

ASAHI GROUP HOLDINGS, LTD.

Securities Code: 2502

CONVOCATION NOTICE OF THE 93rd ANNUAL GENERAL MEETING OF SHAREHOLDERS

DATE AND TIME
March 28 (Tuesday), 2017
at 1:00 p.m. (JST) (Reception start time: 11:30 a.m.)

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

DEADLINE FOR EXERCISING VOTING RIGHTS VIA POSTAL MAIL AND INTERNET
No later than 5:30 p.m., March 27 (Monday), 2017 (JST)

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Asahi

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

Dear Shareholders:

You are cordially invited to attend
the 93rd Annual General Meeting of Shareholders
of Asahi Group Holdings, Ltd., which will be held
as described in the following particulars.

Sincerely,

March 6, 2017



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

CONVOCATION NOTICE OF THE 93rd ANNUAL GENERAL MEETING OF SHAREHOLDERS

1. DATE AND TIME

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2. PLACE

Banquet Room "Tsuru", Banquet Floor of "The Main" of Hotel New Otani, 4-1, Kioi-cho, Chiyoda-ku, Tokyo
(Please note that if Banquet Room "Tsuru" becomes full, you will be guided to another venue.)

3. PURPOSES

Items to be reported:

Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Reports of the audit results of the consolidated financial statements by the Independent Accounting Auditor and the Audit & Supervisory Board for the 93rd term, from January 1, 2016 to December 31, 2016.

Items to be resolved:

Company Proposals:
Item 1: Appropriation of Retained Earnings
Item 2: Election of ten (10) Directors
Item 3: Election of one (1) Audit & Supervisory Board Member
Shareholder Proposal:
Item 4: Partial amendments to the Articles of Incorporation

Note: If there are any corrections to Reference Materials for General Meeting of Shareholders and their attachments, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements, they will be posted on the Company's website.
http://www.asahigroup-holdings.com/en/

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

Guide to Exercising Voting Rights

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

Attending the General Meeting of Shareholders in person

Date and time of the General Meeting of Shareholders: March 28 (Tuesday), 2017, at 1:00 p.m. (JST) (Reception start time: 11:30 a.m.)

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

Not attending the General Meeting of Shareholders in person

If you are unable to attend the meeting in person, you may exercise your voting rights via either postal mail or Internet. Please review the attached "REFERENCE MATERIALS FOR GENERAL MEETING OF SHAREHOLDERS", and exercise your voting rights no later than 5:30 p.m., March 27 (Monday), 2017 (JST) by following the "Guide to Exercising Voting Rights" on pages 3 - 5.

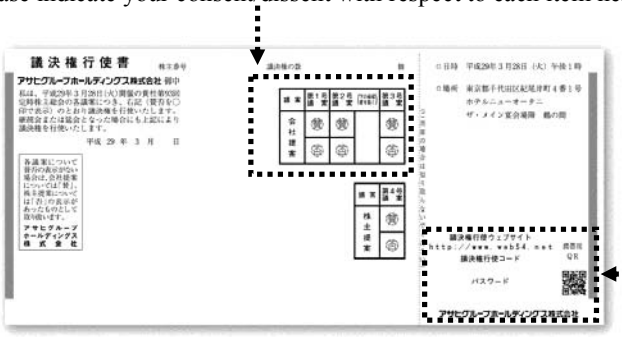
Deadline for exercising voting rights: No later than 5:30 p.m., March 27 (Monday), 2017 (JST)

(1) Voting via Postal Mail

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

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

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



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

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

<Items Proposed by the Company>

Items 1 and 3	
If you consent: Mark a ○ in the box marked “賛”	If you dissent: Mark a ○ in the box marked “否”

Item 2		
For all candidates		If you selectively veto certain candidates: Mark a ○ in the box marked “賛” and write the number of each candidate you choose to veto.
If you consent: Mark a ○ in the box marked “賛”	If you dissent: Mark a ○ in the box marked “否”	

<Item Proposed by shareholder>

Item 4	
If you dissent: Mark a ○ in the box marked “否”	If you consent: Mark a ○ in the box marked “賛”
The Board of Directors of the Company is opposed to this shareholder proposal.	

* 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), while *against* the shareholder's proposal.

(2) Voting via Internet

Online voting website: **http://www.web54.net**
Please input your consent/dissent concerning each item no later than the deadline for exercising voting rights. For details, please refer to following pages.

<Guide to Exercising Voting Rights via the Internet>

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

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

Online voting website: **http://www.web54.net**

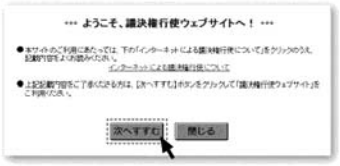
Deadline for exercising voting rights via the Internet:
No later than 5:30 p.m., March 27 (Monday), 2017 (JST)

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

Accessing Procedures

The following charts display PC screens.

1. Access the online voting website
http://www.web54.net
Click on“次へすすむ”(“NEXT”).



2. Log in
Enter the “voting code”(議決権行使コード) indicated on the voting form and click on “ログイン” (“Log in”).
* Shareholders who have not specified a “password” for themselves are required to register a new password.



3. Enter the password
Enter the “password” (パスワード) indicated on the voting form and click on “次へ”(“NEXT”).
* Please note that shareholders who received the Convocation Notice of the Annual General Meeting of Shareholders for this fiscal year by e-mail will not find the “password” on their voting form. Such shareholders are asked to enter the “password” that they specified when registering their e-mail addresses.



4. Indicate your consent/dissent concerning each item by following the instructions displayed on the screen.
* If you exercise your voting rights online more than once, only the most recent vote will be counted.

Inquiries for Online Voting

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

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Web Support Phone No.
Toll-free (within Japan): 0120-652-031 (9:00 a.m. to 9:00 p.m.) (JST)

To Receive the Notices by E-mail

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

E-mail address registration website: **http://www.web5106.net**

REFERENCE MATERIALS
FOR GENERAL MEETING OF SHAREHOLDERS

Agenda Items and Reference Information

Company Proposals (Items 1 to 3)

Item 1: Appropriation of Retained Earnings

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

Year-end dividends

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

Based on the aforementioned policy and taking into consideration a variety of factors, including the Company's consolidated financial condition and achievement for this fiscal year, the Company proposes a year-end dividend of ¥28 per share, as follows. Since the Company previously paid out ¥26 per share as an interim-period dividend, the annual dividend for this fiscal year will amount to ¥54 per share, which is an increase of ¥4 per share from the previous fiscal year.

(1) Type of dividend asset

Cash

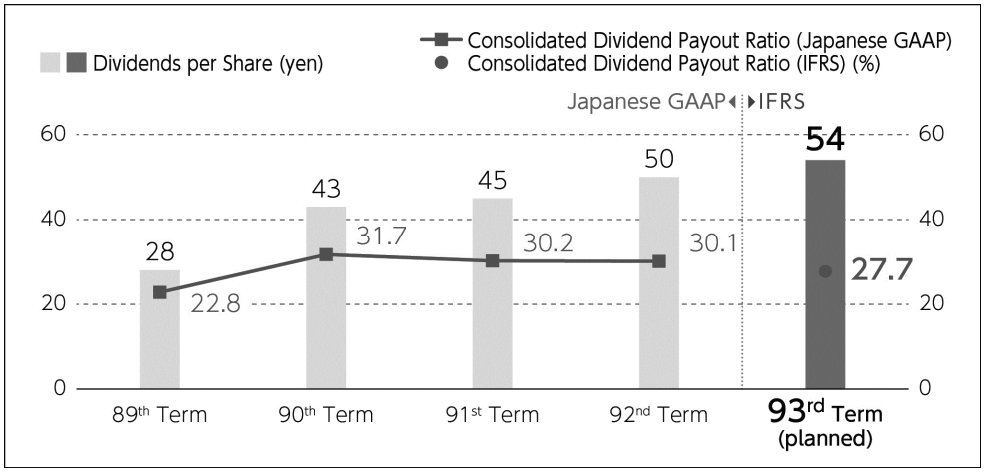
(2) Allocation of dividend assets to shareholders and total amount of allocation

¥28 per share of common stock **Total amount of payout: ¥12,827,705,884**

(3) Effective date of dividends of Retained Earnings

March 29, 2017

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



Item 2: Election of ten (10) Directors

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

Candidate number	Name (Age)	Position	Responsibilities	Number of Board of Directors meetings attended
1	Naoki Izumiya (68) Reappointment	Chairman and Representative Director CEO	Overall Group Management	13/13
2	Akiyoshi Koji (65) Reappointment	President and Representative Director COO	Overall Group Management Group Alcoholic Beverages Business	13/13
3	Katsutoshi Takahashi (62) Reappointment	Managing Director and Managing Corporate Officer	Human Resources Section Procurement Section Production Section Logistics Section Group Soft Drinks Business	13/13
4	Yoshihide Okuda (61) Reappointment	Managing Director and Managing Corporate Officer (CFO)	Audit Section General & Legal Affairs Management Section Secretary Section Public Relations Section Investor Relations Section Finance Section Information Technology Section	13/13
5	Noboru Kagami (58) Reappointment	Director and Corporate Officer	Corporate Social Responsibility Section Research & Development Section Intellectual Property Section Quality Assurance Section	11/11

Candidate number	Name (Age)	Position	Responsibilities	Number of Board of Directors meetings attended
6	Kenji Hamada (53) Reappointment	Director and Corporate Officer	Corporate Strategy Section International Business Section Group Foods Business Group International Operations	11/11
7	Mariko Bando (70) Reappointment Outside/Independent	Outside Director	—	13/13
8	Naoki Tanaka (71) Reappointment Outside/Independent	Outside Director	—	12/13
9	Tatsuro Kosaka (64) Reappointment Outside/Independent	Outside Director	—	10/11
10	Atsushi Katsuki (57) New candidate	—	—	—

Notes:

1. The age, position and responsibilities are as of this Annual General Meeting of Shareholders.
2. As Directors Noboru Kagami, Kenji Hamada and Tatsuro Kosaka were newly elected at the 92nd Annual General Meeting of Shareholders held on March 24, 2016, the above numbers of Board of Directors meetings held that they could attend are different from other Directors.

Reappointment: candidate for reappointment　　New candidate: candidate for new appointment

Outside: candidate for Outside Director　　Independent: candidate for independent director/auditor



Candidate Number	Name	Note to Appointment
1	**Naoki Izumiya**	Reappointment

Date of Birth (Age)	August 9, 1948 (68 years old)
Owned Shares of the Company	51,800 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	14 years
Attended BOD meetings	13/13

Position	Chairman and Representative Director, CEO
Responsibilities	Overall Group Management

Career Summary

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 Tokyo Metropolitan Headquarters, General Manager of Tokyo Branch
Mar. 2003	Director
Mar. 2004	Managing Director
Mar. 2006	Managing Director, Managing Corporate Officer, Senior General Manager of Sales & Marketing Headquarters for Alcoholic Beverages
Mar. 2009	Senior Managing Director, Senior Managing Corporate Officer
Mar. 2010	President and Representative Director
Mar. 2014	President and Representative Director, CEO
Mar. 2016	Chairman and Representative Director, CEO (to the present)

Reasons for recommending Naoki Izumiya as a candidate for Director

Naoki Izumiya has a track record encompassing his experience in exercising strong leadership geared to achieving objectives of the medium-term management plan, since being appointed as President and Representative Director of the Company in March 2010. Since being appointed as the Company's Chairman and Representative Director in March 2016, he has led the efforts to enhance the Group's corporate value as the CEO, and fulfills his duties as a Director.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as a Director.

Candidate's special interests in the Company

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



Candidate Number	Name	Note to Appointment
2	**Akiyoshi Koji**	Reappointment

Date of Birth (Age)	November 8, 1951 (65 years old)
Owned Shares of the Company	15,400 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	10 years
Attended BOD meetings	13/13

Position	President and Representative Director, COO
Responsibilities	Overall Group Management, Group Alcoholic Beverages Business

Career Summary

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 of the Company President and Representative Director of Asahi Breweries, Ltd.
Mar. 2016	President and Representative Director, COO of the Company (to the present)

Reasons for recommending Akiyoshi Koji as a candidate for Director

Akiyoshi Koji has a track record encompassing his contributions to strengthening the alcoholic beverages segment and improving profitability acting as President and Representative Director of the Group's core company Asahi Breweries, Ltd., since being appointed as one of the Company's Directors. Since being appointed as the President and Representative Director of the Company in March 2016, he has followed through with efforts to enhance the Group's corporate value as the COO, and fulfills his duties as a Director. Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as a Director.

Candidate's special interests in the Company

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



Candidate Number	Name	Note to Appointment
3	**Katsutoshi Takahashi**	Reappointment

Date of Birth (Age)	September 24, 1954 (62 years old)
Owned Shares of the Company	6,000 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	4 years
Attended BOD meetings	13/13

Position	Managing Director and Managing Corporate Officer
Responsibilities	Human Resources Section, Procurement Section, Production Section, Logistics Section Group Soft Drinks Business

Career Summary

Apr. 1977	Entered Yoshida Kogyo K.K. (current YKK Corporation)
May 1991	Entered the Company
Mar. 2008	Corporate Officer, Senior Deputy General Manager of Production Headquarters, General Manager of Production Technology Department
Jul. 2011	Corporate Officer, Senior Deputy General Manager of Research & Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.
Mar. 2012	Corporate Officer, General Manager of the Production Section of the Company Corporate Officer, Senior Deputy General Manager of Research & Development-Production Headquarters, General Manager of Production Strategy Department of Asahi Breweries, Ltd.
Sep. 2012	Corporate Officer, General Manager of the Production Section of the Company Corporate Officer, Senior Deputy General Manager of Research & Development-Production Headquarters of Asahi Breweries, Ltd.
Mar. 2013	Director, Corporate Officer of the Company
Mar. 2015	Managing Director, Managing Corporate Officer of the Company (to the present)

Significant Concurrent Positions

Director of Asahi Soft Drinks Co., Ltd.
Director of LB Co., Ltd.

Reasons for recommending Katsutoshi Takahashi as a candidate for Director

Katsutoshi Takahashi fulfills his duties as a Director on the basis of a track record encompassing his experience advancing initiatives to improve quality and maximize the effect of capital investment in the overall supply chain, which includes overseas expansion in the areas of procurement, production, and logistics, since being appointed as one of the Company's Directors.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as a Director.

Candidate's special interests in the Company

There are no special interests between Katsutoshi Takahashi and the Company.



Candidate Number	Name	Note to Appointment
4	**Yoshihide Okuda**	Reappointment

Date of Birth (Age)	January 3, 1956 (61 years old)
Owned Shares of the Company	5,900 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	4 years
Attended BOD meetings	13/13

Position	Managing Director and Managing Corporate Officer (CFO)
Responsibilities	Audit Section, General & Legal Affairs Management Section, Secretary Section, Public Relations Section, Investor Relations Section, Finance Section, Information Technology Section

Career Summary

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

Significant Concurrent Positions

President and Representative Director of Asahi Professional Management Co., Ltd.

Reasons for recommending Yoshihide Okuda as a candidate for Director

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

Candidate's special interests in the Company

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



Candidate Number	Name	Note to Appointment
5	**Noboru Kagami**	Reappointment

Date of Birth (Age)	November 29, 1958 (58 years old)
Owned Shares of the Company	3,998 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	1 year
Attended BOD meetings	11/11

Position	Director and Corporate Officer
Responsibilities	Corporate Social Responsibility Section, Research & Development Section, Intellectual Property Section, Quality Assurance Section

Career Summary

Apr. 1982	Entered the Company
Apr. 2009	Senior Officer, General Manager of Fukushima Brewery of the Company
Sep. 2012	Corporate Officer, General Manager of Fukushima Brewery of Asahi Breweries, Ltd.
Jan. 2013	Corporate Officer, General Manager of Hakata Brewery of Asahi Breweries, Ltd.
Mar. 2016	Director and Corporate Officer of the Company (to the present)

Reasons for recommending Noboru Kagami as a candidate for Director

Noboru Kagami primarily engages in operations involving R&D and production, and fulfills his duties as a Director such as implementing group management strategy based on the Medium-Term Management Policy as the officer in charge of CSR, R&D, intellectual property, and quality assurance, since being appointed as one of the Company's Directors in March 2016.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as a Director.

Candidate's special interests in the Company

There are no special interests between Noboru Kagami and the Company.



Candidate Number	Name	Note to Appointment
6	**Kenji Hamada**	Reappointment

Date of Birth (Age)	January 7, 1964 (53 years old)
Owned Shares of the Company	2,450 shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	1 year
Attended BOD meetings	11/11

Position	Director and Corporate Officer
Responsibilities	Corporate Strategy Section, International Business Section Group Foods Business, Group International Operations

Career Summary

Apr. 1986	Entered the Company
Oct. 2011	Senior Officer, General Manager of Corporate Strategy Section, General Manager of Business Development Section of the Company
Sep. 2012	Senior Officer, General Manager of Corporate Strategy Section of the Company
Mar. 2014	Corporate Officer, General Manager of Corporate Strategy Section of the Company
Mar. 2016	Director and Corporate Officer of the Company (to the present)

Significant Concurrent Positions

Director of Asahi Group Foods, Ltd.
Director of Asahi Holdings (Australia) Pty Ltd

Reasons for recommending Kenji Hamada as a candidate for Director

Kenji Hamada primarily engages in operations involving corporate strategy, and fulfills his duties as a Director such as implementing group management strategy based on the Medium-Term Management Policy as the officer in charge of corporate strategy and international business, since being appointed as one of the Company's Directors in March 2016.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as a Director.

Candidate's special interests in the Company

There are no special interests between Kenji Hamada and the Company.



Candidate Number	Name	Note to Appointment
7	**Mariko Bando**	Reappointment Outside Independent

Date of Birth (Age)	August 17, 1946 (70 years old)
Owned Shares of the Company	— shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	9 years
Attended BOD meetings	13/13

Position	Outside Director

Career Summary

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 Educational Corporation Showa Women's University
Apr. 2007	President of Showa Women's University
Mar. 2008	Director of the Company (to the present)
Apr. 2014	Chancellor of Educational Corporation Showa Women's University (to the present)
Jul. 2016	Chairperson of the Board of Showa Women's University (to the present)

Significant Concurrent Positions

Chancellor of Educational Corporation Showa Women's University
Chairperson of the Board of Showa Women's University
Director of The Institute of Women's Culture, Showa Women's University

Reasons for recommending Mariko Bando as a candidate for Outside Director

Mariko Bando fulfills her duties as an Outside Director of the Company on the basis of her wide range of knowledge as an educator in addition to her diverse experience in public administration both in Japan and overseas. Accordingly, we deem that she possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend her reappointment as an Outside Director.
Although Mariko Bando has not been involved in company management other than as an Outside Director/Audit & Supervisory Board Member, the Board of Directors 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.

Views on independence

The Group maintains transactional relationships with neither Mariko Bando nor entities where she concurrently serves, and based on the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that she maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Mariko Bando meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered her as an independent director/auditor as stipulated by the said exchange.

Candidate's special interests in the Company
There are no special interests between Mariko Bando and the Company.

Regarding agreements limiting the liability
To enable her to contribute fully in her role as an Outside Director, the Company has entered into an agreement with Mariko Bando that limits her liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, her liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If her election is approved, the current agreement will be extended.



Candidate Number	Name	Note to Appointment
8	**Naoki Tanaka**	Reappointment Outside Independent

Date of Birth (Age)	September 1, 1945 (71 years old)
Owned Shares of the Company	— shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	8 years
Attended BOD meetings	12/13

Position	Outside Director

Career Summary

Jan. 1971	Senior Fellow of Kokumin Keizai Research Institute
Apr. 1997	President of the 21st 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

Reasons for recommending Naoki Tanaka as a candidate for Outside Director

Naoki Tanaka fulfills his duties as an Outside Director of the Company on the basis of his abundant experience as a member of government councils and his broad knowledge as a specialist deeply versed in domestic and international economic policy.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as an Outside Director.

Views on independence

The Group maintains transactional relationships with neither Naoki Tanaka nor entities where he concurrently serves, and based on the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Naoki Tanaka meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.

Candidate's special interests in the Company

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

Regarding agreements limiting the liability

To enable him to contribute fully in his role as an Outside Director, the Company has entered into an agreement with Naoki Tanaka that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, his liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If his election is approved, the current agreement will be extended.



Candidate Number	Name	Note to Appointment
9	**Tatsuro Kosaka**	Reappointment Outside Independent

Date of Birth (Age)	January 18, 1953 (64 years old)
Owned Shares of the Company	— shares
Tenure (at the conclusion of this Annual General Meeting of Shareholders)	1 year
Attended BOD meetings	10/11

Position	Outside Director

Career Summary

Apr. 1976	Entered Chugai Pharmaceutical Co., Ltd.
Oct. 2002	Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
Oct. 2004	Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
Mar. 2005	Senior Vice President, Deputy Managing Director of Sales & Marketing Group of Chugai Pharmaceutical Co., Ltd.
Jul. 2005	Senior Vice President, Head of Strategic & Marketing Unit of Chugai Pharmaceutical Co., Ltd.
Mar. 2008	Senior Vice President, Head of Lifecycle Management & Marketing Unit of Chugai Pharmaceutical Co., Ltd.
Mar. 2010	Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.
Mar. 2012	Representative Director, President of Chugai Pharmaceutical Co., Ltd. (to the present)
Mar. 2016	Director of the Company (to the present)

Significant Concurrent Positions

Representative Director, President of Chugai Pharmaceutical Co., Ltd.

Reasons for recommending Tatsuro Kosaka as a candidate for Outside Director

Tatsuro Kosaka fulfills his duties as an Outside Director of the Company, serving as the Chief Operating Officer of a global corporation, and having abundant experience and broad knowledge that include implementing the medium-term management plan and various other business reforms.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend his reappointment as an Outside Director.

Views on independence

The Group maintains transactional relationships with neither Tatsuro Kosaka nor entities where he concurrently serves, and based on the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Tatsuro Kosaka meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.

Candidate's special interests in the Company

There are no special interests between Tatsuro Kosaka and the Company.

Regarding agreements limiting the liability	
	To enable him to contribute fully in his role as an Outside Director, the Company has entered into an agreement with Tatsuro Kosaka that limits his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act. Under the terms of this agreement, his liabilities are limited to ¥20 million or to the minimum limited amount stipulated by applicable laws and regulations, whichever is higher. If his election is approved, the current agreement will be extended.



Candidate Number	Name	Note to Appointment
10	**Atsushi Katsuki**	New candidate

Date of Birth (Age)	March 17, 1960 (57 years old)
Owned Shares of the Company	2,598 shares

Career Summary

Apr. 1984	Entered The Nikka Whisky Distilling Co., Ltd
Sep. 2002	Transferred to the Company
Apr. 2011	Senior Officer, Manager of Corporate Strategy Department, Manager of International Headquarters
Jul. 2011	Senior Officer, General Manager of Business Development Section
Oct. 2011	Managing Director of Asahi Holdings (Australia) Pty Ltd
Apr. 2014	Director, Group CEO of Asahi Holdings (Australia) Pty Ltd
Mar. 2016	Corporate Officer of the Company, Director, Group CEO of Asahi Holdings (Australia) Pty Ltd (to the present)

Reasons for recommending Atsushi Katsuki as a candidate for Director

Atsushi Katsuki primarily engages in operations involving international business and corporate alliances, and has abundant relevant experience and knowledge that include currently serving as the Group CEO of Asahi Holdings (Australia) Pty Ltd where he is implementing organizational integration to create synergy in the Oceania business segment.
Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend that he be newly appointed to serve as a Director.

Candidate's special interests in the Company

There are no special interests between Atsushi Katsuki and the Company.

Item 3: Election of one (1) Audit & Supervisory Board Member

At the conclusion of this Annual General Meeting of Shareholders, the term of office of Audit & Supervisory Board Member Tadashi Ishizaki will expire. The Company therefore asks the shareholders to elect one (1) Audit & Supervisory Board Member.
The candidate for the position of Audit & Supervisory Board Member is as follows.
This proposal is submitted with the prior consent of the Audit & Supervisory Board.



Name	Note to Appointment
Yutaka Kawakami	New candidate Outside Independent

Date of Birth (Age)	June 13, 1952 (64 years old)
Owned Shares of the Company	— shares

Career Summary

Feb. 1976	Entered Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)
Mar. 1980	Registered as certified public accountant
Jun. 1990	Partner of Tohmatsu & Co.
Jun. 2007	Member of Management Council, General Manager of Human Resources Department of Deloitte Touche Tohmatsu
Sep. 2016	Retired from Deloitte Touche Tohmatsu LLC

Reasons for recommending Yutaka Kawakami as a candidate for Outside Audit & Supervisory Board Member

Yutaka Kawakami has expert knowledge related to accounting as a certified public accountant and abundant auditing experience both in Japan and overseas. Accordingly, we deem that he possesses capabilities appropriate for the Company's aims to promote global management of operations while pursuing sustained increase of corporate value, and thus we recommend that he be newly appointed to serve as an Audit & Supervisory Board Member.
Although Yutaka Kawakami has not been involved in company management other than as an Outside Director/Audit & Supervisory Board Member, the Board of Directors has concluded that he will be able to perform his duties properly as an Outside Audit & Supervisory Board Member of the Company based on the reasons noted above.

Views on independence

The Group does not have transactional relationships with Yutaka Kawakami, and based on the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" which have been established by the Company as a means of objectively assessing independence thereof, the Company has deemed that he maintains sufficient independence with no potential for conflict of interests with general shareholders. Moreover, as Yutaka Kawakami meets the requirements for independent director/auditor as defined by the Tokyo Stock Exchange, we have registered him as an independent director/auditor as stipulated by the said Exchange.

Candidate's special interests in the Company

There are no special interests between Yutaka Kawakami and the Company.

Regarding agreements limiting the liability

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

Note: The age is as of this Annual General Meeting of Shareholders.

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

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

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

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

*2. "Party for whom the Group is a major business partner" refers to a party whose transactions in the most recent fiscal year amount to 2% or more of the consolidated revenue of the business partner's group.

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

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

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

*5. "Major shareholder" refers to a person or incorporated entity that directly or indirectly holds 10% or more of the Company's total voting rights.

*6. "Relationship involving cross-assumption of office of Outside Directors/Audit & Supervisory Board Members" refers to a relationship where an executive of the Group serves as an outside director/audit & supervisory board member of another company, and an executive of that company serves as an Outside Director/Audit & Supervisory Board Member of the Company.

*7. "Substantial donations" refers to annual donations of 10 million yen or more made during the most recent fiscal year.

*8. "Important person" refers to directors (excluding outside directors), executive officers, corporate officers, and other executives in positions of general manager or above; certified public accountants belonging to auditing firms or accounting offices; attorneys at law belonging to law firms; councilors, directors, auditors or other officers belonging to incorporated foundations, incorporated associations, educational institutions and other incorporated entities; and other persons objectively and reasonably deemed to be in positions of similar importance.

*9. "Close relative" refers to a spouse or persons within the second degree of consanguinity.

*10. "Tenure of Outside Directors/Audit & Supervisory Board Members stipulated by the Company" means ten (10) years with respect to Directors and twelve (12) years with respect to Audit & Supervisory Board Members.

Shareholder Proposal (Item 4)

Item 4 is proposed by one shareholder. The total number of voting rights held by the shareholder proposing such item is 364.

The below description of proposal and reason for proposal are stated according to the original proposal submitted from the shareholder.

Item 4: Partial amendments to the Articles of Incorporation

1. Description of Proposal

To add the following provisions to the clause of the Articles of Incorporation regarding the General Meetings of Shareholders.

(1) When a no-confidence motion is tabled against the chairperson of the general meeting of shareholders, voting on the motion shall be made after an explanation of the reasons for the motion is given.

(2) When there is a shareholder proposal at the general meeting of shareholders, the opportunity to explain the reason of the proposal shall be provided after revealing the names of the proposing shareholders.

2. Reason for Proposal

For the general meeting of shareholders to be conducted with fairness.

Opinion of the Board of Directors
The Board of Directors objects to this proposal. At the General Meetings of Shareholders of the Company, the chairperson of the meeting already provides lawful and appropriate conduct befitting the circumstances in accordance with laws and regulations such as Article 314 (Accountability of Directors, etc.) and Article 315 (Authority of Chairperson) of the Companies Act. Accordingly, the Board of Directors does not consider it necessary to establish such provision in the Articles of Incorporation of the Company.

End

(Attached Materials)

BUSINESS REPORT

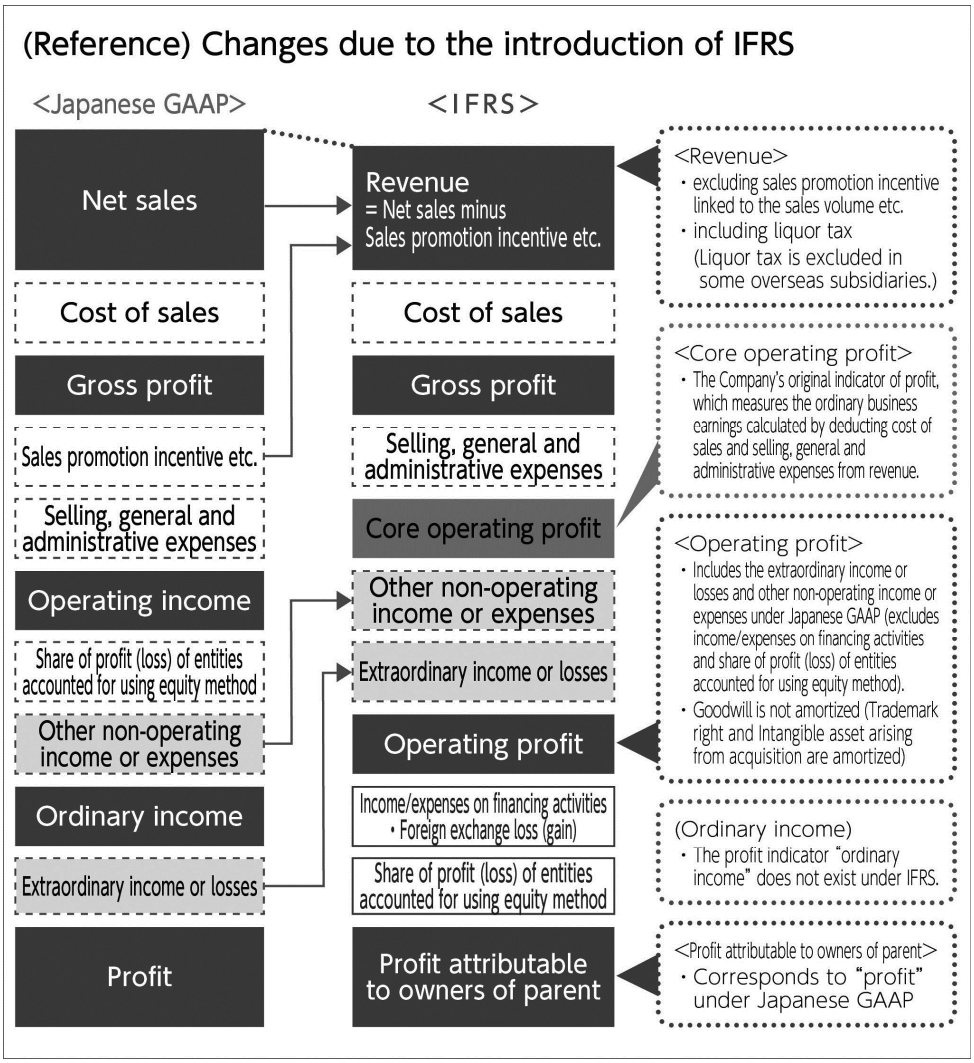
From January 1, 2016 to December 31, 2016

1. Overview of Operations of the Asahi Group

Adoption of International Financial Reporting Standards (IFRS)

The Asahi Group adopts the IFRS starting from this fiscal year with the objective of providing more useful information for stakeholders including its shareholders and investors and enhancing the convenience by enhancing the global comparability of financial information and the quality of disclosed contents.

The figures for the previous fiscal year are also reclassified on the IFRS basis for comparative analysis purposes.



(1) Business Progress and Results

During this fiscal year, sustained recovery in the US economy contributed to an overall mild recovery in the global economy, despite growing uncertainty in the wake of the economic slowdown in China and other emerging countries and the issue of the UK's withdrawal from the EU ("Brexit").

The Japanese economy was on a modest recovery track with an uptick in consumer spending on the back of the improved employment/income environment, although some sluggishness was seen in export and production.

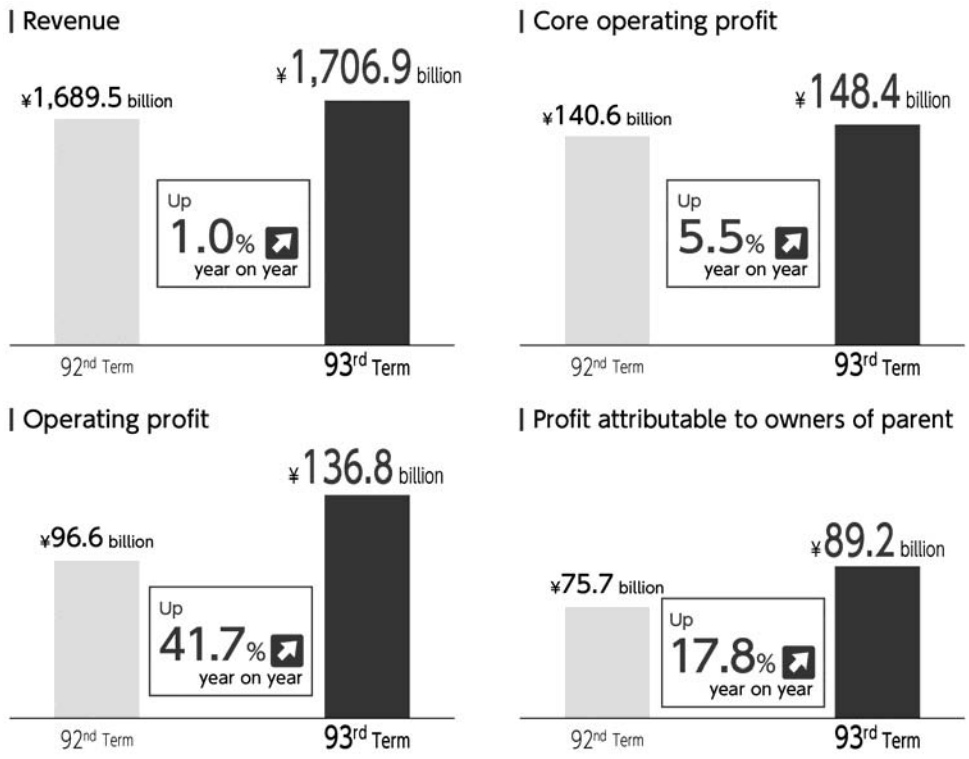
Under these circumstances, the Asahi Group worked toward the further development of ongoing efforts for the "Management for Corporate Value Enhancement" under the newly-developed "Medium-Term Management Policy" by setting three key priorities: strengthening of earnings power, improvement of asset and capital efficiency, and reinforcement of ESG initiatives.

Particularly for strengthening of earnings power, the Group worked in Japan to position a profit base as the cornerstone of earnings with high value addition and differentiation as key areas of focus, while in overseas markets promoting the growth strategy centered on the enhancement and fostering of existing business brands, as well as acquiring new foundations for growth where strengths originating in Japan can be leveraged.

As a result, the Asahi Group posted revenue of ¥1,706,901 million, a year-on-year increase of 1.0%. Core operating profit* increased by 5.5% year-on-year to ¥148,486 million, and operating profit rose by 41.7% to ¥136,889 million. Profit attributable to owners of parent totaled ¥89,221 million, an increase of 17.8% year-on-year compared with the previous year.

