated its "Long-Term Vision 2020," which was formulated in 2013 to declare "Striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness, and innovation)," to the "Long-Term Vision" as the future image of business in the next ten years or so, by adding "Seek 'sustained corporate value enhancement' by pursuing satisfaction for all stakeholders." At the same time, the Company set the "Medium-Term Management Policy" for the realization of this Vision and put group-wide efforts in line with them. The details of the "Long-Term Vision" and the "Medium-Term Management Policy" are as described on pages 35 and 36.

The Company believes that it will be able to assure the flexibility of its corporate strategy by setting and carrying out such management policy and will be able to increase its sustained corporate value and ultimately secure common interests of its shareholders by setting such a policy as "Engagement Agenda" (agenda for constructive dialogs) and making dialogs with the stakeholders even more firm, and is striving to further strengthen its corporate governance. Please refer to pages 37 - 41 for an overview.



**2) Efforts to prevent decisions on the Company's financial and business policy from being controlled by any person who is inappropriate according to the basic policy**

The Company will take appropriate measures against any person who attempts to make a large-scale purchase in accordance with the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations such as requesting provision of necessary and sufficient information for shareholders to properly determine whether to approve or disapprove the large-scale purchase, disclosing the opinions, etc. of the Board of Directors of the Company and endeavoring to secure enough time for shareholders to contemplate the large-scale purchase.

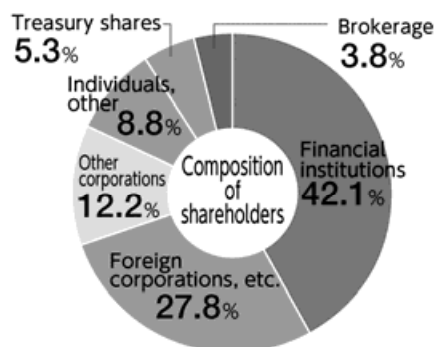
**(3) Judgment of the Company's Board of Directors regarding the specific measures and reasons therefor**

The measures described above in 1) of (2) conform to the basic policy of the Company as described above (1), are fully compatible with the corporate value and the common interests of shareholders of the Asahi Group including the Company, and are never implemented for the purpose of maintaining the status of Directors and Audit & Supervisory Board Members of the Company.

## 5. Overview of the Company

### (1) Shares Outstanding (As of December 31, 2017)

- |                                      |                                                                   |
|--------------------------------------|-------------------------------------------------------------------|
| 1) Total number of authorized shares | 972,305,309<br>(common stock)                                     |
| 2) Total number of issued shares     | 483,585,862<br>(including 25,461,769 treasury shares)             |
| 3) Total number of shareholders      | 98,099<br>(Decreased by 16,918 from the end of the previous term) |



Shareholder classification	Number of shares held (in hundreds)	Number of shareholders
Financial institutions	2,034,964	154
Foreign corporations, etc.	1,345,640	807
Other corporations	588,485	1,799
Individuals, other	425,730	95,297
Treasury shares	254,617	1
Brokerage	186,409	40
Government and local public bodies	10	1

### 4) Major shareholders

Name of shareholder	Number of shares held (in hundreds)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	379,566	8.3
Japan Trustee Services Bank, Ltd. (Trust Account)	247,881	5.4
The Dai-ichi Life Insurance Company, Limited	163,833	3.6
Fukoku Mutual Life Insurance Company	155,000	3.4
Asahi Kasei Corporation	117,853	2.6
Sumitomo Mitsui Banking Corporation	90,280	2.0
Sumitomo Mitsui Trust Bank, Limited	81,260	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	80,156	1.7
STATE STREET BANK WEST CLIENT – TREATY 505234	73,667	1.6
JPMorgan Securities Japan Co., Ltd.	69,917	1.5
<b>Total</b>	<b>1,459,413</b>	<b>31.9</b>

#### Notes:

- The Company holds treasury shares numbering 254,617 hundred shares. However, the Company is excluded from the above list of major shareholders.
- Shareholding percentages are calculated based on the total number of issued shares less the number of treasury shares.

