

# Asahi



Asahi Group Holdings, Ltd.  
**Integrated Report 2015**

## Issuance of Integrated Report 2015

Last year, the Asahi Group issued the Integrated Report combining the conventional Annual Report and CSR Communication Report into one. Integrated Report 2015 has been compiled as a comprehensive communication tool that systematically combines financial and non-financial information, centered on the renewed Long-Term Vision and Medium-Term Management Policy.

In compiling the report, the Company has referred to the International Integrated Reporting Framework issued by the International Integrated Reporting Council; in editing, it has given weight to cross-departmental discussions throughout the entire Group. The report clearly shows that the compilation process and content are appropriate.

The Asahi Group will continue to use the Integrated Report as a tool for engagement (constructive dialogue), seeking to deepen its dialogue with all stakeholders such as shareholders and investors, and aiming at sustained corporate value enhancement.

We would appreciate it if you take the time to read the report and give us your frank opinions and impressions.

May 2016

*Chairman and Representative Director, CEO*  
**Naoki Izumiya**



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### Period covered:

January 1, 2015–December 31, 2015  
Including some information outside this period

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### Scope:

Asahi Group Holdings, Ltd. and Group companies

### Forward-Looking Statements

The current plans, forecasts, strategies and performance presented in this report include forward-looking statements based on assumptions and opinions arrived at from currently available information. The Asahi Group cautions readers that actual future results could differ materially from these forward-looking statements depending on the outcome of certain factors. All such forward-looking statements are subject to certain risks and uncertainties including, but not limited to, economic conditions, trends in consumption and market competition, foreign exchange rates, taxes, and other systems influencing the Company's business areas.

Our Business

Leadership  
(Management)

Corporate Value  
Creation Process

Management  
Foundation

Financial and  
Corporate Information





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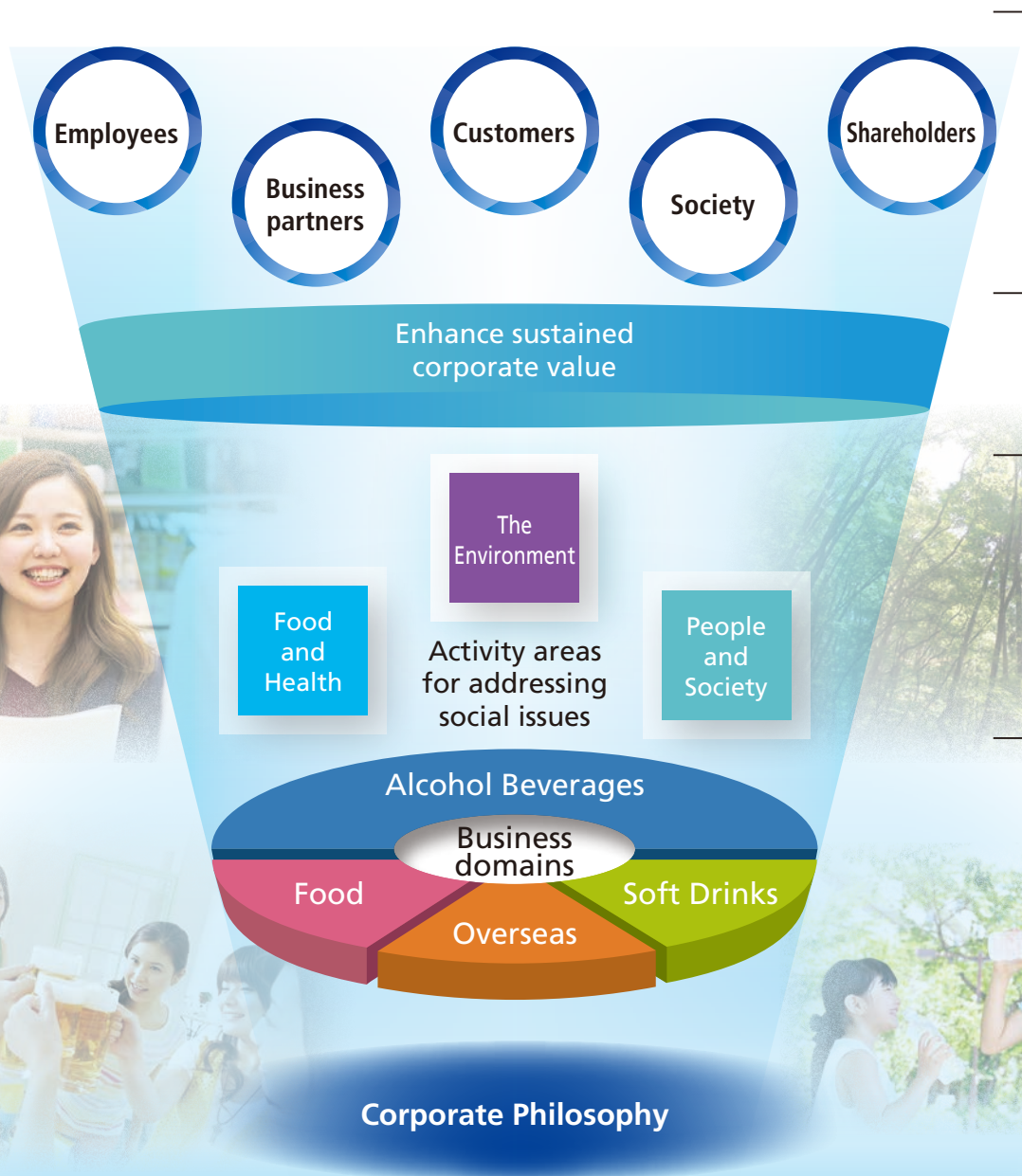
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# Group Corporate Philosophy and Long-Term Vision

## Guided by our corporate philosophy, we aim to enhance sustained corporate value

With Asahi Group Holdings, Ltd. as a pure holding company, the Asahi Group runs its Alcohol Beverages, Soft Drinks, and Food Businesses—as well as its Overseas Business in these same domains—upholding a shared corporate philosophy. In addition, to help achieve a sustainable society which is indispensable for the execution of our corporate activities, we have defined three activity areas and their materiality (key issues). We strive to address social issues in these areas through our business activities.

Furthermore, in the newly revised Long-Term Vision, we have added a future vision for our business with an eye to the next decade, and we aim to enhance sustained corporate value based on our vision for our respective stakeholders.



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

Vision

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

## Future Vision for Our Business

As a comprehensive beverage and food business group whose core business is alcohol beverages, aim to be **an industry leader in Japan with high added value 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

## Our vision for our stakeholders

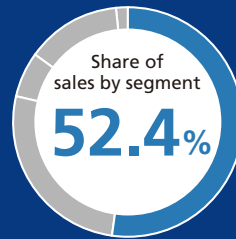
- **Customers** Continue to create new value based on strengths nurtured in Japan and achieve the No. 1 ranking for customer satisfaction in Japan and each region of the world.
- **Business partners** Develop relationships with our business and alliance partners that support mutual growth and create new value for all parties.
- **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 can work vigorously and experience personal growth together with corporate growth.
- **Shareholders** Enhance corporate value (stock value) through sustainable profit creation and shareholder returns.

## Activity areas for addressing social issues and materiality

- |  |  |  |
|--|--|--|
| <b>Food and Health</b>   | <b>The Environment</b>   | <b>People and Society</b>  |
| <ul style="list-style-type: none"> <li><span style="color: #0070C0;">■</span> Responsible Drinking</li> <li><span style="color: #0070C0;">■</span> Food Safety and Reliability</li> <li><span style="color: #0070C0;">■</span> Health and Nutrition</li> </ul> | <ul style="list-style-type: none"> <li><span style="color: #6A329F;">■</span> Climate Change</li> <li><span style="color: #6A329F;">■</span> Recycling-Based Society</li> <li><span style="color: #6A329F;">■</span> Biodiversity</li> </ul> | <ul style="list-style-type: none"> <li><span style="color: #0070C0;">■</span> Human Resource Development and Diversity</li> <li><span style="color: #0070C0;">■</span> Healthy and Affluent Society</li> <li><span style="color: #0070C0;">■</span> Sustainable Water Resources</li> <li><span style="color: #0070C0;">■</span> Sustainable Supply Chains</li> </ul> |



# Asahi Group's Business Domains



## Alcohol Beverages

### Business Domain

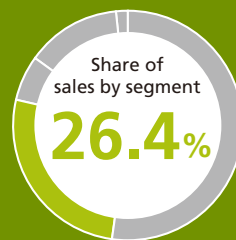
Comprehensive alcohol beverages business producing and selling whisky and spirits (mainly through The Nikka Whisky Distilling Co., Ltd.), *shochu*, wine and RTD\* low-alcohol beverages in addition to beer-type beverages, including our flagship brand, *Asahi Super Dry*

\* RTD: Ready-to-Drink. Beverages that can be consumed immediately upon purchase, such as canned *chuhai*

### Main Categories and Brands

Beer, happoshu, new genre, whisky and spirits, wine, *shochu*, RTD low-alcohol beverages, non-alcohol beer-taste beverages, etc.

- ① Asahi Super Dry / ② Asahi Style Free /
- ③ Clear Asahi / ④ Black Nikka Clear /
- ⑤ Sainte Neige Relä / ⑥ Kanoka /
- ⑦ Asahi Cocktail Partner / ⑧ Asahi Dry Zero



## Soft Drinks

### Business Domain

Comprehensive soft drinks business centered on long-standing mainstay brands including *Mitsuya Cider*, *WONDA*, *Asahi Juroku-cha*, and *Calpis*

### Main Categories and Brands

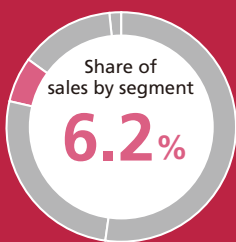
Carbonated drinks, coffee, tea, mineral water, lactic acid drinks, chilled drinks, fruit drinks, sport drinks, etc.

- ① Mitsuya Cider / ② Wilkinson / ③ WONDA /
- ④ Asahi Juroku-cha / ⑤ Oishii Mizu / ⑥ Calpis / ⑦ Tea





## Food



### Business Domain

Business mainly focusing on leading brands and businesses within the category, including mint tablets, baby food, and freeze-dried food

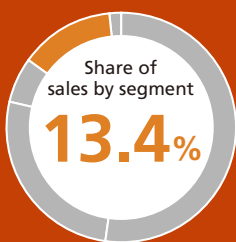
### Main Categories and Brands

Confectionery, supplements, quasi-drugs, powdered baby milk, baby food, nursing care food, freeze-dried miso soup, etc.