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

■ **Business performance of the Asahi Group**



Overview by Business Segment for 93rd Term

■ Asahi Group Revenue by Segment

Segment	92nd term FY2015 (million yen)	93rd term FY2016 (current year) (million yen)	Change in amount (million yen)	Change in percentage (%)
Alcoholic Beverages	970,958	**976,649**	5,690	0.6
Soft Drinks	350,283	**363,905**	13,622	3.9
Foods	111,306	**110,824**	(482)	(0.4)
International Operations	250,452	**250,316**	(135)	(0.1)
Other Businesses	97,267	**102,279**	5,012	5.2
Adjustment*	(90,741)	**(97,073)**	(6,332)	–
Total	1,689,527	**1,706,901**	17,374	1.0

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

Alcoholic Beverages Segment



Main products: Beer, happoshu (low-malt beer), new genre (malt-type), whisky and other spirits, wine, RTD[*1], shochu, beer-taste beverages

In the alcoholic beverages segment, the Group made efforts to enhance the valuse of existing brands and, to create new value and new demand through innovation, under the slogan of "aiming to become an industry leader with proposals on a variety of alcoholic beverages through the creation and fostering of No. 1 brands".

In the beer-type beverages sector, we worked on boosting the brand value of "Asahi Super Dry" mainly by conducting sales campaigns appropriate for seasons or events. For the "Clear Asahi" brand, we renewed existing products such as "Clear Asahi Prime Rich" and launched limited-time-only products in an effort to enhance our presence in the market. We also renewed the "Asahi Off" brand by adding "artificial sweetener-free" feature in addition to "purine bodies-free" [*2] and "carbohydrate-free" [*3] features.

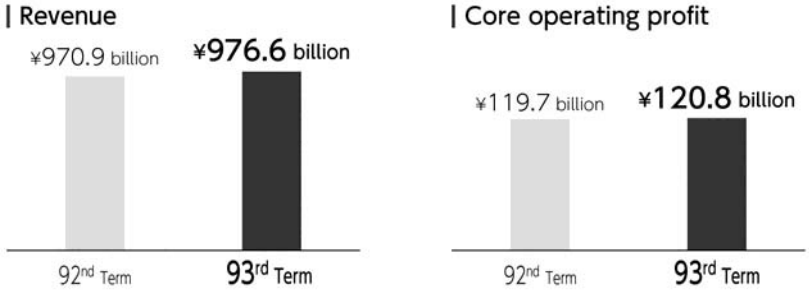
In the sectors of alcoholic beverages other than beer-type beverages, the Group launched "Asahi Mogitate" for RTD, which is made with "juice extracted from fresh fruit picked within the preceding 24 hours" and by an original technique to keep its fresh juiciness, in an effort to provide new value. For whisky and other spirits, we had active marketing campaigns for "Black Nikka", whose 60th anniversary was commemorated and "Jack Daniel's", whose distillery celebrated its 150th anniversary. For wines, marketing activities were intensified for the imported wines, primarily for "SANTA HELENA Alpaca".

In the alcohol-taste beverages sector, we renewed "Asahi Dry Zero" by enhancing the flavor relative to substantial volume and launched a new Food for Specified Health Uses, "Asahi Healthy Style", in an effort to invigorate the market.

As a result of these efforts, revenue from the alcoholic beverages segment increased by 0.6% from the previous year to ¥976,649 million due to an increase in sales volume of beer-type beverages, stronger-than-previous-year sales of alcoholic beverages other than beer-type beverages and of alcohol-taste beverages, and addition of the full-year earnings of ENOTECA CO., LTD, which became a new consolidated subsidiary in 2015.

Despite an increase in advertising and sales promotion expenses, core operating profit increased by 0.9% year-on-year to ¥120,823 million as a result of increased sales and the efforts of reducing manufacturing costs such as trimming the weight of can lids. (Operating profit stood at ¥111,192 million, representing a year-on-year increase of 5.1%.)

*1. RTD stands for "Ready To Drink", which refers to a type of beverage sold in a prepared form and ready for consumption, such as canned chuhai.
*2. "Purine bodies-free" is labeled when contained purine bodies are less than 0.5mg per 100ml.
*3. In compliance with the nutrition labeling standards, "carbohydrate-free" is labeled when contained carbohydrates are less than 0.5mg per 100ml.



Soft Drinks Segment



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

In the soft drinks segment, the Group concentrated marketing investments in key brands and developed products with a focus on health, and worked toward the restructuring of logistics infrastructure, and the optimal production efficiency and improvement in capacity utilization at factories, with the aim of fostering solid brands and establishing a solid earnings structure.

For the mainstay brands, the Group launched "MITSUYA Sumikiru Cider" including clear fruit juice *, a canned coffee supervised by a well-established café, "WONDA Kiwami", and a sugar-free carbonated water with cola aroma, "WILKINSON Tansan Dry Cola" in an effort to enhance the brand value. We also proposed new value leveraging brand assets by the release of a natural water with lactic acid of "Calpis", named "Asahi Oishii Mizu Plus <Calpis> no Nyusankin".

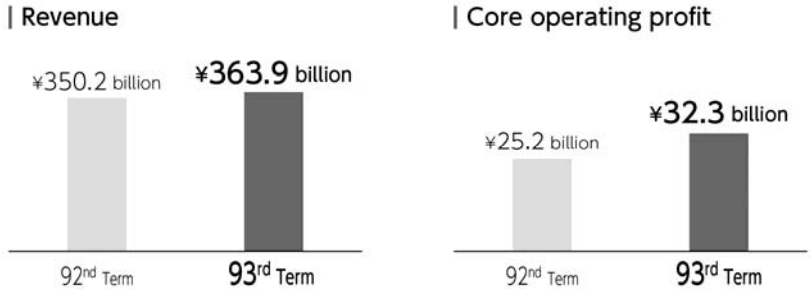
In the sector of Foods for Specified Health Uses, the Group also made efforts to enhance its presence in the field of health functional food with the release of "MITSUYA Cider W" and the renewal of "Asahi Shokujito Isshoni Juroku-Cha W".

For chilled soft drinks, the Group renewed "Ajiwai Calpis", released "Uruou Kajitsu", which provides consumers with an opportunity to enjoy the authentic fruitiness of various fruits, and also expanded the distribution channels for small-capacity products in response to market needs.

Accordingly, revenue from the soft drinks segment increased by 3.9% from the previous fiscal year to ¥363,905 million due to stronger-than-previous-year sales volume of carbonated drinks and coffee drinks.

Core operating profit increased by 28.0% year-on-year to ¥32,335 million as a result of increased sales and the efforts of improving the component ratio of product categories and size/type of containers and of establishing optimal production and logistics systems. (Operating profit stood at ¥32,775 million, representing a year-on-year increase of 92.2%.)

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



Foods Segment



Main products: Confectionery, nutritional snacks, supplements, quasi-drugs, baby foods, infant formula, freeze-dried foods

In the foods segment, the Group integrated three companies into Asahi Group Foods, Ltd. in an effort to "centralize the business and its brands which have strengths" and create integrated synergies.

For the tablet-type confectionary "MINTIA", we pursued enhanced brand value by releasing the 20th anniversary version with limited-time-only package design, introducing consumer campaigns, and expanding the product lineup of the large-size tablet "MINTIA Breeze".

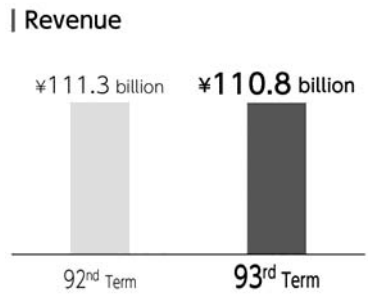
In the baby foods sector, the Group worked to expand sales by such means as release of a new product of powder type "Tezukuri O'en". In the infant formula sector, the Group worked to strengthen brand power by such means as renewal of "Wakodo Lebens Milk HAIHAI" and "Wakodo Follow-Up Milk GUNGUN".

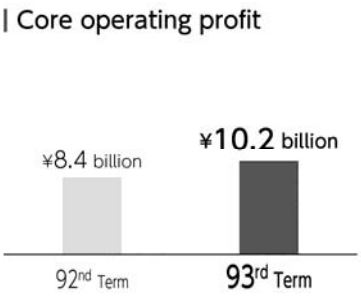
In the freeze-dried foods sector, the Group strived to expand sales by increasing the number of mass retailers selling "Itsumono Omisoshiru" and by expanding the product lineup of the five-pack "Uchi-no-Omisoshiru".

In the category of dietary supplements, the Group strengthened the expansion of Food with Functional Claims by promoting aggressive sales activities for "Dear-Natura Gold", and by launching "Schwabe Ginkgo Ichoha Ekisu", etc.

As a result of the above, the Foods Segment posted revenue of ¥110,824 million, on par with the previous fiscal year, reflecting strong performances in the core brands, despite negative impacts from revisions to the business portfolio.

Core operating profit increased by 21.4% year-on-year to ¥10,256 million as a result of stronger-than-previous-year sales of the mainstay brands and the efforts of reducing manufacturing costs primarily for raw materials. (Operating profit stood at ¥11,377 million, representing a year-on-year increase of 63.9%.)





International Operations Segment



Main products: Beer, low-alcohol beverages, carbonated drinks, mineral water, sport drinks, tea, condensed milk

In the international operations segment, the Group pursued the enhancement and expansion of the growth portfolios of each segment and the maximization of integrated synergies, as well as the expansion of platforms for business growth in China and Southeast Asia.

In the Oceania business segment, the Group put efforts into enhancing the power of brands for the mainstay carbonated drinks category in the soft drinks sector. In addition, the Group bolstered sales efforts for "Cool Ridge" and "Frantelle" in the mineral water category, whose market is growing. In the alcoholic beverages sector, active sales campaigns were conducted for beers such as "Asahi Super Dry", and the growing category of cider (sparkling apple wine) as well as for the mainstay low-alcohol beverages, and business structures for stable growth were established.

In the Southeast Asia business segment, the Group extended sales campaigns primarily for the mainstay brands in each country, such as "WONDA" in Malaysia and "ICHI OCHA" in Indonesia. The Group also introduced "Calpis" in Malaysia and launched "Caféla eXpresso" in Indonesia in an effort to enhance its presence in the market of its own brand products.

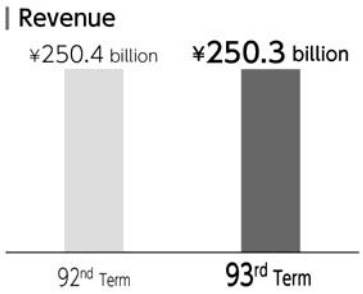
In the China business segment, the Group worked toward increased sales volume of "Asahi Super Dry" by attracting new customers–restaurants serving draft beer in kegs–as well as strengthening proposal-based sales activities for mass retailers such as supermarkets.

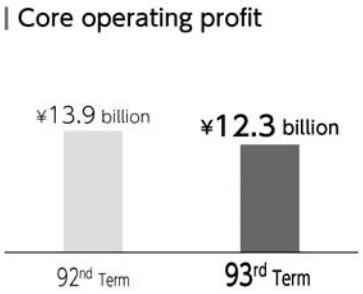
In October 2016, the Group acquired "Peroni", "Grolsch", and "Meantime" brands * and their respective production and sales companies from Anheuser-Busch InBev SA/NV in Europe, which had bought the previous owner of these brands, SABMiller plc. For the further expansion of business platforms through the growth of these brands and "Asahi Super Dry" in Europe, we worked on the creation of synergies in a wide range of areas such as production, sales, and marketing.

As a result of the above, the International Operations Segment posted revenue of ¥250,316 million, on par with that of the previous fiscal year as the business in each region remained solid and the Europe beer businesses were included for the first time, despite the effects of yen appreciation.

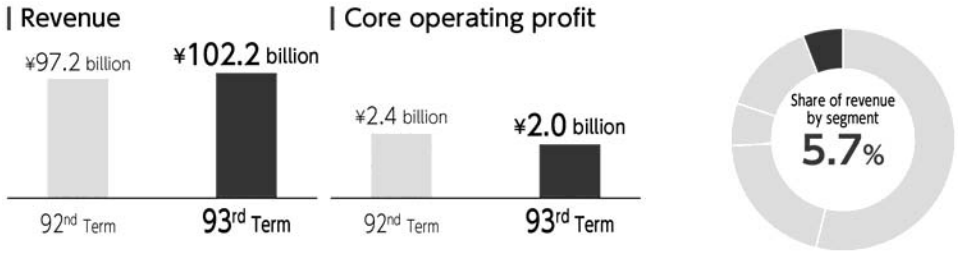
Core operating profit decreased by 11.5% year-on-year to ¥12,348 million as a result of weak currencies such as AUD and one-off expenses incurred for the acquisition of Europe beer businesses, which erased solid performance by each region and the effects of efforts to reduce manufacturing costs. (Operating loss was ¥8 million, an improvement of ¥16,054 million compared with the previous fiscal year.)

* Excludes the intellectual property rights relating to the "Peroni" and "Grolsch" brands in the United States and Puerto Rico.





Other Businesses Segment



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

In the other businesses segment, revenue increased by 5.2% year-on-year to ¥102,279 million mainly due to the efforts of reinforcing sales campaigns for health foods.

Core operating profit was 18.3% down from the previous fiscal year to ¥2.0 billion due to increased fixed costs for building additional bases for the cargo transportation business. (Operating profit decreased 10.5% year on year to ¥1,983 million.)

(2) Financial and Profit/Loss Indicators

	90th term FY2013	91st term FY2014	92nd term FY2015		**93rd term FY2016 (current year)**
	Japanese GAAP			IFRS	
Net sales/ Revenue	1,714,237	1,785,478	1,857,418	1,689,527	(million yen) **1,706,901**
Core operating profit*1	–	–	–	140,691	(million yen) **148,486**
Operating income/ Operating profit	117,467	128,305	135,119	96,626	(million yen) **136,889**
Ordinary income	123,612	133,168	145,946	–	(million yen) **–**
Profit/ Profit attributable to owners of parent	61,749	69,118	76,427	75,770	(million yen) **89,221**
Operating margin/ Operating profit ratio	6.9	7.2	7.3	5.7	(%) **8.0**
EBITDA*2	183,695	192,308	197,993	197,287	(million yen) **205,803**
Earnings per share/ Basic earnings per share*3	135.73	148.92	166.25	164.82	(yen) **194.75**
Total assets/ Total assets	1,791,555	1,936,609	1,901,554	1,804,673	(million yen) **2,086,381**
Net assets/ Total equity	827,481	896,510	891,829	803,682	(million yen) **846,105**
Net assets per share/ Equity attributable to owners of parent per share*4	1,772.47	1,904.64	1,916.69	1,723.97	(yen) **1,825.57**
ROE (Return On Equity/ Profit ratio to equity attributable to owners of parent)	8.0	8.1	8.8	9.7	(%) **11.0**

Note: Items with "/" indicate "Japanese GAAP / IFRS".

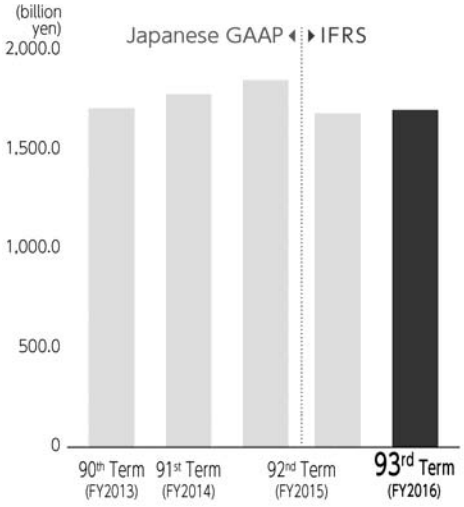
*1 Core operating profit is the Company's original indicator of profit, which measures the ordinary business earnings calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

*2 EBITDA is equal to the sum of operating income before amortization of goodwill, etc., and depreciation under Japanese GAAP and the sum of core operating profit and amortization and depreciation on the IFRS basis.

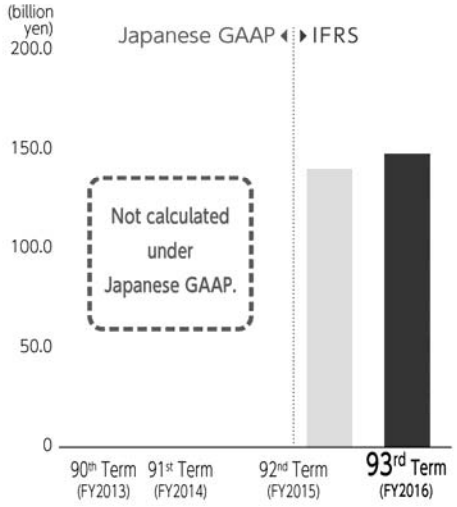
*3 Earnings per share/ Basic earnings per share is calculated based on the average total number of shares outstanding during the term. The total number of shares outstanding is exclusive of treasury shares.

*4 Net assets per share/Equity attributable to owners of parent per share is calculated based on the total number of shares outstanding at the end of the fiscal year. The total number of shares outstanding is exclusive of treasury shares.

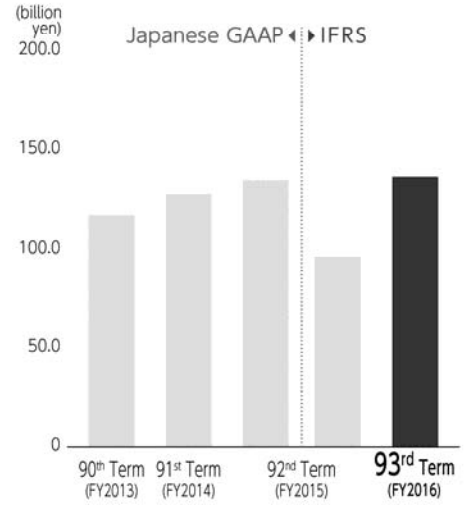
| Net sales/Revenue



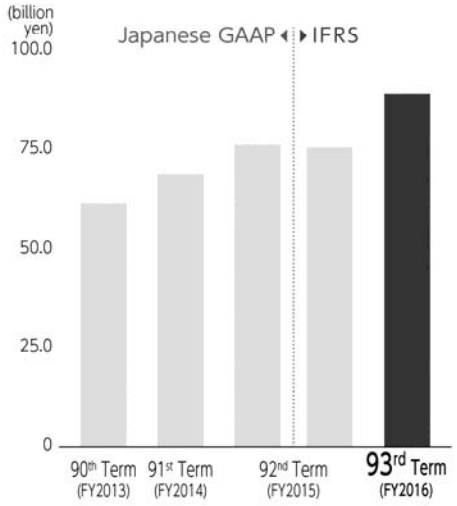
| Core operating profit



| Operating income/Operating profit



| Profit/Profit attributable to owners of parent



(3) Status of Capital Expenditures

Consolidated capital expenditures in this year totaled ¥71,743 million, the segment breakdown of which is as follows. A large portion of the capital expenditures represented investments made for the purpose of enhancing efficiency and production capacity.

Business segment	Amount of capital expenditure (million yen)
Alcoholic Beverages	29,936
Soft Drinks	15,206
Foods	3,660
International Operations	17,940
Other Businesses	430
Company-wide (common)	4,568
Total	71,743

(4) Financing Activities

The Company financed the capital expenditures detailed in item (3) above and capital requirements including those for acquiring beer businesses in Europe through loans from financial institutions and the issuance of commercial papers.

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

(5) Status of Principal Lenders

(As of December 31, 2016)

Lender	Outstanding balance (million yen)
Sumitomo Mitsui Banking Corporation	212,335
Mizuho Bank, Ltd.	34,429
Sumitomo Mitsui Trust Bank, Limited	27,709
The Norinchukin Bank	27,500
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,752

(6) Principal Subsidiaries

Company name	Issued 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
LB Co., Ltd.	487	100.0	Production and marketing of soft drinks
Asahi Group Foods, Ltd.	5,000	100.0	Production and marketing of foods
Asahi Holdings (Australia) Pty Ltd	132,697 (AUD 1,806,901 thousand)	100.0	Overseeing soft drinks and alcoholic beverages operations in Oceania
Asahi Beer (China) Investment Co., Ltd.	9,996 (CNY 737,487 thousand)	100.0	Overseeing alcoholic beverages operations, and marketing of alcoholic beverages in China
Asahi Europe Ltd	304,517 (EUR 2,544,546 thousand)	100.0	Overseeing alcoholic beverages operations in Western Europe
Asahi Professional Management Co., Ltd.	50	100.0	Contracting of clerical work

Notes:
1. There were 137 consolidated subsidiaries of the Company as of the end of this year, including those listed above. There were 138 entities accounted for using equity method, including Tsingtao Brewery Co., Ltd. and Tingyi-Asahi Beverages Holding Co., Ltd.
2. As of the end of this year, there was the following wholly owned specified subsidiary:

Name of the wholly owned specified subsidiary:	Asahi Europe Ltd
Address of the wholly owned specified subsidiary:	One Forge End, Woking, Surrey, GU21 6DB, the United Kingdom
Carrying amount of shares of the wholly owned specified subsidiary:	¥304,517 million
Total assets of the Company:	¥1,109,207 million

(7) Significant Developments such as Corporate Reorganization

The Company acquired the shares of Birra Peroni S.r.l. and four other companies on October 11, 2016 through the intermediary of Asahi Europe Ltd.

(8) Principal Offices and Factories

(As of December 31, 2016)

1) Asahi Group Holdings, Ltd.

(Head office)	23-1, Azumabashi 1-chome, Sumida-ku, Tokyo
(Laboratory)	Research & Development Center (Moriya City, Ibaraki)

2) Subsidiaries

Business segment	Company name	Major establishments	
Alcoholic Beverages	Asahi Breweries, Ltd.	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), etc.
		Laboratories	Development Laboratories for Alcoholic Beverages (Moriya City, Ibaraki), etc.

Business segment	Company name	Major establishments	
Soft Drinks	Asahi Soft Drinks Co., Ltd.	Head office	23-1, Azumabashi 1-chome, Sumida-ku, Tokyo
		Regional sales offices	Tokyo Metropolitan Headquarters (Chuo-ku, Tokyo), etc.
		Production facilities	Akashi Plant (Akashi City, Hyogo), etc.
		Laboratories	Products Research & Development Laboratory (Moriya City, Ibaraki), etc.
	LB Co., Ltd.	Head office	3469-1, Aza Sakuragaoka, Ooaza Kurohama, Hasuda City, Saitama
		Regional sales offices	CVS Marketing Department (Taito-ku, Tokyo), etc.
		Production facilities	Hasuda Plant (Hasuda City, Saitama), etc.
		Laboratories	Marketing Department (Hasuda City, Saitama)
Foods	Asahi Group Foods, Ltd.	Head office	4-1, Ebisuminami 2-chome, Shibuya-ku, Tokyo
		Regional sales offices	Food & Confectionaries Branch for National Retail Chains I (Shibuya-ku, Tokyo), etc.
		Production facilities*	Osaka Plant (Suita City, Osaka), etc.
		Laboratories	Asahi Development Laboratory (Chuo-ku, Tokyo), etc.
International Operations	Asahi Holdings (Australia) Pty Ltd	Head office	Victoria, Australia
	Asahi Beer (China) Investment Co., Ltd.	Head office	Shanghai, China
	Asahi Europe Ltd	Head office	Surrey, the United Kingdom

* The production facility of a subsidiary of Asahi Group Foods, Ltd. is listed.

(9) Employees

(As of December 31, 2016)

Business segment	Number of employees	Increase (decrease) from the end of the previous term
Alcoholic Beverages	5,906	240
Soft Drinks	3,532	(466)
Foods	1,290	(78)
International Operations	10,213	1,476
Other Businesses	2,088	173
Company-wide (common)	590	80
Total	23,619	1,425

(10) Management Perspectives

Corporate Philosophy of the Asahi Group

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

Long-Term Vision

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

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

Seek "sustained corporate value enhancement" by pursuing satisfaction for all stakeholders

Vision for Stakeholders

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

Medium-Term Management Policy

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

Key Performance Indicator (KPI) Guidelines

	Guidelines for FY2016 to FY2018
Revenue	• Stable growth from main businesses – Business restructuring + New M&A
Core operating profit	• Existing businesses (Average annual growth rate in the high single digits) + Impact of new M&A
EPS	• Average annual growth of approx. 10%
ROE	• Maintenance and increase to 10% or higher

Note: The calculation basis excludes special factors such as foreign exchange impact and one-off extraordinary items.

Financial and Cash Flow Guidelines

	FY2016 to FY2018 cumulative guidelines
Cash flow (CF)	• Generated cash flow: ¥470.0 billion or more (Operating cash flow + Maximization measures + Assets review) • Capital expenditures: ¥180.0 to ¥220.0 billion
Growth investment	• Active investment in M&As and alliances to acquire foundations for growth (Maximum D/E ratio* of approx. 1.0 time acceptable if major capital demands arise)
Shareholder returns	• Stable dividend increases with the aim of a dividend payout ratio of 30% by FY2018 • Flexible acquisition of treasury shares taking into account an appropriate balance with growth investment

* D/E ratio (debt equity ratio) = interest-bearing debt / equity

1) Management Basic Policy

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

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

2) Long-Term Vision

Japan's breakaway from deflation is now facing a crucial moment, while a sense of uncertainty is growing over the economy in some parts of the world. Under these circumstances, many different risks as well as opportunities, including further diversification of consumption, are expected to emerge in the coming business environment. Besides, in response to the formulation of Corporate Governance Code, the management style of Japanese companies and the perspective of stakeholders including our shareholders are likely to shift toward the more sustainable growth and the increase of corporate value over the medium- to long-term.

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

3) Medium-Term Management Policy

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

A Strengthening of earnings power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine

B Asset and capital efficiency improvement that takes into consideration capital cost

C Reinforcement of ESG (environmental, social and governance) initiatives to increase sustainability

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

4) Policy for 94th Term (FY 2017)

Uncertainty over the economy is expected to grow further in the fiscal year 2017 domestically and globally. The Asahi Group, nonetheless, will work further toward the positioning of the domestic profit base as the cornerstone of earnings with the enhancement of the value of mainstay brands as key areas of focus, in line with the Medium-Term Management Policy. For global operations, the Group will strengthen earnings power in Japan and elsewhere by creating synergies leveraging the top premium brands and wide distribution channels of beer businesses in Western Europe acquired in 2016 in Italy, the Netherlands, and the UK; and those of beer businesses in

Central and Eastern Europe that the Group plans to acquire in the Czech Republic, Slovakia, Poland, Hungary, and Romania. In addition, the Group will promote the optimization of business portfolios, with the objective of improving asset/capital efficiency.

With these efforts, the Group projects revenue to be ¥1,820,000 million, core operating profit to be ¥165,000 million, operating profit to be ¥146,000 million, and profit attributable to owners of parent to be ¥96,000 million, for the 94th fiscal year.

The Group cordially requests shareholders' continuing encouragement and support.

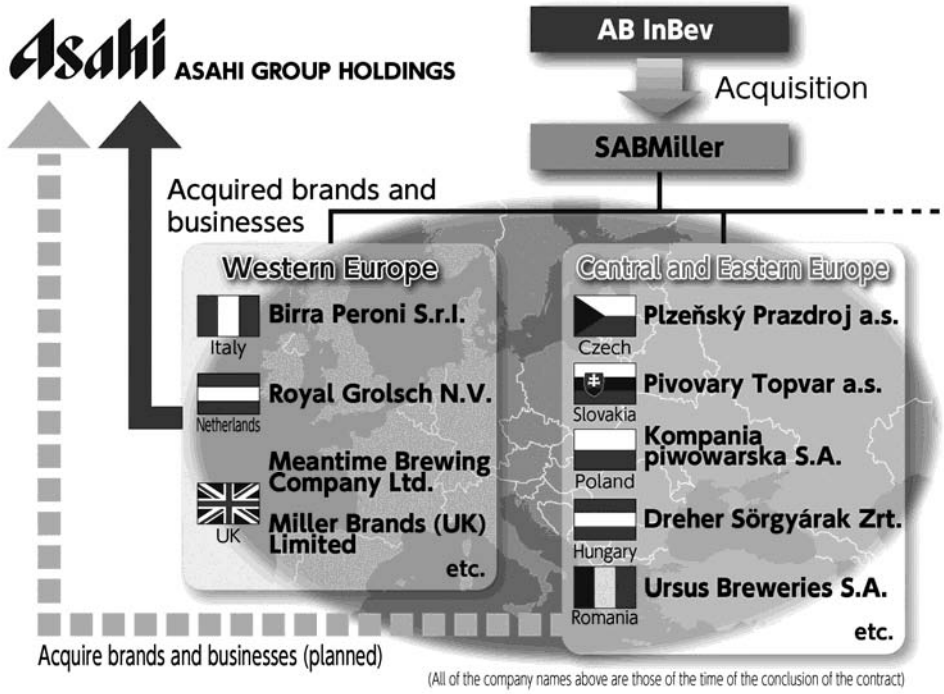
(Reference) Acquisition of beer businesses in Europe

In October 2016, the Asahi Group acquired “Peroni”, “Grolsch”, and “Meantime” brands (excluding intellectual property rights relating to the “Peroni” and “Grolsch” brand in the United States and Puerto Rico) and their respective production and sales companies from Anheuser-Busch InBev SA/NV (“AB InBev”) in Europe, which had bought the previous owner of these brands, SABMiller plc (“SABMiller”).

In December 2016, the Group also signed a share purchase agreement (“Agreement”) with AB InBev to acquire its businesses and relevant assets (“Businesses”) in the Czech Republic, Slovakia, Poland, Hungary, and Romania (collectively, “five Central-Eastern European countries”). The Agreement covers the entities and global brands such as “Pilsner Urquell” that SABMiller had owned in the five Central-Eastern European countries before its integration with AB InBev. With a leading market share in the Czech Republic, the world’s top-ranked country on per capita beer consumption, and in Poland, Hungary and Romania, the Group obtains high profitability backed by strong business platforms.

The Asahi Group will aim for a unique position as a global player that grows with leading premium brands, including “Asahi Super Dry”, “Peroni”, and “Grolsch”, as its core forces.

In addition, the Group will enhance the power of generating cash flows by creating synergies within Europe, which is next to Japan in terms of business scale, as well as enhance the earnings power overseas by integrating strengths such as the power of brands and cost competitiveness nurtured in Japan.



2. Corporate Governance System

(1) Basic Concept

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

1) Ensuring rights of and equality among shareholders

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

2) Appropriate Collaboration with Stakeholders

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

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

3) Ensuring Proper Information Disclosure and Transparency Thereof

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

4) Responsibilities of the Board of Directors

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

The Board of Directors, in deliberating management strategies etc., mainly prepared by management, takes care to plan the meetings as a venue for constructive discussion by avoiding ritual discussion with measures such as sharing information with Outside Directors and a

preliminary explanation of agenda items thereto in the review process or receiving reports on the results of discussion from the Audit & Supervisory Board, thereby aiming for the sustainable growth and the increase of corporate value over the medium- to long-term of the Company.

5) Dialogues with Shareholders

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

(2) Characteristics of Current Systems

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

(3) Structure of the Board of Directors

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

(4) Evaluation of Effectiveness of the Board of Directors

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

The English-version summary of the evaluation is posted on the following Company website:
http://www.asahigroup-holdings.com/en/whoweare/governance.html

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

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

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

(6) Succession Plan and Training

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

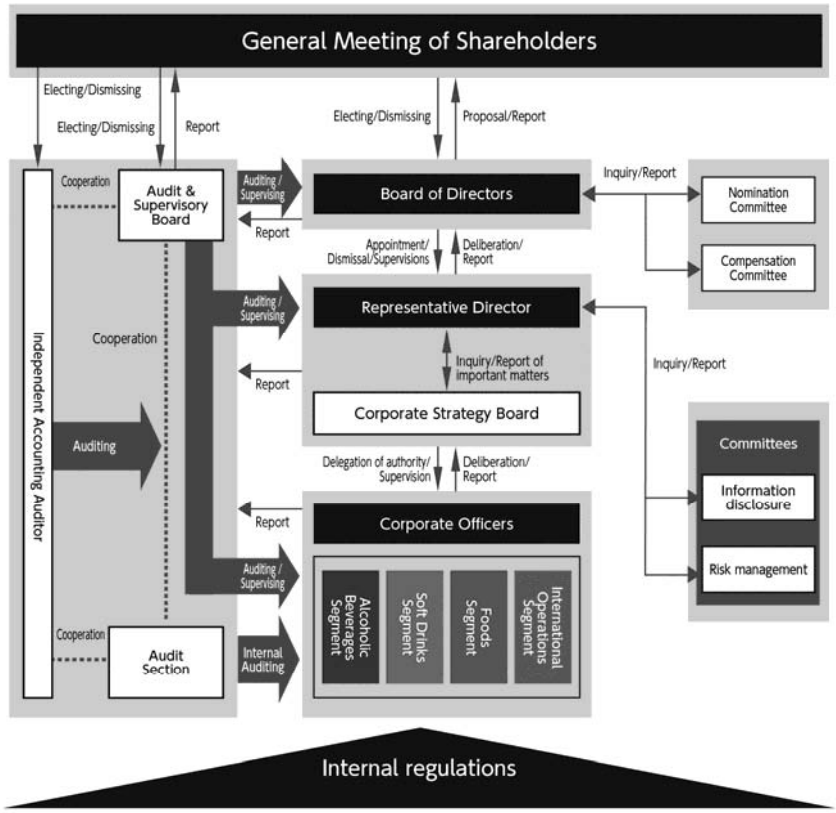
For the Directors and Audit & Supervisory Board Members, the Company provides training required for their roles and responsibilities on a regular basis and sets the requirements for each of them according to his/her executive stage, and conducts training that contributes to enhancement in their overall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

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

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

(8) System chart

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



(9) Roles and compositions of the advisory bodies

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

1) Nomination Committee

The Nomination Committee provides reports on its findings and views about candidates, etc. for Directors, Audit & Supervisory Board Members and Corporate Officers in response to the inquiries referred from the Board of Directors. The Committee consists of two Outside Directors and two internal Directors, and an internal Director is co-operatively appointed as its chairperson. The Committee held five meetings during fiscal 2016, and provided reports on its findings and views primarily about personnel affairs of officers, representatives of principal subsidiaries and the succession plan.

2) Compensation Committee

The Compensation Committee provides reports on its findings and views about the remuneration system and amount of remuneration for Directors and Corporate Officers in response to the inquiries referred from the Board of Directors. The Committee consists of two Outside Directors and two internal Directors, and an Outside Director is co-operatively appointed as its chairperson. The Committee held a total of five meetings during fiscal 2016, and provided reports on its findings and views primarily about officers' bonuses, the revision of the officers' remuneration plan and the introduction of a new Performance-Linked Stock Compensation Plan.

3) Information Disclosure Committee

The Information Disclosure Committee is responsible for centrally managing and controlling corporate information disclosure, and provides reports on its findings and views in response to the inquiries referred from the President and Representative Director from the perspective of fair, expeditious and wide-ranging information disclosure. The Committee consists of internal Directors and Corporate Officers excluding the Chairman and Representative Director and the President and Representative Director, and the Director in charge of public relations serves as its chairperson. The Committee held a total of eighteen meetings during fiscal 2016, analyzed the contents of relevant information, and provided reports on its findings and views about the need or otherwise, contents, methods, etc. of information disclosure in light of the Timely Disclosure Rules, etc. of the Tokyo Stock Exchange.

4) Risk Management Committee

The Risk Management Committee provides reports on its findings and views about policies on overall risk management activities and the measures against main risks in response to the inquiries referred from the President and Representative Director. The Risk Management Committee consists of internal Directors and external attorneys at law and the Director in charge of general and legal affairs serves as its chairperson. In addition, Standing Audit & Supervisory Board Members attend this Committee's meetings and state opinions as necessary. The Committee held a total of four meetings during fiscal 2016, and provided reports on its findings and views about the findings of periodic risk surveys, the status operation of whistle blowing system.

5) Corporate Strategy Board

The Corporate Strategy Board provides reports on its findings and views about evaluation of the legality, objectivity and reasonableness and of substantial matters concerning business execution in response to the inquiries referred from the Chairman and Representative Director or the President and Representative Director. The Board consists of internal Directors, Corporate Officers and Standing Audit & Supervisory Board Members, and the President and Representative Director serves as its chairperson. The Board held a total of fifty-one meetings during fiscal 2016, and provided reports on its findings and views primarily about development of corporate strategies and status of business executions by Group companies.

(As of December 31, 2016)

Name	Nomination Committee	Compensation Committee	Information Disclosure Committee	Risk Management Committee	Corporate Strategy Board
Directors					
Naoki Izumiya	◎			○	○
Akiyoshi Koji	○			○	◎
Katsutoshi Takahashi		○	○	○	○
Yoshihide Okuda		○	◎	◎	○
Noboru Kagami			○	○	○
Kenji Hamada			○	○	○
Ryoichi Kitagawa			○	○	○
*Mariko Bando	○	○			
*Naoki Tanaka	○	◎			
*Tatsuro Kosaka					
Audit & Supervisory Board Members					
Akira Muto				□	○
Tetsuo Tsunoda				□	○
*Tadashi Ishizaki					
*Katsutoshi Saito					
*Yumiko Waseda					

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

◎ denotes committee chairpersons

○ denotes committee members

□ denotes monitoring by attendance

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

Overview of the resolution regarding systems to ensure appropriate business operations

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

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

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

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

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

suppliers to enable the Company to develop an Internal Control System in cooperation with its suppliers.

7) To ensure antisocial forces do not exert any undue influence on the Group, all relevant information shall be shared within the Asahi Group and the Company shall establish an internal system on the measures. The Company shall also cooperate closely with industry bodies, local communities, the police and other external specialist organizations in this field.

8) The operational details of the aforementioned agencies and systems shall be spelled out under a separately prepared set of internal regulations that will be applied to the Company or the entire Asahi Group.

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

1) Information related to execution of duties by Directors shall be properly preserved and managed in accordance with "Document-Management Regulations" and other related internal regulations that will be applied to the Company or the entire Asahi Group.

2) The aforementioned information shall be preserved and managed in a way accessible by Directors and Audit & Supervisory Board Members for inspection at any time.

3) Control over the clerical tasks related to preservation and management of the aforementioned information shall be determined in accordance with internal regulations that will be applied to the Company or the entire Asahi Group.

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

1) The Company shall develop and adopt "Asahi Group Risk Management Regulations" and shall affirm them as the highest standards governing risk management within the Asahi Group. It shall also establish a manual on the Regulations and disseminate the same among all over the Group.

2) In addition to having the appropriate sections manage risk in their respective areas, the "Risk Management Committee" shall perform comprehensive risk management across the entire Asahi Group. The "Risk Management Committee" shall periodically analyze and evaluate risks in accordance with the "Asahi Group Risk Management Regulations" and, when necessary, carry out comprehensive reviews of the risk management system. Utmost attention shall be paid to the risk of failing to maintain product quality. As a food and drink manufacturing group, the Asahi Group strongly recognizes their social responsibility to consumers to ensure the safety and security of their products.

3) In the event of any major accident, disaster or scandal, etc., the Company shall establish a "Crisis-Response Meeting" chaired by a Representative Director.

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

1) To ensure efficient performance of duties by Directors, the Board of Directors shall divide duties in a reasonable way to be delegated to respective Directors and shall appoint appropriate persons as Corporate Officers in charge of respective sections.

2) The Company shall establish "Regulation of Authority" and "Asahi Group's Regulation of Authority" stipulating rules of delegation of power and for a mutual checks-and-balances mechanism among sections and among Group Companies.

3) The Company shall ensure the effective utilization of the "Corporate Strategy Board", consisting of the Company's internal Directors, Corporate Officers, and Standing Audit & Supervisory Board Members by formulating the Asahi Group's corporate strategy and implementing progress management, etc.

4) To maximize operational efficiency, the Company shall utilize indices that provide an objective and rational way of measuring its management and control of operations; and it shall employ a unified system of follow-up and evaluation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overview of operation of systems to ensure appropriate business operations

(1) Overall Internal Control System

1) In order to develop and operate the Internal Control Systems of the Company and the Group Companies and effectively achieve the objectives of internal control, the section of the Company in charge of internal auditing cooperates with the internal auditing organs established within the Asahi Group in conducting audits to determine whether business operations are executed properly and efficiently in accordance with annual audit plans. During fiscal 2016, a total of 24 Group Companies were audited.
2) With respect to internal control over financial reporting, the evaluating organ established within the Asahi Group performs evaluation of the Group Companies' internal control activities pursuant to the "Basic Regulations for the Evaluation and Reporting of Internal Control for Financial Reporting".

(2) Compliance System

1) The Company tries hard to keep its newly recruited employees informed about the "Asahi Group Corporate Ethics Regulation" and the "Asahi Group Corporate Ethics Guidelines" by

providing training on compliance.

2) The Company promotes awareness of compliance by putting managers responsible for compliance and risk management in place in the Company and the Group Companies and conducting education and training by job class. During fiscal 2016, the principal focus was placed on the themes of "harassment" and "moderate drinking".

3) The Company conducts multifaceted and multilayered surveys of compliance awareness and behavior by conducting an anonymous "Compliance Questionnaire" annually to the employees, etc. of the Company and the Group Companies. In fiscal 2016, the questionnaire results revealed that: "Some room for improvement was seen in certain items, but overall compliance awareness remained at a high level".

(3) Risk Management System

1) The Company conducts cross-sectional risk management for the entire Asahi Group through the "Risk Management Committee" as the highest-ranking risk management deliberation/promotion organ. During fiscal 2016, the Committee met for a total of four times to conduct cross-sectional analyses and evaluations under the themes of "compliance", "information", "quality", "environment/disaster", "management/organization/labor affairs", "crime", "financial affairs/assets", etc. on the basis of the findings of periodic risk surveys conducted by sections concerned.

2) By keeping in place the "Clean Line System", the Company detects and resolves risk problems early, and effectively prevents risk problems themselves from occurring.

3) The Company has a system in place to deal with any major accident, disaster, scandal, etc. by setting up a "Crisis-Response Meeting" chaired by the Representative Director.

(4) Business Management of Group Companies

1) With respect to the Group Companies' business management, the Company has put in place a system whereby, pursuant to the "Asahi Group's Regulation of Authority", the Group Companies' business executions are subject to resolutions of the Company's Board of Directors or decisions of an individual Director or the responsible persons of the responsible sections of the Company, depending on the degree of their importance.

2) Once a month, the "Corporate Strategy Board" receives reports from main Group Companies on the status of their business executions.

(5) Execution of Directors' Duties

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

(6) Execution of Audit & Supervisory Board Members' Duties

1) Audit & Supervisory Board Members attend meetings of the Board of Directors, the "Corporate Strategy Board", the "Risk Management Committee" and other important organs, thereby confirming the status of development and operation of the Internal Control System.

2) Audit & Supervisory Board Members enhance the effectiveness of auditing by finding opportunities regularly or as needed for exchanging information and views with the section in charge of internal auditing, the Independent Accounting Auditors, etc. During fiscal 2016, Audit & Supervisory Board Members had opportunities to exchange information and views with the section in charge of internal auditing for a total of three times, with the Independent Accounting Auditors for a total of eleven times, and with an organ within the Asahi Group in charge of evaluations on internal control for financial reporting for a total of four times.

3) The Company ensures that Audit & Supervisory Board Members will be able to smoothly perform their duties by posting three dedicated employees to the Audit & Supervisory Board.

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

(1) Basic policy

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

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

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

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

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

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

1) Special Measures Contributing to Realization of the Basic Policy

In 2016, the Company updated its "Long-Term Vision 2020", which was formulated in 2013 to declare "Striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness, and innovation)", to the "Long-Term Vision" as the future image of business in the next ten years or so, by adding "Seek 'sustained corporate value enhancement' by pursuing satisfaction for all stakeholders". At the same time, the Company set the "Medium-Term Management Policy" for the realization of this Vision and put group-wide efforts in line with them. The details of the "Long-Term Vision" and the "Medium-Term Management Policy" are as described on page 38.

The Company believes that it will be able to assure the flexibility of its corporate strategy by setting and carrying out such management policy and will be able to increase its sustained corporate value and ultimately secure common interests of its shareholders by setting such a policy as "Engagement Agenda" (agenda for constructive dialogs) and making dialogs with the stakeholders even more firm, and is striving to further strengthen its corporate governance. Please refer to pages 38 - 40 for an overview.

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

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

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

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

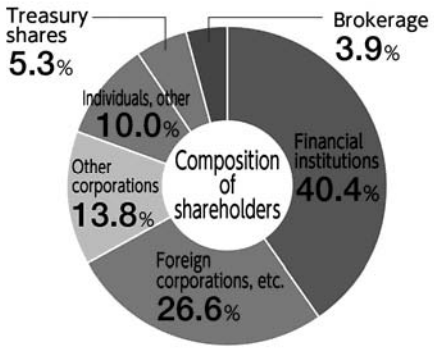
5. Overview of the Company

(1) Shares Outstanding (As of December 31, 2016)

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

2) Total number of issued shares 483,585,862 (including 25,453,509 treasury shares)

3) Total number of shareholders 115,017 (Increased by 8,305 from the end of the previous term)



Shareholder classification	Number of shares held (in hundreds)	Number of shareholders
Financial institutions	1,955,809	177
Foreign corporations, etc.	1,286,688	739
Other corporations	668,301	1,882
Individuals, other	481,033	112,170
Treasury shares	254,535	1
Brokerage	189,480	47
Government and local public bodies	10	1

4) Major shareholders

Name of shareholder	Number of shares held (in hundreds)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	318,785	7.0
Japan Trustee Services Bank, Ltd. (Trust Account)	234,654	5.1
The Dai-ichi Life Insurance Company, Limited	169,200	3.7
Fukoku Mutual Life Insurance Company	155,000	3.4
Asahi Kasei Corporation	137,853	3.0
Sumitomo Mitsui Banking Corporation	90,280	2.0
Sumitomo Mitsui Trust Bank, Limited	81,260	1.8
JPMorgan Securities Japan Co., Ltd.	74,399	1.6
STATE STREET BANK WEST CLIENT – TREATY 505234	61,716	1.3
THE BANK OF NEW YORK MELLON SA/NV 10	61,173	1.3
Total	**1,384,320**	**30.2**

Notes:

1. The Company holds treasury shares numbering 254,535 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 treasury shares.

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

1) Directors and Audit & Supervisory Board Members

(As of December 31, 2016)

Name	Position	Areas of responsibility and significant concurrent positions
Naoki Izumiya	Chairman and Representative Director CEO	Overall Group Management
Akiyoshi Koji	President and Representative Director COO	Overall Group Management Group Alcoholic Beverages Business
Katsutoshi Takahashi	Managing Director Managing Corporate Officer	Human Resources Section, Procurement Section, Production Section, Logistics Section Group Soft Drinks Business Director of Asahi Soft Drinks Co., Ltd. Director of LB Co., Ltd.
Yoshihide Okuda	Managing Director Managing Corporate Officer (CFO)	Audit Section, General & Legal Affairs Management Section, Secretary Section, Public Relations Section, Investor Relations Section, Finance Section, Information Technology Section President and Representative Director of Asahi Professional Management Co., Ltd.
Noboru Kagami	Director Corporate Officer	Corporate Social Responsibility Section, Research & Development Section, Intellectual Property Section, Quality Assurance Section, Research Department for Consumer & Future Business
Kenji Hamada	Director Corporate Officer	Corporate Strategy Section, International Business Section Group Food Business, Group International Operations Director of Asahi Group Foods, Ltd. Director of Asahi Holdings (Australia) Pty Ltd
Ryoichi Kitagawa	Director Corporate Officer	Business Development Section Group International Operations (Marge & Acquisition on Alcoholic Beverage, China) Director of Asahi Europe Ltd
Mariko Bando	Outside Director	Chancellor of Educational Corporation Showa Women's University Chairperson of the Board of Showa Women's University Director of The Institute of Women's Culture, Showa Women's University
Naoki Tanaka	Outside Director	President of Center for International Public Policy Studies
Tatsuro Kosaka	Outside Director	Representative Director, President of Chugai Pharmaceutical Co., Ltd.
Akira Muto	Standing Audit & Supervisory Board Member	Corporate Auditor of Asahi Soft Drinks Co., Ltd. Corporate Auditor of Asahi Group Foods, Ltd. Corporate Auditor of Asahi Professional Management Co., Ltd.

Tetsuo Tsunoda	Standing Audit & Supervisory Board Member	Corporate Auditor of Asahi Breweries, Ltd. Corporate Auditor of LB Co., Ltd.
Tadashi Ishizaki	Outside Audit & Supervisory Board Member	Professor of Faculty of Management and Culture, Shoin University Professor Emeritus, Chuo University
Katsutoshi Saito	Outside Audit & Supervisory Board Member	Representative Director, Chairman of the Board of Dai-ichi Life Holdings, Inc. Chairman and Representative Director of The Dai-ichi Life Insurance Company, Limited Outside Director of Imperial Hotel, Ltd. Outside Corporate Auditor of Tokyu Corporation
Yumiko Waseda	Outside Audit & Supervisory Board Member	Partner and Attorney at Law of Tokyo Roppongi Law & Patent Offices Outside Audit & Supervisory Board Member of Kao Corporation

Notes:

1. Directors Mariko Bando, Naoki Tanaka and Tatsuro Kosaka are Outside Directors as defined in Item 15, Article 2 of the Companies Act.
2. Audit & Supervisory Board Members Tadashi Ishizaki, Katsutoshi Saito and Yumiko Waseda are Outside Audit & Supervisory Board Members as defined in Item 16, Article 2 of the Companies Act.
3. The Company designated Outside Directors Mariko Bando, Naoki Tanaka and Tatsuro Kosaka and Outside Audit & Supervisory Board Members Tadashi Ishizaki, Katsutoshi Saito and Yumiko Waseda as Independent Directors/Auditors as defined by the Tokyo Stock Exchange and reported to the said exchange.
4. Although the Asahi Group has business transactions with the respective groups of Dai-ichi Life Holdings, Inc., Imperial Hotel, Ltd., Tokyu Corporation and Kao Corporation, as the transaction value for each is minimal, less than 1% of consolidated revenue for the Company and the respective companies, there is no special business relationship that could have impact on the Company's management.
5. Audit & Supervisory Board Member Akira Muto was formerly General Manager of Finance Department of the Group and has considerable expertise in finance and accounting.
6. Audit & Supervisory Board Member Tadashi Ishizaki has carried out research on accounting for many years as a university professor; he has considerable expertise in finance and accounting.
7. Directors Katsuyuki Kawatsura, Shiro Ikeda and Ichiro Ito and Audit & Supervisory Board Member Yoshihiro Tonozuka retired upon the expiry of their terms of office at the conclusion of the 92nd Annual General Meeting of Shareholders held on March 24, 2016. Also, Noboru Kagami, Kenji Hamada, Ryoichi Kitagawa and Tatsuro Kosaka were newly elected as Directors, Tetsuo Tsunoda was newly elected as an Audit & Supervisory Board Member, and they all assumed their offices at the same meeting. On the same day, Tetsuo Tsunoda was appointed as Standing Audit & Supervisory Board Member by a resolution at the Audit & Supervisory Board meeting and assumed his office.
8. In addition to the above, the retirement from significant concurrent positions by Directors or Audit & Supervisory Board Members during this year are detailed below.

Name	Position	Significant concurrent positions upon retirement	Date of retirement
Akiyoshi Koji	President and Representative Director COO	President and Representative Director of Asahi Breweries, Ltd.	March 18, 2016
Kenji Hamada	Director Corporate Officer	Director of LB Co., Ltd.	May 13, 2016
Mariko Bando	Outside Director	President of Showa Women's University Outside Director of BroadBand Tower, Inc.	March 31, 2016 September 16, 2016

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

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

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

A Directors' remunerations

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

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

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

B Audit & Supervisory Board Members' remunerations

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

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

Category	Basic remuneration		Bonus		Total amount (yen)
	Number of persons remunerated	Total amount paid (yen)	Number of persons remunerated	Total amount paid (yen)	
Directors [of which, Outside Directors]	13 [4]	334,110,000 [44,400,000]	10 [1]	131,100,000 [1,200,000]	465,210,000 [45,600,000]
Audit & Supervisory Board Member [of which, Outside Audit & Supervisory Board Members]	6 [3]	99,390,000 [33,750,000]	– [–]	– [–]	99,390,000 [33,750,000]

Notes:

1. The figures above include Directors Katsuyuki Kawatsura, Shiro Ikeda and Ichiro Ito and Audit & Supervisory

Board Member Yoshihiro Tonozuka, who retired upon the expiry of their terms of office at the conclusion of the 92nd Annual General Meeting of Shareholders held on March 24, 2016.

2. The remunerations above include remunerations for Directors who retired before the revision of the directors' remuneration plan on April 2016.
3. 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 this fiscal year, the anticipated total amount of future payments was as follows:

   ¥19,000,000 to one Director

   ¥3,400,000 to one Outside Audit & Supervisory Board Member

   The Company will pay ¥3,400,000 to one Outside Audit & Supervisory Board Member, who is subject to the payments associated with the termination of the retirement bonus system and will retire at the conclusion of the 93rd Annual General Meeting of Shareholders on March 28, 2017.
4. The total amount of Directors' remunerations 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.
5. The total amount of Audit & Supervisory Board Members' remunerations is ¥120 million (including ¥40 million for Outside Audit & Supervisory Board Members) per year according to the resolution passed at the 83rd Annual General Meeting of Shareholders held on March 27, 2007.
6. Other than those listed above, in accordance with the resolution passed at the 92nd Annual General Meeting of Shareholders held on March 24, 2016, the Company will pay performance-linked stock compensation to seven Directors (excluding Outside Directors) who were elected at the same Annual General Meeting of Shareholders and took office and for whom the Company contributed up to ¥220,000,000 during the period of the Trust (3 years). The Company may grant up to a total of 21,000 shares of the Company per fiscal year to all eligible Directors.

4) Outside Directors and Outside Audit & Supervisory Board Members

A Major activities of Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Number of Board of Directors meetings attended	Number of Audit & Supervisory Board meetings attended	Form of participation
Outside Directors	Mariko Bando	13/13	–	Mariko Bando participated in discussions as necessary, primarily from the perspective of her wealth of experience as an educator and diversity promotion.
	Naoki Tanaka	12/13	–	Naoki Tanaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as an expert in economic policy.
	Tatsuro Kosaka	10/11	–	Tatsuro Kosaka participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
Outside Audit & Supervisory Board Members	Tadashi Ishizaki	13/13	7/7	Tadashi Ishizaki participated in discussions as necessary, primarily from his expert perspective as a scholar of accounting.
	Katsutoshi Saito	13/13	7/7	Katsutoshi Saito participated in discussions as necessary, primarily from the perspective of his wealth of experience as a manager.
	Yumiko Waseda	13/13	7/7	Yumiko Waseda participated in discussions as necessary, primarily from her expert perspective as an attorney at law.

Notes:

1. In addition to the above Board of Directors meetings held during this fiscal year, one deemed resolution in writing under Article 370 of the Companies Act was adopted.
2. As Director Tatsuro Kosaka was newly elected at the 92nd Annual General Meeting of Shareholders held on March 24, 2016, the above number of Board of Directors meetings held that he could attend is different from other Directors.

B Summary of agreements limiting liability

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

(3) Independent Accounting Auditor

1) Name of the Independent Accounting Auditor

KPMG AZSA LLC

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

Category	Amount payable
Remunerations paid for this fiscal year	¥229 million
Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Accounting Auditor	¥711 million

Notes:

1. In its agreement with the Independent Accounting Auditor, the Company makes no distinction between the remunerations that it pays for auditing services governed by the Companies Act and for auditing services governed by the Financial Instruments and Exchange Act. Consequently, the amount ¥229 million shown above is a sum of these two amounts.
2. Having performed the necessary verifications on the contents of the Independent Accounting Auditor's audit plan, evaluation and analysis of the audits actually conducted during the previous fiscal year, status of execution of accounting audit duties, and reasonableness of the basis for calculation of remuneration, the Audit & Supervisory Board has consented to the amount of remunerations for the Independent Accounting Auditor.

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

million yen

	As of December 31, 2016	As of December 31, 2015 (Reference)
ASSETS		
Current assets:		
Cash and cash equivalents	48,459	43,290
Trade and other receivables	397,340	372,043
Inventories	136,460	129,494
Income tax receivables	14,161	4,525
Other financial assets	3,428	6,360
Other current assets	31,934	21,832
Subtotal	631,784	577,547
Assets held for sale	3,241	–
Total current assets	**635,026**	**577,547**
Non-current assets:		
Property, plant and equipment	570,771	518,576
Goodwill and intangible assets	491,538	223,485
Investments accounted for using equity method	141,398	190,563
Other financial assets	198,586	236,110
Deferred tax assets	18,825	21,932
Net defined benefit asset	18,942	25,354
Other non-current assets	11,293	11,103
Total non-current assets	**1,451,355**	**1,227,126**
Total assets	**2,086,381**	**1,804,673**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

million yen

	As of December 31, 2016	As of December 31, 2015 (Reference)
LIABILITIES and EQUITY		
Current liabilities:		
Trade and other payables	332,639	273,092
Bonds and borrowings	281,870	249,209
Income tax payables	34,957	23,476
Other financial liabilities	26,352	27,038
Other current liabilities	142,828	143,770
Subtotal	818,649	716,588
Liabilities directly related to assets held for sale	907	–
Total current liabilities	**819,556**	**716,588**
Non-current liabilities:		
Bonds and borrowings	288,490	165,231
Net defined benefit liability	25,789	23,391
Deferred tax liabilities	49,302	37,245
Other financial liabilities	54,127	55,746
Other non-current liabilities	3,009	2,787
Total non-current liabilities	**420,719**	**284,402**
Total liabilities	**1,240,276**	**1,000,991**
EQUITY		
Issued capital	182,531	182,531
Share premium	118,668	120,524
Retained earnings	589,935	549,084
Treasury shares	(76,709)	(77,377)
Other components of equity	21,927	14,657
Total equity attributable to owners of parent	836,354	789,420
Non-controlling interests	9,750	14,261
Total equity	**846,105**	**803,682**
Total liabilities and equity	**2,086,381**	**1,804,673**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

million yen

	For the year ended December 31, 2016	For the year ended December 31, 2015 (Reference)
Revenue	**1,706,901**	**1,689,527**
Cost of sales	1,098,173	1,102,839
Gross profit	**608,728**	**586,688**
Selling, general and administrative expenses	460,241	445,996
Other operating income	8,004	3,514
Other operating expense	19,600	47,580
Operating profit	**136,889**	**96,626**
Finance income	3,106	3,011
Finance costs	4,066	5,095
Share of profit (loss) of entities accounted for using equity method	1,974	17,627
Sales of investments accounted for using equity method	12,163	–
Gains on remeasurments resulting in business combinations	–	5,394
Profit before tax	**150,068**	**117,563**
Income tax expense	62,952	42,962
Profit	**87,115**	**74,600**
Profit, attributable to:		
Owners of parent	89,221	75,770
Non-controlling interests	(2,105)	(1,170)
Total	87,115	74,600

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016 million yen

	Total equity attributable to owners of parent			
	Issued capital	**Share premium**	**Retained earnings**	**Treasury shares**
Balance at beginning of current period	**182,531**	**120,524**	**549,084**	**(77,377)**
Comprehensive income				
Profit	–	–	89,221	
Other comprehensive income				
Total comprehensive income	**–**	**–**	**89,221**	**–**
Transfer to non-financial assets				
Transactions with owners				
Dividends			(23,817)	
Purchase of treasury shares				(21)
Disposal of treasury shares		(302)		689
Changes through business combinations				
Share-based payment transaction		44		
Transfer from other components of equity to retained earnings			(24,553)	
Other increase (decrease)				
Total contributions by owners and distribution to owners	**–**	**(258)**	**(48,370)**	**668**
Acquisition of non-controlling interests without change in control		**(1,597)**		
Total changes in the ownership interest in subsidiaries	**–**	**(1,597)**	**–**	**–**
Total transactions with owners	**–**	**(1,855)**	**(48,370)**	**668**
Balance at end of current period	**182,531**	**118,668**	**589,935**	**(76,709)**

	Total equity attributable to owners of parent							
	Other components of equity to retained earnings							
	Changes of fair value of investment in financial assets measured at fair value through other comprehen-sive income	Remeasure-ments of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total other components of equity to retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at beginning of current period	**36,596**	**–**	**(138)**	**(21,800)**	**14,657**	**789,420**	**14,261**	**803,682**
Comprehensive income								
Profit					–	89,221	(2,105)	87,115
Other comprehensive income	(2,967)	(6,301)	(7,652)	(7,933)	(24,854)	(24,854)	(633)	(25,488)
Total comprehensive income	**(2,967)**	**(6,301)**	**(7,652)**	**(7,933)**	**(24,854)**	**64,366**	**(2,738)**	**61,627**
Transfer to non-financial assets			**7,571**		**7,571**	**7,571**		**7,571**
Transactions with owners								
Dividends					–	(23,817)	(489)	(24,306)
Purchase of treasury shares					–	(21)		(21)
Disposal of treasury shares					–	386		386
Changes through business combinations					–	–	155	155
Share-based payment transaction					–	44		44
Transfer from other components of equity to retained earnings	18,252	6,301			24,553	–		–
Other increase (decrease)					–	–	312	312
Total contributions by owners and distribution to owners	**18,252**	**6,301**	**–**	**–**	**24,553**	**(23,406)**	**(21)**	**(23,428)**
Acquisition of non-controlling interests without change in control					**–**	**(1,597)**	**(1,750)**	**(3,347)**
Total changes in the ownership interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(1,597)**	**(1,750)**	**(3,347)**
Total transactions with owners	**18,252**	**6,301**	**–**	**–**	**24,553**	**(25,004)**	**(1,771)**	**(26,776)**
Balance at end of current period	**51,881**	**–**	**(219)**	**(29,734)**	**21,927**	**836,354**	**9,750**	**846,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Notes to the Basis for Preparation of Consolidated Financial Statements

(1) Basis of consolidated financial statements

The Group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter referred to as the "IFRS") from this fiscal year, pursuant to the provisions of Article 120-1 of the Ordinance of Companies Accounting. The latter part of the Article 120-1 prescribes some omissions of disclosure items required under IFRS. The date of transition to IFRS (hereinafter referred to as the "Transition Date") is January 1, 2015.

(2) Consolidation

Number of consolidated subsidiaries: 137

Please see Item 1 of the "Business Report" ("Overview of Operations of the Asahi Group, section (6) Principal Subsidiaries"), for a summary of the current status of principal consolidated subsidiaries.

Companies added to the scope of consolidation during this fiscal year were Asahi Europe Ltd due to its incorporation; and Birra Peroni S.r.l, Royal Grolsch N.V., Meantime Brewing Company Ltd. and Asahi UK Ltd (formerly, Miller Brands (UK) Ltd.) due to the acquisition of their shares.

(3) The equity method

Number of companies accounted for using the equity method: 138

Principal affiliates accounted for using the equity method are Asahi Business Solutions Corp., Shenzhen Tsingtao Beer Asahi Co., Ltd., Asahi & Mercuries Co., Ltd., Tsingtao Brewery Co., Ltd., Tingyi-Asahi Beverages Holding Co., Ltd. and 114 other affiliated companies, PT Indofood Asahi Sukses Beverage, and Asahi Beer Communications, Ltd.

(4) Significant accounting policies

1) Financial assets

The Group has early adopted IFRS 9 "Financial Instruments" (amended in July 2014).

(i) Initial recognition and measurement

The Group recognizes financial assets when it becomes a party to the contract on the financial instruments concerned. Financial assets purchased or sold in a regular way are recognized on the transaction date. Financial assets are classified as financial assets subsequently measured at amortized cost or financial assets subsequently measured at fair value.

Financial assets measured at fair value through profit or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition.

a. Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost only when the requirement that the objective of the Group's business model is to hold assets in order to collect the contractual cash flows and the requirement that the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are both met.

b. Financial assets measured at fair value

Financial assets that do not satisfy either of the two requirements above are classified as financial assets measured at fair value.

With regard to financial assets measured at fair value, the Group irrevocably designates each financial instrument as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss.

Information on derivatives is provided in 11) Derivatives and hedge accounting.

(ii) Subsequent measurement

Subsequent to the initial recognition, financial assets are measured as follows, depending on the respective classifications.

a. Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method.

b. Financial assets measured at fair value

These financial assets are measured at fair value at the end of the fiscal period.

Changes in fair value of such financial assets are recognized in profit or loss or other comprehensive income, depending on their classification.

Dividend income arising from equity instruments designated as measured at fair value through other comprehensive income is recognized in profit or loss. If the fair value decreases significantly or the equity instrument is disposed of, the accumulated other comprehensive income is transferred to retained earnings.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the investment expire or when the Group transfers the investment and substantially all the risks and rewards of the ownership.

(iv) Impairment of financial assets

The Group estimates expected credit losses at the end of each fiscal period for recoverability of financial assets measured at amortized cost.

For financial instruments of which the credit risk has not increased significantly after initial recognition, expected credit losses within the next 12 months are recognized as loss allowance. For financial instruments of which the credit risk increased significantly after initial recognition, lifetime expected credit losses are recognized as loss allowance. However, for trade receivables not containing a significant financing component, loss allowance is always measured based on lifetime expected credit losses.

If there is any objective evidence of impairment for financial assets of which the credit risk has increased significantly, interest income is measured at the amount calculated by multiplying the carrying amount less the loss allowance by the effective interest rate.

In determining whether any objective evidence of impairment exists, the Group uses the following requirements:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- Concessions granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
- Increased probability that the borrower will enter bankruptcy or other financial

reorganization;

- Disappearance of an active market for that financial asset because of financial difficulties.

When the Group has no reasonable expectation that all or a portion of a financial asset will be recovered, it reduces the amount directly from the carrying amount of the financial asset.

If in a subsequent period, the credit risk decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), reversal of previously recognized impairment loss is recognized in profit or loss.

2) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost is calculated principally using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies. The cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

3) Property, plant and equipment

Buildings and structures, machinery and vehicles, tools, furniture and fixtures, and land principally consist of production and processing equipment and facilities for the head office. Property, plant and equipment are recognized at the acquisition cost, and carried at cost less accumulated depreciation and accumulated impairment losses. An acquisition cost includes the purchase price, the costs directly related to acquisition of the asset, costs for asset dismantlement and removal and site restoration, and borrowing costs that are required to be capitalized. Concerning expenditure after acquisition, in cases when it is highly probably that future economic benefit relating to the item will flow to the Group, and the item has a cost that can be measured reliably, such costs are recognized either together in the carrying amount of the asset, or when deemed appropriate, as a separate asset. The carrying amounts of parts that are replaced are derecognized. Other repair and maintenance costs are recognized in profit or loss in the accounting period in which the cost was incurred.

Land is not depreciated. The amount of depreciation of other assets is calculated by allocating the acquisition cost of each asset less the residual value using the straight-line method over the following major estimated useful lives:

Buildings and structures	3 to 50 years
Machinery and vehicles	2 to 15 years
Tools, furniture and fixtures	2 to 20 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of the fiscal period, and revised where necessary.

Gains or losses on disposal are computed by comparing the carrying amount with the proceeds from disposal, and then recognized in profit or loss.

4) Goodwill and intangible assets

(i) Goodwill

Goodwill is tested for impairment in each fiscal period, and the carrying amount is the acquisition cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Gain or loss on sales of business operations includes carrying amount of goodwill related to the business operation.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(ii) Trademark right

Individually acquired trademark rights are recognized at the acquisition cost. Trademark rights acquired through business combinations are recognized at fair value as of the acquisition date. Trademark rights, for which a certain useful life is determined, except for those with indefinite useful lives, are carried at the acquisition cost less accumulated amortization and accumulated impairment losses. The amount of amortization is calculated by allocating the acquisition cost of trademark rights using the straight-line method principally over the estimated useful life of 20 to 40 years.

(iii) Software

Software is carried at its cost less accumulated amortization and accumulated impairment losses.

Development expenses directly related to design and testing of the Group's proprietary software are recognized as intangible assets only when they are reliably measureable, they are technically feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete the development and use the assets.

Other development expenses that do not satisfy these requirements are recognized as expenses as incurred. Development expenses previously recognized as expenses are not recognized as assets in subsequent fiscal periods.

Software is amortized primarily using the straight-line method over the estimated useful life of 5 years.

Expenses related to maintenance of software are recognized as expenses as incurred.

(iv) Other intangible assets

Other intangible assets are initially recognized at cost.

Other intangible assets, for which a certain useful life is determined, are carried at the cost less accumulated amortization and accumulated impairment losses. However, some intangible assets (such as leasehold interests in land) are determined to have indefinite useful lives and are not amortized, because they exist fundamentally as long as the business continues. The amount of amortization is calculated by allocating the acquisition cost of each other intangible asset using the straight-line method over the estimated useful life.

Residual values, useful lives and amortization methods of intangible assets are reviewed at the end of the fiscal period, and revised where necessary.

5) Leased assets

The Group leases certain property, plant and equipment and intangible assets as a lessee. Leases of property, plant and equipment and intangible assets are classified as finance leases, when substantially all the risks and rewards of ownership are attributable to the Group. In cases of finance leases, leased properties are recognized as assets at the commencement of the lease term at fair value of the leased property or, if lower, the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance costs. The interest component, which is a finance cost, is expensed in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability in each fiscal period. Property, plant and equipment and intangible assets acquired through finance lease are depreciated or amortized using the straight-line method over the useful life of the asset or, if shorter, the lease term.

Leases other than finance leases are classified as operating leases.

Lease payments in operating leases (less incentives received from the lessor) are recognized in profit or loss using the straight-line method over the lease term.

6) Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment in each fiscal period. Other non-financial assets are examined for impairment if there is an indication that the carrying amount may not be recovered due to occurrence of an event or change in the circumstances. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized at the excess amount.

The recoverable amount is the higher of its fair value less costs of disposal of the asset and value in use. To assess impairment, an asset is grouped at the smallest unit which generates separately identifiable cash flows (cash-generating unit). Non-financial assets for which impairment losses are recognized, excluding goodwill, are reassessed at the end of each fiscal period for the possibility that the impairment losses may be reversed.

7) Recognition criteria for major provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

If there are many similar obligations, the possibility that an outflow of resources will be required in settlement is determined taking into account the similar obligations as a whole. Provisions are recognized even if the possibility of the outflow is low for one item in the similar obligations.

Provisions are measured as the present value of expenditures expected to be required to settle the obligation, using the pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. An increase in provisions due to passage of time is recognized as interest expense.

8) Employee benefits

(i) Post-employment benefits

The Group companies have various plans. The Group has adopted a defined benefit plan, and certain consolidated subsidiaries have established a retirement benefit trust. In addition to these plans, certain consolidated subsidiaries have introduced a defined contribution plan and a retirement benefit prepayment plan.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions to other separate entities and will have no legal or constructive obligations to make further contributions.

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year and discounting that amount. The Group recognizes the amount calculated by deducting fair value of plan assets from the present value of defined benefit obligations as net defined benefit liability (asset).

Defined benefit obligations are calculated using the projected unit credit method. The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal period that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year.

Contributions to the plans are determined based on regular actuarial calculation and

usually paid to insurance companies or funds managed by trust companies.

When it is discovered as a result of the calculation that the Group has a surplus in the defined benefit plan, net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of future refunds from the plan or a reduction in future contributions to the plan. In calculating the present value of economic benefits, the Group takes into account minimum funding requirements applicable to its plan. Economic benefits shall be available to the Group, if the economic benefits can be realized during the life of the plan or at the time when the pension liabilities are settled.

The Group recognizes remeasurements of the net defined benefit liability (asset) arising from the defined benefit plan in other comprehensive income and immediately transfers them to retained earnings.

Contributions to the defined contribution plan are recognized as employee benefits expense in profit or loss in the period during which employees render their service.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as expenses when the relevant service is rendered. Bonuses are recognized as a liability at the amount estimated to be paid under the plans, when the Group has present legal or constructive obligations to pay as a result of past service rendered by employees, and the amount of obligations can be reliably estimated.

9) Revenues

Revenues consist of fair value of consideration received for sale of goods, rendering of services and others in the Group's ordinary business activities. Revenues are presented on a net basis after the deduction of sales returns, rebates and discounts.

(i) Sale of goods

- Alcoholic beverages business – Manufacture and sale of beer, happoshu (low-malt beer), shochu (distilled spirits), whisky and other liquor products, restaurant business, wholesale business, and others
- Soft drinks business – Manufacture and sale of soft drinks and others
- Foods business – Manufacture and sale of foods and medicines
- International Operations – Manufacture and sale of beer and other liquor products and soft drinks, and others

The Group recognizes revenues when the significant risks and rewards of ownership of the goods have been transferred to the customer, the collectability of consideration is high, related costs and the possibility of sales returns can be measured reasonably, the Group does not retain continuing managerial involvement in association with the goods, and the amount of revenues can be measured reliably. Revenues are usually recognized when the Group delivered the goods to the customer and any incomplete obligation no longer exists.

(ii) Rendering of services

The Group provides real estate business such as building management, logistics business such as warehousing, and other services.

Revenues from the rendering of services are recognized when the service is provided.

(iii) Gross and net presentation of revenues

The Group thinks that it is acting as a principal in a transaction when it has exposure to the significant risks and rewards associated with the sale of goods or the provision of

services, and presents the gross amount of the transaction as revenues.

The Group considers that it is acting as an agent in a transaction when it does not have exposure to the significant risks and rewards associated with the sale of goods or the provision of services, and presents only the net amount of the transaction after the deduction of payments made to a third party from the total amount of consideration earned from the transaction as revenues.

(iv) Interest income

Interest income is recognized using the effective interest method.

(v) Dividend income

Dividend income is recognized when the right to receive dividends is established.

10) Foreign currency translation

(i) Functional currency and presentation currency

Items included in financial statements of each company of the Group are recorded in the functional currency of the primary economic environment in which the company operates (hereinafter referred to as the "functional currency"). The consolidated financial statements are presented in Japanese Yen, which is the presentation currency of the Group.

(ii) Transactions and transaction balances

Foreign currency transactions are translated into functional currencies using the exchange rate at the date of the transactions. Foreign exchange differences arising from settlement of transactions and those arising from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the fiscal period are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and qualifying cash flow hedges are recognized in other comprehensive income.

(iii) Foreign operations

Operating results and financial position of all the Group companies using a functional currency that is not the presentation currency are translated into the presentation currency in the ways described below. Among the Group companies, there is no company that uses a currency of a hyperinflationary economy.

a. Assets and liabilities are translated using the closing rate as of the end of the fiscal period.
b. Income and expenses are translated using the average rate (unless the average rate is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction date, in which case income and expenses are translated using the rate on the transaction date).
c. All resulting exchange differences are recognized in other comprehensive income and accumulated in exchange differences of foreign operations, which is a component of equity.

When a foreign operation is partially disposed of or sold, the exchange differences recognized in other comprehensive income are recognized in profit or loss as part of a gain or loss on the sale.

11) Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is concluded and subsequently remeasured at fair value at the end of each fiscal period. The method of recognizing gains or losses arising as a result of the remeasurement depends on whether the derivative is designated as a hedging instrument, and if it was designated as a hedging instrument, on the nature of the hedged item.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedge of a particular risk associated with recognized assets or liabilities, or highly probable forecast transactions).

The Group documents the relationship between the hedging instrument and the hedged item and the risk management objective and strategy for exercising the hedge transaction at the inception of the transaction. The Group also documents assessment on whether the derivative used for the hedge transaction is effective in offsetting changes in cash flows of the hedged item, at the inception of the hedge and on an ongoing basis.

The Group determines that a hedge is effective when the requirement that there is an economic relationship between the hedged item and the hedging instrument, the requirement that the effect of credit risk does not significantly dominate the value changes that result from the economic relationship, and the requirement that the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantities of the hedged item actually hedged and the hedging instrument actually used are all satisfied.

The effective portion of changes in fair value of derivatives that are designated as a hedging instrument of cash flow hedges and satisfy the requirements as the hedging instrument is recognized in other comprehensive income. Gains or losses on the ineffective portion are immediately recognized in profit or loss.

Accumulated gains or losses recognized through other comprehensive income are transferred to profit or loss in the period during which cash flows arising from the hedged item affect profit or loss. However, when a forecast transaction as the hedged item results in the recognition of non-financial assets (e.g. inventories or property, plant and equipment), gains or losses previously deferred in other comprehensive income are transferred and included in the initial acquisition cost of the asset. The deferred amount is eventually recognized as cost of sales for inventories, or as depreciation expense for property, plant and equipment.

Application of hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting due to expiry, sale of the hedging instrument and so on. When the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income remain as accumulated other comprehensive income. When a forecast transaction is no longer expected to occur and in other cases, accumulated gains or losses recognized in other comprehensive income are immediately transferred to profit or loss.

12) Accounting for consumption taxes

Consumption taxes that are received from customers and paid to tax authorities are excluded from revenue, cost of sales, and expense on the consolidated statements of profit or loss.

2. Notes to Consolidated Statement of Financial Position

(1) Pledged assets and secured liabilities

The following assets have been provided as collateral for short-term loans payable of ¥537 million.

Property, plant and equipment	¥1,750 million

(2) Accumulated depreciation on property, plant and equipment ¥815,091 million

(3) Bad debt provisions directly deducted from assets

Trade and other receivables	¥3,639 million
Other financial assets	¥3,684 million

(4) Contingent liabilities

Guarantees	¥2,713 million

3. Notes to Consolidated Statement of Changes in Equity

(1) Total number of the issued shares as of the end of this fiscal year

Common stock	483,585,862 shares

(2) Dividends during this fiscal year

1) It was resolved at the 92nd Annual General Meeting of Shareholders of March 24, 2016 as follows:

Dividends on common stock

Total amount of dividends:	¥11,905 million
Dividend per share:	¥26.00
Record date:	December 31, 2015
Effective date:	March 25, 2016

2) It was resolved at the Board of Directors Meeting of August 3, 2016, as follows:

Interim dividends on common stock

Total amount of interim dividends:	¥11,911 million
Interim dividend per share:	¥26.00
Record date:	June 30, 2016
Effective date:	September 1, 2016

3) Dividends after the end of this fiscal year

The following item has been placed on the agenda for approval at the 93rd Annual General Meeting of Shareholders scheduled for March 28, 2017.

Dividends on common stock

Source of dividends:	Retained earnings
Total amount of dividends:	¥12,827 million
Dividend per share:	¥28.00
Record date:	December 31, 2016
Effective date:	March 29, 2017

4. Notes on Financial Instruments

(1) Status of financial instruments

1) Capital management

The Group's purpose for capital management is to maintain its ability to continue as a going concern in order to provide returns to shareholders, grant benefits to other stakeholders and maintain the most appropriate capital structure for reducing capital cost.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, redeem the capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors the capital based on the capital and liabilities ratio. This ratio is calculated by dividing the amount of net liabilities by the capital. The amount of net liabilities is calculated by deducting cash and cash equivalents from interest-bearing debts. The capital shall be the "equity" presented in the consolidated statement of financial position (the portion attributable to owners of parent).

2) Risk management

The Group's activities are exposed to various financial risks such as market risks (including foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. The Group's risk management policy aims to specialize in the unpredictability of financial markets and minimize the potentially adverse impact on the Group's financial performance. The Group uses derivative transactions to hedge certain risk exposures.

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial papers 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 and indirect financing or the balance between short- and long-term debt based on fund procurement costs and risk diversification in response to changes in the business environment. Looking to use funds efficiently, the Group introduced a cash management system among the Company and its principal consolidated subsidiaries in Japan to reduce consolidated interest-bearing debt. If surplus funds are generated temporarily, the Company invests it only in safe financial instruments.

The Group uses derivative transactions to the extent of balances of foreign currency denominated assets and liabilities and bonds and borrowings, as means to mitigate foreign exchange risk, interest rate risk and price risk of raw materials and others, and to reduce funding cost.

When using derivative transactions, the Company trades with financial institutions only with high credit ratings.

At the Company, the Finance Section is in charge of executing and managing derivative transactions, in accordance with internal rules. Agreements on individual derivative transactions are entered into after approval is received in accordance with the internal authorization criteria. The Finance Section understands the status of derivative transactions including the content and balances, and reports it to the General Manager of the Finance Section and Directors in charge of finance as needed.

The consolidated subsidiaries also enter into such agreements in accordance with the Group's authorization criteria, and the Company reviews their status based on reports submitted by them on regular basis.

(i) Market risk

a. Foreign exchange risk

The Group conducts business activities internationally and is exposed to foreign exchange risk primarily related to US dollar and euro. Foreign exchange risk arises

from forecast transactions such as future purchase, sale, financing and repayment or assets and liabilities that have already been recognized.

The Group uses foreign exchange contracts to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

Although receivables and payables denominated in a foreign currency and foreign exchange contracts have a risk, the impact is limited since the risk is offset with the exchange contracts.

b. Price risk

The Group is exposed to price risk of equity instruments because it holds investments classified as the category measured at fair value in the consolidated statement of financial position. To manage price risk arising from investments in equity instruments, the Group regularly keeps track of fair value, financial conditions of issuers and others, and also reviews the overall status on an ongoing basis.

The Group has no equity instruments held for short-term trading and does not intend to actively trade these investments.

Furthermore, the Group is exposed to price risk of raw materials since prices of major raw materials used in its products fluctuate according to weather, natural disaster and other factors. The Group engages in commodity swap transactions to mitigate risks of fluctuations in raw materials prices. Although commodity swap transactions used by the Group have risks of fluctuations in market prices of commodities, price risk is limited because these risks are offset with risks of fluctuations in market prices of commodities in association with trade payables of those commodities that the Group has.

c. Interest rate risk

The Group raises funds with variable interest rates and is exposed to interest rate risk. Interest rate risk mainly arises from non-current borrowings.

The Group uses interest rate swaps, which substantially fix interest rates, to mitigate interest rate risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

(ii) Credit risk

The Group is exposed to customers' credit risks for trade receivables (notes and accounts receivable-trade), other receivables (accounts receivable - other) and other financial assets (operating loans and others).

In accordance with the accounting rules, the Group regularly monitors trade receivables and long-term loans to major business partners, and routinely checks the management status of deadlines and balances for each business partner. The Group monitors bad debts and their collection status.

When executing derivative transactions, the Group follows the internal rule to trade with financial institutions only with high credit ratings to minimize credit risk.

The Group classifies receivables and others based on credit risk profile to calculate loss allowance.

For trade receivables, loss allowance is always recognized at the amount equal to lifetime expected credit losses. For receivables other than trade receivables, loss allowance is recognized at the amount equal to 12-month expected credit losses. However, in cases such as overdue because the credit risk is considered to have significantly increased from the initial recognition, loss allowance is recognized at the amount equal to lifetime expected credit losses.

The amount of loss allowance is calculated as follows:

- Trade receivables

  The simplified approach is applied. The Group categorizes receivables according to credit risk profile of the counterparty and calculates loss allowance by multiplying the receivables by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses calculated according to the category.

- Receivables other than trade receivables

  The principle approach is applied. Loss allowance for receivables for which the credit risk is not considered to have significantly increased is calculated by multiplying the carrying amount by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses for similar assets. For assets for which the credit risk is considered to have significantly increased and credit-impaired financial assets, loss allowance is calculated as difference between the amount of the present value, which is computed by discounting estimated future cash flows using the original effective interest rate of the asset, and the carrying amount.

(iii) Liquidity risk

The Group raises funds via loans and by issuing commercial papers and bonds, and is exposed to liquidity risk, which means there is a possibility the Group fails to make payment on the due date due to deterioration in the funds procurement environment.

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 Group company, the Company creates its cash management plan and updates the plan on a timely basis. The Group monitors an ongoing forecast for fund demand, while always maintaining sufficient margin in the unused portion of the contractual credit line and ensuring that all loan agreements do not conflict with the limit and restrictive provisions (if applicable). In these forecasts, the Group takes into account its borrowing and financing plan, compliance with restrictive provisions, adherence to internal targets for the statements of financial position ratio as well as applicable external regulatory and statutory requirements, such as a regulation of currency, if any.

Surplus that the Company and its principal consolidated subsidiaries hold in excess of the balance necessary for management of working capital is managed at the Group level under the cash management system. The Group chooses financial instruments with appropriate maturity and liquidity, and makes investments in current deposits, time deposits, money market deposits and marketable securities to ensure a sufficient margin determined in the above forecast.

(2) Fair value of financial instruments

In fair value measurement, the Group uses observable market data whenever available. The fair value measurement is categorized into any of the following levels according to the level classification of inputs:

Level 1: Input consisting of quoted unadjusted market prices in active markets for identical assets and liabilities

Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1

Level 3: Input that is not based on observable market data

Transfer between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the transfer.

Financial instruments measured at amortized cost

Carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

million yen

	Carrying amount	Fair value
Long-term loans receivable	2,337	2,274
Long-term loans payable	252,736	255,336
Bonds	117,651	118,727
Lease obligations	25,795	25,838

The above figures include balances of the current portion of those loans receivable and payable, bonds and lease obligations whose repayments or redemption is scheduled within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value are not included in the table above.

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

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new borrowing were to be taken out, thereby deriving the present value.

The fair value of bonds is set to market prices when market prices are available.

The fair 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 transaction were to be conducted.

In the above fair value measurement, bonds are classified into Level 2, while others are classified into Level 3. For bonds in Level 2, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association. Fair value of financial instruments in Level 3 is measured by discounting contractual cash flows using the market interest rate, and the difference with carrying amount is due to a difference between the market interest rate and the contractual interest rate.

5. Per Share Information

(1) Equity attributable to owners of parent per share ¥1,825.57

(2) Basic earnings per share ¥194.75

6. Additional Information

On December 13, 2016, the Group concluded a share purchase agreement with Anheuser-Busch InBev SA/NV (“AB InBev”) to acquire the Czech Republic, Slovak Republic, Poland, Hungary and Romania businesses and other related assets (hereinafter referred to as the “Target Business”) previously owned by SABMiller plc, which has been subsequently acquired by AB InBev. The estimated purchase price is EUR 7,300 million. Furthermore, in regard to the acquisition of the businesses, a financing commitment agreement has been concluded to cover the entire acquisition cost.

7. Other

The stated amounts are the figures after truncating fractions less than the representative unit.

Reference: CONSOLIDATED STATEMENT OF CASH FLOWS (Summary)

million yen

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash flows from operating activities:		
Profit before tax	150,068	117,563
Depreciation and amortization expense	71,131	70,745
Proceeds from sales of investments accounted for using equity method	(12,163)	–
Gains on remeasurments resulting in business combinations	–	(5,394)
Decrease (increase) in trade receivables	(9,821)	(13,387)
Decrease (increase) in inventories	(607)	(4,242)
Increase (decrease) in trade payables	6,369	(3,032)
Increase (decrease) in accrued alcohol tax payable	497	(173)
Increase (decrease) in defined benefit assets and liabilities	(2,096)	(2,811)
Other	1,340	20,857
Subtotal	204,718	180,123
Interest and dividends received	5,546	8,801
Interest expenses paid	(3,658)	(3,776)
Income taxes paid	(52,153)	(68,677)
Net cash provided by (used in) operating activities	**154,452**	**116,471**
Cash flows from investing activities:		
Purchase of non-current assets	(58,148)	(58,548)
Purchase of financial assets	(2,286)	(3,822)
Proceeds from sales of financial assets	30,870	2,279
Proceeds from sales of investments accounted for using equity method	36,440	–
Acquisition of subsidiaries resulting in change in scope of consolidation	(290,893)	(21,257)
Other	15,510	4,264
Net cash provided by (used in) investing activities	**(268,507)**	**(77,083)**
Cash flows from financing activities:		
Increase (decrease) in financial liabilities	146,272	(33,017)
Purchase of treasury shares	(21)	(20,031)
Cash dividends paid	(23,817)	(21,629)
Acquisition of subsidiaries not resulting in change in scope of consolidation	(2,773)	–
Other	(106)	(571)
Net cash provided by (used in) financing activities	**119,554**	**(75,250)**
Effect of exchange rate changes on cash and cash equivalents	**642**	**(4,558)**
Net increase (decrease) in cash and cash equivalents	**6,141**	**(40,422)**
Cash and cash equivalents at beginning of period	**43,290**	**62,236**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**–**	**21,476**
Cash and cash equivalents included in assets held for sale	**(972)**	**–**
Cash and cash equivalents at end of period	**48,459**	**43,290**

NON-CONSOLIDATED FINANCIAL STATEMENTS (Japanese GAAP)

NON-CONSOLIDATED BALANCE SHEETS

million yen

	As of December 31, 2016	As of December 31, 2015 (Reference)
ASSETS		
Current assets:		
Cash and deposits	20,606	22,840
Short-term loans receivable	207,890	292,996
Prepaid expenses	903	793
Deferred tax assets	832	242
Income tax receivables	11,767	4,266
Other	11,478	7,507
Allowance for doubtful accounts	(1,866)	(1,947)
Total current assets	**251,614**	**326,700**
Non-current assets:		
Property, plant and equipment:		
Buildings	15,393	13,408
Structures	369	279
Machinery and equipment	374	240
Vehicles	0	0
Tools, furniture and fixtures	974	816
Land	15,037	15,037
Leased assets	578	489
Construction in progress	106	744
Total property, plant and equipment	**32,833**	**31,017**
Intangible assets:		
Right of using facilities	39	40
Trademark right	11,857	12,828
Software	11,498	12,184
Leased assets	237	289
Other	8	9
Total intangible assets	**23,641**	**25,352**
Investments and other assets:		
Investment securities	30,100	53,577
Shares of subsidiaries and associates	753,723	464,397
Investments in capital of subsidiaries and associates	5,822	6,226
Long-term loans receivable from subsidiaries and associates	450	730
Deferred tax assets	9,654	6,858
Other	1,590	1,477
Allowance for doubtful accounts	(223)	(215)
Total investments and other assets	**801,118**	**533,052**
Total non-current assets	**857,593**	**589,423**
Total assets	**1,109,207**	**916,123**

NON-CONSOLIDATED BALANCE SHEETS

million yen

	As of December 31, 2016	As of December 31, 2015 (Reference)
LIABILITIES		
Current liabilities:		
Short term loans payable	228,500	129,800
Commercial papers	10,000	63,000
Current portion of bonds	18,000	30,000
Lease obligations	307	283
Accounts payable - other	1,001	528
Accrued expenses	4,148	3,407
Deposits received	42,989	20,806
Provision for bonuses	119	158
Provision for directors' bonuses	119	98
Other	1,003	367
Total current liabilities	**306,188**	**248,451**
Non-current liabilities:		
Bonds payable	100,000	118,000
Long term loans payable	173,000	30,200
Lease obligations	569	547
Other	1,332	1,415
Total non-current liabilities	**274,902**	**150,163**
Total liabilities	**581,090**	**398,615**
NET ASSETS		
Shareholders' equity:		
Issued capital	**182,531**	**182,531**
Capital surplus	**151,683**	**151,985**
Legal capital surplus	130,292	130,292
Other capital surplus	21,390	21,693
Retained earnings	**262,045**	**247,945**
Other retained earnings	262,045	247,945
General reserve	195,000	195,000
Retained earnings brought forward	67,045	52,945
Treasury shares	**(76,709)**	**(77,377)**
Total shareholders' equity	**519,550**	**505,085**
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	**8,923**	**12,422**
Deferred gains or losses on hedges	**(356)**	**–**
Total valuation and translation adjustments	**8,566**	**12,422**
Total net assets	**528,117**	**517,508**
Total liabilities and net assets	**1,109,207**	**916,123**

NON-CONSOLIDATED STATEMENT OF INCOME

million yen

	For the year ended December 31, 2016	For the year ended December 31, 2015 (Reference)
Operating revenue	**56,851**	**70,409**
Operating income of the Group	33,306	29,384
Rent income of real estate	1,469	1,589
Dividends from subsidiaries and associates	22,074	39,435
Operating expenses	**30,388**	**29,519**
Operating income	**26,462**	**40,889**
Non-operating income	**1,765**	**1,976**
Interest and dividend income	1,637	1,937
Reversal of allowance for doubtful accounts	72	–
Other	55	38
Non-operating expenses	**1,597**	**2,976**
Interest expenses	1,334	1,346
Provision of allowance for doubtful accounts	–	481
Other	263	1,148
Ordinary income	**26,630**	**39,889**
Extraordinary income	**8,825**	**37**
Gain on sales of non-current assets	–	0
Gain on sales of investment securities	8,825	37
Extraordinary losses	**1,542**	**311**
Loss on sales and disposals of non-current assets	470	310
Loss on valuation of investment securities	42	–
Loss on sales of investment securities	0	–
Loss on valuation of shares of subsidiaries and associates	1,029	–
Other	0	0
Profit before income taxes	**33,913**	**39,616**
Income taxes - current	**10**	**1,521**
Income taxes for prior periods	**(3,186)**	**–**
Income taxes - deferred	**(828)**	**1,473**
Profit	**37,917**	**36,621**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2016 million yen

	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Issued capital	Legal capital surplus	Other capital surplus	Total capital surpluses	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	**182,531**	**130,292**	**21,693**	**151,985**	**195,000**	**52,945**	**247,945**
Changes of items during period							
Dividends						(23,817)	(23,817)
Profit						37,917	37,917
Purchase of treasury shares							
Disposal of treasury shares			(302)	(302)			
Net changes of items other than shareholders' equity							
Total changes of items during period	**–**	**–**	**(302)**	**(302)**	**–**	**14,100**	**14,100**
Balance at end of current period	**182,531**	**130,292**	**21,390**	**151,683**	**195,000**	**67,045**	**262,045**

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	**(77,377)**	**505,085**	**12,422**	**–**	**12,422**	**517,508**
Changes of items during period						
Dividends		(23,817)				(23,817)
Profit		37,917				37,917
Purchase of treasury shares	(21)	(21)				(21)
Disposal of treasury shares	689	386				386
Net changes of items other than shareholders' equity			(3,499)	(356)	(3,856)	(3,856)
Total changes of items during period	**668**	**14,465**	**(3,499)**	**(356)**	**(3,856)**	**10,609**
Balance at end of current period	**(76,709)**	**519,550**	**8,923**	**(356)**	**8,566**	**528,117**

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.

Available-for-sale 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) Depreciation methods for non-current assets

Property, plant and equipment (excluding leased assets):

Property, plant and equipment are 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 assets (excluding leased assets):

Intangible 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 right is mainly amortized over twenty (20) years using the straight-line method.

Leased 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.

(4) 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.

Provision for bonuses:

A provision for bonuses is provided to prepare for the bonus payment to employees at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

Provision for directors' bonuses:

A provision for directors' bonuses is provided to prepare for the bonus payment to officers at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

(5) Hedging accounting method

1) 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.

2) Hedging instruments and hedged items

Hedging instruments:	Foreign exchange contracts and interest rate swaps
Hedged items:	Forecasted foreign currency transactions, Loans receivable in foreign currencies and interest on borrowings

3) 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.

4) Method of evaluating the effectiveness of hedging

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

(6) Other significant items associated with the preparation of non-consolidated financial statements

Treatment of consumption taxes

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

2. Notes to the Non-Consolidated Balance Sheets

(1) Accumulated depreciation on property, plant and equipment ¥30,423 million

(2) Contingent liabilities

1) Guarantees against bank loans

Guarantees: ¥33,979 million

2) Guarantees against derivatives

Guarantees: ¥335 million

(3) Monetary claims and obligations with associates (excluding those classified separately in the Balance Sheets)

Short-term monetary claims on associates: ¥219,146 million

Short-term monetary obligations to associates: ¥43,455 million

3. Notes to the Non-Consolidated Statements of Income

Transactions with associates

Operating revenue: ¥56,634 million

Operating expenses:	¥3,811 million
Transactions other than operating transactions:	¥943 million

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

Treasury shares

(shares)

Type of stock	Number of shares as of Jan. 1, 2016	Increase during this fiscal year	Decrease during this fiscal year	Number of shares as of Dec. 31, 2016
Common stock	25,676,299	5,968	228,758	25,453,509

(The outline of a change reason)

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: 5,968 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: 158 shares

Decrease resulting from exercise of stock options: 228,600 shares

5. Notes to tax effect accounting

(1) Breakdown of main reasons for deferred tax assets and liabilities

(Deferred tax assets)	
Shares of subsidiaries and associates due to restructuring:	¥16,703 million
Allowance for doubtful accounts, in excess of tax-deductible amount:	¥639 million
Loss on valuation of investment in subsidiaries, non-tax deductible:	¥20,590 million
Loss on valuation of capital contributions for subsidiaries, non-tax deductible:	¥4,558 million
Deferred loss on transfer of business between consolidated corporations:	¥1,016 million
Tax loss carry forwards	¥2,107 million
Others:	¥948 million
Subtotal deferred tax assets:	¥46,564 million
Valuation allowance:	¥(27,336) million
Total deferred tax assets	**¥19,227 million**
(Deferred tax liabilities)	
Valuation difference on available-for-sale securities	¥(3,517) million
Deferred gain on transfer of business between consolidated corporations:	¥(5,026) million
Income taxes receivable	¥(196) million
Total deferred tax liabilities	**¥(8,740) million**
Net deferred tax assets:	**¥10,487 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:	33.1%
(Adjustments)	
Permanent difference (non-deductible), including entertainment expenses:	0.3%
Valuation allowance:	(2.7)%
Permanent difference (non-taxable), including dividend income:	(30.1)%
Difference due to changes in tax rate:	2.0%
Income taxes for prior periods:	(9.4)%
Tax loss carry forwards:	(5.0)%
Others:	0.1%
Effective tax rates after adoption of tax effect accounting:	(11.8)%

6. Notes to related party transactions

Subsidiaries and affiliates

(million yen)

Type	Company	Percentage of voting rights held	Relationship with related party	Description of transaction	Transaction amount	Account item	Balance as of Dec. 31, 2016
Subsidiary	Asahi Breweries, Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	40,344	–	–
				Loaning funds (Note 2)	(48,960)	Short-term loans receivable	168,742
Subsidiary	Asahi Soft Drinks Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	8,918	–	–
				Loaning funds (Note 2)	(25,718)	Short-term loans receivable	4,884
Subsidiary	AI Beverage Holding Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Deposits received (Note 3)	37,433	Deposits received	17,634
Subsidiary	Asahi Holdings (Australia) Pty Ltd	100% direct ownership	Interlocking of directors/ corporate auditors	Guarantees for liabilities (Note 4)	13,792	–	–
Subsidiary	Asahi Professional Management Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Outsourcing indirect services, etc. (Note 5)	3,500	–	–

Terms and conditions of transaction and policy on determination thereof

Note 1: Operating revenue is determined in accordance with certain reasonable standards in order to provide supervision, guidance 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 this fiscal year 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 this fiscal year is stated.

Note 4: The Company guaranteed bank loans in the amount of AUD163 million.

Note 5: The amount of outsourced indirect and other services is determined based on certain reasonable criteria.

7. Notes to per share information

(1) Net assets per share:	¥1,152.76
(2) Earnings per share (Net income per share):	¥82.77

8. Other

The stated amounts are the figures after truncating fractions less than the representative unit.

AUDIT REPORTS

Independent accounting auditor's report on consolidated financial statements

Independent Auditor's Report

February 10, 2017

The Board of Directors
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of ASAHI GROUP HOLDINGS, LTD. as at December 31, 2016, and for the year from January 1, 2016 to December 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

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

Independent Auditor's Report

February 10, 2017

The Board of Directors
ASAHI GROUP HOLDINGS, LTD.

KPMG AZSA LLC

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

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

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

We have audited the non-consolidated financial statements, comprising the non-consolidated balance 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, 2016 and for the year from January 1, 2016 to December 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

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

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

REPORT OF THE AUDIT & SUPERVISORY BOARD

Audit Report

The Audit & Supervisory Board has prepared the following report based on the audit reports prepared by individual Audit & Supervisory Board Members related to the Directors' execution of their duties during the 93rd fiscal year, the period from January 1, 2016 to December 31, 2016, after due discussions and consultations among the Audit & Supervisory Board Members.

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

(1) The Audit & Supervisory Board determined the audit policies and division of duties, and received reports from each Audit & Supervisory Board Member regarding the status and results of the audits, as well as reports from the Directors and Independent Accounting Auditor on the execution of their duties, and requested explanations of those reports when necessary.

(2) Each Audit & Supervisory Board Member, in accordance with the audit policies, division of duties, etc. based on the audit standards established by the Audit & Supervisory Board, sought to achieve mutual understanding with the Directors, the section in charge of internal audit and other employees, strove to collect information and create an audit environment, attended meetings of the Board of Directors and other important meetings, received reports from Directors, other employees, etc. regarding the execution of their duties and requested explanations when necessary, reviewed documents related to important decisions, and inspected the operations and property of the head office and other locations. With respect to "systems to ensure appropriate execution of Directors' duties in conformity with laws and regulations and the Articles of Incorporation and other systems to ensure appropriate business operations, which is included in the Business Report (internal control systems)" (Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act), the Audit & Supervisory Board received reports regularly from Directors and other employees regarding the status of the establishment and implementation of the systems, sought additional explanations as necessary, and expressed opinions thereon. The Audit & Supervisory Board Members' "basic policy concerning the persons who control decisions on the Company's financial and business policies" (Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act) included in the Business Report, based on discussions of the Board of Directors and other parties. With respect to subsidiaries, the Audit & Supervisory Board Members took steps to facilitate communications and exchange information with the Directors and Corporate Auditors of subsidiaries and, when necessary, received reports from subsidiaries on the status of their businesses. Using the foregoing methods, the Audit & Supervisory Board Members reviewed the Business Report and the supplementary schedules for this fiscal year.

(3) The Audit & Supervisory Board oversaw and verified that the Independent Accounting Auditor maintained its independence and carried out appropriate audits, moreover, and received reports from the Independent Accounting Auditor regarding the execution of its duties and requested explanations when necessary. The Audit & Supervisory Board also received notifications from the Independent Accounting Auditor to the effect that "a system for the maintenance of appropriate execution of duties" (included in Article 131 of the Ordinance of Companies Accounting) in accordance with the "standards for quality control of audits" (Business Accounting Council; October 28, 2005), etc., and requested explanations when necessary. Based on the above activities, the Audit & Supervisory Board examined the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements), the supplementary schedules, and the consolidated financial statements (Consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements) for this fiscal year.

2. Results of the Audit

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

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

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

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

(3) Results of the audit of consolidated financial statements

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

February 13, 2017
Audit & Supervisory Board
Asahi Group Holdings, Ltd.

Akira Muto (Seal)
Standing Audit & Supervisory Board Member

Tetsuo Tsunoda (Seal)
Standing Audit & Supervisory Board Member

Tadashi Ishizaki (Seal)
Outside Audit & Supervisory Board Member

Katsutoshi Saito (Seal)
Outside Audit & Supervisory Board Member

Yumiko Waseda (Seal)
Outside Audit & Supervisory Board Member

(Reference) CSR Activities of the Asahi Group

The Asahi Group aims to be a trustworthy corporate group by proactively making efforts to resolve social issues through our business activities in the three business activity domains of "Food and Health", "The Environment" and "People and Society".



■ Food and Health

Calpis Lactic Acid Laboratory for Children

Asahi Soft Drinks Co., Ltd. hosts classes on lactic acid and fermentation for elementary school students, called "Calpis Lactic Acid Laboratory for Children," in which employees of the company give lessons on "Calpis" from multiple aspects such as *shokuiku* (dietary education), science, and career education. In 2016, the classes were held at 27 schools for 1,789 students.

In the class, teams of five to six students supported by an employee, "Doctor Lactic Acid," participate in learning programs using their five sense such as studying lactic acid and yeast with a microscope and comparing the taste and smell of ingredients of Calpis—milk and fermented milk, which is made in the production process—.

We will teach children, who will lead the future, the importance of food and health through "Calpis" and lactic acid.



■ The Environment

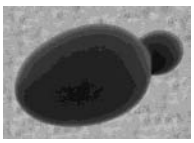
Contribution to realization of recycling society through the R & D of "beer yeast cell wall"

The Asahi Group pursues the research and development of materials made with beer yeasts, by-products from beer production, and applies the fruits of the research to a variety of products. One of those is "beer yeast cell wall," which is left after extracting yeast extract from beer yeast. As a result of over ten years of R&D activities, we have established a method to break it down by our original technique and to use it as a fertilizer that enhances the growth and immunity of plants.

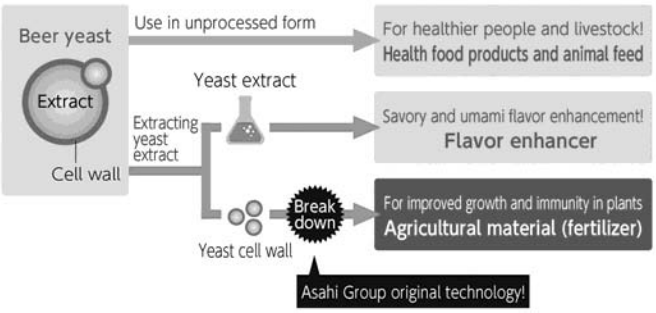
In recognition of these R&D efforts as contributions to the reduction in the usage of agrichemicals and chemical fertilizers and the stable production of agricultural crops, the Group received the Minister of Agriculture, Forestry and Fisheries Award at the 25th Grand Prize for the Global Environment Award * in 2016.

We will roll out this fertilizer overseas including Southeast Asia as well as in Japan in an effort to contribute to the realization of a recycling society with sustainability in the field of agricultural production.

* The Grand Prize for the Global Environment Award is a program hosted by Fujisankei Communications Group to recognize companies and organizations that actively and successfully engage in environmental activities, with the aim of achieving the coexistence of industrial progress and the global environment.



Beer yeast



■ People and Society

Engagement in "Barley-of-Hope Project"

The Company has launched the "Barley-of-Hope Project" jointly with Higashimatsushima Organization for Progress and Economy, Education, Energy with the aim of creating new industries and employment in one of the areas hit by the Great East Japan Earthquake. A coalition encompassing business, administration, academic, and civil sectors formed with the City of Higashimatsushima, Tohoku University, local citizens, and others, grows barley.

The project team started growing barley in October 2015 at a former park site in a coastal area in Higashimatsushima, Miyagi, and harvested the first crop successfully in June 2016.

In November 2016, some of the crop was brewed by Group companies and sold as a craft beer "Barley-of-Hope Ale". A part of its proceeds has been donated to reconstruction support activities.

Through the Barley-of-Hope Project, the Asahi Group will continue to engage in support activities so that the barley production will take root as a local industry.





Asahi

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