## (2) Directors and Audit & Supervisory Board Members of the Company

### 1) Directors and Audit & Supervisory Board Members

(As of December 31, 2017)

Name	Position	Areas of responsibility and significant concurrent positions
Naoki Izumiya	Chairman and Representative Director CEO	Overall Management
Akiyoshi Koji	President and Representative Director COO	Overall Management
Katsutoshi Takahashi	Senior Managing Director Senior Managing Corporate Officer	Procurement, Production, Logistics Soft Drinks Business
Yoshihide Okuda	Senior Managing Director Senior Managing Corporate Officer	Audit, General & Legal Affairs Management, Human Resources, Information Technology Alcoholic Beverages Business
Noboru Kagami	Director Corporate Officer	Corporate Social Responsibility, Research & Development, Quality Assurance Foods Business
Kenji Hamada	Director Corporate Officer (CFO)	Corporate Strategy, Public Relations, Investor Relations, Finance, International Business International Operations (Southeast Asia Beverage Business)
Atsushi Katsuki	Director Corporate Officer	Business Development, International Business International Operations (Oceania)
Mariko Bando	Outside Director	Chancellor of Educational Corporation Showa Women's University Chairperson of the Board of Showa Women's University Supervisory Committee member of The Norinchukin Bank Outside Director of MS&AD Insurance Group Holdings, Inc.
Naoki Tanaka	Outside Director	President of Center for International Public Policy Studies
Tatsuro Kosaka	Outside Director	Representative Director, President of Chugai Pharmaceutical Co., Ltd.
Akira Muto	Standing Audit & Supervisory Board Member	
Tetsuo Tsunoda	Standing Audit & Supervisory Board Member	
Katsutoshi Saito	Outside Audit & Supervisory Board Member	Advisor of The Dai-ichi Life Insurance Company, Limited Outside Director of Imperial Hotel, Ltd. Outside Corporate Auditor of Tokyu Corporation
Yumiko Waseda	Outside Audit & Supervisory Board Member	Partner and Attorney at Law of Tokyo Roppongi Law & Patent Offices Outside Audit & Supervisory Board Member of Kao Corporation
Yutaka Kawakami	Outside Audit & Supervisory Board Member	Supervisory Director of Nippon Building Fund Inc.

Notes:

1. Directors Mariko Bando, Naoki Tanaka and Tatsuro Kosaka are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
2. Audit & Supervisory Board Members Katsutoshi Saito, Yumiko Waseda and Yutaka Kawakami are Outside Audit & Supervisory Board Members as defined in Item 16, Article 2 of the Companies Act.
3. The Company designated Outside Directors Mariko Bando, Naoki Tanaka and Tatsuro Kosaka and Outside Audit & Supervisory Board Members Katsutoshi Saito, Yumiko Waseda and Yutaka Kawakami as Independent Directors/Auditors as defined by the Tokyo Stock Exchange and reported to the said exchange.
4. Although the Asahi Group has business transactions with the respective groups of MS&AD Insurance Group Holdings, Inc., The Dai-ichi Life Insurance Company, Limited, Imperial Hotel, Ltd., Tokyu Corporation, Kao Corporation and Nippon Building Fund Inc., as the transaction value for each is minimal, less than 1% of consolidated revenue (or consolidated net sales) for the Company and the respective companies, there is no special business relationship that could have impact on the Company's management.
5. Although the Asahi Group has business transactions such as cash loans for consumption with The Norinchukin Bank, the amount of these loans is minimal, less than 2% of consolidated total assets of the Company, and there is no special business relationship that could have impact on the Company's management.
6. Audit & Supervisory Board Member Akira Muto was formerly General Manager of Finance Department of the Group and has considerable expertise in finance and accounting.
7. Audit & Supervisory Board Member Yutaka Kawakami has long experience as a certified public accountant; he has considerable expertise in finance and accounting.
8. Director Ryoichi Kitagawa and Audit & Supervisory Board Member Tadashi Ishizaki retired upon the expiry of their terms of office at the conclusion of the 93<sup>rd</sup> Annual General Meeting of Shareholders held on March 28, 2017. Also, Atsushi Katsuki was newly elected as a Director, Yutaka Kawakami was newly elected as an Audit & Supervisory Board Member, and they all assumed their offices at the same meeting.
9. In addition to the above, the retirement from significant concurrent positions by Directors or Audit & Supervisory Board Members during this year are detailed below.

Name	Position	Significant concurrent positions upon retirement	Date of retirement
Yoshihide Okuda	Senior Managing Director Senior Managing Corporate Officer	President and Representative Director of Asahi Professional Management Co., Ltd.	March 16, 2017
Katsutoshi Saito	Outside Audit & Supervisory Board Member	Representative Director and Chairman of Dai-ichi Life Holdings, Inc. Representative Director and Chairman of The Dai-ichi Life Insurance Company, Limited	March 31, 2017

## **2) Policies concerning the setting of remunerations paid to Directors and Audit & Supervisory Board Members**

It is the basic policy for Directors' and Audit & Supervisory Board Members' remunerations of the Company to ensure that its remunerations are conducive to acquiring superior human resources, suitable for the magnitude of their roles and the scope of their responsibilities for each executive position, motivational for the Company's corporate value enhancement and sustainable growth; and that transparency and objectivity will be assured with respect to the remuneration-setting procedures.

Based on the foregoing policy, Directors' remunerations are set in line with a resolution at a meeting of the Board of Directors, and Audit & Supervisory Board Members' remunerations are set by discussion by the Audit & Supervisory Board Members within the total amount of remunerations resolved in advance at a General Meeting of Shareholders. When remuneration-related resolutions are being made by the Board of Directors, the Compensation Committee, having Outside Directors making up half of its membership and Outside Director being appointed as its chairperson, acts as an advisory body to the Board of Directors, evaluating the content of said resolutions in the interests of greater transparency and objectivity.

### **A Directors' remunerations**

Remunerations for a Director consist of basic remuneration (monthly and fixed), bonuses (annual and short-term performance-linked) and performance-linked stock compensation (long-term performance-linked), forming a scheme giving consideration to motivation for sustained enhancement of corporate performance and value. The level of each item is set according to his/her job responsibilities and status distinction between internal and outside and by drawing on outside expert organs' survey data.

Basic remuneration is determined on the basis of one's position and magnitude of the role, and bonuses are determined using profit attributable to owners of parent as a benchmark in proportion to the level of achievement of targets, which are set at the beginning of each fiscal year. For performance-linked stock compensation, points are granted according to the level of achievement of targets in terms of "basic earnings per share," one of the performance benchmarks set in the "Medium-Term Management Policy," and the Company shares in the number equivalent to the cumulative number of these points will be delivered at the time of their retirement for the purpose of offering appropriate incentives.

The bonuses and performance-linked stock compensation shall only be paid to internal Directors.

### **B Audit & Supervisory Board Members' remunerations**

Remunerations for an Audit & Supervisory Board Member consist only of basic remuneration (monthly and fixed), and the level of such basic remunerations is set subject to a mutual consultation of Audit & Supervisory Board Members according to his/her job responsibilities and status distinction between internal and outside and by drawing on outside expert organs' survey data.

### 3) Remunerations paid to Directors and Audit & Supervisory Board Members

Category	Basic remuneration		Bonus		Total amount (yen)
	Number of persons remunerated	Total amount paid (yen)	Number of persons remunerated	Total amount paid (yen)	
Directors [of which, Outside Directors]	11 [3]	379,290,000 [46,950,000]	8 [-]	234,200,000 [-]	613,490,000 [46,950,000]
Audit & Supervisory Board Member [of which, Outside Audit & Supervisory Board Members]	6 [4]	106,920,000 [36,900,000]	- [-]	- [-]	106,920,000 [36,900,000]

Notes:

- The figures above include Director Ryoichi Kitagawa and Audit & Supervisory Board Member Tadashi Ishizaki, who retired upon the expiry of their terms of office at the conclusion of the 93<sup>rd</sup> Annual General Meeting of Shareholders held on March 28, 2017.
- A resolution authorizing payments associated with the termination of the retirement bonus system to be paid at the time of retirement was passed at the 83<sup>rd</sup> Annual General Meeting of Shareholders held on March 27, 2007. As of the end of this fiscal year, the anticipated total amount of future payments was as follows:  
¥19,000,000 to one Director
- The total amount of Directors' remunerations is ¥760 million (including ¥50 million for Outside Directors) per year.  
(The resolution passed at the 83<sup>rd</sup> Annual General Meeting of Shareholders held on March 27, 2007)
- The total amount of Audit & Supervisory Board Members' remunerations is ¥120 million (including ¥40 million for Outside Audit & Supervisory Board Members) per year.  
(The resolution passed at the 83<sup>rd</sup> Annual General Meeting of Shareholders held on March 27, 2007)
- Other than those listed above, in accordance with the resolution passed at the 92<sup>nd</sup> Annual General Meeting of Shareholders held on March 24, 2016, the Company will pay performance-linked stock compensation to Directors (excluding Outside Directors) who were elected during the period of the Trust and took office and for whom the Company contributed up to ¥220,000,000 during the period of the Trust (3 years). The Company may grant up to a total of 21,000 shares of the Company per fiscal year to all eligible Directors.

#### 4) Major activities of Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Attended Board of Directors meetings	Attended Audit & Supervisory Board meetings	Form of participation
Outside Directors	Mariko Bando	12/13	–	Mariko Bando participated in discussions as necessary, primarily from the perspective of her wealth of experience as an educator and diversity promotion.
	Naoki Tanaka	12/13	–	Naoki Tanaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as an expert in economic policy.
	Tatsuro Kosaka	13/13	–	Tatsuro Kosaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
Outside Audit & Supervisory Board Members	Katsutoshi Saito	13/13	7/7	Katsutoshi Saito participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
	Yumiko Waseda	13/13	7/7	Yumiko Waseda participated in discussions as necessary, primarily from her expert perspective as an attorney at law.
	Yutaka Kawakami	10/10	5/5	Yutaka Kawakami participated in discussions as necessary, primarily from his expert perspective as a certified public accountant.

Note: As Audit & Supervisory Board Member Yutaka Kawakami was newly elected at the 93<sup>rd</sup> Annual General Meeting of Shareholders held on March 28, 2017, the above number of Board of Directors meetings and Audit & Supervisory Board meetings held that he could attend is different from other Directors/Audit & Supervisory Board Members.

#### 5) Summary of agreements limiting liability

The Company has entered into an agreement with its Outside Directors and Outside Audit & Supervisory Board Members limiting his/her liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act, to either ¥20,000,000 or the minimum amount stipulated by applicable laws and regulations, whichever is higher.

### **(3) Independent Accounting Auditor**

#### **1) Name of the Independent Accounting Auditor**

KPMG AZSA LLC

#### **2) Remunerations paid to the Independent Accounting Auditor for this fiscal year**

Category	Amount payable
Remunerations paid for this fiscal year	¥262 million
Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor	¥826 million

Notes:

1. In its agreement with the Independent Accounting Auditor, the Company makes no distinction between the remunerations that it pays for auditing services governed by the Companies Act and for auditing services governed by the Financial Instruments and Exchange Act. Consequently, the amount ¥262 million shown above is a sum of these two amounts.
2. Having performed the necessary verifications on the contents of the Independent Accounting Auditor's audit plan, evaluation and analysis of the audits actually conducted during the previous fiscal year, status of execution of accounting audit duties, and reasonableness of the basis for calculation of remuneration, the Audit & Supervisory Board has consented to the amount of remunerations for the Independent Accounting Auditor.

#### **3) Nature of non-audit professional services provided by the Independent Accounting Auditor**

The Company also assigns professional duties to the Independent Accounting Auditor that are not statutory auditing duties as stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Law. These non-audit services include financial/tax due diligence services.

#### **4) Company Policy regarding dismissal of or decision not to reappoint the Independent Accounting Auditor**

If the Independent Accounting Auditor is found to correspond to any of the items prescribed in Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Board shall be entitled to dismiss the Independent Accounting Auditor subject to the consent of all Audit & Supervisory Board Members, in which case the Audit & Supervisory Board Member appointed by the Audit & Supervisory Board reports on the fact that said Independent Accounting Auditor has been dismissed and the reason for dismissal, at the first General Meeting of Shareholders held after such dismissal. When it is reasonably recognized that the Independent Accounting Auditor is no longer able to execute its duties in an appropriate manner, the Audit & Supervisory Board shall determine the contents of a proposal for dismissing or not re-appointing said Independent Accounting Auditor to be submitted to the General Meeting of Shareholders. On the basis of this determination by the Audit & Supervisory Board, the Board of Directors shall offer to the General Meeting of Shareholders a resolution to dismiss or not to reappoint the Independent Accounting Auditor.

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Note: The stated amounts in the Business Report are the figures after truncating fractions less than the representative unit, and the stated percentages are the figures after rounding off fractions to the representative unit.



**CONSOLIDATED FINANCIAL STATEMENTS (IFRS)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(million yen)

	As of December 31, 2017	As of December 31, 2016 [Reference]
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	58,054	48,459
Trade and other receivables	433,436	397,340
Inventories	155,938	136,460
Income tax receivables	12,354	14,161
Other financial assets	6,896	3,428
Other current assets	27,104	31,934
Subtotal	693,785	631,784
Assets held for sale	118,641	3,241
<b>Total current assets</b>	<b>812,426</b>	<b>635,026</b>
<b>Non-current assets:</b>		
Property, plant and equipment	717,914	570,771
Goodwill and intangible assets	1,538,679	499,489
Investments accounted for using equity method	4,846	141,398
Other financial assets	219,142	198,586
Deferred tax assets	11,388	18,825
Net defined benefit assets	26,055	18,942
Other non-current assets	16,368	11,293
<b>Total non-current assets</b>	<b>2,534,396</b>	<b>1,459,305</b>
<b>Total assets</b>	<b>3,346,822</b>	<b>2,094,332</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(million yen)

	As of December 31, 2017	As of December 31, 2016 [Reference]
<b>LIABILITIES and EQUITY</b>		
<b>Current liabilities:</b>		
Trade and other payables	433,582	332,639
Bonds and borrowings	359,722	281,870
Income tax payables	51,856	34,957
Provisions	15,451	4,870
Other financial liabilities	29,224	26,352
Other current liabilities	144,355	137,957
Subtotal	1,034,191	818,649
Liabilities directly related to assets held for sale	17,965	907
<b>Total current liabilities</b>	<b>1,052,157</b>	<b>819,556</b>
<b>Non-current liabilities:</b>		
Bonds and borrowings	902,203	288,490
Net defined benefit liabilities	25,488	25,789
Deferred tax liabilities	156,780	57,252
Other financial liabilities	52,997	54,127
Other non-current liabilities	4,446	3,009
<b>Total non-current liabilities</b>	<b>1,141,917</b>	<b>428,670</b>
<b>Total liabilities</b>	<b>2,194,074</b>	<b>1,248,226</b>
<b>EQUITY</b>		
Issued capital	182,531	182,531
Share premium	119,051	118,668
Retained earnings	713,146	589,935
Treasury shares	(76,747)	(76,709)
Other components of equity	210,592	21,927
Other components of equity related to disposal groups held for sale	(3,440)	-
Total equity attributable to owners of parent	1,145,135	836,354
Non-controlling interests	7,612	9,750
<b>Total equity</b>	<b>1,152,748</b>	<b>846,105</b>
<b>Total liabilities and equity</b>	<b>3,346,822</b>	<b>2,094,332</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(million yen)

	For the year ended December 31, 2017	For the year ended December 31, 2016 [Reference]
<b>Revenue</b>	<b>2,084,877</b>	<b>1,706,901</b>
Cost of sales	(1,295,399)	(1,098,173)
<b>Gross profit</b>	<b>789,477</b>	<b>608,728</b>
Selling, general and administrative expenses	(593,108)	(460,241)
Other operating income	12,530	8,004
Other operating expense	(25,706)	(19,600)
<b>Operating profit</b>	<b>183,192</b>	<b>136,889</b>
Finance income	5,206	3,106
Finance costs	(10,368)	(4,066)
Share of profit (loss) of entities accounted for using equity method	1,055	1,974
Gain on sales of investments accounted for using equity method	17,898	12,163
<b>Profit before tax</b>	<b>196,984</b>	<b>150,068</b>
Income tax expense	(58,135)	(62,952)
<b>Profit</b>	<b>138,848</b>	<b>87,115</b>
<b>Profit, attributable to:</b>		
Owners of parent	141,003	89,221
Non-controlling interests	(2,155)	(2,105)
Total	138,848	87,115

**[Reference] CONSOLIDATED STATEMENT OF CASH FLOWS (Summary)**

(million yen)

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	196,984	150,068
Depreciation and amortization expenses	101,813	71,131
Proceeds from sales of investments accounted for using equity method	(17,898)	(12,163)
Decrease (increase) in trade receivables	(11,536)	(9,821)
Decrease (increase) in inventories	(4,752)	(607)
Increase (decrease) in trade payables	7,490	6,369
Increase (decrease) in accrued alcohol tax	(3,834)	497
Increase (decrease) in net defined benefit assets and liabilities	1,358	(2,096)
Other	40,055	1,340
Subtotal	309,680	204,718
Interest and dividends received	5,839	5,546
Interest paid	(5,601)	(3,658)
Income taxes paid	(78,205)	(52,153)
<b>Net cash flows from operating activities</b>	<b>231,712</b>	<b>154,452</b>
<b>Cash flows from (used in) investing activities:</b>		
Purchase of property, plant and equipment	(87,883)	(58,148)
Purchase of investment securities	(1,430)	(2,286)
Proceeds from sales of investment securities	11,939	30,870
Proceeds from sales of investments accounted for using equity method	68,972	36,440
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	(891,555)	(290,893)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	15,318	-
Other	(1,184)	15,510
<b>Net cash used in investing activities</b>	<b>(885,823)</b>	<b>(268,507)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in financial liabilities	690,607	146,272
Purchase of treasury shares	(38)	(21)
Dividends paid	(26,571)	(23,817)
Purchase of shares of subsidiaries and others not resulting in change in scope of consolidation	(39)	(2,773)
Other	(2,075)	(106)
<b>Net cash flows from financing activities</b>	<b>661,882</b>	<b>119,554</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,111</b>	<b>642</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,883</b>	<b>6,141</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>48,459</b>	<b>43,290</b>
<b>Cash and cash equivalents transferred to assets held for sale</b>	<b>(288)</b>	<b>(972)</b>
<b>Cash and cash equivalents at end of period</b>	<b>58,054</b>	<b>48,459</b>

**NON-CONSOLIDATED FINANCIAL STATEMENTS (Japanese GAAP)**  
**NON-CONSOLIDATED BALANCE SHEETS**

(million yen)

	As of December 31, 2017	As of December 31, 2016 [Reference]
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	21,212	20,606
Short-term loans receivable	210,421	207,890
Prepaid expenses	1,362	903
Deferred tax assets	808	832
Income tax receivables	9,697	11,767
Other	12,211	11,478
Allowance for doubtful accounts	(1,740)	(1,866)
<b>Total current assets</b>	<b>253,973</b>	<b>251,614</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings	15,466	15,393
Structures	423	369
Machinery and equipment	323	374
Vehicles	0	0
Tools, furniture and fixtures	1,026	974
Land	15,037	15,037
Leased assets	540	578
Construction in progress	89	106
<b>Total property, plant and equipment</b>	<b>32,907</b>	<b>32,833</b>
<b>Intangible assets:</b>		
Right of using facilities	39	39
Trademarks	10,893	11,857
Software	10,321	11,498
Leased assets	167	237
Other	6	8
<b>Total intangible assets</b>	<b>21,428</b>	<b>23,641</b>
<b>Investments and other assets:</b>		
Investment securities	22,048	30,100
Shares of subsidiaries and associates	1,595,648	753,723
Investments in capital of subsidiaries and associates	4,519	5,822
Long-term loans receivable from subsidiaries and associates	1,114	450
Deferred tax assets	19,695	9,654
Other	2,137	1,590
Allowance for doubtful accounts	(181)	(223)
<b>Total investments and other assets</b>	<b>1,644,982</b>	<b>801,118</b>
<b>Total non-current assets</b>	<b>1,699,318</b>	<b>857,593</b>
<b>Total assets</b>	<b>1,953,291</b>	<b>1,109,207</b>

## NON-CONSOLIDATED BALANCE SHEETS

(million yen)

	As of December 31, 2017	As of December 31, 2016 [Reference]
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Short term loans payable	228,075	228,500
Commercial papers	143,000	10,000
Current portion of bonds	20,000	18,000
Lease obligations	284	307
Accounts payable - other	767	1,001
Accrued expenses	5,500	4,148
Deposits received	90,835	42,989
Provision for bonuses	197	119
Provision for directors' bonuses	293	119
Other	303	1,003
<b>Total current liabilities</b>	<b>489,257</b>	<b>306,188</b>
<b>Non-current liabilities:</b>		
Bonds payable	516,604	100,000
Long term loans payable	380,282	173,000
Lease obligations	479	569
Other	1,206	1,332
<b>Total non-current liabilities</b>	<b>898,572</b>	<b>274,902</b>
<b>Total liabilities</b>	<b>1,387,830</b>	<b>581,090</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
<b>Issued capital</b>	<b>182,531</b>	<b>182,531</b>
<b>Capital surplus</b>	<b>151,683</b>	<b>151,683</b>
Legal capital surplus	130,292	130,292
Other capital surplus	21,390	21,390
<b>Retained earnings</b>	<b>301,450</b>	<b>262,045</b>
Other retained earnings	301,450	262,045
General reserve	195,000	195,000
Retained earnings brought forward	106,450	67,045
<b>Treasury shares</b>	<b>(76,747)</b>	<b>(76,709)</b>
<b>Total shareholders' equity</b>	<b>558,917</b>	<b>519,550</b>
<b>Valuation and translation adjustments:</b>		
<b>Valuation difference on available-for-sale securities</b>	<b>7,175</b>	<b>8,923</b>
<b>Deferred gains or losses on hedges</b>	<b>(631)</b>	<b>(356)</b>
<b>Total valuation and translation adjustments</b>	<b>6,543</b>	<b>8,566</b>
<b>Total net assets</b>	<b>565,460</b>	<b>528,117</b>
<b>Total liabilities and net assets</b>	<b>1,953,291</b>	<b>1,109,207</b>

## NON-CONSOLIDATED STATEMENT OF INCOME

(million yen)

	For the year ended December 31, 2017	For the year ended December 31, 2016 [Reference]
<b>Operating revenue</b>	<b>136,389</b>	<b>56,851</b>
Operating income of the Group	33,318	33,306
Rent income of real estate	1,529	1,469
Dividends from subsidiaries and associates	101,541	22,074
<b>Operating expenses</b>	<b>31,682</b>	<b>30,388</b>
<b>Operating income</b>	<b>104,706</b>	<b>26,462</b>
<b>Non-operating income</b>	<b>1,417</b>	<b>1,765</b>
Interest and dividend income	1,177	1,637
Reversal of allowance for doubtful accounts	130	72
Other	109	55
<b>Non-operating expenses</b>	<b>5,693</b>	<b>1,597</b>
Interest expenses	3,528	1,334
Bond issuance cost	1,902	-
Other	262	263
<b>Ordinary income</b>	<b>100,430</b>	<b>26,630</b>
<b>Extraordinary income</b>	<b>13,477</b>	<b>8,825</b>
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	5,003	8,825
Gain on sales of shares of subsidiaries and associates	8,473	-
<b>Extraordinary losses</b>	<b>47,761</b>	<b>1,542</b>
Loss on sales and disposals of non-current assets	1,228	470
Loss on sales of investment securities	136	0
Loss on valuation of investment securities	-	42
Loss on sales of shares of subsidiaries and associates	94	-
Loss on valuation of shares of subsidiaries and associates	46,105	1,029
Other	195	0
<b>Profit before income taxes</b>	<b>66,146</b>	<b>33,913</b>
<b>Income taxes - current</b>	<b>9,465</b>	<b>10</b>
<b>Income taxes for prior periods</b>	<b>-</b>	<b>(3,186)</b>
<b>Income taxes - deferred</b>	<b>(9,295)</b>	<b>(828)</b>
<b>Profit</b>	<b>65,975</b>	<b>37,917</b>

# AUDIT REPORTS

## Independent accounting auditor's report on consolidated financial statements

### Independent Auditor's Report

February 9, 2018

The Board of Directors  
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

Hiroyuki Takanami (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroataka Tanaka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Kei Sakayori (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of ASAHI GROUP HOLDINGS, LTD. as at December 31, 2017, and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 444-4 of the Companies Act.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the



effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position, and the results of operations of ASAHI GROUP HOLDINGS, LTD. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Independent accounting auditor's report on non-consolidated financial statements**

### **Independent Auditor's Report**

February 9, 2018

The Board of Directors  
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

Hiroyuki Takanami (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroataka Tanaka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Kei Sakayori (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of ASAHI GROUP HOLDINGS, LTD. as at December 31, 2017 and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

#### **Management's Responsibility for the non-consolidated Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the non-consolidated financial position and the results of operations of ASAHI GROUP HOLDINGS, LTD. for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **REPORT OF THE AUDIT & SUPERVISORY BOARD**

### **Audit Report**

The Audit & Supervisory Board has prepared the following report based on the audit reports prepared by individual Audit & Supervisory Board Members related to the Directors' execution of their duties during the 94<sup>th</sup> fiscal year, the period from January 1, 2017 to December 31, 2017, after due discussions and consultations among the Audit & Supervisory Board Members.

#### **1. Methods used in audits by the individual Audit & Supervisory Board Members and by the Audit & Supervisory Board and content of audits**

- (1) The Audit & Supervisory Board determined the audit policies and division of duties, and received reports from each Audit & Supervisory Board Member regarding the status and results of the audits, as well as reports from the Directors and Independent Accounting Auditor on the execution of their duties, and requested explanations of those reports when necessary.
- (2) Each Audit & Supervisory Board Member, in accordance with the audit policies, division of duties, etc. based on the audit standards established by the Audit & Supervisory Board, sought to achieve mutual understanding with the Directors, the section in charge of internal audit and other employees, strove to collect information and create an audit environment, attended meetings of the Board of Directors and other important meetings, received reports from Directors, other employees, etc. regarding the execution of their duties and requested explanations when necessary, reviewed documents related to important decisions, and inspected the operations and property of the head office and other locations. With respect to "systems to ensure appropriate execution of Directors' duties in conformity with laws and regulations and the Articles of Incorporation and other systems to ensure appropriate business operations, which is included in the Business Report (internal control systems)" (Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act), the Audit & Supervisory Board received reports regularly from Directors and other employees regarding the status of the establishment and implementation of the systems, sought additional explanations as necessary, and expressed opinions thereon. The Audit & Supervisory Board Members' "basic policy concerning the persons who control decisions on the Company's financial and business policies" (Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act) included in the Business Report, based on discussions of the Board of Directors and other parties. With respect to subsidiaries, the Audit & Supervisory Board Members took steps to facilitate communications and exchange information with the Directors and Corporate Auditors of subsidiaries and, when necessary, received reports from subsidiaries on the status of their businesses. Using the foregoing methods, the Audit & Supervisory Board Members reviewed the Business Report and the supplementary schedules for this fiscal year.
- (3) The Audit & Supervisory Board oversaw and verified that the Independent Accounting Auditor maintained its independence and carried out appropriate audits, moreover, and received reports from the Independent Accounting Auditor regarding the execution of its duties and requested explanations when necessary. The Audit & Supervisory Board also received notifications from the Independent Accounting Auditor to the effect that "a system for the maintenance of appropriate execution of duties" (included in Article 131 of the Ordinance of Companies Accounting) in accordance with the "standards for quality control of audits" (Business Accounting Council; October 28, 2005), etc., and requested explanations when necessary. Based on the above activities, the Audit & Supervisory Board examined the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements), the supplementary schedules, and the consolidated financial statements (Consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements) for this fiscal year.

## 2. Results of the Audit

### (1) Results of audit of the Business Report, etc.

- In our opinion, the Business Report and the supplementary schedules present the situation of the Company fairly, in compliance with the provisions of applicable laws and regulations and the Articles of Incorporation.
- In our opinion, there are no wrongful acts or material violations of applicable laws and regulations or the Articles of Incorporation in the execution of their duties by the Directors.
- In our opinion, the content of the resolution by the Board of Directors regarding internal control systems is appropriate, and, furthermore, content of the Business Report regarding the internal control systems and the execution by the Directors have been appropriate.
- In our opinion, the Company's basic policy concerning the persons who control decisions on the Company's financial and business policies in the Business Report is appropriate. We acknowledge that the measures implemented to achieve this basic policy are consistent with the basic policy, will not harm the common interest of the Company's shareholders, and will not serve the purpose of maintaining the positions of the Company's Directors and Audit & Supervisory Board Members.

### (2) Results of the audit of non-consolidated financial statements and the supplementary schedules

In our opinion, the auditing methods used by KPMG AZSA LLC, the Independent Accounting Auditor, and the results of its audit are appropriate.

### (3) Results of the audit of consolidated financial statements

In our opinion, the auditing methods used by KPMG AZSA LLC, the Independent Accounting Auditor, and the results of its audit are appropriate.

February 13, 2018

Audit & Supervisory Board  
Asahi Group Holdings, Ltd.

Akira Muto (Seal)  
Standing Audit & Supervisory Board Member

Tetsuo Tsunoda (Seal)  
Standing Audit & Supervisory Board Member

Katsutoshi Saito (Seal)  
Outside Audit & Supervisory Board Member

Yumiko Waseda (Seal)  
Outside Audit & Supervisory Board Member

Yutaka Kawakami (Seal)  
Outside Audit & Supervisory Board Member

# Asahi