- ① MINTIA / ② Dear-Natura / ③ EBIOS /
- ④ Infant formula Lebens Milk Hai Hai /
- ⑤ Goo-Goo Kitchen / ⑥ Itsumono Omisoshiru



## Overseas



### Business Domain

Manufacturing and sales of alcohol beverages and soft drinks in Oceania, Southeast Asia, and China as main markets

### Main Categories and Brands

Beer, RTD low-alcohol beverages, ciders, carbonated drinks, mineral water, coffee, tea, condensed milk, etc.

- ① Asahi Super Dry / ② Vodka Cruiser / ③ Somersby /
- ④ Schweppes / ⑤ Cool Ridge / ⑥ WONDA Original /
- ⑦ ICHI OCHA / ⑧ Dairy Champ





# Sources of Corporate Value Creation

## ▶▶ The Asahi Group's Corporate Culture of Taking on the Challenge

Since its founding, the Asahi Group has had a long history of tackling new challenges. This history began with the development of an authentic Japanese beer, followed by the launch of Japan's first canned beer and the expansion of the Group's whisky and soft drink brands. Even after the launch of *Asahi Super Dry* in 1987, which drastically boosted the Company's beer market share, the Group continued to scale new heights as a challenger by driving innovation throughout the entire value chain. Furthermore, as the domestic beer market matured during the latter half of the 1990s, the Company broadened its business portfolio primarily by strengthening M&A activity, including overseas business expansion.

### Alcohol Beverages

- 1889** Osaka Beer Brewing Company was established.
- 1892** Authentic beer produced by a Japanese brewery was launched.
- 1949** Asahi Breweries, Ltd. was established.



- 1987** *Asahi Super Dry* was launched.
- 1998** With the success of *Asahi Super Dry*, Asahi gained the top share of Japan's beer market.



- 2001** Asahi acquired a 100% stake in Nikka Whisky Co., Ltd.
- 2002** Asahi acquired the RTD low-alcohol beverages and *shochu* businesses of Kyowa Hakko Kogyo Co., Ltd. and Asahi Kasei Corporation
- 2015** Asahi acquired the stock of ENOTECA CO., LTD.

### Brand Power

**18**  
straight years

**Top share**

of Japan's beer market



### Cost Competitiveness

Benefits of Group-wide profit structure reforms

¥ **133.2** billion  
in generated benefits

(2007–2015)

- Industry's top-class productivity in overall SCM by leveraging manufactured capital and intellectual capital
- Ability to generate cost synergies globally by leveraging human capital

### Human Resource (Organizational) Capabilities

Obtaining diverse human resources through M&As

**16,357** (2008)

→ **22,194**

(2015)

- Human resources, organization and motivation to maintain a corporate culture of taking on the challenge of innovation
- Obtaining and managing diverse human resources through M&As and other activities

### Social Collaboration Power

Promote business activities in consideration of reducing the environmental load

- Measures to ensure social and business sustainability and communication capabilities
- Ability to build good relationships with all stakeholders

- Included in the CDP Climate A List 2015
- Included in the CDP Water A List 2015

### Business Portfolio Expansion

#### Soft Drinks

**1972** Mitsuya Vending (now Asahi Soft Drinks Co., Ltd.) was established.

#### Food

**1930** *EBIOS*, a pure brewer's yeast preparation tablet, was introduced.

**1992** Asahi Beer Food, Ltd. was established.

#### Overseas

**1994** Asahi entered the Chinese market.

**2004** Asahi established a joint venture in soft drinks with Tingyi (Cayman Islands) Holding Corp.



## of Innovation and Harnessing Strengths

Over this long history, the Asahi Group has fostered a “corporate culture of taking on the challenge of innovation.” Moreover, the Group continues to refine the strengths it has nurtured over the years, such as brand power, cost competitiveness, human resource (organizational) capabilities and social collaboration power, in the belief that these strengths will serve as the Group’s sources of corporate value creation.

### Long-selling soft drink brands with more than

**90** years of history



1884

Mitsuya Cider



1904

Wilkinson



1919

Calpis

### Leading brands in the Food Business



MINTIA  
mint tablets

Share of tablet candy market sales by amount

**54.9%**  
(2015)



Wakodo brand  
baby food

Share of baby food market sales by amount

**48.7%**  
(2015)

- Collaborative synergies with Calpis Co., Ltd. in overall SCM
- Integration synergies in the Oceania Business

¥**44.1** billion  
(2013–2015)

\* 2007–2012: ¥89.1 billion

- Integrated production and logistics functions of the Alcohol Beverages and Soft Drinks Businesses
- Realigned the production system for beer-type beverages

### Aggressive IT investment

Streamlining effect of IT investment

¥**3.8** billion  
(2009–2014)



攻めのIT経営銘柄  
Competitive IT Strategy Company

### Achieving a diverse mix of human resources through the promotion of diversity

- Strengthening efforts to promote women’s success
- Ratio of female managers:

**11.8%**  
(2015)



### Strengthening human resource (organizational) capabilities in support of medium- to long-term foundations for growth

- Executive development program
- Global human resource development program
- Young employee training program



### Strengthen collaborative partnerships with various stakeholders

- Wakodo Nutrition Consultations
- Promote collaborative initiatives with suppliers
- Encourage constructive dialogue with shareholders and investors



\*1. INTAGE Food SRI / candy (candy tablet market) / nationwide (excluding Okinawa) / all-industry, January 2015 to December 2015  
\*2. INTAGE Inc. “Baby Food” January 2015 – December 2015 sales amount (09SDI-Baby-M)

**2005** Asahi acquired the stock of LB Co., Ltd. (Saitama) and LB Co., Ltd. (Nagoya).

**2012** Asahi acquired all the stock of Calpis Co., Ltd.

**2006** Asahi acquired the stock of Japan’s largest baby food maker, Wakodo Co., Ltd.

**2008** Asahi acquired the stock of Amano Jitsugyo Co., Ltd.

**2009** Asahi invested in Tsingtao Brewery Co., Ltd. The Company entered the Oceania market.

**2011** Asahi entered the Southeast Asia beverage market.

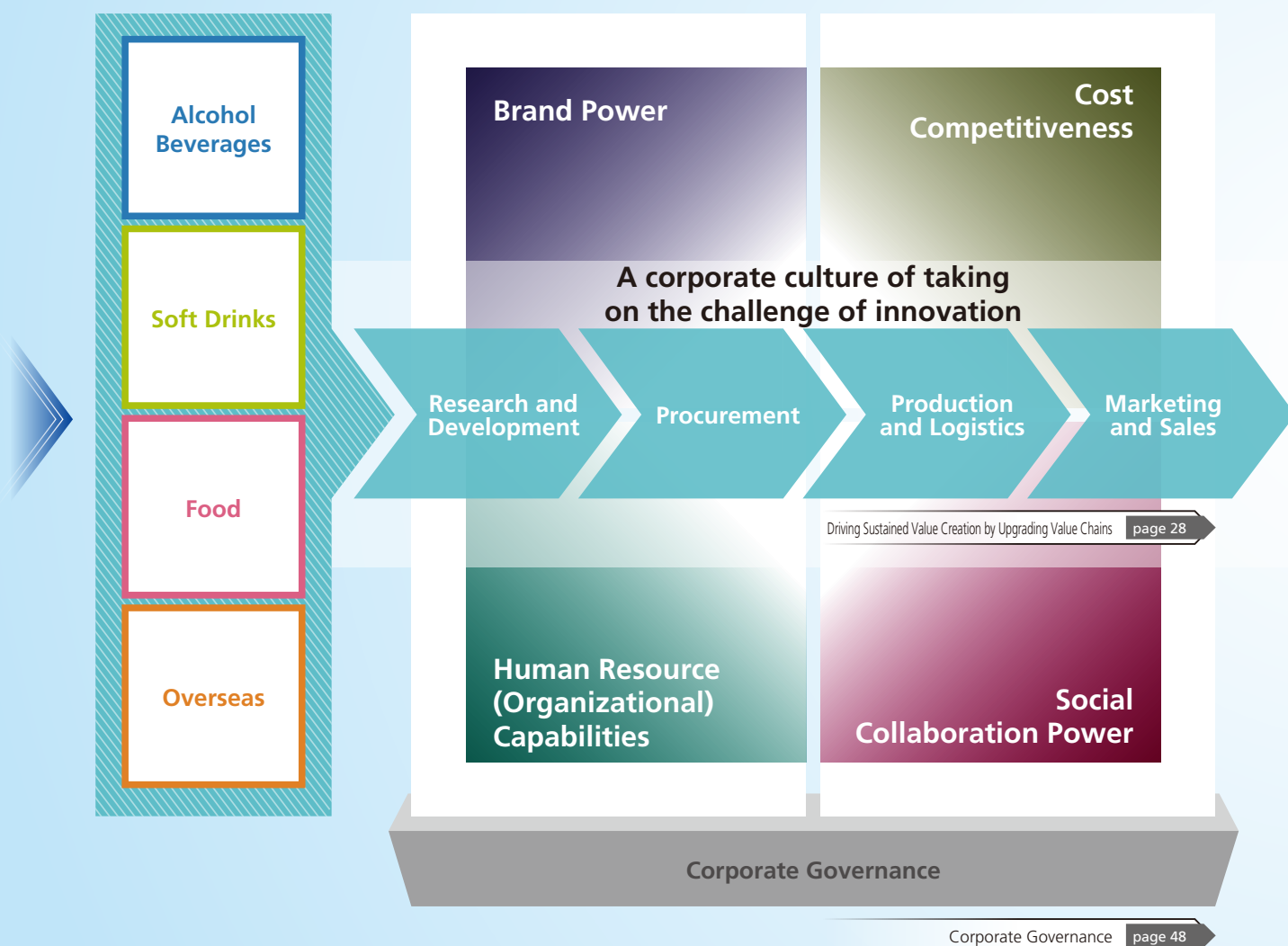
# Corporate Value Creation Process

## ▶▶ We are meeting the challenge of creating sustained corporate value by evolving a business model based on our strengths

The Asahi Group's business model is to provide products and services that contribute to healthy living and the enrichment of society in line with our corporate philosophy through a value chain extending from R&D to sales, based on our corporate culture and the strengths we have developed over the years.

We are striving to expand sales and earnings by pursuing satisfaction for a wide array of customers within and outside of Japan. This involves taking advantage of the strengths of our Alcohol Beverages, Soft Drinks, Food, and Overseas Businesses,

### Our Business Model



### Medium-Term Management Policy

#### Key Priorities

- ① Strengthening of earnings power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine
- ② Asset and capital efficiency improvement that takes into consideration capital cost
- ③ Reinforcement of ESG (environmental, social, and governance) initiatives to increase sustainability

and generating synergies that go beyond the bounds of business.

In addition, by evolving this overall business model to the satisfaction of all our stakeholders, not only in terms of financial values but through formulation of a Medium-Term Management Policy taking into account changes in the external environment and enhancement of corporate governance to implement the policy, we are meeting the challenge of creating sustained corporate value.

## Results of Business Activities (Sales/Operating income)

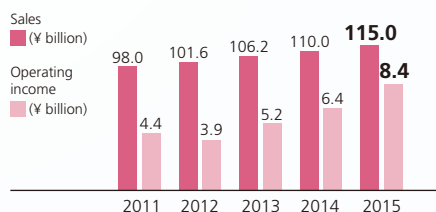
### Alcohol Beverages



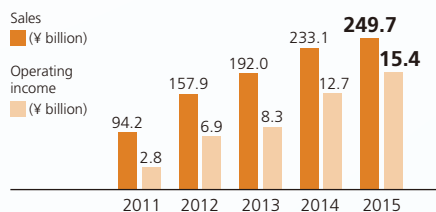
### Soft Drinks



### Food



### Overseas



Note: Operating income is before amortization of goodwill and other items.

## Value Provided

### Healthy living and the enrichment of society

- The Kando of food (deliciousness, happiness and innovation)



- The satisfaction of all stakeholders



Customers

Business partners

Society

Employees

Shareholders



# Results of Enhancing Corporate Value

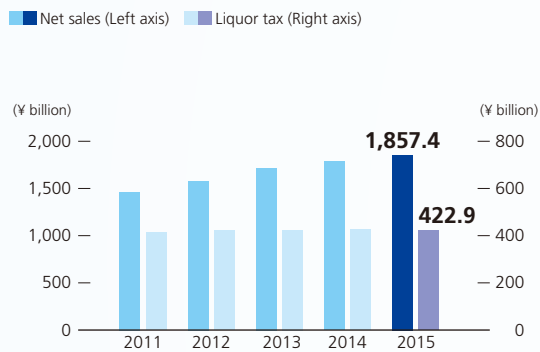
## Value Provided to Stakeholders

### Financial Highlights

#### Net Sales/Liquor Tax

¥ **1,857.4** billion (Net Sales)

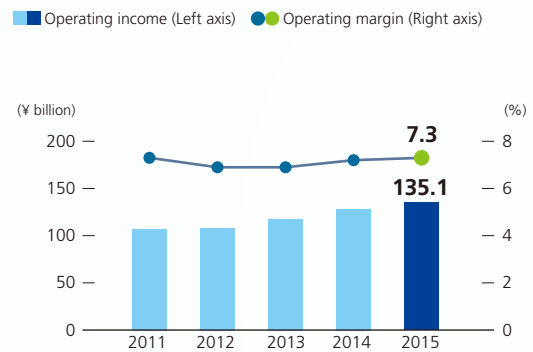
Sales growth has increased, mainly due to sales expansion centered on strengthening brand power and the impact of M&As in Japan and overseas. Liquor tax has also been paid stably.



#### Operating Income/Operating Margin

¥ **135.1** billion (Operating Income)

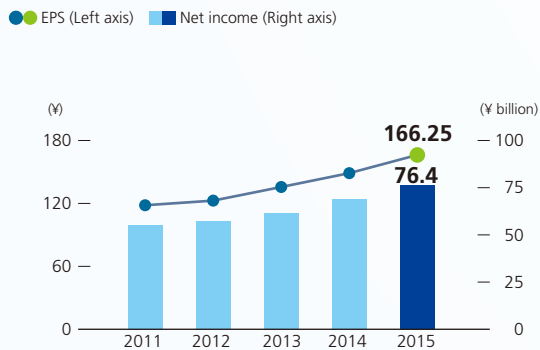
Although the operating margin remained flat year on year, operating income was driven higher by sales growth and cost competitiveness, mainly strengthened by the creation of integration synergies.



#### EPS/Net Income

¥ **166.25** (EPS)

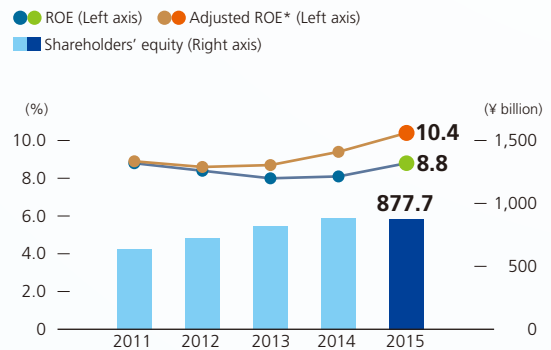
The Company posted record-high net income for the 15th consecutive year, and achieved the EPS target of Medium-Term Management Plan 2015 through capital efficiency improvements, such as enhancing shareholder returns.



#### ROE/Shareholders' Equity

**8.8%** (ROE)

The target for ROE (adjusted ROE\*) of Medium-Term Management Plan 2015 was achieved due to stable business growth and capital efficiency improvements, such as enhancing shareholder returns.



\* Adjusted ROE: Calculated by excluding foreign currency translation adjustment and other valuation difference on available-for-sale securities from shareholders' equity

## Free Cash Flow/Operating Cash Flow

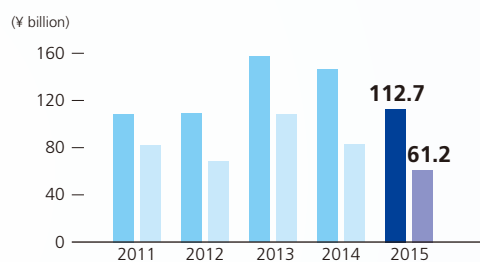
# ¥61.2 billion

 (Free Cash Flow)

Net income increased; however, free cash flow\* declined due to an increase in income taxes paid and expansion in capital investment.

\* Free cash flow = Operating cash flows ± Acquisition of tangible and intangible fixed assets

■ Free cash flow ■ Operating cash flow



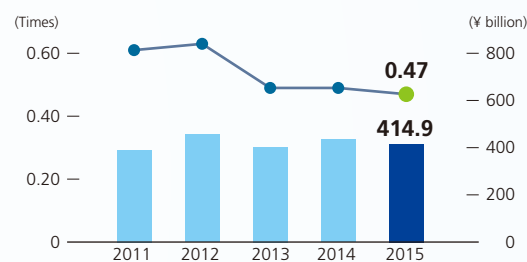
## D/E Ratio/Interest-Bearing Debt

# 0.47 times

 (D/E Ratio)

While shareholders' equity was suppressed, mainly due to enhancement of shareholder returns, the D/E ratio declined due to the repayment of interest-bearing debt. As a result, investment capacity increased.

● D/E ratio (Left axis) ■ Interest-bearing debt (Right axis)



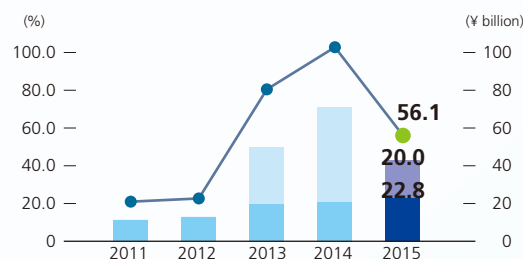
## Total Return Ratio/Total Dividend/Share Buybacks

# 56.1%

 (Total Return Ratio)

The Company continued to increase dividends steadily targeting a dividend payout ratio of 30%, and to buy back its own shares aiming for a total return ratio of 50% or higher.

● Total return ratio (Left axis) ■ Total dividend (Right axis)  
■ Share buybacks (Right axis)



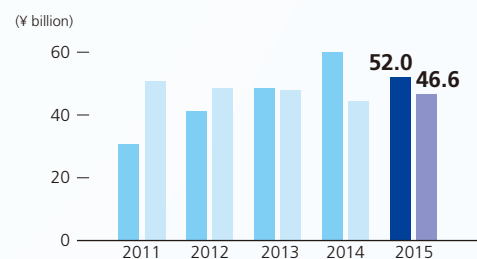
## Capital Investment/Depreciation and Amortization

# ¥52.0 billion

 (Capital Investment)

The Company made capital investments to strengthen its earnings base, mainly focusing on generating collaboration synergies with Calpis Co., Ltd. in the Soft Drinks Business and SCM integration in the Oceania Business.

■ Capital investment ■ Depreciation and amortization



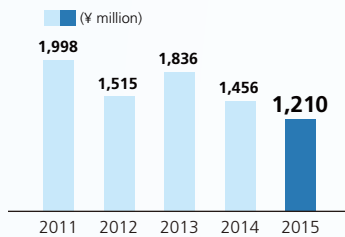
\* The above capital investment and amortization and depreciation amounts do not include lease assets, the cost of acquisitions of overseas subsidiaries, or trademarks

## Non-Financial Highlights

Social Contribution Expenditure

¥ **1,210** million

The Group undertook social contribution activities with the theme of creating affluent local communities where people have mutual respect for diverse values. Activities included environmental preservation, artistic and cultural activities, and support for disaster-affected areas.



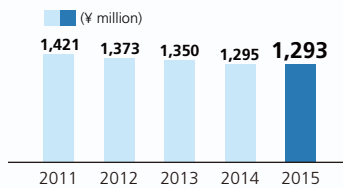
No. of Products, including *Asahi Super Dry*, Using Green Electricity

Approx. **9.4** billion products

(Accumulated number of products produced between 2009 and 2015)

Asahi Breweries, Ltd. uses green electricity generated from natural energy to manufacture *Asahi Super Dry* 350 ml cans and other products. *Asahi Super Dry* uses the largest amount of green electricity of all green-electricity products\* in Japan.

\* First in Japan for the amount of green energy used among products bearing the Green Energy Mark. (Certified by the Green Energy Certification Center.)



Number of Participants in "Wakodo Nutrition Consultations"

Approx. **128,000** participants

For over 55 years, Asahi Group Foods, Ltd. has held "Wakodo Nutrition Consultations," where our certified dieticians provide consultations on weaning diets and so forth. Many people attended the consultations in 2015.

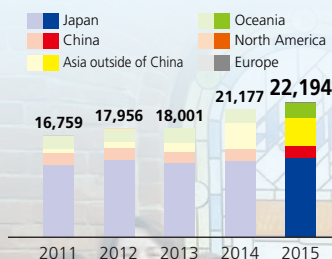


Number of Employees by Region

Number of Employees

**22,194**

In 2015, the total number of Group employees increased following the acquisition of ENOTECA CO., LTD. and the conversion of Lotte Asahi Liquor Co., Ltd. to a consolidated subsidiary. The Group increased the ratio of employees working in areas outside of Japan, promoting human resource diversity to facilitate globalization.

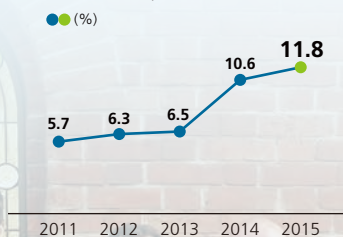


Ratio of Female Managers

**11.8%**

To realize a situation where women can participate in decision-making, such as by serving on the Corporate Strategy Board, the Group has steadily increased the ratio of female managers. These efforts included creating environments that are comfortable for women and broadening their opportunities for success.

\* Figures for 2011-2013 are for core operating companies in Japan. Figures for 2014-2015 are for the entire Group.

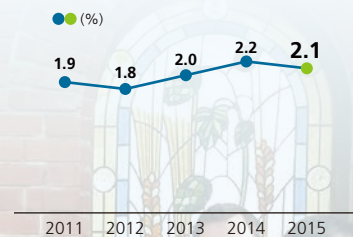


Employment Rate of People with Disabilities

(Asahi Breweries, Ltd.)

**2.1%**

Asahi Breweries, Ltd. has maintained the legally mandated ratio of 2.0% for employees with disabilities since 2013. It has taken steps to provide an environment that is easy for employees with disabilities to work in such as by installing wheelchair slopes and being ready to receive them with mutual understanding among our employees.





Number of Supplier Questionnaire Respondents

**301** companies



In 2015, the Group conducted a questionnaire among its major suppliers, asking mainly about their social and environmental initiatives, and received responses from 301 companies, including secondary suppliers. Looking ahead, the Group will collaborate with its suppliers to find solutions.

Number of Supplier Participants in Quality Assurance Meetings

**96** companies

The Group held regular Quality Assurance Meetings with its main suppliers to check their approaches to key issues in the supply chain and share solutions.

Recycling Ratio of By-Products and Waste

**100%**

The Group is working on recycling of its by-products and waste with the goal of building a recycling-based society. In 2015, we maintained our recycling ratio of 100%.  
(According to Group standards for applicable Group companies and manufacturing bases in Japan)

Modal Shift Ratio

**35.7%**

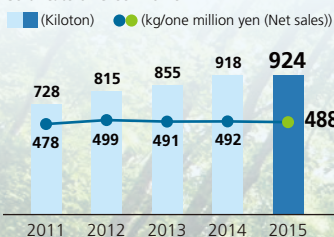


The Group has been working to reduce CO<sub>2</sub> emissions by steadily increasing the modal shift ratio, which involved promoting modal shifts to means of transportation such as trains and ships.

CO<sub>2</sub> Emissions (Total and Per Basic Unit)

**924** kilotons

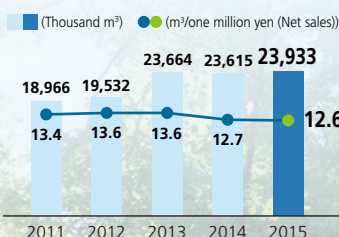
The Group is stepping up its efforts to reduce CO<sub>2</sub> emissions through business operations, such as by using green electricity. In 2015, the Group was selected for inclusion in the CDP Climate A List, the international non-profit organization's highest evaluation. Figures for 2013–2015 include a CO<sub>2</sub> reduction contribution in accordance with Asahi's Certificate of Green Power



Water Consumption (Total and Per Basic Unit)

**23,933** thousand m<sup>3</sup>

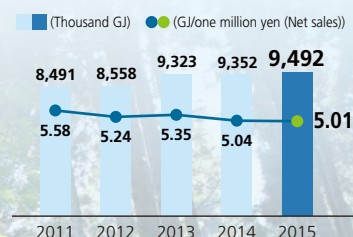
The Group is working to reduce water use not only in its own operations, but also throughout the entire supply chain. In 2015, the Group was selected for inclusion in the CDP Water A List, the international non-profit organization's highest evaluation.



Energy Consumption (Total and Per Basic Unit)

**9,492** thousand GJ

The Group is working to conserve energy by aggressively expanding energy-saving vending machines and introducing energy-saving equipment at production sites. Through these efforts, the Group is making steady progress on reducing energy used per basic unit.



# Asahi Group's Management Team (As of April 1, 2016)



Back row, from the left: Tetsuo Tsunoda, Yumiko Waseda, Katsutoshi Saito, Tadashi Ishizaki, Mariko Bando, Naoki Tanaka, Tatsuro Kosaka, Akira Muto  
Front row, from the left: Ryoichi Kitagawa, Noboru Kagami, Katsutoshi Takahashi, Naoki Izumiya, Akiyoshi Koji, Yoshihide Okuda, Kenji Hamada

## Naoki Izumiya

*Chairman and Representative Director, CEO*

Apr. 1972 Joined the Company  
Mar. 2000 Corporate Officer  
Mar. 2003 Director  
Mar. 2004 Managing Director  
Mar. 2009 Senior Managing Director  
Mar. 2010 President and Representative Director  
Mar. 2014 President and Representative Director, CEO  
Mar. 2016 Chairman and Representative Director, CEO (current position)

## Yoshihide Okuda

*Managing Director and Managing Corporate Officer (CFO)*

Apr. 1978 Joined Konishiroku Photo Industry Co., Ltd. (currently Konica Minolta, Inc.)  
Sep. 1988 Joined the Company  
Mar. 2010 Corporate Officer  
Mar. 2013 Director and Corporate Officer  
Mar. 2015 Managing Director and Managing Corporate Officer (CFO) (current position)

## Akira Muto

*Standing Corporate Auditor*

Apr. 1980 Joined Nissan Motor Sales Co., Ltd.  
Dec. 1988 Joined the Company  
Apr. 2009 Senior Officer  
Corporate Officer, Wakodo Co., Ltd.  
Mar. 2014 Senior Officer  
Director and Corporate Officer,  
Asahi Food & Healthcare Co., Ltd.  
Mar. 2015 Standing Corporate Auditor (current position)

## Akiyoshi Koji

*President and Representative Director, COO*

Apr. 1975 Joined the Company  
Sep. 2001 Corporate Officer  
Mar. 2003 Managing Director, Asahi Soft Drinks Co., Ltd.  
Mar. 2006 Senior Managing Director,  
Asahi Soft Drinks Co., Ltd.  
Mar. 2007 Managing Director and Managing Corporate Officer  
Jul. 2011 Director  
President and Representative Director,  
Asahi Breweries, Ltd.  
Mar. 2016 President and Representative Director, COO (current position)

## Noboru Kagami

*Director and Corporate Officer*

Apr. 1982 Joined the Company  
Sep. 2012 Corporate Officer  
General Manager, Fukushima Brewery,  
Asahi Breweries, Ltd.  
Jan. 2013 Corporate Officer  
General Manager, Hakata Brewery,  
Asahi Breweries, Ltd.  
Mar. 2016 Director and Corporate Officer (current position)

## Tetsuo Tsunoda

*Standing Corporate Auditor*

Apr. 1980 Joined the Company  
Mar. 2011 Corporate Officer  
Sep. 2012 Director, Asahi Soft Drinks Co., Ltd.  
Mar. 2013 Managing Director, Asahi Soft Drinks Co., Ltd.  
Mar. 2014 Executive Vice President and Director,  
Asahi Professional Management Co., Ltd.  
Mar. 2016 Standing Corporate Auditor (current position)

## Katsutoshi Takahashi

*Managing Director and Managing Corporate Officer*

Apr. 1977 Joined Yoshida Kogyo K.K. (currently YKK Corporation)  
May 1991 Joined the Company  
Mar. 2008 Corporate Officer  
Mar. 2013 Director and Corporate Officer  
Mar. 2015 Managing Director and Managing Corporate Officer (current position)

## Kenji Hamada

*Director and Corporate Officer*

Apr. 1986 Joined the Company  
Mar. 2014 Corporate Officer  
General Manager, Corporate Strategy Section  
Mar. 2016 Director and Corporate Officer (current position)

## Tadashi Ishizaki

*Outside Corporate Auditor*

Apr. 1982 Professor, Chuo University  
Apr. 2000 Director, Institute of Business Research, Chuo University  
Mar. 2005 Outside Corporate Auditor of the Company (current position)  
Apr. 2010 Visiting Professor, Graduate School of Tokyo Fuji University (current position)  
Apr. 2012 Professor, Shoin University (current position)  
Other important concurrent position:  
Emeritus Professor, Chuo University





## Ryoichi Kitagawa

*Director and Corporate Officer*

May 1987 Joined Hokkaido Asahi Breweries Co., Ltd.  
 Sep. 1993 Transferred to the Company  
 Mar. 2014 Corporate Officer  
 General Manager, Business Development Section  
 Mar. 2016 Director and Corporate Officer (current position)

## Naoki Tanaka

*Outside Director*

Apr. 2007 President, Center for International Public Policy Studies  
 (current position)  
 Mar. 2009 Outside Director of the Company (current position)

## Katsutoshi Saito

*Outside Corporate Auditor*

May 2011 Vice Chairman, KEIDANREN  
 (Japan Business Federation) (current position)  
 Jun. 2011 Chairman and Representative Director, The Dai-Ichi Life  
 Insurance Company, Limited (current position)  
 Mar. 2014 Outside Corporate Auditor of the Company  
 (current position)

Other important concurrent positions:  
 Outside Director, Imperial Hotel, Ltd.  
 Outside Corporate Auditor, Tokyu Corporation

## Mariko Bando

*Outside Director*

Apr. 2004 Head, Institute of Women's Culture, Showa Women's  
 University (current position)  
 Mar. 2008 Outside Director of the Company (current position)  
 Apr. 2014 Chancellor, Showa Women's University  
 (current position)

Other important concurrent position:  
 Outside Director, BroadBand Tower, Inc.

## Tatsuro Kosaka

*Outside Director*

Apr. 1976 Joined Chugai Pharmaceutical Co., Ltd.  
 Mar. 2010 Director and Executive Vice President,  
 Chugai Pharmaceutical Co., Ltd.  
 Mar. 2012 President and Representative Director,  
 Chugai Pharmaceutical Co., Ltd. (current position)  
 Mar. 2016 Outside Director of the Company (current position)

## Yumiko Waseda

*Outside Corporate Auditor*

Apr. 1985 Completed courses at the Legal Training and Research  
 Institute of the Supreme Court, registered as an  
 attorney at law, and joined Matsuda Administrative and  
 Patent law Office, Mori Hamada & Matsumoto  
 Apr. 2013 Entered Tokyo Roppongi Law & Patent Offices  
 Jan. 2014 Partner, Tokyo Roppongi Law & Patent Offices  
 (current position)

Mar. 2015 Outside Corporate Auditor of the Company (current position)

Other important concurrent position:  
 Outside Corporate Auditor, Kao Corporation

## Shiro Ikeda

*Senior Managing  
 Corporate Officer*

## Yasutaka Sugiura

*Managing Corporate  
 Officer*

## Yukitaka Fukuda

*Corporate Officer*

## Atsushi Katsuki

*Corporate Officer*



# Aiming to Ensure Sustained Growth and Enhance Medium- to Long-Term Corporate Value

*Chairman and Representative Director, CEO*  
**Naoki Izumiya**



## Shifting to Management for Corporate Value Enhancement

I was appointed president of Asahi Breweries, Ltd. in 2010, before our transition to Asahi Group Holdings, Ltd., a pure holding company, in 2011. Since then, as the first president of Asahi Group Holdings, Ltd., I have steered the Asahi Group onto a course of corporate value-driven management.

When I was appointed president, the Asahi Group had been pursuing strategies focused more or less on business scale. In its Long-Term Vision and Medium-Term Management Plan, the Group had set targets centered on the income statement, such as net sales. Subsequently, based on dialogue with stakeholders, including shareholders and investors, we embraced return on equity (ROE) and earnings per share (EPS) as our key performance indicators (KPIs) and sought to improve these KPIs under Medium-Term Management Plan 2015, which was initiated in 2013. In conjunction with placing

the highest priority on business growth, we are working to boost capital efficiency by taking steps such as enhancing shareholder returns. As a result, we have shifted to management with a stronger focus on corporate value.

In response to our shift in strategy and the progress we have made on it, Asahi Group Holdings' stock price has been outperforming the Nikkei Stock Average. Notably, in April 2013, our stock price surpassed the highest level it had ever reached since our listing. The Asahi Group has become the world's fourth largest group in terms of stock valuation (market capitalization) among publicly listed beer companies. Although we do not yet have a significant global presence in terms of business scale, we believe that our improving market capitalization and stock valuation constitute an integral part of our financial capital, which will pave the way for further growth in the years to come.

## Management Priorities Ahead

Going forward, we will pursue the satisfaction of all our stakeholders by pursuing the sophistication of not only our financial capital but of all our other capital elements as well. This endeavor will be indispensable to enhancing our corporate value. I believe that the main strengths among the Group's capital elements are brand power, cost competitiveness, human resource (organizational) capabilities and social collaboration power. By honing our long-nurtured strengths, we must further strengthen our intangible capital, such as human capital and natural capital.

During my years as president, I have devoted the greatest effort to pursuing the sophistication of human capital, with emphasis on personnel development. I believe the success of our drive to achieve innovation and globalization as the key themes of our future strategy for growth will ultimately depend on how effectively we are able to enhance human resource (organizational) capabilities. Besides short-term business performance, companies also need to continuously make investments in intangible capital, which do not produce clear results immediately,



and ensure that these investments lead to future financial gains. We recognize that such efforts will help to enhance the sustainability of companies and society as a whole.

Turning to the external environment, as the global economic outlook becomes increasingly uncertain, various opportunities and risks have been emerging for Asahi Group Holdings, driven by trends such as the diversification of personal consumption and global

industry restructuring. Furthermore, in response to developments such as the formulation of Japan's Stewardship Code and Corporate Governance Code, the management styles of Japanese companies and the perspectives of investors and other stakeholders should increasingly pivot to a stronger emphasis on ensuring more sustained growth and enhancing medium- to long-term corporate value.

## Further Development of Management for Corporate Value Enhancement

Considering those factors, we revised Long-Term Vision 2020, outlining the way the Company wants to be, and formulated the new Long-Term Vision, which incorporates a vision of future business for the next 10 years or so, while following the basis of Long-Term Vision 2020. In addition, we have revised Medium-Term Management Plan 2015 and formulated the Medium-Term Management Policy. In doing so, we have shifted from the previous model of an action plan to a format that emphasizes our medium-term management direction, including ESG initiatives. Under the Medium-Term Management Policy, we have not set fixed numerical targets to be achieved by a specific date. Instead, we have announced guidelines for KPIs for the next three years or so. These guidelines will be updated on a revolving basis according to changes in the business environment and other factors going forward.

In terms of our outlook for the next few years, amid increasing global uncertainty, we anticipate that all manner of opportunities and risks will rapidly come

to the fore. In this environment, we intend to ensure strategic flexibility and avoid becoming excessively tied to numerical targets. Meanwhile, we will deepen our dialogue with stakeholders from a more medium- to long-term perspective by positioning the Long-Term Vision and Medium-Term Management Policy as a stakeholder engagement agenda.

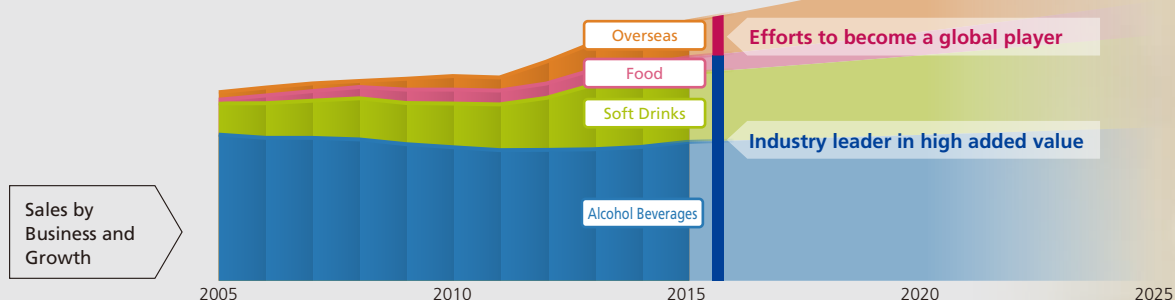
Looking ahead, I will continue to bear responsibility for management of the entire Group as Chairman and Representative Director, CEO. We have a "growth-oriented governance" framework in place that enables rapid decision-making based on a division of roles between my successor, President Akiyoshi Koji, and me. Under this framework, we will work together for further development of management for corporate value enhancement.

I hope you will continue to share our excitement for the future of the Asahi Group as we endeavor to ensure sustained growth and enhance medium- to long-term corporate value.

# Long-Term Vision (Future Vision for Our Business) and Medium-Term Management Policy

## Long-Term Vision (Future Vision for Our Business)

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



## Medium-Term Management Policy

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

- ▶ **Strengthening of earnings power** by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine
  - Promote innovation and demonstration of leadership in the industry with high added value and differentiation as key areas of focus
  - Reform the earnings structure and business model evolution through business integration and value chain sophistication
  - Acquire foundations for growth, mainly in overseas markets, by leveraging strengths originating in Japan
- ▶ **Asset and capital efficiency improvement** that takes into consideration capital cost
  - Capital efficiency improvement with an emphasis on the equity spread (ROE–cost of shareholders' equity)
  - Business administration and business portfolio restructuring utilizing ROIC (rate of return on invested capital) as a performance indicator
- ▶ **Reinforcement of ESG initiatives** to increase sustainability
  - Upgrade intangible assets such as nature, social and relationship capital and personnel and its development toward a CSV (creating shared value) strategy
  - Implement "active corporate governance" that contributes to the practice of management to enhance corporate value

=> **Promote constructive dialogue by positioning the above key priorities as an engagement agenda**

### Key Performance Indicator Concept and Guidelines

	FY2015 Results	Guidelines for FY2016 to FY2018
Net Sales	¥1,857.4 billion	Stable growth from main businesses – Business restructuring + New M&As
Operating Income	¥135.1 billion	Existing businesses (CAGR in the high single digits) + Impact of new M&As
EPS	¥166.3	CAGR of approx. 10%
ROE	8.8%	Maintain and increase to 10% or higher

Notes: 1. The above indicators take into account the impact of the transition to IFRS at the end of FY2016.  
2. The calculation basis excludes special factors such as foreign exchange impact and one-off extraordinary items.



## Aiming at Further Development of Management for Corporate Value Enhancement

**Greetings. My name is Akiyoshi Koji, and I am the recently appointed president and representative director, COO.**

**In this section, I would like to summarize our activities up until 2015 under Medium-Term Management Plan 2015 and explain concrete initiatives to aim at further development of management for corporate value enhancement, centered on the recently formulated Long-Term Vision and Medium-Term Management Policy.**

*President and Representative Director, COO*  
**Akiyoshi Koji**

*Akiyoshi Koji*



## ROE and EPS Targets Achieved, but Challenges Remain for Strengthening Earnings Power

### ► Summary of Medium-Term Management Plan 2015

In Medium-Term Management Plan 2015, a three-year plan initiated from 2013, we focused on our strengths and network expansion, as well as on improving corporate value by implementing optimal capital policies including enhancing shareholder returns.

In 2015, the final year of the plan, we achieved total net sales of ¥1,857.4 billion, up 4.0% year on year, the highest on record. The result mainly reflected sales growth centered on our mainstay brands and the effect of M&A investments in the Alcohol Beverages and Overseas Businesses. Operating income was ¥135.1 billion, up 5.3%, mainly impacted by higher sales as well as progress in profit structure reforms. Net income was ¥76.4 billion, up 10.6%, marking a new record high for the 15th consecutive year.

For these past three years, the business environment

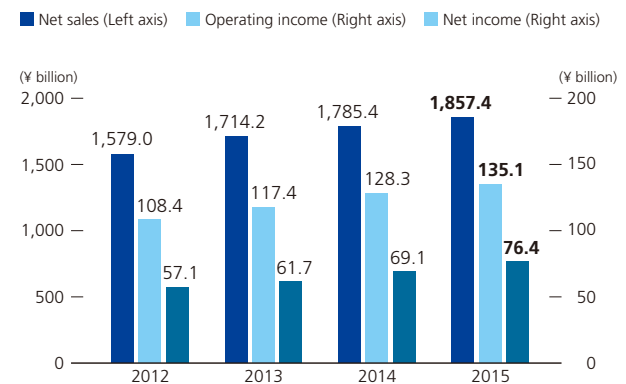
both in Japan and overseas has been a tough one, marked mainly by intensifying competition and the slowdown in emerging economies such as China. Nevertheless, we expanded a strong brand foundation in each business by making progress through such means as developing a comprehensive Alcohol Beverages Business built on top brands. We also conducted profit structure reforms worth more than ¥40.0 billion including a collaboration with Calpis Co., Ltd. and the creation of integration synergies at production and logistics bases in the Oceania Business.

Moreover, in our efforts to increase capital efficiency, we were able to achieve the ROE and EPS targets we had set as KPIs, due to reaching a total return ratio of 79% for the past three years.

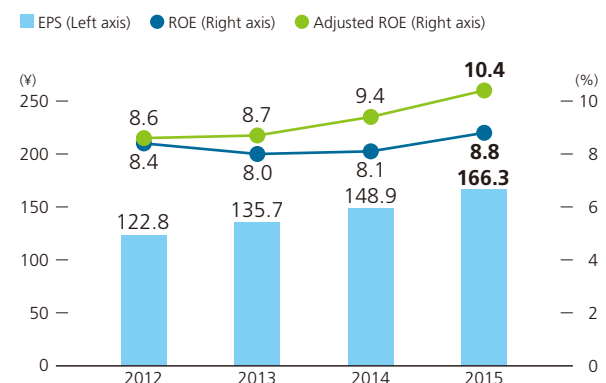
### ► Progress on Quantitative Targets and Challenges

On the other hand, in terms of progress on our quantitative targets, while we achieved targets for ROE and EPS, we did not achieve targeted growth rates for EBITDA or the operating margin, which are guidelines for profitability. KPIs that are connected to enhancing corporate value were achieved, along with capital policy. However, we still face challenges on our top priority of enhancing profit growth, or earnings power. In particular, in an environment that is increasingly competitive, we must act urgently to create further high added value and new demand in the Alcohol Beverages and Soft Drinks Businesses in Japan, and amid the ongoing major global restructuring, to expand our growth platforms overseas.

#### Net Sales/Operating Income/Net Income



#### EPS/ROE/Adjusted ROE



## Leverage the Strengths of the Business Portfolio to Drive Strategies for Growth That Capture Opportunities and Comprehend Risks

### ► Strengths of the Business Portfolio and the External Environment

In our Alcohol Beverages Business, which is the Asahi Group's largest business domain, the Group boasts the top share in the domestic beer-type beverages market. Market share solely in the beer category is around 50%, particularly thanks to our flagship brand, *Asahi Super Dry*. In addition, we are third in share in the domestic soft drinks market, mainly due to *Mitsuya Cider*, which has the top share in the non-cola carbonated drinks market, and *Calpis*, which leads the lactic acid drinks market. Furthermore, we own leading brands and businesses in the Food Business including mint tablets, baby food, and freeze-dried food products. In the Overseas Business, the Asahi Group has been developing a prominent global network, including the second largest soft drinks companies in Oceania and Malaysia under its umbrella.

On the other hand, although the domestic beer-type beverages market continues to diminish in size after peaking in 1994, mainly due to Japan's falling birthrate and aging population as well as the diversification in alcohol consumption, the contribution to total sales of the Overseas Business has been hovering at 14%. Looking at the external business environment of the Company, as the 20-year struggle to escape from deflation reaches a crucial stage in Japan, further increases in the consumption tax and revisions to the liquor tax from next year onward are expected to contribute to greater diversification in consumption and values. Overseas, at a time of flagging growth in emerging economies, major global-scale reorganizations of the beer industry are also progressing. These trends will present us with diverse growth opportunities, both in the short term and the medium to long term.

### ► Response to Risk

The main risks for implementing medium- to long-term strategies for growth going forward include a greater than expected market contraction and deterioration of the competitive landscape due to an economic downturn and various tax reforms. Overseas, we must anticipate fierce competition as a result of the increasing presence of leading global companies in addition to economic slowdown in regions where we have an operational presence.

of brand power and generation of integration synergies through M&As. In addition, with the upcoming Tokyo 2020 Olympic and Paralympic Games and the registration of *Japanese cuisine* as a World Intangible Cultural Heritage by UNESCO, we anticipate further opportunities for growth by leveraging our strengths in Japanese food culture and taking advantage of the global restructuring.

On the other hand, we have achieved record-high earnings for the 15th consecutive year through profit structure reforms, specifically through development of a comprehensive Alcohol Beverages Business, reinforcement

We will strive to mitigate risks by improving the Asahi Group's strengths, such as brand power and cost competitiveness, across the value chain, and by making investments for growth in and outside of Japan to capture opportunities.

### SWOT Elements of the Business Portfolio ● Japan ● Overseas

<ul style="list-style-type: none"> <li>● Top share in the domestic beer-type beverages market (market share of 50% for beer alone)</li> <li>● Third in share in the domestic soft drinks market</li> <li>● Category-leading food brands and businesses</li> <li>● Powerful networks in Oceania, Southeast Asia and China</li> </ul>	<ul style="list-style-type: none"> <li>● Maturation of the alcohol beverages and soft drinks markets due to the declining birthrate and aging population, among other factors</li> <li>● Continuation of a fiercely competitive environment in a deflationary environment</li> <li>● 14% sales contribution from the Overseas Business</li> <li>● Increasing oligopolization by large global companies</li> </ul>
<p><b>Strengths</b></p>	<p><b>Weaknesses</b></p>
<ul style="list-style-type: none"> <li>● Value variation in consumption behavior due to escape from deflation, revision of tax regulations, and other factors</li> <li>● Continuation of high added value, including in health functional products and other categories</li> <li>● Holding of the Tokyo 2020 Olympic and Paralympic Games and registration of <i>Japanese cuisine</i> as a World Intangible Cultural Heritage</li> <li>● Growth in the alcohol beverages and soft drinks markets, mainly in emerging countries</li> <li>● Increase in market entry opportunities due to factors including global restructuring</li> </ul>	<ul style="list-style-type: none"> <li>● Greater than expected market contraction resulting from factors including economic stagnation</li> <li>● Increasingly difficult environment due to tax regulation revisions</li> <li>● Economic slowdown in regions in which the Group operates (Oceania, Southeast Asia, and China)</li> <li>● Intensification of competition due to an offensive by large global corporations, among other factors</li> </ul>
<p><b>Opportunities</b></p>	<p><b>Threats</b></p>



## Driving a Dynamic Strategy for Growth Based on the Long-Term Vision and Medium-Term Management Policy

### ▶ The Long-Term Vision for Our Business

Based on matters such as the overview and external environment I have mentioned so far, we have included the future vision for our business 10 years from now in the newly formulated Long-Term Vision. This new vision for the future is “As a comprehensive beverage and food business group whose core business is alcohol beverages, aim to be an industry leader with high added value as a key area of focus and establish a unique position as a global player that leverages strengths originating in Japan.”

In Japan, consumption is growing more diverse and demand is growing for added value such as health functions. Looking ahead, even though the market is a mature one, we seek to achieve growth based on high added value. As a comprehensive beverage and food business group whose core business is alcohol beverages, we will leverage our strengths in diverse leading brands and businesses to become an industry-wide leader in value competition.

Overseas, we will work towards establishing an independent position as a global player by leveraging our strengths in high-quality brand power and cost competitiveness, such as the development of *Asahi Super Dry* as a global brand in the premium price band. With leading global players continuing to make large-scale acquisitions, we do not intend to compete on a global scale. Faced with the possibility of a global economic slowdown, we believe our overseas strategy going forward should be to establish a differentiated position in the global market. I believe the time has now come for us to utilize the strengths we have developed under the harsh deflationary environment of Japan to become a new Asahi Group that will grow globally.

### ▶ Three Key Priorities in the Medium-Term Management Policy

The Medium-Term Management Policy for realizing the Long-Term Vision has laid out three key priorities: i) Strengthening of earnings power, ii) asset and capital efficiency improvement, and iii) reinforcement of ESG initiatives. The policy aims to further develop the management for corporate value enhancement that we have been practicing to date.

We are focusing on strengthening earnings power as our top priority. In Japan, we will aim to demonstrate leadership of the entire industry through product mix improvements and innovation centered on high added value and differentiation. Furthermore, we will enhance our earnings power overseas by acquiring new growth foundations that leverage our strengths in addition to the strategies for growth of our existing businesses.

The second key priority is improvement of our asset and capital efficiency. In the Medium-Term Management Plan 2015 running up to last year, we also strove to emphasize capital efficiency in management, and we will continue our efforts to improve capital efficiency in terms of capital cost, such as the equity spread. With regard to maintaining and improving ROE, we will not be relying solely on capital policy such as financial leverage, but also engaging in business management utilizing ROIC and restructuring our business portfolio.

The third key priority is reinforcement of ESG initiatives. Operating companies will face increased pressure to emphasize sustained growth and medium- to long-term corporate value in their management going forward. Against this backdrop, we will further strengthen our ESG initiatives, aiming to increase sustainability as an indispensable element for developing new business activities.

Message from the CFO **page 24**

Review of Operations **page 30**

ESG Initiatives of the Asahi Group **page 38**

## ► Acquisition of Beer Business in Europe

As part of our efforts to strengthen our earnings power, we approved a final proposal in February 2016 for a stock purchase agreement with the largest global beer manufacturer, Anheuser-Busch InBev SA/NV, concerning the Italian, Dutch, and British businesses of SABMiller plc. Since the agreement is conditional upon Anheuser-Busch InBev completing its acquisition of SABMiller, it has yet to be concluded, however it is the perfect deal for Asahi Group as it aims to establish a differentiated position as a global player.

The acquisition targets are the long-established Peroni and Grolsch brands, two of the best-known in the world. They are growing steadily in their countries of origin, Italy and the Netherlands, and are achieving rapid growth as super premium brands in the U.K. With the acquisition of these leading brands along with their manufacturing and sales infrastructures, we aim to expand our platform for growth overseas and realize major synergies in the global development of our flagship *Asahi Super Dry* brand. Moreover, we believe that leveraging these brand assets and the Company's know-how will open the way for a host of strategic options not only in Europe, but in Australia and Asia, where we already have a presence.

## ► Medium-Term Management Policy Guidelines and Outlook for 2016

For the guidelines on KPIs in the Medium-Term Management Policy, in net sales, we will continue to drive steady growth in core businesses while working to restructure businesses through selection and concentration and to execute new M&As. With regard to operating income, we will aim for CAGR in the high single digits in existing businesses and accumulate earnings through new M&As. As KPIs for these initiatives, we will aim for continued average annual growth in EPS of around 10%. For ROE, we will aim to maintain and improve it to the level of 10% or above—exceeding the cost of shareholder capital.

In the earnings forecast for 2016, we are projecting a 1.4% increase in operating income—a slightly slow start compared with our Medium-Term Management Policy guideline. However, this year will be the lowest point in the plan, and we intend to build on it. We have positioned this year as one to consolidate the foundation for sustained growth, we will accelerate the development of growth



drivers for 2017 onward based on the Medium-Term Management Policy.

In accepting my appointment as president, my mission is to continue management for corporate value enhancement in line with the Long-Term Vision and Medium-Term Management Policy, and to develop it even further.

As the external environment undergoes major changes, our policy is to continue to execute swift decision-making aimed at promoting dynamic strategies for growth and the development of an efficient and highly profitable business foundation to move ahead with the sustained growth of the entire Group going forward.

We will continue to develop dialogue with stakeholders, such as our shareholders, and to aim for sustained growth and enhancement of corporate value over the medium to long term. I ask you to support the Asahi Group as it continues to grow.

# Message from the CFO

## Increasing Corporate Value through Asset and Capital Efficiency Improvement Based on Capital Cost

Managing Director and Managing Corporate Officer (CFO)  
Yoshihide Okuda

*Yoshihide Okuda*



### Review of the Capital Policy

Under Medium-Term Management Plan 2015, the Asahi Group strove to enhance total shareholder return by targeting a consolidated payout ratio of 30% and a total return ratio, including share buybacks, of 50% or more. In 2013 and thereafter, share conversions of the euro-yen CBs we had issued accelerated faster than anticipated due to a rapid increase in our stock price. However, we responded primarily by redeeming the remaining CBs early, as well as executing stable dividend increases targeting a dividend payout ratio of 30% and share buybacks amounting to approximately ¥100.0 billion on a cumulative basis. As a result, we achieved the targets for ROE and EPS, both KPIs under Medium-Term Management Plan 2015.

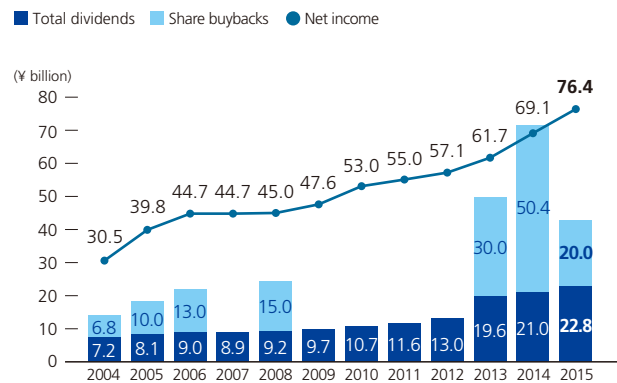
The total return ratio for the past three years has reached 79%, significantly exceeding our 50% guideline. We will strive to enhance ROE and EPS in a sustainable manner by continuously implementing optimal capital policies in light of unexpected risks such as those described above.

### Financial and Cash Flow Guidelines

Turning to guidelines under the Medium-Term Management Policy, we aim to generate cumulative cash flow of ¥470.0 billion or more over the next three years by advancing maximization measures such as asset review in addition to operating cash flow. As for capital expenditures, we are budgeting between ¥180.0 and ¥220.0 billion. We plan to continue utilizing free cash flow, considering the balance between investments for growth and shareholder returns.

In terms of investments for growth, if major capital demands arise, we will make use of financial liabilities, allowing for a maximum D/E ratio of around 1.0 in addition to free cash flow. In M&As, however, acquisitions of overvalued companies can pose a risk to corporate value. Therefore, we will strive to make investments at adequate

### Shareholder Returns



prices emphasizing investment returns on the assumption that we will be able to enhance value from a medium- to long-term perspective through generating synergies that leverage our strengths.

In regard to shareholder returns, we plan to successively increase dividends targeting a dividend payout ratio of 30% on an International Financial Reporting Standards (IFRS) basis. We will not set a target for the total return ratio as we did in the previous medium-term management plan. Instead, we will give priority to investments for growth in conjunction with considering share buybacks according mainly to progress on investments for growth. Taking into account the opportunities and risks in the external environment, we currently seek to attain sustained growth by giving top priority to expanding the Group's foundations for growth.



## Financial and Cash Flow Guidelines under the Medium-Term Management Policy

Cumulative Guidelines for 2016–2018	
Cash Flow	<ul style="list-style-type: none"> <li>• Generate cash flow of <b>¥470.0 billion or more</b> (Operating cash flow + Maximization measures + Asset review)</li> <li>• Capital expenditures of <b>¥180.0 to ¥220.0 billion</b></li> </ul>
For Growth Investment	<ul style="list-style-type: none"> <li>• Active investment in M&amp;As and alliances to acquire foundations for growth (Maximum <b>D/E ratio of approx. 1.0</b> acceptable if major capital demands arise)</li> </ul>
Shareholder Returns	<ul style="list-style-type: none"> <li>• Stable dividend increases targeting a dividend payout ratio of <b>30%</b> (IFRS basis) by 2018</li> <li>• Flexible share buybacks taking into account an appropriate balance with growth investments</li> </ul>

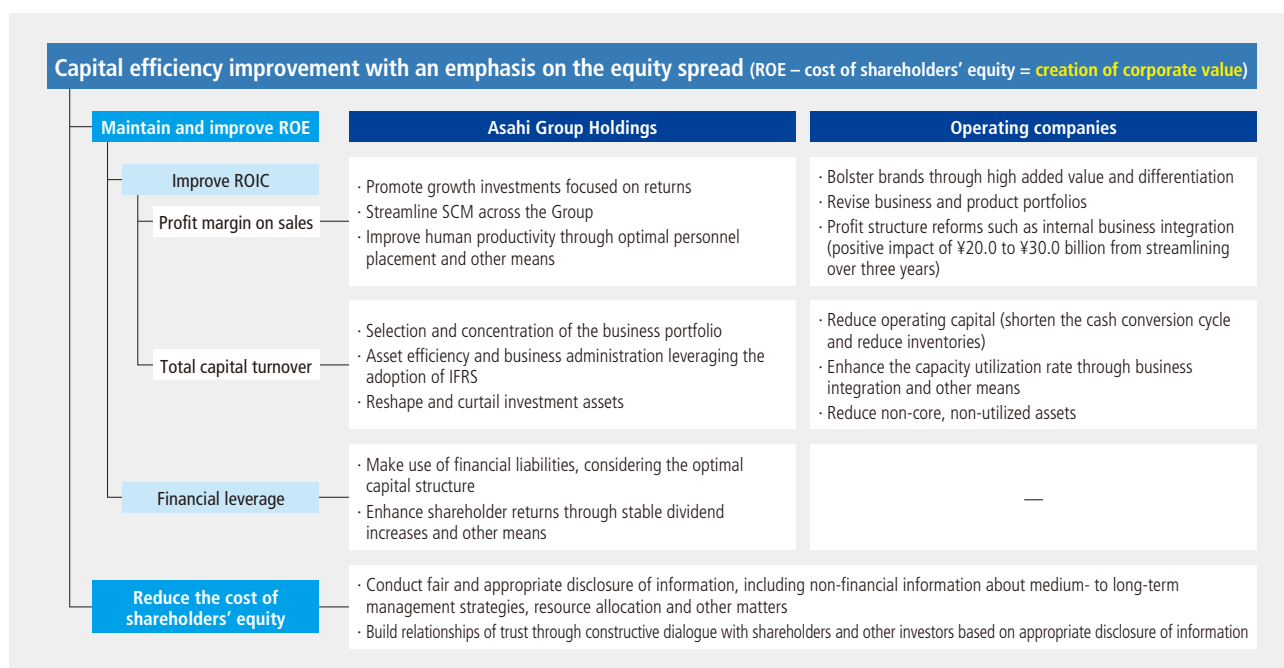
## Asset and Capital Efficiency Improvement

One of the key priorities of the Medium-Term Management Policy is asset and capital efficiency improvement. We believe that the Company's current cost of shareholders' equity is around 6.5%. The equity spread measures the extent to which ROE exceeds the return expected by shareholders and investors. Our policy is to increase the equity spread, based on the notion that it constitutes the source of corporate value.

Specifically, we will break down the ROE into ROIC and financial leverage, and define the activities of Asahi Group Holdings and its operating companies in terms of each of those components. This will enable us to align the activities of the entire Group toward enhancing corporate value. The operating companies will focus on strengthening earnings power, one of the Medium-Term Management Policy's key priorities. In parallel, the operating companies will adopt

product portfolio restructuring, profit structure reforms, and operating capital reductions and other imperatives as activity KPIs, which will be used to raise the sophistication of internal management. The holding company will conduct M&As focused on returns and business portfolio restructuring in conjunction with executing financial strategies in consideration of the optimal capital structure, including balancing investments for growth and shareholder returns.

Efforts to reduce the cost of shareholders' equity will not necessarily produce results immediately. However, we recognize that the most important thing is to enhance the trust of shareholders and investors. Accordingly, we will continue working to reduce the cost of shareholders' equity through appropriate disclosure of information and constructive dialogue aimed at the enhancement of corporate value over the medium to long term.



# Asahi's Value Creation Process (Key Examples)

## SPECIAL FEATURE

### Rebuilding Our Business Model by Utilizing Our Strengths

The Asahi Group made a full-scale entry into the Oceania market in 2009 by acquiring Schweppes Australia Pty Ltd, Australia's second largest non-alcohol beverages company by market share. We went on to add to the Group a further six non-alcohol beverages and alcohol beverages companies with various strengths. We built a business model that maximizes their synergies under a local holding company.

Meanwhile, rising health consciousness, excise tax revisions, and other factors have driven structural changes and competition in the Group's main markets, carbonated soft drinks and RTD low-alcohol beverages. The Group has successfully responded to these external changes with growth strategies that leverage its strengths and structural reforms. Here we introduce some of the key examples of our value creation process.

#### Specific Initiatives

#### Creating Growth Drivers Based on Brand Development Capabilities



The Group's brand development capabilities are based on quick responses to changes in market structure and consumer trends. This capability has enabled us to create new growth drivers, such as bottled water, cider, and international premium beers, and to establish a strong position in each market.

#### Future Direction

We will continue to inspire fresh innovation through combining successful experiences in local markets and our strengths in product development technologies and expertise originating in Japan following the launch of *Asahi Soukai*.

#### Maximizing Integration Synergies to Increase Cost Competitiveness



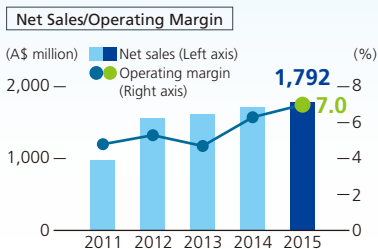
In addition to quality improvement initiatives, the Group achieved efficiency gains worth ¥8.0 billion or more, far in excess of initial plans, over the past three years up until 2015. We achieved this by consolidating production and logistics sites using cost competitiveness expertise cultivated in Japan for building optimal production and logistics systems and by transitioning to internal production of PET bottles.

#### Future Direction

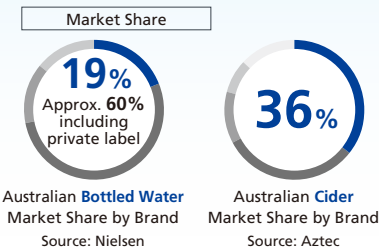
We will achieve industry-leading cost competitiveness by expanding successful examples of horizontal and vertical supply chain integration. These include driving further optimization of production and logistics sites throughout Australia and preform manufacturing of PET bottles.

#### Results of Initiatives

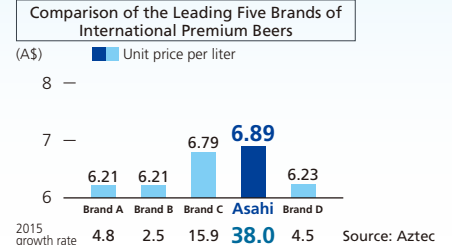
##### Business Results (Based on Local Currency)

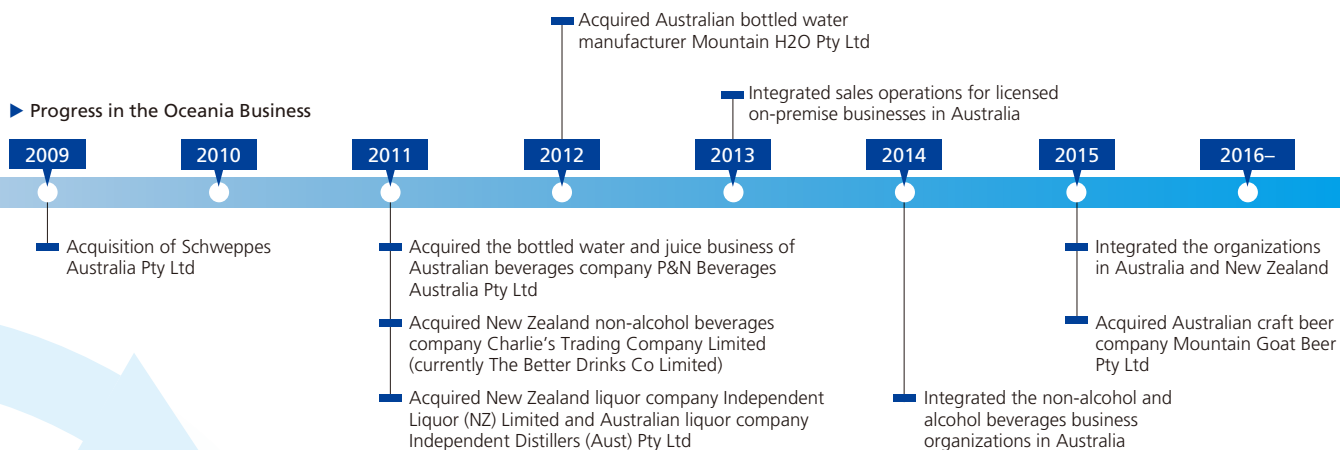


##### Establishing a Dominant Presence in Growing Categories



##### Increasing in Brand Value of *Asahi Super Dry*





## Integrating Corporate Cultures and Strengthening Governance Based on Human Resource (Organizational) Capabilities

We completed the full integration of each operating company, bringing them under a local holding company. We established a corporate culture by sharing values and set up an advisory board made up of external experts to strengthen the governance framework. These initiatives helped to strengthen our human resource and organizational capabilities.

### Future Direction

We will nurture the uniquely diverse human resources of Oceania through our Group capabilities and evolve the governance system further by bringing in independent directors, introducing an Audit and Risk Committee, and other measures.

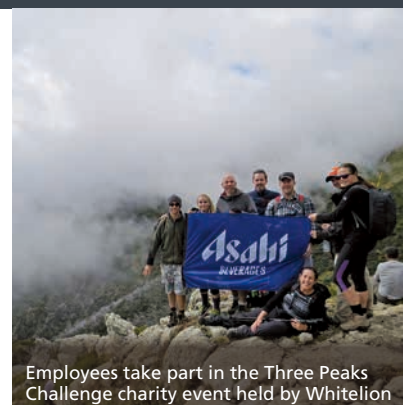


## Increasing Social Collaboration Power through Cooperation with Stakeholders

We are working closely with stakeholders and promoting corporate citizenship activities to increase our social collaboration power. Initiatives include developing 100% recycled PET bottles through collaboration with major retailers to reduce our environmental load and supporting youth activities and education in partnership with the NPO Whitelion ASN and through volunteer work.

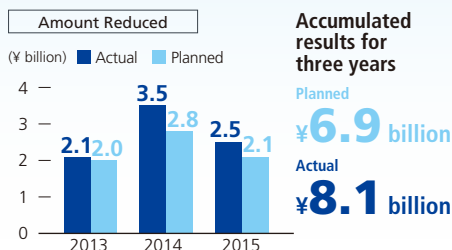
### Future Direction

To contribute to creating a sustainable society, we will continue our social contribution activities as well as collaborating with the government and our suppliers to further reduce environmental load through waste reductions.



Employees take part in the Three Peaks Challenge charity event held by Whitelion

## Strengthening Cost Competitiveness by Generating Synergies Exceeding Initial Plans



## Driving Future Business Development with Progressive Management and Growing Brands

The business integration process following a series of acquisitions involves a complete revision of the value chain and business processes, incorporation of progressive management combining the best of local and Japanese practices, as we continue our development in the steadily growing Oceania market. In Australia, in addition to our mainstay carbonated soft drinks market, we have established unrivaled dominance of No.1 position in the bottled water and cider markets—two major and the fastest growing categories in non-alcohol and alcohol beverages. In the same way, *Asahi Super Dry* achieved substantial growth and cemented its position within the strong performing international premium beers. I am excited about our future here.

Group CEO, Asahi Holdings (Australia) Pty Ltd  
**Atsushi Katsuki**





# Driving Sustained Value Creation by Upgrading Value Chains



The objective of the Asahi Group's business model is to promote healthy living and the enrichment of society by upgrading value chains based on the Group's corporate culture and the strengths it has developed over the years. In this section, we introduce our basic principles for value creation and examples of specific measures in our value chains.

## Research and Development

## Procurement

### Basic Principles for Value Creation

- Create new value and demand through innovation by leveraging our technology platforms
- Advance quality control technologies to strengthen our brand power
- Maximize Group synergies through the expansion of R&D technologies and know-how
- Utilize technologies and know-how and reinforce communication to reduce our environmental loads and address social issues

- Collaborate with business partners to drive stable procurement focused on cost competitiveness
- Establish a quality assurance system with suppliers as business partners
- Expand our supply chain to reinforce Group/global procurement functions
- Move toward procurement that considers our environmental loads and human rights

### Examples of Specific Measures

- ▶ Successfully accelerated development of new products such as *Asahi Style Free Purine Body Zero* through the development of a highly sensitive purine-body analysis method with sensitivity approximately 10 times that of the conventional method.
- ▶ Developed *Asahi Mogitate*, a canned RTD low-alcohol beverage, by developing the Asahi Freshness Preservation Manufacturing Method, which employs treatment with materials that suppress the deterioration of citrus flavors, low-temperature sterilization and other techniques.
- ▶ Received Minister of Agriculture, Forestry and Fisheries' Award under the "The 24th Global Environment Award," in recognition of a circular agricultural process using the compost accelerator Thervelics, which was developed based on research into lactic acid and microorganisms.
- ▶ Received the 2016 Japan Bioscience, Biotechnology and Agrochemistry Society Award for Achievement in Technological Research from the Japan Society for Bioscience, Biotechnology, and Agrochemistry for research into the efficacy of *benifuuki* tea leaves for alleviating allergy symptoms caused by pollen, house dust and other sources, along with research into the commercialization of *benifuuki* tea leaf products.

- ▶ Executed stable procurement utilizing measures such as decentralized procurement from diversified production areas and long-term contracts, based on the implementation of periodic reviews of high-risk items in terms of stable procurement.
- ▶ Enhanced cost competitiveness, notably by attaining the target of reducing procurement costs by more than ¥10.0 billion over three years. This was achieved through measures to promote joint Group procurement and mitigate the risk of fluctuations in market prices.
- ▶ Established the Global Procurement Strategy Promotion Center within the procurement section of Asahi Group Holdings, Ltd. to promote inter-area collaboration overseas.
- ▶ Advanced CSR procurement aimed at solving social issues by formulating the CSR Principles for Asahi Group Suppliers focused on the three key themes of consideration for human rights, the environment, and compliance with laws and regulations.



## Production and Logistics

- Enhance cost competitiveness by establishing optimal production and logistics systems across the Group
- Reinforce the quality control system to ensure the highest level of quality
- Share production technology and logistics know-how globally
- Contribute to a sustainable society through measures to reduce CO<sub>2</sub> emissions and eliminate waste

- ