

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.

ASAHI GROUP HOLDINGS, LTD.

(Securities Code: 2502)

March 4, 2014

Dear Shareholders:

**CONVOCATION NOTICE OF
THE 90th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the Annual General Meeting of Shareholders of Asahi Group Holdings, Ltd. (the “Company”), which will be held as described in the Particulars below.
If you can attend the meeting, please submit the enclosed voting form directly at the meeting.

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 ANNUAL GENERAL MEETING OF SHAREHOLDERS”, and exercise your voting rights no later than 5:30 p.m., March 25 (Tuesday), 2014 (JST) by following the “Guide to Exercising Voting Rights” on page 3.

Sincerely,

Naoki Izumiya,
President and Representative Director
ASAHI GROUP HOLDINGS, LTD.
23-1, Azumabashi 1-chome, Sumida-ku, Tokyo

PARTICULARS

1. DATE AND TIME

March 26 (Wednesday), 2014, at 1:00 p.m. (JST)

2. PLACE

Banquet Room “Tsuru”, Main Banquet Floor 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 Board of Auditors for the 90th term, from January 1, 2013 to December 31, 2013.

Items to Be Resolved:

- Item 1:** Appropriation of surplus
- Item 2:** Election of nine (9) Directors
- Item 3:** Election of one (1) Corporate Auditor

On the day of the meeting, please submit the voting form at the reception desk. 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. (The reception desk will open at 11:30 a.m.)

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.

Corrections to Reference Materials for Annual General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements, if any, will be posted on the Company's website (*).

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

Guide to Exercising Voting Rights

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

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

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 right by either method.

Attending the General Meeting of Shareholders in person

Please submit the voting form at the reception desk at the venue.

Not attending the General Meeting of Shareholders in person

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 5:30 p.m., March 25 (Tuesday), 2014 (JST).

* If you submit a voting form without indicating your consent/dissent with respect to each item, you will be deemed to have voted *in favor* of the Company's proposal(s).

Voting via Internet

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

* If your smartphone or cellular phone is equipped with a barcode reader, you may use the two-dimensional code at right 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.



(1) Accessing the voting website

Online voting is available only by accessing the website noted above. This website may be accessed from a computer, smartphone or cellular phone. (Please note that the connection fees with the Internet service providers and communication fees, such as telephone bills, should be borne by the shareholders when using the online voting website.)

(2) Entering your “voting code” and “password”

Enter the “voting code” and “password” indicated on the voting form. Then indicate your consent/dissent concerning each item by following the instructions displayed on the screen.

Please note that shareholders who received the Notice of the Annual General Meeting of Shareholders for the fiscal year under review 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.

Follow the instructions on the screen to cast your vote.

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: <http://www.web5106.net>

Deadline for Exercising Voting Rights via the Internet
No later than 5:30 p.m., March 25 (Tuesday), 2014 (JST)
(Day before the Annual General Meeting of Shareholders)

- Q. What will happen if I exercise my voting right not only via postal mail but also via the Internet?
- A. If you exercise your voting right in duplicate (i.e., voting online as well as voting by using the voting form), only the online vote will be counted.
- Q. I can exercise my voting right online more than once. Will all my voting attempts be considered valid?
- A. If you exercise your voting right online more than once, only the most recent vote will be counted.

System Requirements for Online Voting

When voting online, please ensure that your system satisfies the relevant system requirements.

- (1) Voting via PC or smartphone
Screen resolution of 800 (horizontal) x 600 (vertical) pixels (SVGA) or higher, Microsoft® Internet Explorer Ver. 5.01 SP2 or newer as the browser software, and Adobe® Acrobat® Reader® Ver. 4.0 or newer or Adobe® Reader® Ver. 6.0 or newer as the PDF file browser.
*If your browser's "pop-up Blocker" function, or a similar add-on, is enabled, please disable (or temporarily disable) this function.
- (2) Voting via cellular phone
Internet connectivity via "i-mode", "EZweb", or "Yahoo!Keitai", and compatibility with a 128-bit SSL (Secure Socket Layer) communication protocol (encrypted communication).
*While voting via cellular phones with full browser functionality is supported in principle, we cannot guarantee compatibility with all available models.

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)

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

REFERENCE MATERIALS FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

Agenda Items and Reference Information

Item 1: Appropriation of surplus

The Company proposes the appropriation of surplus in the following manner:

1. Year-end dividends

As a holding company of the Group (the Company, its subsidiaries and its affiliates are collectively referred as the “Group” or the “Asahi Group”), under the “Medium-Term Management Plan 2015”, which began in the fiscal year under review, the Company is giving top priority to utilizing free cash flows generated by the Company to fund investments in growth, including expansion in our business networks worldwide. In terms of shareholder returns, given the Company’s improved surplus investment funding position due to a stronger cash flow generation capacity and an improved debt-equity ratio, the Company aims to steadily increase dividends, targeting a dividend payout ratio of around 30% (25%-35%) by fiscal 2015. Efforts will also be made to enhance total shareholder returns by targeting a total return ratio, including share buybacks, of 50% or higher.

Based on the aforementioned policy and taking into consideration a variety of factors, including the Company’s consolidated financial condition and achievement for the fiscal year under review, the Company proposes a year-end dividend of ¥21.5 per share, as follows:

(1) Type of dividend asset

Cash

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

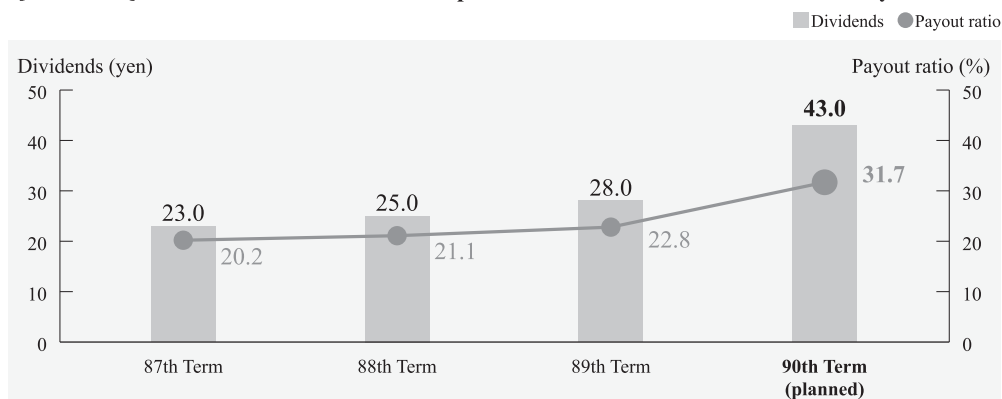
¥21.5 per share of common stock Total amount of payout: ¥9,938,015,972

Since the Company previously paid out ¥21.5 per share as an interim-period dividend, the total dividend for the fiscal year under review will amount to ¥43.0 per share, which is an increase of ¥15.0 per share from the previous fiscal year.

(3) Effective date of dividend payment

March 27, 2014

[Reference] Trends in Full-Year Dividend per Share and Consolidated Dividend Payout Ratio



Item 2: Election of nine (9) Directors


At the conclusion of this Annual General Meeting of Shareholders, the terms of office of all the Directors will expire. The Company therefore asks the shareholders to elect nine (9) Directors.


The candidates for the position of Director are as follows. Among these, the candidates for position for Outside Director meet the requirements for independent directors/auditors as defined by the Tokyo Stock Exchange.


| Candidate number | Name (Age) | Position | Responsibilities | Number of Board of Directors meetings attended |
|------------------|---|--|--|--|
| 1 | Naoki Izumiya (65) ----- Reappointment | President and Representative Director | Overall Group Management | 10/10 |
| 2 | Katsuyuki Kawatsura (63) ----- Reappointment | Senior Managing Director, Senior Managing Corporate Officer | Human Resources Section, Research & Development Section, Intellectual Property Section, Group Food Business | 10/10 |
| 3 | Shiro Ikeda (57) ----- Reappointment | Director, Corporate Officer | Audit Section, Secretary Section, Corporate Social Responsibility Section, Lifestyle & Culture Section, International Business Section, Group Soft Drinks Business, Group International Operations | 10/10 |
| 4 | Katsutoshi Takahashi (59) ----- Reappointment | Director, Corporate Officer | Procurement Section, Production Section, Logistics Section, Quality Assurance Section | 8/8 |
| 5 | Yoshihide Okuda (58) ----- Reappointment | Director, Corporate Officer | General & Legal Affairs Management Section, Finance Section, Information Technology Section | 8/8 |
| 6 | Akiyoshi Koji (62) ----- Reappointment | Director | Group Alcoholic Beverages Business | 9/10 |
| 7 | Mariko Bando (67) ----- Reappointment Candidate for Outside Director | Outside Director | | 10/10 |
| 8 | Naoki Tanaka (68) ----- Reappointment Candidate for Outside Director | Outside Director | | 10/10 |
| 9 | Ichiro Ito (71) ----- Reappointment Candidate for Outside Director | Outside Director | | 8/10 |


Notes:


1. The age, position and responsibility are as of this Annual General Meeting of Shareholders.
2. As candidates for Directors Katsutoshi Takahashi and Yoshihide Okuda were newly elected at the 89th Annual General Meeting of Shareholders held on March 26, 2013, the number of Board of Directors meetings held since their appointment is different from other candidates for Directors.


| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|---|--|--|--|----------------------|--|
| 1 |  Naoki Izumiya (August 9, 1948) 65 years old | Apr. 1972 Entered 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 Shutoken Regional Headquarters, General Manager of Tokyo Branch Mar. 2003 Director Mar. 2004 Managing Director Mar. 2006 Managing Director, Managing Corporate Officer, Senior General Manager of Liquor Sales & Marketing Headquarters Mar. 2009 Senior Managing Director, Senior Managing Corporate Officer Mar. 2010 President and Representative Director (to the present) | 50,800 | Reappointment | 10/10 |
| Position: President and Representative Director Responsibilities: Overall Group Management | | | | | |

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|---|---|---|--|----------------------|--|
| 2 |  <p>Katsuyuki Kawatsura (October 1, 1950) 63 years old</p> | <p>Apr. 1975 Entered the Company</p> <p>Mar. 2005 Corporate Officer, Senior General Manager of Product & Technology Development Headquarters</p> <p>Oct. 2007 Corporate Officer, Senior General Manager of Research & Development Headquarters for Alcoholic Beverages</p> <p>Jul. 2008 Corporate Officer, Senior General Manager of Research & Development Headquarters</p> <p>Mar. 2009 Managing Corporate Officer, Senior General Manager of Research & Development Headquarters</p> <p>Mar. 2010 Managing Director, Managing Corporate Officer, Senior General Manager of Research & Development Headquarters</p> <p>Mar. 2011 Managing Director, Managing Corporate Officer, Senior General Manager of Research & Development Headquarters, Senior General Manager of Production Headquarters</p> <p>Jul. 2011 Managing Director, Managing Corporate Officer</p> <p>Mar. 2013 Senior Managing Director, Senior Managing Corporate Officer (to the present)</p> <p><Significant concurrent positions> Director of Asahi Food & Healthcare Co., Ltd. Director of Wakodo Co., Ltd. Director of Amano Jitsugyo Co., Ltd. Director of Asahi Professional Management Co., Ltd.</p> | 11,100 | Reappointment | 10/10 |
| <p>Position: Senior Managing Director, Senior Managing Corporate Officer</p> <p>Responsibilities: Human Resources Section, Research & Development Section, Intellectual Property Section, Group Food Business</p> | | | | | |

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|------------------|--|---|--|----------------------|--|
| 3 |  <p>Shiro Ikeda (November 25, 1956) 57 years old</p> | <p>Apr. 1980 Entered the Company</p> <p>Mar. 2009 Corporate Officer, Senior General Manager of Marketing Headquarters, General Manager of Product Development Department I</p> <p>Sep. 2010 Corporate Officer, Senior General Manager of Marketing Headquarters</p> <p>Jul. 2011 Director, Corporate Officer, Senior General Manager of Marketing Headquarters of Asahi Breweries, Ltd.</p> <p>Mar. 2012 Director, Corporate Officer of the Company (to the present)</p> <p><Significant concurrent positions> Director of Asahi Soft Drinks Co., Ltd. Director of Calpis Co., Ltd.</p> | 5,100 | Reappointment | 10/10 |
| | <p>Position: Director, Corporate Officer</p> <p>Responsibilities: Audit Section, Secretary Section, Corporate Social Responsibility Section, Lifestyle & Culture Section, International Business Section, Group Soft Drinks Business, Group International Operations</p> | | | | |

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|--|---|---|--|----------------------|--|
| 4 |  Katsutoshi Takahashi (September 24, 1954) 59 years old | <p>Apr. 1977 Entered Yoshida Kogyo K.K. (current YKK Corporation)</p> <p>May 1991 Entered the Company</p> <p>Mar. 2008 Corporate Officer, Senior Deputy General Manager of Production Headquarters, General Manager of Production Technology Department</p> <p>Jul. 2011 Corporate Officer, Senior Deputy General Manager of Research & Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.</p> <p>Mar. 2012 Corporate Officer, General Manager of the Production Section of the Company Corporate Officer, Senior Deputy General Manager of Research & Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.</p> <p>Sep. 2012 Corporate Officer, General Manager of the Production Section of the Company Corporate Officer, Senior Deputy General Manager of Research & Development- Production Headquarters of Asahi Breweries, Ltd.</p> <p>Mar. 2013 Director, Corporate Officer of the Company (to the present)</p> <p><Significant concurrent positions> Director of LB Co., Ltd.</p> | 6,000 | Reappointment | 8/8 |
| Position: Director, Corporate Officer Responsibilities: Procurement Section, Production Section, Logistics Section, Quality Assurance Section | | | | | |

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|--|---|---|--|----------------------|--|
| 5 |  Yoshihide Okuda (January 3, 1956) 58 years old | <p>Apr. 1978 Entered Konishiroku Photo Industry Co., Ltd. (current Konica Minolta, Inc.)</p> <p>Sep. 1988 Entered the Company</p> <p>Mar. 2010 Corporate Officer, General Manager of Finance Department</p> <p>Mar. 2011 Corporate Officer, General Manager of Finance Department of the Company</p> <p>Senior Managing Director of Asahi Management Services Co., Ltd. (current Asahi Professional Management Co., Ltd)</p> <p>Jul. 2011 Corporate Officer, General Manager of Finance Section of the Company</p> <p>Senior Managing Director of Asahi Management Services Co., Ltd.</p> <p>Sep. 2012 Corporate Officer in charge of promoting efficiency (administrative sections overall) of the Company</p> <p>Senior Managing Director of Asahi Professional Management Co., Ltd.</p> <p>Mar. 2013 Director, Corporate Officer of the Company (to the present)</p> <p><Significant concurrent positions> President and Representative Director of Asahi Professional Management Co., Ltd.</p> | 5,100 | Reappointment | 8/8 |
| Position: Director, Corporate Officer Responsibilities: General & Legal Affairs Management Section, Finance Section, Information Technology Section | | | | | |


| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|------------------|--|---|--|----------------------|--|
| 6 |  <p>Akiyoshi Koji (November 8, 1951) 62 years old</p> | <p>Apr. 1975 Entered 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 (to the present)</p> <p><Significant concurrent positions> President and Representative Director of Asahi Breweries, Ltd.</p> | 14,400 | Reappointment | 9/10 |
| | <p>Position: Director Responsibilities: Group Alcoholic Beverages Business</p> | | | | |

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|----------------------------|--|---|--|--|--|
| 7 |  Mariko Bando (August 17, 1946) 67 years old | Jul. 1969 Joined staff of Prime Minister's Office Oct. 1985 Councilor of Cabinet Secretariat Jul. 1989 Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency Apr. 1995 Vice-Governor of Saitama Prefecture Jun. 1998 Consul General of Brisbane, Australia Jan. 2001 Director General of Gender Equity Bureau, Cabinet Office Oct. 2003 Director of Showa Women's University (to the present) Apr. 2007 President of Showa Women's University (to the present) Mar. 2008 Director of the Company (to the present) <Significant concurrent positions> President of Showa Women's University Director of Showa Women's University Director of The Institute of Women's Culture, Showa Women's University Chairman of the Board of Rural Women Empowerment and Life Improvement Association Number of years of service as Director: 6 years (at the conclusion of this Annual General Meeting of Shareholders) | — | Candidate for Outside Director Reappointment | 10/10 |
| Position: Outside Director | | | | | |

● Reasons for recommending Mariko Bando as a candidate for Outside Director


Mariko Bando has a wide range of knowledge as an educator in addition to her diverse experience in public administration. To provide the Company with the benefit of this experience and knowledge, the Company thus recommends her election to the Board as an Outside Director.

Although Mariko Bando has not been involved in company management other than as an Outside Director or an Outside Auditor, the Board has concluded that she will be able to perform her duties properly as an Outside Director of the Company based on the reasons noted above.

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|----------------------------|--|--|--|--|--|
| 8 |  Naoki Tanaka (September 1, 1945) 68 years old | Jan. 1971 Senior Fellow of Kokumin Keizai Research Institute Apr. 1997 President of the 21 st Century Public Policy Institute Apr. 2007 President of Center for International Public Policy Studies (to the present) Mar. 2009 Director of the Company (to the present) <Significant concurrent positions> President of Center for International Public Policy Studies Number of years of service as Director: 5 years (at the conclusion of this Annual General Meeting of Shareholders) | — | Candidate for Outside Director Reappointment | 10/10 |
| Position: Outside Director | | | | | |

- Reasons for recommending Naoki Tanaka as a candidate for Outside Director

Naoki Tanaka has a great deal of experience as a member of government councils and broad knowledge as a specialist deeply versed in economic policy. The Company thus recommends his election to the Board as an Outside Director to provide the benefit of this experience and knowledge to the management of the Company.

| Candidate number | Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment | Number of Board of Directors meetings attended |
|----------------------------|---|--|--|--|--|
| 9 |  Ichiro Ito (July 6, 1942) 71 years old | Apr. 1966 Entered Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation) Jun. 2001 Director Feb. 2003 Managing Director Jun. 2003 Director, Primary Executive Officer Apr. 2006 Director, Vice President Executive Officer Apr. 2010 Chairman and Representative Director (to the present) Mar. 2011 Director of the Company (to the present) <Significant concurrent positions> Chairman and Representative Director of Asahi Kasei Corporation Number of years of service as Director: 3 years (at the conclusion of this Annual General Meeting of Shareholders) | 1,000 | Candidate for Outside Director Reappointment | 8/10 |
| Position: Outside Director | | | | | |

● Reasons for recommending Ichiro Ito as a candidate for Outside Director

Ichiro Ito would bring a wealth of company management experience and insight into a broad range of issues to the management of the Company. The Company thus recommends his election to the Board as an Outside Director.

Notes:

1. None of the candidates for Directors has any special interest in the Company.
2. Regarding agreements limiting the liability of Outside Directors


To enable him/her to contribute fully in his/her role as an Outside Director, the Company has entered into agreements with Mariko Bando, Naoki Tanaka and Ichiro Ito that limit his/her liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of these agreements, their respective liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If this agenda item is approved as submitted, the current agreements will be extended.

Item 3: Election of one (1) Corporate Auditor

Corporate Auditor Takahide Sakurai passed away on January 3, 2014. The Company therefore asks the shareholders to elect one (1) Corporate Auditor.

The candidate for the position of Corporate Auditor is as follows. A candidate for Outside Corporate Auditor Katsutoshi Saito meets the requirements for independent directors/auditors as defined by the Tokyo Stock Exchange.

This proposal is submitted with the prior consent of the Board of Auditors.

| Name (Date of birth) Age | Career summary and significant concurrent positions held by the candidate | Number of shares in the Company owned by the candidate | Notes to Appointment |
|---|--|--|---|
|  Katsutoshi Saito (Dec. 6, 1943) 70 years old | Apr. 1967 Entered The Dai-ichi Mutual Life Insurance Company (current The Dai-ichi Life Insurance Company, Limited) Jul. 1994 Director Apr. 1997 Managing Director Apr. 2001 Senior Managing Director Apr. 2003 Representative Senior Managing Director Jul. 2004 President and Representative Director Apr. 2010 Deputy Chairman and Representative Director Jun. 2011 Chairman and Representative Director (to the present) <Significant concurrent positions> Chairman and Representative Director of The Dai-ichi Life Insurance Company, Limited Outside Director of Imperial Hotel, Ltd. Outside Corporate Auditor of Tokyu Corporation | — | Candidate for Outside Corporate Auditor New candidate |

- Reasons for recommending Katsutoshi Saito as a candidate for Outside Corporate Auditor

Katsutoshi Saito would bring a wealth of company management experience and insight into a broad range of issues to the management of the Company. The Company thus recommends his election as an Outside Corporate Auditor.

Notes:

1. The age is as of this Annual General Meeting of Shareholders.
2. The candidate for Corporate Auditor has no special interest in the Company.
3. Regarding agreements limiting the liability of Outside Corporate Auditor
 If this agenda item is approved as submitted, the Company plans to newly enter into an agreement with Katsutoshi Saito 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 Corporate Auditor. 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.

(Reference) CSR Activities of the Asahi Group

Living in harmony with the global environment and passing on this heritage to the next generation are important missions for the Asahi Group, which conducts business activities that make use of the gifts of nature, such as water and grain.:

The Company, as a whole, is proactively working on CSR activities.

■ Support for the Great East Japan Earthquake Reconstruction

The Asahi Group continues the supports to address the needs of the areas affected by the earthquake in accordance with three specific themes; namely “support for the environment”, “support for community revitalization” and “support for economic stimulation”.

<Description of major activities>

– Activities in Higashi-Matsushima City, Miyagi Prefecture

Since 2012, the Asahi Group has participated in the “Project of Mori no Gakkou” (school in a forest) established by Higashi-Matsushima City and supported by the C.W. Nicol Afan Woodland Trust to build “Mori no Gakkou” (school in a forest) that capitalizes on the natural environment in the region as part of the reconstruction of schools damaged by the Great East Japan Earthquake. The “Tree House”, symbolizing “forest development for reconstruction” and was underway in the vicinity of the site where “Mori no Gakkou” is due to be built, was completed in June 2013. The Asahi Group is supporting the construction of schools for children that bring happiness and inspire dreams.



– **Event to Support Evacuees Displaced from Fukushima Prefecture**

In order to liven up evacuees displaced from Fukushima Prefecture as a result of the Great East Japan Earthquake who are living in uncertainty, a community event named “Koccha Kitara Iibee (come and join us)” was held in collaboration with non-profit organization “Medical Network Support Center” in June at the Head Office of the Asahi Group. Evacuees displaced mainly from Fukushima Prefecture to the Tokyo Metropolitan Area were invited to the event which provides opportunities such as to receive a hand massage and make alcohol-free cocktails using Asahi Group’s products.



– **Joint Initiatives with the Reconstruction Agency**

In order to enhance the management capabilities of local companies affected by the Great East Japan Earthquake and build communities that are the key to the sustained growth of regional economies, the Reconstruction Agency and financial institutions create regional reconstruction matching opportunities, called “Yui no Ba”. The events, “Yui no Ba: Corporate Marché” were held at the Head Office of the Asahi Group jointly with Ishinomaki City, Iwate Prefecture in June, and with Kesenuma City, Miyagi Prefecture in November, where local companies showcased and sold their products. Also, since April, Asahi Breweries, Ltd. has been cooperating in regional reconstruction by dispatching its employee via the Reconstruction Agency to “Higashimatsushima Mirai Toshi Organization”, which was established for the purpose of bringing together citizens, public administration and local private companies.



■ Environmental Education at Asahi Breweries, Ltd.

On an annual basis, Asahi Breweries, Ltd. plans and holds the “Educational Seminar for Wakamusha (Young Samurai) who protect Japanese environment”, an environmental education program targeted at high school students. This year, teams of students from seven high schools in East Japan who passed the first round of essay screening prepared activity plans to improve regional environmental issues through on-site learning and implemented their respective plans after returning home. Asahi Breweries assists in human resources development for the next generation through this environmental education activity.



■ Delivering Lectures by Calpis Co., Ltd.

Calpis Co., Ltd. operates the “Children Lactobacillus Research Institution of Calpis”, which involves delivering lectures to elementary school children to communicate the importance of food based on the theme “lactobacillus and fermentation” and explore the possibilities of creating new things from scratch as well as dreams about the future through discussions with Calpis employees serving as lecturers. This program was highly evaluated for its program content and lesson format that emphasizes communication between Calpis employees and children, and then it won the grand prize in the category of “educational CSR activities chosen by junior high school and high school students” at the “Educational CSR Symposium 2013”.



■ Childcare Support by Wakodo Co., Ltd.

Since March, in collaboration with Aoba Ward, Yokohama City, Wakodo Co., Ltd. has started giving free classes aimed at supporting childcare in the Regional Care Plaza directly connected to Tama-plaza Station of the Tokyu Den-en-toshi Line. While utilizing its expertise gained from holding nutrition consultation sessions given by employees who are qualified nutritionists and operating a childcare support center called “Wako-chan Hiroba”, Wakodo held classes such as “Weaning Food Seminar” targeted at parents with babies under the age of one, which lectures on the progress of weaning food according to their age in months and “Postnatal Preparation Classes for Mothers/Fathers-to-be”, where participants experienced to prepare milk powder formula, etc., which were well received.



BUSINESS REPORT

From January 1, 2013 to December 31, 2013

1. Overview of Operations of the Asahi Group

(1) Business Progress and Results

During the fiscal year under review, the global economy overall recovered at a modest rate as demand in the private sector remained robust on the back of the recovery of the housing market and the increase in the number of employees in the U.S., even though factors such as the impact of the continuation of sovereign debt problems in Europe and government expenditure cuts in the U.S. remain.

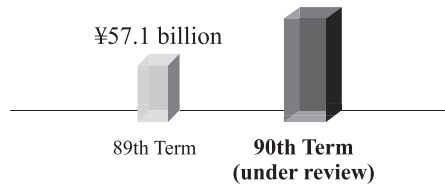
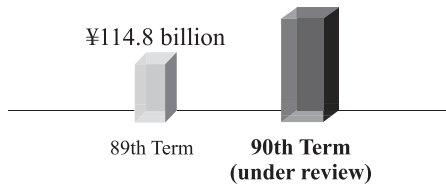
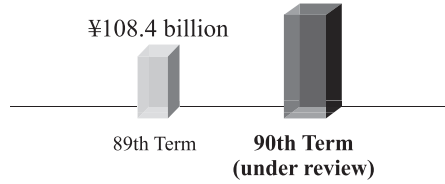
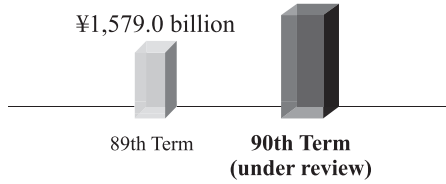
The Japanese economy was on a modest recovery trend, as reflected in the expansion of personal consumption and the increase in exports and public investments, etc. amid the continuation of the yen depreciation and high stock prices stemming from expectations of economic recovery due to the economic policies of the government and monetary easing of the Bank of Japan among other factors.

Against this backdrop, the Asahi Group worked on enhancing its corporate value by promoting “Value and Network Management” from the fiscal year under review, which is the first year of “Medium-Term Management Plan 2015”. In Value and Network Management, the Asahi Group promoted initiatives aimed at attaining long-term stable growth by further expanding its domestic and overseas networks, in addition to focusing on the “strengths” that it developed and acquired over the years, such as its brands, technologies and cost competitiveness, and leverage them for the creation of new values and innovation. Giving utmost priority to growth of its sales and profit, the Group has worked together for the continual increase in key performance indicators ROE (return on equity) and EPS (earnings per share) by improving capital efficiency through such means as increase of shareholder returns.

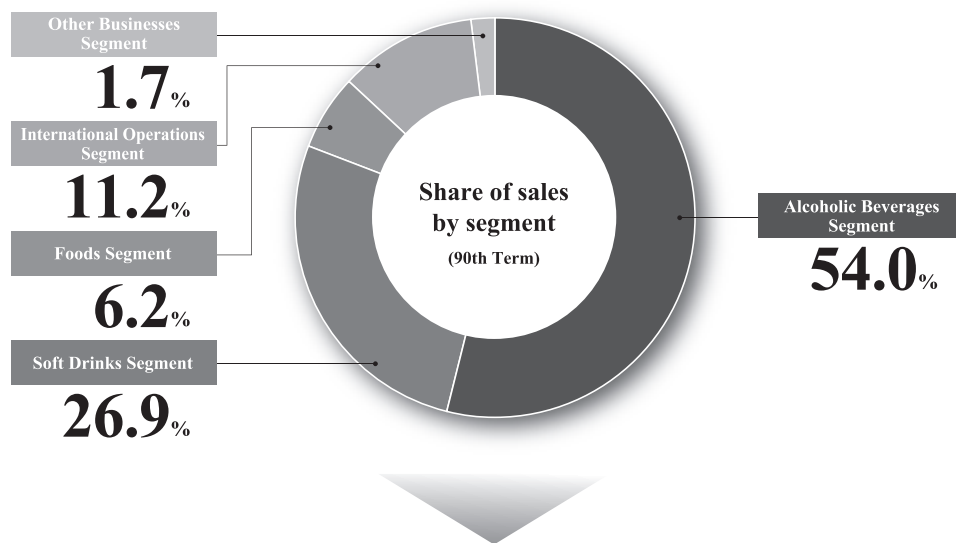
As a result, the Asahi Group posted net sales of ¥1,714,237 million, a year-on-year increase of 8.6%. Operating income increased by 8.3% year-on-year to ¥117,467 million, and recurring profit rose by 7.7% to ¥123,612 million. Net income totaled ¥61,749 million, an increase of 8.0% compared with the previous year.

The following provides an overview of the Group’s operations by business segment for the fiscal year under review.

■ Business performance of the Asahi Group



[Reference] Overview of the Asahi Group



Company-wide (Common)

Asahi Group Holdings, Ltd.
Asahi Professional Management Co., Ltd.
and others.

Alcoholic Beverages Segment

Asahi Breweries, Ltd.
The Nikka Whisky Distilling Co., Ltd.
Asahi Draft Marketing, Ltd.
Asahi Food Create, Ltd.
Asahi Beer Malt, Ltd.
Asahi Beer Feed Co., Ltd. / Masuda Co., Ltd.
Sainte Neige Wine Co., Ltd.
Satsumatsukasa Shuzo Co., Ltd.
Hokkaido Nikka Service Co., Ltd.
Sendai Nikka Service Co., Ltd.
and others.

Soft Drinks Segment

Asahi Soft Drinks Co., Ltd.
Calpis Co., Ltd. / LB Co., Ltd.
Asahi Calpis Beverage Co., Ltd.
Asahi Orion Calpis Inryo Co., Ltd.
Calpis Foods Service Co., Ltd.
and others.

Foods Segment

Asahi Food & Healthcare Co., Ltd.
Wakodo Co., Ltd.
Amano Jitsugyo Co., Ltd.
Nippon Freeze Drying Co., Ltd.
and others.

International Operations Segment

Asahi Holdings (Australia) Pty Ltd
Schweppes Australia Pty Limited
Independent Liquor (NZ) Limited
Asahi Premium Beverages Pty Ltd
The Better Drinks Co Limited
Mountain H2O Pty Ltd
Asahi Beer (China) Investment Co., Ltd.
Beijing Beer Asahi Co., Ltd.
Yantai Beer Tsingtao Asahi Co., Ltd.
Shandong Asahi Green Source Hi-Tech Farm Co., Ltd.
Shandong Asahi Green Source Milk Products Co., Ltd.
Asahi Group Holdings Southeast Asia Pte. Ltd.
Permanis Sdn. Bhd.
PT. Asahi Indofood Beverage Makmur
Asahi Beer U.S.A., Inc.
Buckinghamshire Golf Co., Ltd.
and others.

Other Businesses Segment

Asahi Logistics Co., Ltd.
East Japan AB Cargo Co., Ltd.
West Japan AB Cargo Co., Ltd.

<Target companies as of December 31, 2013>

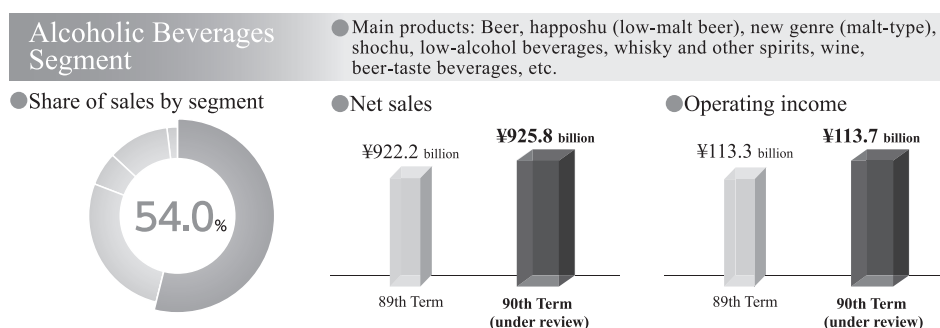
Overview by Business Segment for 90th Term

■ Asahi Group Breakdown of Net Sales

Million yen, except percentages

| Segment | 89 th term 2012 | 90 th term 2013 (under review) | Change in amount | Change in percentage |
|--------------------------|-------------------------------|---|---------------------|-------------------------|
| Alcoholic Beverages | ¥922,249 | ¥925,878 | ¥3,628 | 0.4% |
| Soft Drinks | 370,836 | 461,054 | 90,217 | 24.3 |
| Foods | 101,626 | 106,240 | 4,613 | 4.5 |
| International Operations | 157,932 | 192,034 | 34,102 | 21.6 |
| Other Businesses | 26,431 | 29,029 | 2,597 | 9.8 |
| Total | 1,579,076 | 1,714,237 | 135,160 | 8.6 |

Note: The above figures exclude intra-Group sales.



The alcoholic beverages business segment posted net sales of ¥925,878 million, up 0.4% from the previous year, due in part to the year-on-year increase in the sales volume of beer-type beverages for the first time in twelve years as well as the year-on-year increase in the sales volume of whisky and other spirits. Operating income rose by 0.4% from the previous year to ¥113,743 million, as a result of efforts to reduce fixed costs overall especially depreciation, despite the increase in raw materials costs stemming from the impact of the yen depreciation and other such factors, on top of aggressive investments in advertising and sales promotion expenses.

-Asahi Breweries, Ltd.

Asahi Breweries, Ltd. worked on developing products that accurately reflect potential customer needs and market trends with the aim of becoming a company that is “selected” by customers.

In the beer-type beverages sector, in its beer segment, the brand power of “Asahi Super Dry” was enhanced as limited gift set sales of “Super Dry – Dry

Premium - Gift” substantially exceeded planned sales, and stores that carry “Asahi Super Dry Extra Cold” increased significantly due to the introduction of compact dispensers. Furthermore, as a result of strong performance of “Clear Asahi Prime Rich” in the new genre (malt-type) category released in March as well as an increase from the previous year in sales of “Asahi Style Free”, the

first carbohydrate-free happoshu, the sales volume of beer-type beverages as a whole increased from the previous year. Consequently, share* in the market of beer-type beverages expanded, boasting the largest market share for the fourth consecutive year.



In the sector of alcohol beverages other than the beer-type beverages, sales increased overall from the previous year despite a decrease in sales of shochu and low-alcohol beverages from the previous year, thanks to the domestic sales of whisky and other spirits of Brown-Forman Corporation including “Jack Daniel’s” and “Early Times” from January and solid performance of imported wines.



In the alcohol-taste beverages sector, sales volume overall increased from the previous year as a result of efforts to strengthen and develop the brand of the beer-taste beverage “Asahi Dry Zero”, including conducting large-scale sampling activities and renewal of the formula to realize “creamy foam”, “calorie-free” and “carbohydrate-free” beverage.

In terms of earnings, Asahi Breweries endeavored to reduce packaging materials costs, in addition to reducing fixed costs overall, especially depreciation.

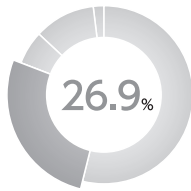
* Share in the market of beer-type beverages was calculated based on taxed shipment volume of the top five domestic beer producers.



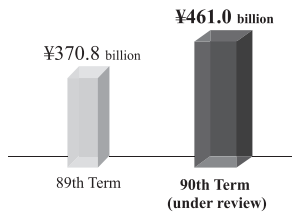
Soft Drinks Segment

● Main products: Carbonated drinks, coffee, tea, mineral water, fruit drinks, sport drinks, lactic acid beverages, milk-based beverages, etc.

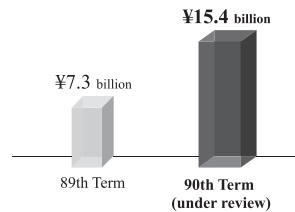
● Share of sales by segment



● Net sales



● Operating income



The soft drinks business segment posted net sales of ¥461,054 million, an increase of 24.3% compared with the previous year, reflecting the performance of Calpis Co., Ltd., in addition to the increase in sales volume at Asahi Soft Drinks Co., Ltd. and LB Co., Ltd. Operating income increased by 109.5% from the previous year to ¥15,457 million, primarily due to the collaborated synergies generated with Calpis Co., Ltd. and the improved efficiency of fixed costs overall, especially advertising and sales promotion expenses.

In order to raise the brand value of both “Asahi” and “Calpis”, the domestic soft drinks business of Calpis Co., Ltd. was shifted and integrated into Asahi Soft Drinks Co., Ltd. in September, and a business platform was built for the growth strategies of the soft drinks segment as a whole and for pursuing higher profitability through efficient marketing investments.

-Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. has endeavored to strengthen its business platform by enhancing the status of existing brands and proposing new values to accelerate growth, as well as by working on a company-wide level to reform its earning structure.

In terms of product strategy that forms the basis of its growth strategy, Asahi Soft Drinks concentrated its management resources on strengthening and developing the brands “MITSUYA”, “WONDA”, “Asahi Juroku-Cha”, “Asahi Oishii Mizu” and “Wilkinson”. Notably, as a result of efforts to stimulate the market such as the release of the first Food for Specified Health Uses “MITSUYA CIDER PLUS” from “MITSUYA” in September, company-wide sales volumes increased from the

previous year and reached a record high.

In terms of earnings, Asahi Soft Drinks enhanced efforts to reform its earnings structure including streamlining fixed costs overall, especially advertising and sales promotion expenses, while pursuing higher productivity.



-Calpis Co., Ltd.

Calpis Co., Ltd. sought to further enhance the brand power of its flagship brand “Calpis” to firmly establish and solidify its status in the milk-based beverages market.

Sales volume increased from the previous year due to efforts such as renewal of mainstay products “Calpis Water” and “Calpis Soda” in March, and release of the fruit-flavored “Calpis Fruits Parlor” and saline-flavored “Calpis Oasis” suitable for rehydration.

In addition to resuming sales of the “Calpis” brand in Thailand in the overseas business, efforts were made to direct marketing operations involving the mail-order sales of functional food products that utilize its proprietary

materials and technologies and feedstuff business which handles microbial products for livestock.

In terms of earnings, Calpis worked to improve its profitability through collaboration with the Group companies and to streamline fixed costs overall, especially advertising and sales promotion expenses.



-LB Co., Ltd.

LB Co., Ltd. strove to offer to customers the added values of freshness and enticing flavor characteristic of chilled soft drinks through the development of products in its mainstay categories of tea and soft drink.

Sales volume increased significantly from the previous year, due in part to the strong performance of “Ajiwai Calpis” released in March, which is a tie-up product with Calpis Co., Ltd., in addition to bolstered efforts in the mainstay tea category including releasing “Polyphenol Oolong-cha”, the first Food for Specified Health Uses for one-liter carton tea drinks.

In terms of earnings, LB streamlined its production and logistics expenses by

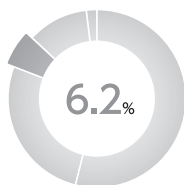
cost reduction of raw materials, such as sweeteners and packaging materials, through consolidation of its suppliers and promotion of group purchasing, and by implementing a local production system for chilled soft drinks.



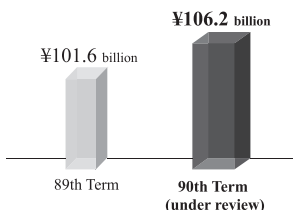
Foods Segment

● Main products: Confectionery, nutritional snacks, supplements, quasi-drugs, powdered baby milk, baby foods, freeze-dried miso soup, etc.

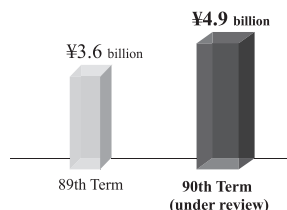
● Share of sales by segment



● Net sales



● Operating income



In the foods segment, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. steadily increased sales. Mainly as a result of the foregoing, net sales rose by 4.5% from the previous year to ¥106,240 million. Operating income increased by 34.1% from the previous year to ¥4,919 million, due primarily to the reduction of production costs and streamlining of fixed costs such as advertising and sales promotion expenses.

-Asahi Food & Healthcare Co., Ltd.

Asahi Food & Healthcare Co., Ltd. endeavored to realize growth and profitability by generating unique strengths that its competitors cannot offer and by working on “steady and sound growth”, “establishment of organization and infrastructure capable of addressing changes in customers” and “enhancement of corporate brand and reform of corporate culture”.

In the foods segment, breath mints “MINTIA” which utilized the “Calpis” brand and confectionery series such as candies performed well. In the healthcare segment, sales increased due to aggressive advertising-linked sales promotion activities for dietary supplements “Dear-Natura” and skincare product “Suhada Shizuku”. In the freeze dry segment, sales of Asahi Food &

Healthcare as a whole exceeded the level recorded in the previous year, due to the substantial increase in overseas sales, etc.

In terms of earnings, Asahi Food & Healthcare also worked on the effective use of advertising and sales promotion expenses and improving productivity by reducing production costs, among others.



-Wakodo Co., Ltd.

Wakodo Co., Ltd. sought to enhance the profitability of existing businesses and develop businesses that will serve as the next pillars in growth areas.

In its mainstay baby food segment, Wakodo proposed new value such as releasing fruit puree “Kudamono Tabeyo!” which emphasizes the texture of fruits. In the business for senior citizens, Wakodo endeavored to expand the demand through expanding the product line-up and measures to improve product recognition on sales floors. Consequently, overall sales of Wakodo increased from the previous year.

In terms of earnings, Wakodo worked to improve its profitability by promoting the reduction of variable costs such as production costs and distribution costs, as well as fixed costs overall, despite the impact of the yen depreciation.



-Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. worked to reinforce its business platform in accordance with the basic policies of “increasing presence in the food market”, “reforming the earning structure”, and “creative company that enriches customer life”.

In distribution sales operations, Amano Jitsugyo’s mainstay freeze-dried products began to be carried in convenience stores, and there was an increase in the number of mass retailers that carry the Products, as well as in the number of newly adopted products. Amano Jitsugyo has also been running antenna shop “Amano Freeze-Dried Station” in Tokyo since March, and endeavored to raise awareness of the Amano brand. As a result, overall sales of Amano Jitsugyo increased from the previous year.

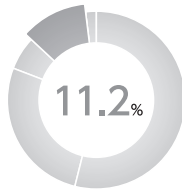
In terms of earnings, Amano Jitsugyo streamlined production costs, including reducing the time involved in production processes and automating processes partially, as well as reducing materials costs.



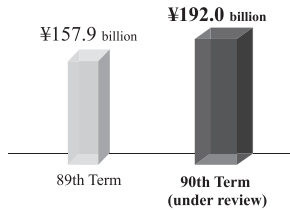
International Operations Segment

● Main products: Beer, low-alcohol beverages, carbonated drinks, mineral water, fruit drinks, sport drinks, etc.

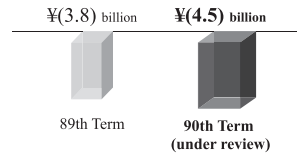
● Share of sales by segment



● Net sales



● Operating income (loss)



The international operations segment recorded net sales of ¥192,034 million, up 21.6% from the previous year, due to the solid performance of businesses in each region. Although the Chinese business achieved profitability, operating loss increased by ¥692 million from the previous year to ¥4,565 million due to the increase in amortization of goodwill, etc. as a result of the impact of exchange rates.

-Oceania Business Segment

In the Oceania business segment, the Group sought growth as a comprehensive beverage business encompassing both soft drinks and alcoholic beverages mainly through the generation of cost synergy among the companies, in addition to developing and nurturing the core brands, such as those held by Schweppes Australia Pty Limited, and conducting business in growth areas.



In the soft drinks sector, aggressive marketing activities were carried out for the brands “Schweppes”, “Solo”, and “Pepsi” in the mainstay carbonated drinks category, as well as in growth areas including strengthening the sales of mineral water whose market is expanding, and releasing new tea product “Real Iced Tea Co.”. In the alcoholic beverages sector, strengthening of brand power was sought by such means as renewal of flagship brands and release of new products in the mainstay low-alcohol beverage category. In the growth areas of imported beer, cider (sparkling apple wine) and craft beer, marketing activities were carried out including strengthening sales of “Asahi Super Dry”. As a result, overall sales of the Oceania business segment increased from the previous year.

Furthermore, the Group endeavored to generate synergies with group members through promoting efficiency improvements by consolidating and decommissioning production and distribution sites as well as joint procurement of raw materials, etc., and consolidated the sales organization for commercial-use products targeted at restaurants that handle alcoholic beverages in the soft drinks business and alcoholic beverages business in Australia.



-China Business Segment

In the China business segment, the Group sought to enhance its status in the market by expanding sales of the “Asahi” brand and aimed to improve quality and profitability by further consolidating production sites.

For the “Asahi” brand, sales volume increased from the previous year, especially in the market of commercial-use products, due to aggressively engaging in sales activities on draft beer in kegs targeted at Japanese restaurants and enhancing the sales structure in the Shanghai area, which is a top priority market, by transitioning to categorization by business.

Furthermore, the Group endeavored

to improve profitability by increasing productivity through the concentration of production functions of the “Asahi” brand in Beijing Beer Asahi Co., Ltd. and reducing the costs of raw materials such as aluminum cans at local production sites.

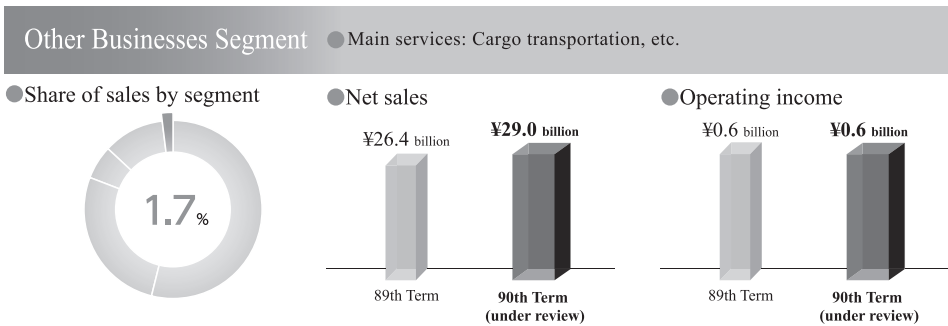


-Southeast Asia Business Segment

In the Southeast Asia business segment, efforts were made to expand the business network in Southeast Asia by building a business platform for the soft drinks business in Indonesia, in addition to an increase in sales through the strengthening of the main brands of Permanis Sdn. Bhd.

Malaysian soft drinks company Permanis Sdn. Bhd. engaged in aggressive marketing activities and enhanced its sales structure in urban

regions, in addition to releasing a new product for its flagship carbonated drink brand “Mountain Dew”. It also released canned coffee “WONDA” of the “Asahi” brand in December. As a result, overall sales generated by Permanis Sdn. Bhd. increased from the previous year. Furthermore, efforts to improve profitability were made by promoting efficiency in the procurement of raw materials such as sugar and aluminum cans.



In the other businesses segment, net sales increased by 9.8% year-on-year to ¥29,029 million, due to efforts to increase the contracts in logistics operations in general. Operating income increased by 2.5% year-on-year to ¥622 million, due to the improvement of efficiency of fixed costs associated with the transfer of the insurance agency business.

(2) Financial and Profit/Loss Indicators

| | 87 th term 2010 | 88 th term 2011 | 89 th term 2012 | 90 th term 2013 (under review) |
|--|-------------------------------|-------------------------------|-------------------------------|---|
| Net sales (million yen) | 1,489,460 | 1,462,736 | 1,579,076 | 1,714,237 |
| Operating income (million yen) | 95,349 | 107,190 | 108,437 | 117,467 |
| Recurring profit (million yen) | 101,142 | 110,909 | 114,821 | 123,612 |
| Net income (million yen) | 53,080 | 55,093 | 57,183 | 61,749 |
| Operating margin (%) | 6.4 | 7.3 | 6.9 | 6.9 |
| EBITDA* ¹ (million yen) | 157,674 | 166,832 | 170,981 | 183,695 |
| Earnings per share* ² (yen) | 114.10 | 118.36 | 122.75 | 135.73 |
| Total assets (million yen) | 1,405,358 | 1,529,907 | 1,732,187 | 1,791,555 |
| Net assets (million yen) | 612,670 | 643,798 | 726,879 | 827,481 |
| Net assets per share* ² (yen) | 1,315.51 | 1,378.19 | 1,553.35 | 1,772.47 |
| ROE (Return On Equity) (%) | 9.0 | 8.8 | 8.4 | 8.0 |

*1 EBITDA is equal to the sum of operating income before amortization of goodwill, etc., and depreciation.

*2 Earnings per share is calculated based on the average total number of shares outstanding during the term. Net assets per share is calculated based on the total number of shares outstanding at term-end. The number of shares outstanding is exclusive of treasury stock.

(3) Capital Investment Activities

Consolidated capital expenditures in the year under review totaled ¥56,639 million, the segment breakdown of which is as follows. A large portion of the capital expenditures represented investments made to upgrade existing facilities and implement energy conservation measures. In addition to these, Asahi Soft Drinks Co., Ltd. carried out new construction and expansion work, etc. for the manufacturing facility for soft drinks at the Fujisan Plant in the amount of ¥4,098 million.

| Business segment | Amount of capital expenditure (Million yen) |
|--------------------------|--|
| Alcoholic Beverages | 15,283 |
| Soft Drinks | 22,540 |
| Foods | 2,914 |
| International Operations | 14,691 |
| Other Businesses | 221 |
| Company-wide (common) | 987 |
| Total | 56,639 |

(4) Financing Activities

The Company financed the capital investments detailed in item (3) above and other capital requirements through loans from financial institutions and the issuance of commercial paper.

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

(5) Status of Principal Lenders

(As of December 31, 2013)

| Lender | Outstanding balance (Million yen) |
|--|--------------------------------------|
| Sumitomo Mitsui Banking Corporation | 44,447 |
| Mizuho Bank, Ltd. | 15,317 |
| Sumitomo Mitsui Trust Bank, Limited | 12,690 |
| The Norinchukin Bank | 12,500 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 8,700 |

Note: Mizuho Corporate Bank, Ltd., which was the Company's principal lender, merged with Mizuho Bank, Ltd. and changed its trade name to Mizuho Bank, Ltd. as of July 1, 2013.

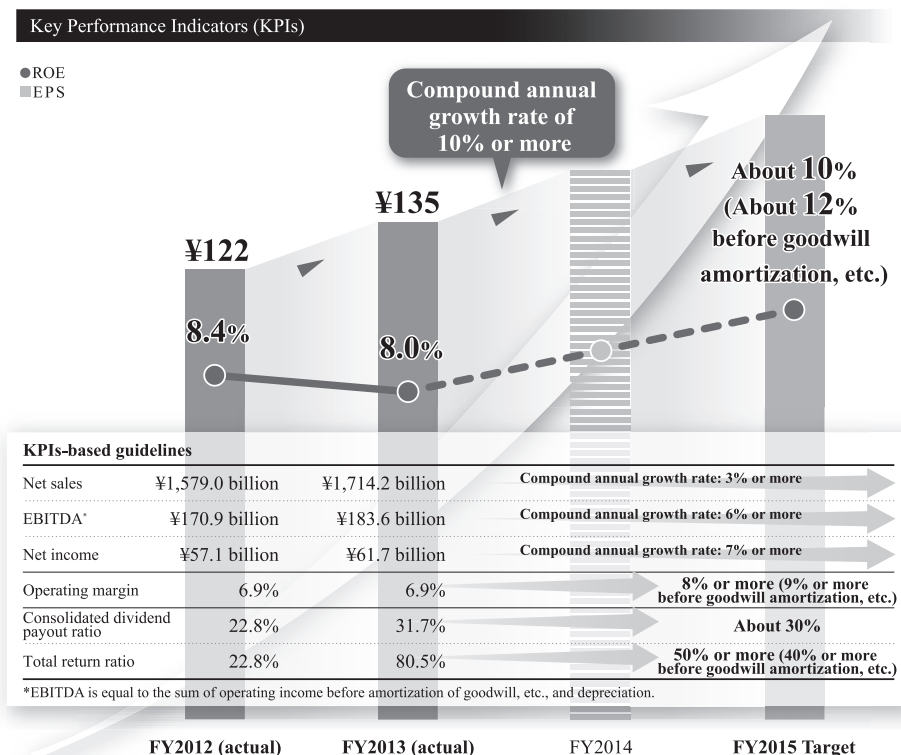
(6) Management Perspectives

Long-Term Vision 2020

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

Medium-Term Management Plan 2015

Seeking corporate value enhancement through “Value and Network Management”



Asahi Group Holdings, Ltd. has established “Long-Term Vision 2020” in order to address the changes in the increasingly tough business environment and the diversification of stakeholder needs, together with the three-year “Medium-Term Management Plan 2015” for the achievement of the Vision. Since fiscal 2013, the Company has been seeking to enhance its corporate value by promoting “Value and Network Management”.

In “Value and Network Management”, the Company will focus on the “strengths” that it developed and acquired over the years, such as its brand, technologies and cost competitiveness, and leverage them for the creation of new values and innovation. The Company will also seek to maintain long-term stable growth by further expanding its domestic and overseas networks.

Giving utmost priority to growth of its sales and profit, the Group will work together for the continual increase in key performance indicators ROE (return on equity) and EPS (earnings per share) by improving capital efficiency through such means as increase of shareholder returns.

Alcoholic Beverages Segment

-Asahi Breweries, Ltd.

Asahi Breweries, Ltd. will seek to become a company that is “selected” by customers by developing brands and developing products that accurately reflect potential customer needs and market trends, given that consumers’ purchasing behavior is expected to dramatically change due to the consumption tax rate hike.

In the beer-type beverages sector, efforts will be made to strengthen mainstay brands. Asahi Breweries will seek to further enhance the brand value of “Asahi Super Dry” with further “evolution” of the flavor of “Asahi Super Dry” through the introduction of sophisticated beer yeast management technologies, full-fledged deployment changed from limited gift sets sales of “Asahi Super Dry – Dry Premium” last year, and the renewal of “Asahi Super Dry – Dry Black –”. In the new genre (malt-type) category, Asahi Breweries will seek to expand their sales volume through the renewal of “Clear Asahi” and “Clear Asahi Prime Rich”. Moreover, for the first carbohydrate-free happoshu (low-malt beer) “Asahi Style Free”, Asahi Breweries will try to increase its presence in the market through conducting the sales promotion activities by highlighting its product characteristics.

As for the non-beer sector, Asahi Breweries will work to foster and strengthen its core brands in each category. Especially in regards to whisky and other spirits, Asahi Breweries will aggressively transmit information on products such as “Taketsuru” and “Black Nikka Clear” of The Nikka Whisky Distilling Co., Ltd., which is celebrating its 80th anniversary, as well as “Jack Daniel’s” and “Early Times” of Brown-Forman Corporation, and make an effort to raise brand awareness.

In the alcohol-taste beverages category, Asahi Breweries will continue to engage in sampling activities focusing on sales floors and streets for beer-taste beverage “Asahi Dry Zero” renewed last year and try to increase its presence in the market.

Further, Asahi Breweries will strive to reform its earning structure by reducing the costs of can lids, cardboard and other packaging materials and utilizing the Group’s distribution networks.

Soft Drinks Segment

-Asahi Soft Drinks Co., Ltd.

Asahi Soft Drinks Co., Ltd. will endeavor to further strengthen its business platform by working on “fostering strong brands” and “establishing a durable earning structure”.

Asahi Soft Drinks will work to not only strengthen the brands “MITSUYA”, “WONDA”, “Asahi Juroku-cha”, “Asahi Oishii Mizu”, “Wilkinson” and “Calpis” to solidify their positioning, but also foster new brands and deploy new products. In the vending machine business, Asahi Soft Drinks will work towards the achievement of stable business performance by increasing per-unit sales based on improved efficiency.

Further, Asahi Soft Drinks will reform its earning structure by improving its optimal production and logistics systems as well as the efficiency of advertising and sales promotion expenses, and by making efforts in the early creation of synergy effects with the domestic soft drinks business that has been shifted from Calpis Co., Ltd. and integrated into Asahi Soft Drinks.

-LB Co., Ltd.

Through the development of products in its mainstay categories of tea and soft drinks, LB Co., Ltd. will continue to offer to customers the added values of freshness and enticing flavor characteristic of chilled soft drinks.

LB will seek to expand sales by strengthening initiatives at mass retailers, in addition to continuing the aggressive deployment of products utilizing the Group’s brands, focusing on “Bireley’s” and “Calpis”.

LB will also aim to reform its earning structure through making its demand-supply adjustment capabilities more sophisticated and reduce production costs by further promoting group purchasing.

Foods Segment

-Asahi Food & Healthcare Co., Ltd.

Asahi Food & Healthcare Co., Ltd. will realize growth and profitability by generating unique strengths that its competitors cannot offer and by working on “steady and sound growth”, “establishment of organization and infrastructure capable of addressing changes in customers” and “enhancement of corporate brand and reform of corporate culture”.

Asahi Food & Healthcare will release new products of breath mints “MINTIA” and enhance the lineup of dietary supplements “Dear-Natura” to accelerate last year’s growth and expand sales. In the commercial-use food seasonings business, Asahi Food & Healthcare will strengthen initiatives with clients in Japan and expand sales of major products, while developing marketing and sales structure overseas.

Furthermore, Asahi Food & Healthcare will reinforce its research and development structure to develop highly competitive products.

-Wakodo Co., Ltd.

Wakodo Co., Ltd. will increase the profitability of existing businesses and aim to develop businesses that will serve as the next pillars in growth areas.

As regards to baby food for which Wakodo boasts the biggest share in the Japanese market, new products with added value which focuses on vegetables will be released in the product line-up of the retort pouch “Goo-Goo Kitchen” and Wakodo will try to stimulate the market.

Wakodo will also strive to reduce fixed costs by optimizing its production system and cutting raw materials costs by such means as group purchasing.

-Amano Jitsugyo Co., Ltd.

Amano Jitsugyo Co., Ltd. will manage business in accordance with the basic policies of “increasing presence in the food market”, “reforming the earning structure”, and “creative company that enriches customer life”.

In distribution sales operations, Amano Jitsugyo will enhance the lineup of its mainstay freeze-dried miso soup, including deploying products in various price ranges. In mail-order sales operations, efforts will be focused on selling products exclusively in the mail-order sales channel, with the aim of acquiring new customers.

Moreover, Amano Jitsugyo will seek to improve productivity by executing production processes partially in-house, and work to reduce costs from the product development stage.

International Operations Segment

-Oceania Business Segment

In the Oceania business segment, Asahi Holdings (Australia) Pty Ltd—the subsidiary overseeing the Oceania region—will play a leading role in seeking growth as a comprehensive beverage business, which covers both soft drinks and alcoholic

beverages, mainly through the generation of cost synergy among the business companies in the region, in addition to developing and nurturing their core brands and conducting business in growth areas.

In the soft drinks business sector, the Group will strive to expand sales by strengthening its presence in the soft drinks market as a whole by such means as deploying new products in growth categories and reducing the sugar content of existing carbonated drinks. In the alcoholic beverages business sector, the Group will proceed to firmly establish the status of mainstay low-alcohol beverages and, at the same time, establish a strong and sustainable business structure through proactive marketing activities in growth areas including imported beers such as “Asahi Super Dry” and cider (sparkling apple wine).

Furthermore, the Group will realize a stable revenue base by pursuing the creation of synergies in the business as a whole, including the joint procurement of raw materials and the optimization of functions of back office sections, in addition to continuing the establishment of optimum production and logistics systems.

-China Business Segment

In the China business segment, the Group will aspire to improve quality and profitability by enhancing the status of the “Asahi” brand in the market by increasing sales, in addition to further promoting the consolidation of production sites.

The Group will continue to engage in highly specialized sales activities based on a sales structure that distinguishes between different types of businesses organized last year focusing on the Shanghai area, which is a top priority market. In sales of commercial-use products, the Group will strive to increase the number of non-Japanese restaurants that carry draft beer in kegs, in addition to making Japanese restaurants carry them anew. In sales targeted at mass retailers, the Group will engage in management by distinguishing each chain and store, and seek to enhance proposal-oriented sales activities based on sales promotion plans.

Further, the Group will support the revenue base of the China business by working to reduce production costs including cutting raw materials costs (e.g., malt) and energy costs at local production sites.

-Southeast Asia Business Segment

In the Southeast Asia business segment, the Group will endeavor to expand the business network in Southeast Asia by building a business platform for the soft drinks business in Indonesia, in addition to increasing sales through the strengthening of the main brands of Permanis Sdn. Bhd.

In Malaysia, the economic environment is expected to become harsh due to the introduction of the goods and services tax scheduled in 2015. With this in mind, Permanis Sdn. Bhd. will pursue sales expansion by engaging in activities to boost the product appeal of “WONDA” released last year based on joint development with the Company, through TV commercials, sampling, etc., as well as by enhancing flagship brands including carbonated drink “Mountain Dew”. Efforts will also be made to reduce distribution costs by optimizing delivery routes, in addition to cutting raw materials costs through weight reduction of can lids and PET bottles.

In Indonesia, the joint venture with the Indonesian company PT. Indofood CBP Sukses Makmur Tbk will increase its presence in the market by improving the product recognition of “ICHI OCHA GREEN TEA” released last year and by releasing products in new categories such as coffee. Cost competitiveness will be ensured by developing a production system based on the operation of an in-house factory. Furthermore, sales of the “Pepsi” brand will be enhanced and the platform of the “Club” brand mineral water business will be utilized to establish an efficient business operation structure in Indonesia.

The Asahi Group intends to enhance the corporate value of the entire Group by improving the profitability of each business and increasing the capital efficiency through “Medium Term Management Plan 2015”.

The Group cordially requests shareholders’ continuing encouragement and support.

(7) Principal Subsidiaries

| Company name | Capital (Million yen) | Shareholdings (%) | Main operations |
|---|------------------------------------|----------------------|---|
| Asahi Breweries, Ltd. | 20,000 | 100.0 | Production and marketing of alcoholic beverages |
| Asahi Soft Drinks Co., Ltd. | 11,081 | 100.0 | Production and marketing of soft drinks |
| Calpis Co., Ltd. | 13,056 | 100.0 | Production and marketing of soft drinks |
| LB Co., Ltd. | 487 | 100.0 | Production and marketing of soft drinks |
| Asahi Food & Healthcare Co., Ltd. | 3,200 | 100.0 | Production and marketing of foods |
| Wakodo Co., Ltd. | 2,918 | 100.0 | Production and marketing of foods |
| Amano Jitsugyo Co., Ltd. | 67 | 100.0 | Production and marketing of foods |
| Schweppes Australia Pty Limited | 27,593 (A\$372,231 thousand) | 100.0 | Production and marketing of soft drinks |
| Asahi Professional Management Co., Ltd. | 50 | 100.0 | Contracting of clerical work |

Notes:

1. Shareholding percentages include shares held indirectly.
2. There were 85 consolidated subsidiaries of the Company as of the end of the fiscal year under review, including those listed above. There were 113 affiliates accounted for by the equity method, including Tsingtao Brewery Co., Ltd. and Tingyi-Asahi Beverages Holding Co., Ltd.

(8) Significant Developments such as Corporate Reorganization

Not applicable.

(9) Principal Offices and Factories

(As of December 31, 2013)

A. Asahi Group Holdings, Ltd.

(Registered head office) 23-1, Azumabashi 1-chome, Sumida-ku, Tokyo

(Laboratory) Research & Development Center (Moriya City, Ibaraki Prefecture)

B. Subsidiaries

| Business segment | Company name | Major establishments | |
|---------------------|-----------------------------|------------------------|--|
| Alcoholic Beverages | Asahi Breweries, Ltd. | Registered head office | 23-1, Azumabashi 1-chome, Sumida-ku, Tokyo |
| | | Regional sales offices | Tokyo Metropolitan Headquarters (Chuo-ku, Tokyo), etc. |
| | | Production facilities | Ibaraki Brewery (Moriya City, Ibaraki Prefecture), etc. |
| | | Laboratories | Development Laboratories for Alcoholic Beverages (Moriya City, Ibaraki Prefecture), etc. |
| Soft Drinks | Asahi Soft Drinks Co., Ltd. | Registered head office | 23-1, Azumabashi 1-chome, Sumida-ku, Tokyo |
| | | Regional sales offices | Tokyo Metropolitan Branch (Chuo-ku, Tokyo), etc. |
| | | Production facilities | Akashi Plant (Akashi City, Hyogo Prefecture), etc. |
| | | Laboratories | Products Research & Development Laboratory (Moriya City, Ibaraki Prefecture), etc. |
| | Calpis Co., Ltd. | Registered head office | 4-1, Ebisu-minami 2-chome, Shibuya-ku, Tokyo |
| | | Regional sales offices | Dairy Products Department (Shibuya-ku, Tokyo), etc. |
| | | Production facilities | Gunma Plant (Tatebayashi City, Gunma Prefecture), etc. |
| | | Laboratories | Microbiology & Fermentation Laboratory (Sagamihara City, Kanagawa Prefecture), etc. |
| | LB Co., Ltd. | Registered head office | 3469-1, Aza Sakuragaoka, Ooaza Kurohama, Hasuda City, Saitama Prefecture |
| | | Regional sales offices | CVS Marketing Department (Taito-ku, Tokyo), etc. |
| | | Production facilities | Hasuda Plant (Hasuda City, Saitama Prefecture), etc. |
| | | Laboratories | Marketing Department (Hasuda City, Saitama Prefecture) |

| | | | |
|--------------------------|-----------------------------------|------------------------|---|
| Foods | Asahi Food & Healthcare Co., Ltd. | Registered head office | 23-1, Azumabashi 1-chome, Sumida-ku, Tokyo |
| | | Regional sales offices | Food Sales Section I for Chain Stores (Chuo -ku, Tokyo), etc. |
| | | Production facilities | Osaka Plant (Suita City, Osaka Prefecture), etc. |
| | | Laboratories | Laboratory (Chuo-ku, Tokyo) |
| | Wakodo Co., Ltd. | Registered head office | 14-3, Kanda Tsukasa-cho 2-chome, Chiyoda-ku, Tokyo |
| | | Regional sales offices | Tokyo Branch (Shinjuku-ku, Tokyo), etc. |
| | | Production facilities | Tochigi Plant (Sakura City, Tochigi Prefecture) |
| | | Laboratories | Research Laboratory (Chofu City, Tokyo) |
| | Amano Jitsugyo Co., Ltd. | Registered head office | 9-10, Dosan-cho, Fukuyama City, Hiroshima Prefecture |
| | | Regional sales offices | East Japan Branch (Chiyoda-ku, Tokyo), etc. |
| | | Production facilities | Satosho Factory (Asakuchi-gun, Okayama Prefecture) |
| | | Laboratories | R&D Center (Asakuchi-gun, Okayama Prefecture) |
| International operations | Schweppes Australia Pty Limited | Registered head office | Victoria, Australia |
| | | Business locations | New South Wales, Australia, etc. |

(10) Employees

(As of December 31, 2013)

| Business segment | Number of employees | Increase (decrease) from the end of the previous term |
|--------------------------|---------------------|---|
| Alcoholic Beverages | 4,510 | (126) |
| Soft Drinks | 4,171 | 89 |
| Foods | 1,398 | 31 |
| International Operations | 5,649 | 540 |
| Other Businesses | 1,787 | 64 |
| Company-wide (common) | 486 | (46) |
| Total | 18,001 | 552 |

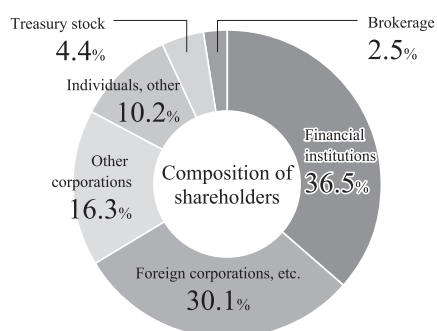
2. Overview of the Company

(1) Shares Outstanding (As of December 31, 2013)

A. Total number of authorized shares 972,305,309
(common stock)

B. Total number of issued shares 483,585,862
(including 21,352,561 shares in treasury stock)

C. Number of shareholders 109,543
(Decreased by 10,708 from the end of the previous term)



| Shareholder classification | Number of shares held (in hundreds) | Number of shareholders |
|-----------------------------------|-------------------------------------|------------------------|
| ■ Financial institutions | 1,763,720 | 140 |
| ■ Foreign corporations, etc. | 1,453,436 | 555 |
| ■ Other corporations | 789,575 | 2,489 |
| ■ Individuals, other | 495,416 | 106,317 |
| ■ Treasury stock | 213,525 | 1 |
| ■ Brokerage | 120,173 | 40 |
| ■ Government, local public bodies | 10 | 1 |

D. Major shareholders

| Name of shareholder | Number of shares held (in hundreds) | Percentage of shares held (%) |
|--|-------------------------------------|-------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 277,023 | 6.0 |
| Asahi Kasei Corporation | 187,853 | 4.1 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 177,843 | 3.8 |
| The Dai-ichi Life Insurance Company, Limited | 169,200 | 3.7 |
| Fukoku Mutual Life Insurance Company | 160,000 | 3.5 |
| JPMorgan Chase Bank 380055 | 100,009 | 2.2 |
| Sumitomo Mitsui Banking Corporation | 90,280 | 2.0 |
| Sumitomo Mitsui Trust Bank, Limited | 81,260 | 1.8 |
| State Street Bank and Trust Company | 56,972 | 1.2 |
| The Norinchukin Bank | 55,660 | 1.2 |
| Total | 1,356,101 | 29.3 |

Notes:

1. The Company holds treasury stock numbering 213,525 hundred shares. However, the Company is excluded from the above list of major shareholders.
2. Shareholding percentages are calculated based on the total number of issued shares less the number of shares in treasury stock.

E. Other significant matters related to shares

The Company acquired 13,217,100 shares of common stock of the Company pursuant to the resolution at the meeting of the Board of Directors held on February 13, 2013.

(2) Status of Stock Acquisition Rights, etc. (as of December 31, 2013)

A. Stock acquisition rights held by Directors and Corporate Auditors of the Company

| | |
|--|---|
| | 1) Second issue of stock acquisition rights |
| Date of issuance resolution | March 30, 2004 |
| Number of stock acquisition rights | 130 |
| Class and number of shares subject to stock acquisition rights | Shares of common stock: 13,000 |
| Fee for exercise of stock acquisition rights | ¥1,205 per share |
| Exercisable period | March 30, 2006 to March 29, 2014 |
| Conditions for exercise of stock acquisition rights | <ul style="list-style-type: none">• The options are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be.• The options may be passed on to heirs.• The options shall be cancelled if a holder is dismissed for certain specified reasons.• Any assignment or pledging of the options is prohibited. |
| Situation concerning the holding of stock acquisition rights by Directors and Corporate Auditors | |
| Directors (except Outside Directors) | <ul style="list-style-type: none">• Number of stock acquisition rights: 30• Number of shares subject to stock acquisition rights: 3,000• Number of holders: 1 |
| Outside Directors | <ul style="list-style-type: none">• Number of stock acquisition rights: —• Number of shares subject to stock acquisition rights: —• Number of holders: — |
| Corporate Auditors | <ul style="list-style-type: none">• Number of stock acquisition rights: 100• Number of shares subject to stock acquisition rights: 10,000• Number of holders: 1 |

| | | |
|--|--|--|
| | 2) Third issue of stock acquisition rights | 3) Fourth issue of stock acquisition rights |
| Date of issuance resolution | March 30, 2005 | March 30, 2006 |
| Number of stock acquisition rights | 530 | 779 |
| Class and number of shares subject to stock acquisition rights | Shares of common stock: 53,000 | Shares of common stock: 77,900 |
| Fee for exercise of stock acquisition rights | ¥1,374 per share | ¥1,688 per share |
| Exercisable period | March 30, 2007 to March 29, 2015 | March 30, 2008 to March 29, 2016 |
| Conditions for exercise of stock acquisition rights | <ul style="list-style-type: none"> • The options are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be. • The options may be passed on to heirs. • Any assignment or transfer of the stock acquisition rights is subject to approval of the Board of Directors. | <ul style="list-style-type: none"> • The options are exercisable even after the resignation of Directors or Corporate Auditors, as the case may be. • The options may be passed on to heirs. • Any assignment or transfer of the stock acquisition rights is subject to approval of the Board of Directors. |
| Situation concerning the holding of stock acquisition rights by Directors and Corporate Auditors | | |
| Directors (except Outside Directors) | <ul style="list-style-type: none"> • Number of stock acquisition rights: 230 • Number of shares subject to stock acquisition rights: 23,000 • Number of holders: 2 | <ul style="list-style-type: none"> • Number of stock acquisition rights: 479 • Number of shares subject to stock acquisition rights: 47,900 • Number of holders: 3 |
| Outside Directors | <ul style="list-style-type: none"> • Number of stock acquisition rights: — • Number of shares subject to stock acquisition rights: — • Number of holders: — | <ul style="list-style-type: none"> • Number of stock acquisition rights: — • Number of shares subject to stock acquisition rights: — • Number of holders: — |
| Corporate Auditors | <ul style="list-style-type: none"> • Number of stock acquisition rights: 300 • Number of shares subject to stock acquisition rights: 30,000 • Number of holders: 3 | <ul style="list-style-type: none"> • Number of stock acquisition rights: 300 • Number of shares subject to stock acquisition rights: 30,000 • Number of holders: 3 |

B. Significant matters regarding other stock acquisition rights

Overview of Euroyen conditional convertible bonds with stock acquisition rights

| | 1) Euroyen conditional convertible bonds with stock acquisition rights maturing in 2023 | 2) Euroyen conditional convertible bonds with stock acquisition rights maturing in 2028 |
|---|--|--|
| Date of issuance resolution | May 13, 2008 | May 13, 2008 |
| Date of issue | May 29, 2008 | May 29, 2008 |
| Outstanding amount of bonds with stock acquisition rights | ¥15,937 million | ¥35,000 million |
| Details concerning the stock acquisition rights | | |
| Number of stock acquisition rights | Total of 35,000 and the number calculated by dividing the total face value of the substitute bonds with stock acquisition rights by ¥1,000,000 | Total of 35,000 and the number calculated by dividing the total face value of the substitute bonds with stock acquisition rights by ¥1,000,000 |
| Class and number of shares subject to stock acquisition rights | Shares of common stock: 16,611,295 | Shares of common stock: 17,073,170 |
| Fee for exercise of stock acquisition rights | ¥2,107 per share | ¥2,050 per share |
| Exercisable period | June 12, 2008 to May 12, 2023 | June 12, 2008 to May 12, 2028 |
| Conditions for exercise of stock acquisition rights | <ul style="list-style-type: none"> • Certain stock acquisition rights may not be exercised. • Prior to May 29, 2011, but only when the closing price of the Company's common stock for 20 of the last 30 trading days (including the last trading day) exceeds 125% of the conversion price (¥2,107) as of the last trading date of each quarter. In such cases, exercise is possible, in principle, during the following quarter. | <ul style="list-style-type: none"> • Certain stock acquisition rights may not be exercised. • Prior to May 29, 2014, but only when the closing price of the Company's common stock for 20 of the last 30 trading days (including the last trading day) exceeds 125% of the conversion price (¥2,050) as of the last trading date of each quarter. In such cases, exercise is possible, in principle, during the following quarter. |
| Conditions under which the Company may acquire stock acquisition rights | <ul style="list-style-type: none"> • On or after May 29, 2011, the Company may acquire all of the bonds after notifying the bondholders. • The acquisition date shall be at least 60 but no more than 75 days from the notification date. | <ul style="list-style-type: none"> • On or after May 29, 2014, the Company may acquire all of the bonds after notifying the bondholders. • The acquisition date shall be at least 60 but no more than 75 days from the notification date. |

(3) Directors and Corporate Auditors of the Company

A. Directors and Corporate Auditors

(As of December 31, 2013)

| Name | Position | Areas of responsibility and significant concurrent positions |
|----------------------|---|---|
| Hitoshi Ogita | Chairman and Representative Director | Overall Group Management Outside Director of NEC Corporation Outside Director of Imperial Hotel, Ltd. |
| Naoki Izumiya | President and Representative Director | Overall Group Management |
| Katsuyuki Kawatsura | Senior Managing Director Senior Managing Corporate Officer | Human Resources Section, Research & Development Section, Intellectual Property Section Group Food Business Director of Asahi Food & Healthcare Co., Ltd. Director of Wakodo Co., Ltd. Director of Amano Jitsugyo Co., Ltd. Director of Asahi Professional Management Co., Ltd. |
| Toshio Kodato | Director Corporate Officer | Public Relations Section, Agribusiness Development Section Group China Business |
| Shiro Ikeda | Director Corporate Officer | Audit Section, Secretary Section, Corporate Social Responsibility Section, Lifestyle & Culture Section, International Business Section Group Soft Drinks Business, Group International Operations Director of Asahi Soft Drinks Co., Ltd. Director of Calpis Co., Ltd. |
| Katsutoshi Takahashi | Director Corporate Officer | Procurement Section, Production Section, Logistics Section, Quality Assurance Section Director of LB Co., Ltd. |
| Yoshihide Okuda | Director Corporate Officer | General & Legal Affairs Management Section, Finance Section, Information Technology Section President and Representative Director of Asahi Professional Management Co., Ltd. |
| Akiyoshi Koji | Director | Group Alcoholic Beverages Business President and Representative Director of Asahi Breweries, Ltd. |

| Name | Position | Areas of responsibility and significant concurrent positions |
|--------------------|----------------------------|--|
| Mariko Bando | Outside Director | President of Showa Women's University Director of Showa Women's University Director of The Institute of Women's Culture, Showa Women's University Chairman of the Board of Rural Women Empowerment and Life Improvement Association |
| Naoki Tanaka | Outside Director | President of Center for International Public Policy Studies |
| Ichiro Ito | Outside Director | Chairman and Representative Director of Asahi Kasei Corporation |
| Yoshihiro Tonozuka | Standing Corporate Auditor | Corporate Auditor of Asahi Breweries, Ltd. Corporate Auditor of Calpis Co., Ltd. Corporate Auditor of Asahi Food & Healthcare Co., Ltd. |
| Yukio Kakegai | Standing Corporate Auditor | Corporate Auditor of Asahi Soft Drinks Co., Ltd. Corporate Auditor of Wakodo Co., Ltd. Corporate Auditor of Amano Jitsugyo Co., Ltd. |
| Takahide Sakurai | Outside Corporate Auditor | Special Adviser to The Dai-ichi Life Insurance Company, Limited |
| Naoto Nakamura | Outside Corporate Auditor | Partner and Attorney at Law of Nakamura, Tsunoda & Matsumoto Law Office Outside Corporate Auditor of Mitsui & Co., Ltd. Outside Corporate Auditor of Recruit Holdings Co., Ltd. |
| Tadashi Ishizaki | Outside Corporate Auditor | Professor of Faculty of Management and Culture, Shoin University Professor Emeritus, Chuo University |

Notes:

1. Directors Mariko Bando, Naoki Tanaka and Ichiro Ito are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
2. Corporate Auditors Takahide Sakurai, Naoto Nakamura and Tadashi Ishizaki are Outside Corporate Auditors as defined in Item 16, Article 2 of the Companies Act.
3. The Company designated Outside Directors Mariko Bando, Naoki Tanaka and Ichiro Ito and Outside Corporate Auditors Takahide Sakurai, Naoto Nakamura and Tadashi Ishizaki as Independent Directors/Auditors as defined by the Tokyo Stock Exchange and reported to the said exchange.
4. Corporate Auditor Yukio Kakegai was formerly General Manager of Audit Department of the Company and has considerable expertise in finance and accounting.
5. Corporate Auditor Naoto Nakamura who is an attorney at law is jurisprudent, among others, to corporate legal affairs; he also has considerable expertise in finance and accounting.
6. Corporate Auditor Tadashi Ishizaki has carried out research on accounting for many years as a university professor; he has considerable expertise in finance and accounting.
7. Director Kazuo Motoyama retired upon the expiry of his term of office at the conclusion of the 89th Annual General Meeting of Shareholders held on March 26, 2013. Also, Katsutoshi Takahashi and Yoshihide Okuda were newly elected as Directors and assumed their respective offices at the same meeting.

8. In addition to the above, the retirement from significant concurrent positions by Directors or Corporate Auditors during the year under review are detailed below.

| Name | Position | Significant concurrent positions upon retirement | Date of retirement |
|------------------|-------------------------------|---|--------------------|
| Shiro Ikeda | Director Corporate Officer | Director of LB Co., Ltd. | March 21, 2013 |
| Mariko Bando | Outside Director | Outside Director of Asahi Mutual Life Insurance Company | July 2, 2013 |
| Takahide Sakurai | Outside Corporate Auditor | Outside Director of Imperial Hotel, Ltd. | June 26, 2013 |

9. Takahide Sakurai ceased to serve as Corporate Auditor as he passed away on January 3, 2014.

B. Remuneration paid to Directors and Corporate Auditors

| Category | Basic remuneration | | Bonus | | Total amount (yen) |
|--|-------------------------------|---|-------------------------------|---|-----------------------------|
| | Number of persons remunerated | Total amount of remuneration paid (yen) | Number of persons remunerated | Total amount of remuneration paid (yen) | |
| Directors [of which, Outside Directors] | 11 [3] | 314,700,000 [31,200,000] | 11 [3] | 112,000,000 [12,300,000] | 426,700,000 [43,500,000] |
| Corporate Auditors [of which, Outside Corporate Auditors] | 5 [3] | 96,000,000 [32,400,000] | — — | — — | 96,000,000 [32,400,000] |

Notes:

- The figures above include Director Kazuo Motoyama, who retired at the conclusion of the 89th Annual General Meeting of Shareholders held on March 26, 2013.
- 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 83rd Annual General Meeting of Shareholders held on March 27, 2007. As of the end of the fiscal year under review, the anticipated total amount of future payments was as follows:
 - Total of ¥32,000,000 to two Directors
 - Total of ¥33,000,000 to three Outside Corporate Auditors
 The anticipated total amount of future payment to one Outside Corporate Auditor who ceased to serve as Outside Corporate Auditor as he passed away on January 3, 2014 is ¥22,800,000, and the anticipated total amount of future payment to one Director retiring at the conclusion of the 90th Annual General Meeting of Shareholders to be held on March 26, 2014, is ¥13,000,000.
- The total amount of Directors' remuneration, etc. is ¥760 million (including ¥50 million for Outside Directors) per year according to the resolution passed at the 83rd Annual General Meeting of Shareholders held on March 27, 2007.
- The total amount of Corporate Auditors' remuneration, etc. is ¥120 million (including ¥40 million for Outside Corporate Auditors) per year according to the resolution passed at the 83rd Annual General Meeting of Shareholders held on March 27, 2007.

C. Policies concerning the setting of remuneration paid to Directors and Corporate Auditors

Directors' and Corporate Auditors' remuneration amounts are set within the total amount of remuneration resolved in advance at a General Meeting of Shareholders. Furthermore, Directors' remuneration is set in line with a resolution at a meeting of the Board of Directors, and Corporate Auditors' remuneration is set by discussion by the Corporate Auditors thereof. When remuneration -related resolutions are being made by the Board of Directors, the Compensation Committee, having Outside Directors making up half of its membership, acts as an advisory body to the Board of Directors, evaluating the content of said resolutions in the interests of greater transparency and objectivity.

It should be noted that the retirement bonus system and stock option system were both discontinued in 2007.

In the interests of setting Directors' remuneration in a reasonable manner given roles and responsibilities, the system for doing so takes into consideration each Director's motivational abilities in terms of ongoing enhancement of corporation performance and value in addition to the recruitment of talented persons.

In specific terms, remuneration comprises basic remuneration (a fixed monthly amount) and bonuses (yearly performance-linked amounts), and each item is determined using survey data prepared by external specialist organizations and based on duties and status as Director or Outside Director. In addition, bonuses are raised or lowered based on consolidated operating income as the main index.

In the interests of setting Corporate Auditors' remuneration in a reasonable manner given roles and responsibilities, the system for doing so takes the recruitment of talented persons into consideration.

In specific terms, remuneration comprises only basic remuneration (a fixed monthly amount), and it is determined by discussion by the Corporate Auditors using survey data prepared by external specialist organizations and based on duties and status as Corporate Auditor or Outside Corporate Auditor.

D. Outside Directors and Outside Corporate Auditors

1) Major activities of Outside Directors and Outside Corporate Auditors

| Category | Name | Number of Board of Directors meetings attended | Number of Board of Auditors meetings attended | Form of participation |
|---------------------------|------------------|--|---|--|
| Outside Director | Mariko Bando | 10/10 | — | Ms. Bando participated in discussions as necessary, primarily from the perspective of her wealth of experience as an educator. |
| | Naoki Tanaka | 10/10 | — | Mr. Tanaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as an expert in economic policy. |
| | Ichiro Ito | 8/10 | — | Mr. Ito participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager. |
| Outside Corporate Auditor | Takahide Sakurai | 5/10 | 5/8 | Mr. Sakurai participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager. |
| | Naoto Nakamura | 9/10 | 8/8 | Mr. Nakamura participated in discussions as necessary, primarily from his expert perspective as an attorney at law. |
| | Tadashi Ishizaki | 10/10 | 8/8 | Dr. Ishizaki participated in discussions as necessary, primarily from his expert perspective as a scholar of accounting. |

Note:

In addition to the aforementioned meeting of the Board of Directors held the fiscal year under review, “deemed resolution in writing” pursuant to Article 370 of the Companies Act were adopted on two occasions.

2) Summary of agreements limiting liability

The Company has entered into an agreement with each of its Outside Directors and Outside Corporate Auditors 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.

(4) Independent Accounting Auditor

A. Name of the Independent Accounting Auditor

KPMG AZSA LLC

B. Remuneration paid to the Independent Accounting Auditor for the fiscal year under review

| Category | Amount payable |
|---|----------------|
| Remuneration paid for the fiscal year under review | ¥137 million |
| Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor | ¥437 million |

Note:

In its agreement with the Independent Accounting Auditor, the Company makes no distinction between the remuneration 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 ¥137 million shown above is a sum of these two amounts.

C. 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 “guidance and advisory services for conversion to International Financial Reporting Standards”.

D. Company Policy regarding dismissal of or decision not to reappoint the Independent Accounting Auditor

Article 340 of the Companies Act stipulates that the Board of Auditors shall be entitled to dismiss the Independent Accounting Auditor for reasons stipulated therein. In addition, when it is reasonably recognized that the Independent Accounting Auditor is no longer able to execute its duties in an appropriate manner, the Company, with the prior consent of, or a request by, the Board of Auditors, shall offer to the General Meeting of Shareholders a resolution to dismiss or not to reappoint the Independent Accounting Auditor.

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

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 appropriate business operations of the Company and its subsidiaries (herein this section the “Group Companies”) (herein this section the “Internal Control”);
- recognize that it is the Representative Director(s) who shall assume the ultimate responsibility for the improvement of the Internal Control 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 required based on the Basic Policies; and
- take steps to maintain and enhance the effectiveness of the Internal Control by reviewing the Basic Policies and relevant internal regulations in a timely and appropriate manner in accordance with changes in conditions and circumstances.

<System to ensure execution of duties by Directors and employees in conformity with laws and regulations and the Articles of Incorporation of the Company>

- A. In accordance with a statement of “Fair and Transparent Corporate Ethics” as stipulated in “Asahi Group’s Corporate Action Guidelines”, the Company shall establish “Regulations on Corporate Ethics for the Asahi Group” and “Asahi Group Corporate Ethics Guidelines” and procure its Directors, Corporate Auditors and employees abide by these regulations.
- B. In accordance with internal regulations, the Company shall establish the “Risk Management Committee”, which will oversee the compliance affairs and risk management of the Asahi Group. One of the committee’s members shall be an

outside attorney-at-law.

- C. An Officer of the Company in charge of compliance 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.
- D. The Company shall assign an appropriate number of persons as “Compliance-Promotion Personnel” in each Group Company depending on its size. In conjunction with the section in charge of legal affairs at the Company and respective organizations in charge of general or legal affairs of the Group Companies, all Compliance-Promotion Personnel shall endeavor to disseminate legal knowledge and to heighten a general awareness of importance of compliance in their respective Group Companies.
- E. 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.
- F. The Company shall establish “Asahi Group’s Basic Policy on Procurement” addressing mutual cooperation for fair deals and social responsibilities between the each Group Company and suppliers and 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 Internal Control in cooperation with its suppliers.
- G. 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 area.
- H. The operational details of the aforementioned agencies and systems shall be spelled out under a separately prepared set of internal regulations.

<System to ensure the preservation and management of information related to execution of duties by Directors>

- A. 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.
- B. The aforementioned information shall be preserved and managed in a way accessible by Directors and Corporate Auditors for inspection at any time.
- C. Control over the clerical tasks related to preservation and management of the

above-mentioned information shall be determined in accordance with internal regulations.

<Regulations and other organizational structures to manage risk of loss>

- A. 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.
- B. 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 internal regulations cited in the previous paragraph 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 of their products.
- C. In the event of any major accident, disaster or scandal, the Company shall establish a “Crisis-Response Meeting” chaired by a Representative Director.

<System to ensure efficient execution of duties by Directors>

- A. To ensure efficient performance of duties by Directors, the “Board of Directors” shall divide duties in a reasonable way to be delegated to different Directors and shall appoint appropriate persons as Corporate Officers in charge of different sections.
- B. The Company shall establish “Regulation of Authority” stipulating rules of delegation of power and for a mutual checks-and-balances mechanism among different sections.
- C. The Company shall ensure effective utilization of the system of the “Corporate Strategy Board”.
- D. 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.

<System to ensure appropriate operations of the corporate group consisting of the Company and its parent (if any) and its subsidiaries>

- A. 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 and operate the said systems of the Group Companies in accordance with the conditions and circumstances individual companies are facing.
- B. The section in charge of internal auditing in the Company shall get a grasp of and evaluate the Internal Control and discipline in day-to-day tasks within the Asahi Group by directly and indirectly auditing the Group Companies. In addition, regarding the Internal Control related to financial reporting, the organization in charge of evaluation established within the Asahi Group shall conduct the evaluation on the Internal Control of the Group Companies and submit the relevant reports.
- C. Each of the Group Companies shall be required to provide reports on performance of its operations including risk-related information, to the Corporate Auditors of the Company.
- D. Decision-making authority related to business activities of the Group Companies shall be subject to the document entitled “Asahi Group’s Regulation of Authority”.

<Securement of employees in the event that Corporate Auditors request staff to assist in their auditing duties>

The “Board of Auditors” shall appoint staff to serve the Board of Auditors, for assistance in the day-to-day activities of the Corporate Auditors.

<Independence of employees assigned to assist the Corporate Auditors from the Directors>

- A. When a member of the staff who serves the Board of Auditors, as stipulated in the previous paragraph, receives an order from a Corporate Auditor in relation to auditing duties, he/she shall not be subject to directives or orders from Directors or other employees regarding that order.
- B. Any issuance of orders to, personnel transfers of, merit evaluations of, or reprimands of a member of the staff who serves the Board of Auditors shall require the prior concurrence of Corporate Auditors.

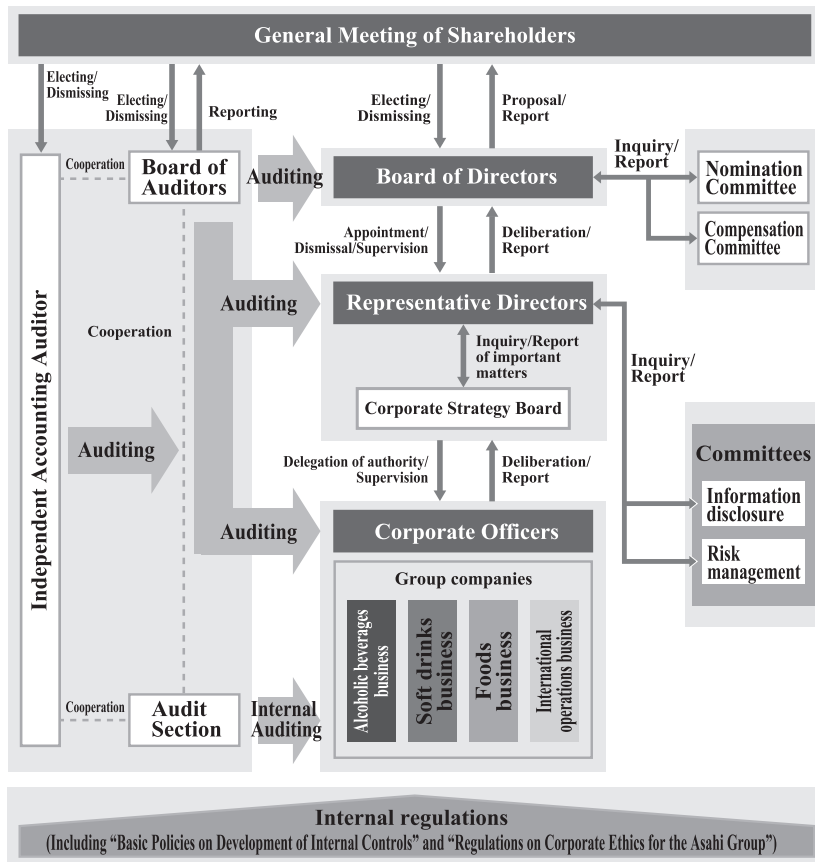
<System for Directors' and employees' reporting to Corporate Auditors; system relating to other reporting to Corporate Auditors>

- A. Directors and employees shall report regularly to Corporate Auditors on matters related to the Internal Control, and shall report on an as-needed basis when a significant event occurs. When necessary, the Corporate Auditors shall be entitled to request reports from the Directors and employees (including from Directors and employees of the Group Companies).
- B. Directors shall ensure that Corporate Auditors 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 Corporate Auditors.
- C. Corporate Auditors shall at all times have the right to review the minutes of important meetings, documents of approval, etc.

<Other systems ensuring effective auditing by Corporate Auditors>

To ensure the effectiveness of auditing activities, Directors shall ensure opportunities for Corporate Auditors 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.

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



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

<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 to maintain and enhance 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 if it is a so-called hostile takeover, which is pursued without approval from the Board of Directors (hereinafter referred to as the "Board") provided that such takeover is intended to contribute to the enhancement 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 enhancement of the corporate value and the common interests of shareholders of a company, including ones that would, in light of their purposes, 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.

<Framework that contributes to realization of the basic policy>

A. Special Measures Contributing to Realization of the Basic Policy

In its “Long-Term Vision 2020”, the Company sets out its aim: “Striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness and innovation)”. To fulfill this Vision, initiatives in its three-year plan “Medium-Term Management Plan 2015” were launched on a group-wide scale, aimed at enhancing corporate value through the promotion of “Value and Network Management”.

In the “Medium-Term Management Plan 2015”, the Company focuses on the “strengths” that it developed and acquired over the years, such as its brand, technologies and cost competitiveness, and leverages them for the creation of new values and innovation. The Company will also seek to maintain long-term stable growth by the above mentioned strategies and further expanding its domestic and overseas networks. Giving utmost priority to growth of its sales and profit, the Group will work together for the continual increase in key performance indicators ROE (return on equity) and EPS (earnings per share) by improving capital efficiency through such means as increase of shareholder returns.

The Company believes that by diligently implementing “Medium-Term Management Plan 2015” with the Group acting as a whole in pursuit of the goals of “Long-Term Vision 2020”, it can significantly strengthen the relationship of trust between the Asahi Group and its stakeholders, and in addition, can secure and enhance corporate value, and thus, the common interests of shareholders.

The Company is striving to further strengthen its corporate governance for the aforementioned measures.

By introducing a corporate officer (*Sikko-Yakuin*) system on March 30, 2000, the Company separated the management decision-making and execution functions with a view to speeding up execution of business decisions and endeavored to strengthen the supervisory function of the Board. In addition, the Company has appointed three Outside Directors and three Outside Corporate Auditors* as independent directors/auditors as defined by the Tokyo Stock Exchange and reported to the exchange to that effect.

* Takahide Sakurai passed away and ceased to serve as Outside Corporate Auditor on January 3, 2014; accordingly, there are two Outside Corporate Auditors reported as independent auditors at present.

Furthermore, the Company operates a system that facilitates checks by Outside Directors/Corporate Auditors by establishing the “Nomination Committee” and the “Compensation Committee”, both of which act as an advisory body to the Board of Directors and include Outside Directors as members.

In order to further clarify the accountability of the management to shareholders, the Company shortened the term of office of its Directors from two years to one year at the 83rd Annual General Meeting of Shareholders held on March 27, 2007.

By transitioning to a pure holding company structure on July 1, 2011, the Company strengthened its business platforms through the pursuit of specialization and the clarification of authorities and responsibilities of each business section, as well as promoted the expansion of domestic and overseas business networks in order to enhance its corporate value.

B. 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 to the extent permitted by 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.

<Judgment of the Company’s Board regarding the specific measures and reasons therefor>

The measures described above in A of <Framework that contributes to realization of the basic policy> conform to the basic policy of the Company as described above, 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 Corporate Auditors of the Company.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

| | Million yen | |
|---|----------------------------|---|
| | As of December 31, 2013 | As of December 31, 2012 (Reference) |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 42,200 | 34,573 |
| Notes and accounts receivable | 317,106 | 317,008 |
| Merchandise and finished goods | 81,562 | 79,152 |
| Raw materials and supplies | 36,740 | 34,366 |
| Deferred tax assets | 15,504 | 12,622 |
| Other current assets | 44,893 | 56,379 |
| Allowance for doubtful accounts | (3,117) | (4,914) |
| Total current assets | 534,890 | 529,189 |
| Fixed assets: | | |
| Tangible fixed assets: | | |
| Buildings and structures | 164,605 | 170,347 |
| Machinery, equipment and vehicles | 120,984 | 127,276 |
| Tools, furniture and fixtures | 51,541 | 50,374 |
| Land | 206,110 | 205,553 |
| Lease assets | 21,423 | 21,944 |
| Construction in progress | 19,436 | 7,828 |
| Other tangible fixed assets | 117 | 73 |
| Total tangible fixed assets | 584,219 | 583,398 |
| Intangible fixed assets: | | |
| Goodwill | 196,203 | 203,764 |
| Other intangible fixed assets | 93,822 | 95,373 |
| Total intangible fixed assets | 290,025 | 299,137 |
| Investments and other assets: | | |
| Investment securities | 331,427 | 266,248 |
| Long-term loans receivable | 6,962 | 4,232 |
| Long-term prepaid expenses | 9,079 | 8,245 |
| Deferred tax assets | 9,120 | 18,212 |
| Other investments | 31,476 | 26,932 |
| Allowance for doubtful accounts | (5,647) | (3,409) |
| Total investments and other assets | 382,419 | 320,461 |
| Total fixed assets | 1,256,665 | 1,202,998 |
| Total assets | 1,791,555 | 1,732,187 |

CONSOLIDATED BALANCE SHEETS

| | Million yen | |
|--|----------------------------|---|
| | As of December 31, 2013 | As of December 31, 2012 (Reference) |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and trade accounts payable | 118,650 | 117,774 |
| Short-term borrowings | 134,334 | 174,697 |
| Commercial paper | 67,000 | 68,000 |
| Bonds due within one year | 20,000 | — |
| Lease obligations | 8,532 | 7,975 |
| Alcohol tax payable | 110,371 | 112,598 |
| Consumption taxes payable | 10,344 | 17,722 |
| Income taxes payable | 32,151 | 23,201 |
| Other accounts payable | 68,457 | 67,910 |
| Accrued expenses | 66,765 | 60,376 |
| Deposits received | 18,087 | 21,200 |
| Allowance for employees' bonuses | 4,284 | 4,139 |
| Other current liabilities | 7,102 | 4,470 |
| Total current liabilities | 666,081 | 680,068 |
| Long-term liabilities: | | |
| Bonds | 148,937 | 188,121 |
| Long-term borrowings | 33,450 | 25,415 |
| Lease obligations | 14,713 | 15,620 |
| Allowance for employees' severance and retirement benefits | 22,581 | 23,851 |
| Allowance for retirement benefits for directors and corporate auditors | 192 | 480 |
| Deferred tax liabilities | 37,745 | 31,433 |
| Asset retirement obligations | 429 | 471 |
| Other long-term liabilities | 39,942 | 39,846 |
| Total long-term liabilities | 297,993 | 325,239 |
| Total liabilities | 964,074 | 1,005,308 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 182,531 | 182,531 |
| Capital surplus | 152,537 | 150,641 |
| Retained earnings | 428,661 | 383,177 |
| Treasury stock | (40,032) | (27,763) |
| Total shareholders' equity | 723,698 | 688,586 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 20,981 | 3,259 |
| Deferred gains or losses on hedges | 223 | (5) |
| Foreign currency translation adjustments | 74,390 | 31,978 |
| Total accumulated other comprehensive income | 95,595 | 35,232 |
| Minority interests | 8,186 | 3,060 |
| Total net assets | 827,481 | 726,879 |
| Total liabilities and net assets | 1,791,555 | 1,732,187 |

CONSOLIDATED STATEMENTS OF INCOME

| | Million yen | |
|--|---|--|
| | For the year ended December 31, 2013 | For the year ended December 31, 2012 (Reference) |
| Net sales | 1,714,237 | 1,579,076 |
| Cost of sales | 1,032,853 | 974,702 |
| Gross profit | 681,383 | 604,374 |
| Selling, general and administrative expenses | 563,916 | 495,937 |
| Operating income | 117,467 | 108,437 |
| Non-operating income: | 13,101 | 14,123 |
| Interest income | 387 | 402 |
| Dividend income | 1,602 | 1,335 |
| Foreign exchange gains | 747 | — |
| Gain on valuation of derivatives | 421 | 207 |
| Equity in net income of non-consolidated subsidiaries and affiliated companies | 8,822 | 10,616 |
| Other non-operating income | 1,119 | 1,559 |
| Non-operating expenses: | 6,955 | 7,738 |
| Interest expenses | 3,595 | 4,043 |
| Other non-operating expenses | 3,360 | 3,695 |
| Recurring profit | 123,612 | 114,821 |
| Extraordinary gains: | 4,344 | 9,356 |
| Gain on sales of fixed assets | 1,501 | 353 |
| Gain on sales of investment securities | 988 | 187 |
| Gain on sales of shares in affiliates | — | 201 |
| Gain on change in equity | — | 8,088 |
| Gain on transfer of business | 1,564 | — |
| Other extraordinary gains | 289 | 525 |
| Extraordinary losses: | 17,485 | 24,338 |
| Loss on sales and disposal of fixed assets | 4,508 | 3,388 |
| Loss on sales of shares of affiliates | 39 | — |
| Loss on sales of investment securities | 5 | 93 |
| Loss on devaluation of investment securities | 12 | 888 |
| Impairment loss on fixed assets | 7,473 | 3,069 |
| Loss on factory restructurings | — | 1,459 |
| Business integration expenses | 3,388 | 5,943 |
| Adjustment of goodwill | — | 7,954 |
| Other extraordinary losses | 2,057 | 1,540 |
| Income before income taxes and minority interests | 110,470 | 99,840 |
| Income taxes — current | 48,537 | 33,854 |
| Income taxes — deferred | 89 | 8,453 |
| Income before minority interests | 61,844 | 57,532 |
| Minority interests | 95 | 349 |
| Net income | 61,749 | 57,183 |

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2013

Million yen

| | Shareholders' equity | | | | Total shareholders' equity |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | |
| Balance as of Jan. 1, 2013 | 182,531 | 150,641 | 383,177 | (27,763) | 688,586 |
| Changes during the term | | | | | |
| Dividends | | | (16,264) | | (16,264) |
| Net income (loss) | | | 61,749 | | 61,749 |
| Acquisition of treasury stock | | | | (30,029) | (30,029) |
| Disposal of treasury stock | | 1,896 | | 17,760 | 19,657 |
| Other changes in non-shareholders' equity items during the term (net) | | | | | |
| Total changes during the term | — | 1,896 | 45,484 | (12,268) | 35,112 |
| Balance as of Dec. 31, 2013 | 182,531 | 152,537 | 428,661 | (40,032) | 723,698 |

| | Accumulated other comprehensive income | | | | Minority interests | Total net assets |
|---|---|------------------------------------|--|--|--------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Total accumulated other comprehensive income | | |
| Balance as of Jan. 1, 2013 | 3,259 | (5) | 31,978 | 35,232 | 3,060 | 726,879 |
| Changes during the term | | | | | | |
| Dividends | | | | | | (16,264) |
| Net income (loss) | | | | | | 61,749 |
| Acquisition of treasury stock | | | | | | (30,029) |
| Disposal of treasury stock | | | | | | 19,657 |
| Other changes in non-shareholders' equity items during the term (net) | | | | | | |
| Total changes during the term | 17,721 | 229 | 42,412 | 60,363 | 5,126 | 65,489 |
| Balance as of Dec. 31, 2013 | 20,981 | 223 | 74,390 | 95,595 | 8,186 | 827,481 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for Preparation of Consolidated Financial Statements

(1) Items in the scope of the consolidation

A. Number of consolidated subsidiaries: 85

Principal consolidated subsidiaries

Please see Item 1 of the “Business Report” (“Overview of Operations of the Asahi Group, section (7) ‘Principal Subsidiaries’”), for a summary of the current status of principal consolidated subsidiaries.

Companies added to the scope of consolidation during the consolidated fiscal year under review were PT Prima Cahaya Indobeverages and Fujisansensui Co., Ltd. due to the acquisition of their shares; and Calpis Osotspa Co., Ltd., Calpis (Shanghai) Commerce & Trade Co., Ltd., PT Tirta Sukses Perkasa, KangQuan (Hangzhou) Foods Co., Ltd. and WAKODO (Shanghai) Trading Co., Ltd. due to their incorporation.

Companies removed from the scope of consolidation during the consolidated fiscal year under review were ILNZ Group Holdings Pty Limited, Asahi Breweries Itochu (Holdings) Limited, Usukebo Co., Ltd. and Calpis U.S.A., Inc. due to liquidation; and Asahi Beer Communications, Ltd. and Nippon Shoni-iji Shuppansha Co., Ltd. due to the partial sale of their shares.

B. Principal non-consolidated subsidiary

Demball Limited

Rationale for exclusion from the scope of consolidation:

The non-consolidated subsidiary including the one mentioned above is all small in terms of total assets, sales, net profit or loss, and retained earnings (amount corresponding to equity ownership); it has no material impact as a whole on the consolidated financial statements and is thus excluded from the scope of consolidation.

(2) Items concerning application of the equity method

A. Number of companies subject to application of the equity method: 113

Non-consolidated subsidiaries subject to application of the equity method: 3

Asahi Group Engineering Co., Ltd., Yeastock, Ltd., The Mill Retail Holdings Limited

The Mill Retail Holdings Limited was subject to application of the equity method during the consolidated fiscal year under review due to acquisition of its stake.

Affiliates subject to application of the equity method: 110

These include Asahi Business Solutions Corp., Shenzhen Tsingtao Beer Asahi Co., Ltd., Asahi & Mercuries Co., Ltd., Tsingtao Brewery Co., Ltd., China Foods Investment

Corp., Tingyi-Asahi Beverages Holding Co., Ltd. and ninety-eight (98) other affiliated companies, one (1) affiliated company of Mountain H2O Pty Ltd., Shanghai Jiayou Investment Management Co., LTD., PT. Indofood Asahi Sukses Beverage, Asahi Beer Communications, Ltd., Nippon Shoni-iji Shuppansha Co., Ltd. and Lotte Asahi Co., Ltd.

Companies that became subject to application of the equity method during the consolidated fiscal year under review are ten (10) affiliates of Tingyi-Asahi Beverages Holding Co., Ltd. due to incorporation; Asahi Beer Communications, Ltd. and Nippon Shoni-iji Shuppansha Co., Ltd. due to the partial sale of their shares; and Lotte Asahi Co., Ltd. due to an increase in its materiality as a result of additional acquisition of its shares.

A company no longer subject to application of the equity method in the consolidated fiscal year under review is Jiangsu Saint Fruit Winery Co. Ltd. due to the transfer of equity stake.

B. Principal non-consolidated subsidiaries and affiliates not subject to application of the equity method

Non-consolidated subsidiaries: Demball Limited

Affiliates: Asahi Business Produce Co., Ltd.

Rationale for not applying the equity method to the non-consolidated subsidiaries and affiliates:

The companies in question have extremely slight impact on net profit or loss and retained earnings (amount corresponding to the Company's equity ownership); they have no material impact as a whole on the consolidated financial statements and thus the equity method was not applied.

(3) Accounting period of the consolidated subsidiaries

The accounting period of Asahi Beer U.S.A., Inc., is October 1 to September 30 and is different from that of the Company. Thus, a provisional fiscal year ending at December 31 was used for Asahi Beer U.S.A., Inc. for consolidation purposes. All other consolidated subsidiaries have the same accounting period as the Company.

(4) Significant accounting policies

A. Basis and methods of valuation for significant assets

1) Valuation basis and method for securities

Held-to-maturity debt securities:

Stated at the amortized cost.

Other securities:

Securities with market value

Carried at the average market value for the month immediately preceding the consolidated balance sheet date (related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method).

Securities without market value

Stated at cost based on the moving-average method.

2) Valuation basis and method for derivatives

Market price method

3) Valuation basis and method for inventories

Merchandise, finished goods and semi-finished goods

Stated at cost determined mainly by the weighted-average method (write-downs to net selling value regarded as decreased profitability).

Raw materials and supplies

Stated at cost determined mainly by the moving-average method (write-downs to net selling value regarded as decreased profitability).

B. Depreciation methods for major assets

Tangible fixed assets (excluding lease assets):

Tangible fixed assets are mainly depreciated using the straight-line method. However, some consolidated subsidiaries use the declining balance method.

The estimated useful lives of the assets are based mainly on the same standards as those specified in the Corporation Tax Act.

Intangible fixed assets (excluding lease assets):

Intangible fixed assets are amortized using the straight-line method.

The estimated useful lives of the assets are based mainly on the same standards as those specified in the Corporation Tax Act.

Software for internal use is amortized by the straight-line method over a useful life of five (5) years. Trademark rights are mainly amortized over twenty (20) years using the straight-line method.

Lease assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

Of the finance leases that do not transfer ownership rights, those that began before December 31, 2008 are treated similarly as those applied to regular operating leases.

C. Accounting criteria for major allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and the amounts calculated using the rate of actual collection losses with respect to the other receivables.

Allowance for employees' bonuses:

An allowance for employees' bonuses is provided at the estimated amount applicable to the consolidated fiscal year under review.

Allowance for employees' severance and retirement benefits:

The Company and its consolidated subsidiaries make provisions in the necessary amount of allowance for employees' severance and retirement benefits deemed to have accrued during the term, based on each company's projected benefit obligations and the pension fund balance as of the end of the consolidated fiscal year under review.

Actuarial gain or loss is amortized, beginning in the year following the year in which the gain or loss is recognized, by the straight-line method for a given number of years (mainly ten (10) years) within the employees' average remaining years of service.

Prior service costs are amortized by the straight-line method within the employees' average remaining years of service (mainly ten (10) years) from the time they arise.

Allowance for retirement benefits for Directors and Corporate Auditors:

Some of the consolidated subsidiaries calculate the required amount as of the end of the consolidated fiscal year under review, based on internal regulations, in preparation for payment of retirement benefits to Directors and Corporate Auditors.

D. Other significant items associated with the preparation of consolidated financial statements

1) Significant hedge accounting method

a. Hedge accounting method

The Company defers gains or losses on its hedges.

For currency swaps, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations. For interest rate swaps, the Company applies exceptional treatment when the swap in question meets the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items

Hedging instruments: Currency swaps, foreign exchange contracts, interest rate swaps and commodity swaps

Hedged items: Transactions in foreign currencies, interest on borrowings and purchases of raw materials

c. Hedging policy

Derivative transactions are used to avoid risks associated with fluctuations in foreign exchange markets, interest rates and raw materials costs and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged transactions.

d. Method of evaluating the effectiveness of hedging

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedged items and of the hedging instruments over the entire period of the hedge.

When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under exceptional treatment, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

2) Treatment of consumption taxes

Consumption taxes are mainly excluded from the statements of income, except in the case of non-deductible consumption taxes related to fixed assets that are charged when incurred.

(5) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over a five (5) to twenty (20) years period.

2. Notes on Changes in Accounting Policies

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

In conjunction with the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed, from the consolidated fiscal year under review, their method of depreciating tangible fixed assets acquired on and after January 1, 2013 to the depreciation method pursuant to the revised Corporation Tax Act.

The impact of this change on operating income, recurring profit and income before income taxes and minority interests in the consolidated fiscal year under review is not material.

3. Notes to the Consolidated Balance Sheets

(1) Pledged assets and secured liabilities

The following assets have been provided as collateral for short-term borrowings of ¥139 million and long-term borrowings of ¥1,119 million:

Machinery, equipment and vehicles: ¥1,825 million

(2) Accumulated depreciation of tangible fixed assets: ¥819,833 million

(3) Contingent liabilities

Guarantees: ¥712 million

(4) Matured notes at term-end

The balance sheet date for the term fell on a bank holiday, and trade notes with maturity on the balance sheet date were cleared on the clearing houses the next business day. Current assets and current liabilities thus respectively include notes receivable and notes payable with maturity on the balance sheet date as follows:

Notes receivable: ¥249 million

Notes payable: ¥147 million

4. Notes to the Consolidated Statements of Income

Non-operating expenses

Among non-operating expenses, “Other non-operating expenses” include goodwill amortization costs of ¥424 million arising in relation to the holding company of affiliates subject to application of the equity method.

5. Notes to the Consolidated Statements of Changes in Net Assets

(1) Total number of the issued shares as of the end of the consolidated fiscal year under review

| | |
|--------------|--------------------|
| Common stock | 483,585,862 shares |
|--------------|--------------------|

(2) Dividends from surplus distributed during the consolidated fiscal year under review

A. It was resolved at the 89th Annual General Meeting of Shareholders of March 26, 2013 as follows:

| | |
|---|-------------------|
| Item related to dividends on common stock | |
| Total amount of dividends: | ¥6,523 million |
| Dividend per share: | ¥14 |
| Record date: | December 31, 2012 |
| Effective date: | March 27, 2013 |

B. It was resolved at the Board of Directors Meeting of August 1, 2013 as follows:

| | |
|---|-----------------|
| Item related to interim dividends on common stock | |
| Total amount of interim dividends: | ¥9,740 million |
| Interim dividend per share: | ¥21.50 |
| Record date: | June 30, 2013 |
| Effective date: | August 30, 2013 |

(3) Dividends from surplus to be distributed after the final day of the consolidated fiscal year under review

The following item has been placed on the agenda for approval at the 90th Annual General Meeting of Shareholders scheduled for March 26, 2014.

| | |
|---|-------------------|
| Item related to dividends on common stock | |
| Source of dividends: | Retained earnings |
| Total amount of dividends: | ¥9,938 million |
| Dividend per share: | ¥21.50 |
| Record date: | December 31, 2013 |
| Effective date: | March 27, 2014 |

(4) Number of shares subject to stock acquisition rights upon exercise thereof at the end of the consolidated fiscal year under review

The Second Issue of stock acquisition rights (issued March 30, 2004)

Number of stock acquisition rights: 847
 Class and number of shares subject to the stock acquisition rights:
 84,700 shares of common stock
 Amount to be paid in per share upon exercise of the stock acquisition rights: ¥1,205
 Exercise period: March 30, 2006 to March 29, 2014

The Third Issue of stock acquisition rights (issued March 30, 2005)

Number of stock acquisition rights: 3,863
 Class and number of shares subject to the stock acquisition rights:
 386,300 shares of common stock
 Amount to be paid in per share upon exercise of the stock acquisition rights: ¥1,374
 Exercise period: March 30, 2007 to March 29, 2015

The Fourth Issue of stock acquisition rights (issued March 30, 2006)

Number of stock acquisition rights: 5,543
 Class and number of shares subject to the stock acquisition rights:
 554,300 shares of common stock
 Amount to be paid in per share upon exercise of the stock acquisition rights: ¥1,688
 Exercise period: March 30, 2008 to March 29, 2016

(5) Treasury stock

| Type of stock | Number of shares as of Jan. 1, 2013 | Increase during the year | Decrease during the year | Number of shares as of Dec. 31, 2013 |
|---------------|-------------------------------------|--------------------------|--------------------------|--------------------------------------|
| Common stock | 17,611,484 | 13,228,513 | 9,487,436 | 21,352,561 |

(Reasons for change)

The increase in the number of shares was the result of the following:

Increase resulting from purchases of Less-than-One-Unit Shares from shareholders upon request: 11,413 shares
 Increase resulting from acquisition of treasury stock: 13,217,100 shares

The decrease in the number of shares was the result of the following:

Decrease resulting from sales of Less-than-One-Unit Shares to shareholders upon request: 333 shares
 Decrease resulting from exercise of stock options: 416,400 shares
 Decrease resulting from exercise of rights (conversion) of convertible bonds with stock acquisition rights: 9,070,703 shares

6. Notes on Financial Instruments

(1) Financial instruments

A. Policy on handling of financial instruments

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial paper and bonds while taking into account the changing business environment. In doing so, the Company and its principal consolidated subsidiaries consider the balance between direct or indirect financing as well as short and long-term debt based on fund procurement costs and risk diversification. Looking to use funds efficiently, the Group introduced a cash management system among the Company and its principal domestic consolidated subsidiaries to reduce consolidated interest-bearing debt. If surplus funds are generated temporarily, as a result, the Company invests it only in safe financial instruments.

The Company's policy is to use derivatives trading only to hedge risks to be discussed later, and not for speculation.

B. Details of financial instruments and risks

Trade receivables of the Group companies, including notes and accounts receivable and long-term loans receivable, are exposed to client credit risks. Additionally, foreign currency-based trade receivables are exposed to currency fluctuation risk as well.

Investment securities of the Company and the Group companies include stocks and bonds regarding business partners and are thus exposed to risks of the stock or bond issuer (i.e., the business partner) as well as market price fluctuation risk. Of these, foreign currency-based investment securities are exposed to currency fluctuation risk as well.

Trade payables of the Group companies, including notes and trade accounts payable and other accounts payable, generally have a due date of one (1) year or less. Foreign currency-based trade payables are exposed to currency fluctuation risk as well.

Commercial paper, borrowings, and bonds are exposed to liquidity risk, the risk of being unable to make payment on the due date due to deterioration in the funds procurement environment. Some of the Company's borrowings are based on variable interest rates, for which the Company hedges risks using interest rate swaps.

Foreign currency-based borrowings are exposed to currency fluctuation risk as well.

Derivatives trades include currency swap transactions and foreign exchange contracts to hedge against foreign exchange fluctuation risks related to foreign-currency based receivables and payables, interest rate swap transactions to hedge against interest rate risks on borrowings, and commodity swap transactions and currency option transactions to hedge against price fluctuation risks when consolidated subsidiaries procure raw materials.

For hedging instruments, hedged items, hedging policy, and method of evaluating the

effectiveness of the hedging for the hedge accounting, please see “Significant hedge accounting method” within “Significant accounting policies” discussed earlier.

C. Risk management system relating to financial instruments

1) Credit risk management (managing risks related to business partners not fulfilling contract obligations)

In accordance with accounting rules, guidelines on handling accounting operations, and accounts receivable management rules, each business section or sales management section of the Group companies regularly monitors trade receivables and long-term loans to major business partners. The above sections also routinely check the management status of deadlines and balances for each business partner. In collaboration with each of the sales sections, the Group companies monitor non-performing assets and their collection status.

When executing derivatives transactions, the Company as a rule limits its transactions to financial institutions with high credit ratings to minimize credit risk.

2) Managing market risks (foreign exchange and interest rate fluctuation risks)

Looking to reduce foreign exchange fluctuation risks on future foreign currency-based cash flows ascertained by each currency, the Company and its principal consolidated subsidiaries mainly use foreign exchange contracts. The Company and its principal consolidated subsidiaries also engage in interest rate swap transactions to avoid interest rate fluctuation risks relating to borrowings, and in commodities swap transactions to avert risks of fluctuations in raw materials prices.

For investment securities, the Group companies regularly monitor their market values and financial status of the issuers (the Group company’s business partners). This is to review the Group company’s holdings on a consistent basis based on its relationship with business partners.

The Company's Finance Section engages in derivatives transactions in accordance with the derivatives transaction management rules which stipulate the transaction policy and trading authority and reports the transactions to the executives in charge of finance pursuant to the regulation of authority. Consolidated subsidiaries also manage their trading according to the Company’s rules.

3) Managing liquidity risk related to funds procurement (risk of being unable to make payment on the due date)

Since the Company and its principal consolidated subsidiaries have introduced the cash management system, the Company manages liquidity risks of those companies participating in this system.

Based on reports from each section and each company, the Company’s Finance Section

manages liquidity risk by creating and updating its cash management plan as necessary and by engaging in efficient fund procurement while reducing short-term liquidity.

(2) Market value of financial instruments

The amount recorded on the consolidated balance sheets at the end of the consolidated fiscal year under review, the market value and the difference between the two are shown below for each financial instrument. Financial instruments with respect to which the Company considers deriving the market value to be extremely difficult are not included in the table (see Note 2).

Million yen

| | Amounts recorded on the consolidated balance sheets | Market value | Difference |
|--------------------------------------|---|----------------|----------------|
| (1) Cash and deposits | 42,200 | 42,200 | — |
| (2) Notes and accounts receivable | 317,106 | | |
| Allowance for doubtful accounts (*1) | (2,787) | | |
| Notes and accounts receivable (net) | 314,318 | 314,318 | — |
| (3) Investment securities | | | |
| A. Shares in affiliates | 86,682 | 235,570 | 148,887 |
| B. Other securities | 104,765 | 104,765 | — |
| (4) Long-term loans receivable (*2) | 7,646 | | |
| Allowance for doubtful accounts (*3) | (3,778) | | |
| Long-term loans receivable (net) | 3,867 | 4,006 | 139 |
| Total assets | 551,835 | 700,862 | 149,027 |
| (1) Notes and trade accounts payable | 118,650 | 118,650 | — |
| (2) Short-term borrowings | 128,971 | 128,971 | — |
| (3) Commercial paper | 67,000 | 67,000 | — |
| (4) Other accounts payable | 68,457 | 68,457 | — |
| (5) Deposits received | 18,087 | 18,087 | — |
| (6) Bonds (*4) | 168,937 | 192,082 | 23,144 |
| (7) Long-term borrowings (*5) | 38,812 | 39,442 | 629 |
| (8) Lease obligations (*6) | 23,245 | 24,019 | 774 |
| Total liabilities | 632,163 | 656,711 | 24,548 |
| Derivatives (*7) | 541 | 541 | — |

(*1) Allowances for doubtful accounts recorded under notes and accounts receivable are excluded.

(*2) Long-term loans receivable within one (1) year are included.

(*3) Allowances for doubtful accounts recorded individually under long-term loans receivable are excluded.

(*4) Bonds due within one (1) year are included.

(*5) Long-term borrowings due within one (1) year are included.

(*6) Lease obligations (current liabilities) are included.

(*7) The net amount of receivables and payables accrued from derivatives transactions are indicated.

Note 1. Calculation methods for deriving market values of financial instruments, items relating to securities and derivatives transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable

Book value is used because these items are settled in a short time, making their market value about equivalent to their book value.

(3) Investment securities

Market value at financial instruments exchange is used for stock, whereas the value indicated by the financial institution with which the Company does business is used for debt securities and others.

(4) Long-term loans receivable

The market value of long-term loans receivable is calculated by discounting the expected value of principal and interest receivable by the interest rate expected if a similar new loan were to be issued.

Liabilities

- (1) Notes and trade accounts payable, (2) Short-term borrowings, (3) Commercial paper, (4) Other accounts payable, and (5) Deposits received

Book value is used because these items are settled in a short time, making their market value about equivalent to their book value.

(6) Bonds

For bonds the Company issues, market price is used for those that have a market value and the price indicated by financial institutions with which the Company does business is used for those without market value.

(7) Long-term borrowings

The market value of long-term borrowings is calculated by taking the total amount of principal and interest and discounting it by the interest rate expected if a new borrowing were to be taken out, thereby deriving the present value. Long-term borrowings with variable interest rates are subject to exceptional treatment for interest rate swaps. These are calculated by discounting the total amount of principal and interest involved in the interest rate swap concerned by the interest rate deemed appropriate if a similar borrowing were to be taken out.

(8) Lease obligations

The market value of lease obligations is calculated by taking the present value of the obligation concerned – discounting the total amount of principal and interest by the interest rate expected if a similar, new lease obligation were to be incurred.

Derivatives transactions

The Company considers the price indicated by the financial institution, etc. with which it does business as the market value. However, since derivatives transactions subject to exceptional treatment for interest rate swaps are processed as part of long-term borrowings subject to hedging, the market value of these derivative transactions are recorded as part of the market value of the long-term borrowings concerned.

- Note 2. Of securities of affiliates and other securities, those that are unlisted (¥139,979 million recorded on the consolidated balance sheets) do not have a market price and estimating future cash flow is not possible. The Company thus considers deriving their market value as being extremely difficult and does not include these securities under“(3) Investment securities”.

7. Notes to per share information

| | |
|---|-----------|
| (1) Net assets per share: | ¥1,772.47 |
| (2) Earnings per share (Net income per share): | ¥135.73 |

8. Other notes

Figures in amounts of less than one million yen are omitted.

Reference: CONSOLIDATED STATEMENTS OF CASH FLOWS (Summary)

| | Million yen | |
|--|---|---|
| | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
| Cash flows from operating activities: | | |
| Income before income taxes and minority interests | 110,470 | 99,840 |
| Depreciation | 62,581 | 59,365 |
| Amortization of goodwill | 12,460 | 10,552 |
| Increase (decrease) in allowance for employees' severance and retirement benefits | (2,480) | 1,693 |
| Increase (decrease) in allowance for doubtful accounts | 417 | (509) |
| Decrease (increase) in trade receivables | 3,235 | (8,797) |
| Decrease (increase) in inventories | (3,089) | (5,373) |
| Increase (decrease) in trade payables | (1,052) | (3,399) |
| Increase (decrease) in alcohol tax payable | (2,276) | 1,208 |
| Other cash flows from operating activities | 5,674 | 2,480 |
| Subtotal | 185,941 | 157,062 |
| Interest and dividend income received | 5,607 | 5,020 |
| Interest expenses paid | (3,845) | (4,275) |
| Income taxes paid | (30,450) | (48,515) |
| Net cash provided by operating activities | 157,252 | 109,292 |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (48,961) | (40,341) |
| Purchase of investment securities | (12,549) | (4,741) |
| Proceeds from sales of investment securities | 3,976 | 1,039 |
| Proceeds from sales of investments in subsidiaries | — | 552 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (2,991) | (88,270) |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | (197) | — |
| Other cash flows from investing activities | (4,981) | (2,557) |
| Net cash used in investing activities | (65,704) | (134,319) |
| Cash flows from financing activities: | | |
| Increase (decrease) in financial liabilities | (35,017) | 63,893 |
| Purchase of treasury stock | (30,029) | (13) |
| Cash dividends paid | (16,264) | (12,808) |
| Other cash flows from financing activities | (3,627) | (8,069) |
| Net cash provided by (used in) financing activities | (84,938) | 43,002 |
| Effect of exchange rate change on cash and cash equivalents | 187 | 207 |
| Net increase (decrease) in cash and cash equivalents | 6,796 | 18,182 |
| Cash and cash equivalents at beginning of year | 34,320 | 16,137 |
| Cash and cash equivalents at end of year | 41,116 | 34,320 |

NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEETS

| | Million yen | |
|--|----------------------------|---|
| | As of December 31, 2013 | As of December 31, 2012 (Reference) |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 23,828 | 21,113 |
| Short-term loans receivable | 334,345 | 372,836 |
| Prepaid expenses | 1,479 | 1,044 |
| Deferred tax assets | 314 | 198 |
| Income taxes receivable | 3,705 | 11,633 |
| Other current assets | 5,786 | 13,964 |
| Allowance for doubtful accounts | (1,366) | (1,040) |
| Total current assets | 368,094 | 419,751 |
| Fixed assets: | | |
| Tangible fixed assets: | | |
| Buildings | 13,772 | 14,143 |
| Structures | 307 | 327 |
| Machinery and equipment | 237 | 163 |
| Vehicles | 1 | 1 |
| Tools, furniture and fixtures | 541 | 665 |
| Land | 15,037 | 15,037 |
| Lease assets | 518 | 438 |
| Construction in progress | 124 | 108 |
| Total tangible fixed assets | 30,542 | 30,886 |
| Intangible fixed assets: | | |
| Rights to use of facilities | 40 | 40 |
| Trademark rights | 14,752 | 15,716 |
| Software | 10,603 | 8,646 |
| Lease assets | 271 | 81 |
| Other intangible fixed assets | 0 | 0 |
| Total intangible fixed assets | 25,668 | 24,484 |
| Investments and other assets: | | |
| Investment securities | 47,287 | 36,358 |
| Shares in affiliates | 468,646 | 463,950 |
| Capital invested in affiliates | 6,226 | 7,388 |
| Long-term loans receivable from affiliates | 3,555 | 4,727 |
| Deferred tax assets | 10,176 | 14,612 |
| Other investments | 1,314 | 1,184 |
| Allowance for doubtful accounts | (367) | (274) |
| Total investments and other assets | 536,839 | 527,946 |
| Total fixed assets | 593,050 | 583,317 |
| Total assets | 961,144 | 1,003,068 |

NON-CONSOLIDATED BALANCE SHEETS

| | Million yen | |
|--|----------------------------|---|
| | As of December 31, 2013 | As of December 31, 2012 (Reference) |
| LIABILITIES | | |
| Current liabilities: | | |
| Short-term borrowings | 113,650 | 157,550 |
| Commercial paper | 67,000 | 68,000 |
| Bonds due within one year | 20,000 | — |
| Lease obligations | 325 | 256 |
| Other accounts payable | 476 | 491 |
| Accrued expenses | 4,016 | 3,678 |
| Deposits received | 26,183 | 14,934 |
| Allowance for employees' bonuses | 104 | 117 |
| Allowance for directors' and corporate auditors' bonuses | 106 | 112 |
| Other current liabilities | 250 | 149 |
| Total current liabilities | 232,113 | 245,290 |
| Long-term liabilities: | | |
| Bonds | 148,937 | 188,121 |
| Long-term borrowings | 28,200 | 21,200 |
| Lease obligations | 505 | 290 |
| Other long-term liabilities | 73 | 100 |
| Total long-term liabilities | 177,716 | 209,712 |
| Total liabilities | 409,830 | 455,002 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 182,531 | 182,531 |
| Capital surplus | 161,555 | 159,658 |
| Capital reserve | 130,292 | 130,292 |
| Other capital surplus | 31,262 | 29,366 |
| Retained earnings | 240,222 | 233,105 |
| Other retained earnings | 240,222 | 233,105 |
| General reserve | 195,000 | 195,000 |
| Retained earnings carried forward | 45,222 | 38,105 |
| Treasury stock | (40,032) | (27,763) |
| Total shareholders' equity | 544,276 | 547,532 |
| Valuation and translation adjustments: | | |
| Valuation difference on available-for-sale securities | 7,037 | 533 |
| Total valuation and translation adjustments | 7,037 | 533 |
| Total net assets | 551,314 | 548,065 |
| Total liabilities and net assets | 961,144 | 1,003,068 |

NON-CONSOLIDATED STATEMENTS OF INCOME

| | Million yen | |
|---|---|--|
| | For the year ended December 31, 2013 | For the year ended December 31, 2012 (Reference) |
| Operating revenue | 50,004 | 70,169 |
| Operating income of the Group | 26,117 | 24,822 |
| Rent income from real estate | 1,565 | 1,535 |
| Dividends from subsidiaries and affiliates | 22,321 | 43,810 |
| Operating expenses | 23,701 | 22,648 |
| Operating income | 26,302 | 47,521 |
| Non-operating income: | 2,860 | 3,352 |
| Interest and dividend income | 2,186 | 2,120 |
| Foreign exchange gains | 380 | — |
| Reversal of allowance for doubtful accounts | — | 999 |
| Other non-operating income | 293 | 233 |
| Non-operating expenses: | 2,767 | 3,957 |
| Interest expenses | 1,720 | 2,358 |
| Provision of allowance for doubtful accounts | 652 | — |
| Other non-operating expenses | 394 | 1,598 |
| Recurring profit | 26,396 | 46,917 |
| Extraordinary gains: | 357 | 20,528 |
| Gain on sales of fixed assets | 0 | — |
| Gain on sales of investment securities | 357 | 149 |
| Gain on sales of shares in affiliates | — | 18,137 |
| Gain on liquidation of subsidiaries and affiliates | — | 2,241 |
| Extraordinary losses: | 1,348 | 25,684 |
| Loss on sales and disposal of fixed assets | 178 | 308 |
| Loss on devaluation of investment securities | — | 755 |
| Loss on sales of shares in affiliates | 129 | 17,739 |
| Loss on devaluation of shares in affiliates | — | 4,764 |
| Loss on devaluation of equity participation in affiliates | 785 | 2,115 |
| Loss on liquidation of subsidiaries and affiliates | 254 | 0 |
| Income before income taxes | 25,405 | 41,761 |
| Income taxes—current | 1,259 | 589 |
| Income taxes—deferred | 764 | 4,963 |
| Net income | 23,381 | 36,208 |

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2013

Million yen

| | Shareholders' equity | | | | | | |
|---|----------------------|-----------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-------------------------|
| | Capital surplus | | | | Retained earnings | | |
| | Capital stock | Capital reserve | Other capital surplus | Total capital surplus | Other retained earnings | | Total retained earnings |
| | | | | | General reserve | Retained earnings carried forward | |
| Balance as of Jan. 1, 2013 | 182,531 | 130,292 | 29,366 | 159,658 | 195,000 | 38,105 | 233,105 |
| Changes during the term | | | | | | | |
| Dividends | | | | | | (16,264) | (16,264) |
| Net income (loss) | | | | | | 23,381 | 23,381 |
| Acquisition of treasury stock | | | | | | | |
| Disposal of treasury stock | | | 1,896 | 1,896 | | | |
| Other changes in non-shareholders' equity items during the term (net) | | | | | | | |
| Total changes during the term | — | — | 1,896 | 1,896 | — | 7,116 | 7,116 |
| Balance as of Dec. 31, 2013 | 182,531 | 130,292 | 31,262 | 161,555 | 195,000 | 45,222 | 240,222 |

| | Shareholders' equity | | Valuation and translation adjustments | Total net assets |
|---|----------------------------|----------------------------|---|------------------|
| | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | |
| | Balance as of Jan. 1, 2013 | (27,763) | 547,532 | 533 |
| Changes during the term | | | | |
| Dividends | | (16,264) | | (16,264) |
| Net income (loss) | | 23,381 | | 23,381 |
| Acquisition of treasury stock | (30,029) | (30,029) | | (30,029) |
| Disposal of treasury stock | 17,760 | 19,657 | | 19,657 |
| Other changes in non-shareholders' equity items during the term (net) | | | 6,504 | 6,504 |
| Total changes during the term | (12,268) | (3,255) | 6,504 | 3,248 |
| Balance as of Dec. 31, 2013 | (40,032) | 544,276 | 7,037 | 551,314 |

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Notes to Significant Accounting Policies

(1) Valuation basis and method for securities

Shares in subsidiaries and affiliates:

Stated at cost based on the moving-average method.

Other securities

Securities with market value:

Carried at the average market value for the month immediately preceding the balance sheet date (related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method).

Securities without market value:

Stated at cost based on the moving-average method.

(2) Valuation basis and method for derivatives

Market price method

(3) Valuation basis and method for inventories

Stated at cost determined by the moving-average method (write-downs to net selling value regarded as decreased profitability).

(4) Depreciation methods for fixed assets

Tangible fixed assets (excluding lease assets):

Tangible fixed assets are mainly depreciated using the straight-line method.

The estimated useful lives of the assets are based on the same standards as those specified in the Corporation Tax Act.

Intangible fixed assets (excluding lease assets):

Intangible fixed assets are amortized using the straight-line method.

The estimated useful lives of the assets are based on the same standards as those specified in the Corporation Tax Act.

Software for internal use is amortized by the straight-line method over a useful life of five (5) years. Trademark rights are mainly amortized over twenty (20) years using the straight-line method.

Lease assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

Of the finance leases that do not transfer ownership rights, those that began before December 31, 2008 are treated similarly as those applied to regular operating leases.

(5) Accounting criteria for allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and the amounts calculated using the rate of actual collection losses with respect to the other receivables.

Allowance for employees' bonuses:

An allowance for employees' bonuses is provided at the estimated amount applicable to the fiscal year under review.

Allowance for directors' and corporate auditors' bonuses:

An allowance for directors' and corporate auditors' bonuses is provided at the estimated amount applicable to the fiscal year under review.

(6) Hedging accounting method

A. Hedging accounting method

The Company defers gains or losses on its hedges.

For foreign exchange contracts, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations. For interest rate swaps, the Company applies exceptional treatment when the swap in question meets the conditions for application of such exceptional treatment.

B. Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts and interest rate swaps

Hedged items: Loans receivable in foreign currencies and interest on borrowings

C. Hedging policy

Derivative transactions are used to avoid risks associated with fluctuations in foreign exchange markets and in interest rates and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged transactions.

D. Method of evaluating the effectiveness of hedging

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedged items and of the hedging instruments over the entire period of the hedge.

When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under exceptional treatment, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

(7) Treatment of consumption taxes

Consumption taxes are excluded from the statements of income, except in the case of non-deductible consumption taxes related to fixed assets that are charged when incurred.

2. Notes on Changes in Accounting Policies

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

In conjunction with the revision of the Corporation Tax Act, the Company has changed its method of depreciating tangible fixed assets acquired on and after January 1, 2013 to the depreciation method pursuant to the revised Corporation Tax Act.

The impact of this change on operating income, recurring profit and income before income taxes in the fiscal year under review is not material.

3. Notes to the Non-Consolidated Balance Sheets

(1) Accumulated depreciation on tangible fixed assets ¥29,836 million

(2) Contingent liabilities

A. Guarantees, etc., against bank borrowings, etc.
Guarantees: ¥23,279 million

B. Guarantees, etc., against derivatives
Guarantees:
Contract amount, etc.: ¥4,112 million
Unrealized gains (losses): ¥(258) million

(3) Monetary claims and obligations with affiliates

Short-term monetary claims on affiliates: ¥339,914 million
Long-term monetary claims on affiliates: ¥3,555 million
Short-term monetary obligations to affiliates: ¥26,085 million

4. Notes to the Non-Consolidated Statements of Income

Transactions with affiliates

Operating revenue: ¥49,900 million
Operating expenses: ¥1,310 million
Transactions other than operating transactions: ¥1,586 million

5. Notes to the Non-Consolidated Statements of Changes in Net Assets

Treasury stock

| Type of stock | Number of shares as of Jan. 1, 2013 | Increase during the year | Decrease during the year | Number of shares as of Dec. 31, 2013 |
|---------------|-------------------------------------|--------------------------|--------------------------|--------------------------------------|
| Common stock | 17,611,484 | 13,228,513 | 9,487,436 | 21,352,561 |

(Reasons for change)

The increase in the number of shares was the result of the following:

Increase resulting from purchases of Less-than-One-Unit Shares from shareholders upon request: 11,413 shares
Increase resulting from acquisition of treasury stock: 13,217,100 shares

The decrease in the number of shares was the result of the following:

Decrease resulting from sales of Less-than-One-Unit Shares to shareholders upon request: 333 shares
Decrease resulting from exercise of stock options: 416,400 shares
Decrease resulting from exercise of rights (conversion) of convertible bonds with stock acquisition rights: 9,070,703 shares

6. Notes to tax effect accounting

(1) Deferred tax assets and liabilities

(Deferred tax assets)

| | |
|---|------------------------|
| Shares in affiliates due to restructuring: | ¥19,278 million |
| Allowance for doubtful accounts, in excess of tax-deductible amount: | ¥589 million |
| Allowance for employees' bonuses, non-tax deductible: | ¥39 million |
| Loss on devaluation of investment in subsidiaries, non-tax deductible: | ¥8,955 million |
| Loss on devaluation of investment securities, non-tax deductible: | ¥815 million |
| Loss on devaluation of capital contributions for subsidiaries, non-tax deductible: | ¥5,538 million |
| Deferred loss on transfer of business between consolidated corporations: | ¥1,965 million |
| Others: | ¥346 million |
| Subtotal deferred tax assets: | ¥37,527 million |
| Valuation allowance: | ¥(17,388) million |
| Total deferred tax assets | ¥20,139 million |

(Deferred tax liabilities)

| | |
|--|-------------------------|
| Deferred gain on transfer of business between consolidated corporations: | ¥(5,801) million |
| Valuation difference on available-for-sale securities: | ¥(3,846) million |
| Total deferred tax liabilities | ¥(9,648) million |

Net deferred tax assets: ¥10,491 million

(2) Breakdown of main items which caused the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

Statutory effective tax rates: 37.7%

(Adjustments)

| | |
|--|--------------------|
| Permanent difference (non-deductible), including entertainment expenses: | 0.5% |
| Valuation allowance: | 2.0% |
| Permanent difference (non-taxable), including dividend income: | (34.9)% |
| Gain (loss) on transfer of shares of subsidiaries between consolidated corporations: | 4.1% |
| Tax credit: | (0.7)% |
| Others: | (0.7)% |
| Effective tax rates after application of tax effect accounting: | <u><u>8.0%</u></u> |

7. Notes to related party transactions

Subsidiaries and affiliates

Million yen

| Type | Company | Percentage of voting rights, etc. held | Relationship with related party | Description of transaction | Transaction amount | Account item | Balance as of Dec. 31, 2013 |
|------------|------------------------------------|--|--|-------------------------------------|--------------------|-----------------------------|-----------------------------|
| Subsidiary | Asahi Breweries, Ltd. | 100% direct ownership | Interlocking of directors/corporate auditors | Operating revenue (Note 1) | 36,722 | — | — |
| | | | | Loaning funds (Note 2) | (40,471) | Short-term loans receivable | 256,879 |
| Subsidiary | Asahi Soft Drinks Co., Ltd. | 100% direct ownership | Interlocking of directors/corporate auditors | Operating revenue (Note 1) | 5,433 | — | — |
| | | | | Loaning funds (Note 2) | 208 | Short-term loans receivable | 28,092 |
| Subsidiary | Calpis Co., Ltd. | 100% direct ownership | Interlocking of directors/corporate auditors | Deposits received (Note 3) | 7,064 | Deposits received | 10,566 |
| Subsidiary | AI Beverage Holdings Co., Ltd. | 100% direct ownership | Interlocking of directors/corporate auditors | Loaning funds (Note 2) | (1,295) | Short-term loans receivable | 23,158 |
| Subsidiary | Asahi Holdings (Australia) Pty Ltd | 100% direct ownership | Interlocking of directors/corporate auditors | Guarantees for liabilities (Note 4) | 14,815 | — | — |

Terms and conditions of transaction and policy, etc. on determination thereof

- Note 1. Operating revenue is determined in accordance with certain reasonable standards in order to provide supervision, guidance, etc., regarding business management.
- Note 2. The interest rate for the loans receivable is reasonably determined, taking the market interest rate into consideration.
For the transaction amount, the amount of net increase (decrease) in the fiscal year under review is stated.
- Note 3. The interest rate for the deposits received is reasonably determined, taking the market interest rate into consideration.
For the transaction amount, the amount of net increase (decrease) in the fiscal year under review is stated.
- Note 4. The Company guaranteed bank loans in the amount of A\$159 million.

8. Notes related to leased fixed assets

Separately from the fixed assets carried on the balance sheets, some software packages are treated based on finance lease agreements that do not transfer ownership rights.

(1) As of the end of the fiscal year under review

Amount equivalent to acquisition costs: ¥14 million

(2) As of the end of the fiscal year under review

Amount equivalent to accumulated depreciation and amortization: ¥12 million

(3) As of the end of the fiscal year under review

Amount equivalent to prepaid lease rents: ¥2 million

9. Notes to per share information

| | |
|---|-----------|
| (1) Net assets per share: | ¥1,192.72 |
| (2) Earnings per share (Net income per share): | ¥51.39 |

10. Other notes

Figures in amounts of less than one million yen are omitted.

AUDIT REPORT

Independent accounting auditor's report on consolidated financial statements

Independent Auditor's Report

February 6, 2014

The Board of Directors
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

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

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

Yukihiko Ishiguro (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of ASAHI GROUP HOLDINGS, LTD. as at December 31, 2013 and for the year from January 1, 2013 to December 31, 2013 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 accounting principles generally accepted in Japan, 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 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.

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

Independent Auditor's Report

February 6, 2014

The Board of Directors
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

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

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

Yukihiko Ishiguro (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, 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, 2013 and for the year from January 1, 2013 to December 31, 2013 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 BOARD OF AUDITORS

The Board of Auditors has prepared the following report based on the audit reports prepared by individual Corporate Auditors related to the Directors' execution of their duties during the 90th fiscal year, the period from January 1, 2013 to December 31, 2013, after due discussions and consultations among the Corporate Auditors.

1. Methods used in audits by the individual Corporate Auditors and by the Board of Auditors and content of audits

- (1) The Board of Auditors determined the audit policies and division of duties, and received reports from each Corporate Auditor 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 Corporate Auditor sought to achieve mutual understanding with the Directors, sections in charge of internal audit and other employees, and strove to collect information and create an audit environment in accordance with the audit policies and division of duties based on the audit standards established by the Board of Auditors. The Corporate Auditors also attended meetings of the Board of Directors and other important meetings, received reports from Directors and other employees 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 (internal control systems)" (Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraph 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act) that is included in the Business Report, the 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. As regards "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 with the Board of Directors and other parties. With respect to subsidiaries, the Corporate Auditors took steps to facilitate communications 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 Corporate Auditors reviewed the Business Report and the supplementary schedules thereto for the fiscal year under review.
- (3) The Board of Auditors 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 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 Corporate Calculation Regulations) in accordance with the "standards for quality control of audits" (Business Accounting Council; October 28, 2005), and requested explanations when necessary. Based on the above activities, the Board of Auditors examined the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets, and notes to the non-consolidated financial

statements), supplementary schedules, and the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to the consolidated financial statements) for the business year under review.

2. Results of the Audit

(1) Results of audit of the Business Report

- In our opinion, the Business Report and the supplementary schedules thereto 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 serve the purpose of maintaining the positions of the Company's Directors and Corporate Auditors.

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

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 7, 2014

Board of Auditors
Asahi Group Holdings, Ltd.

Yoshihiro Tonozuka (Seal)
Standing Corporate Auditor

Yukio Kakegai (Seal)
Standing Corporate Auditor

Naoto Nakamura (Seal)
Outside Corporate Auditor

Tadashi Ishizaki (Seal)
Outside Corporate Auditor

(Note) Takahide Sakurai ceased to serve as Outside Corporate Auditor as he passed away on January 3, 2014.

Asahi

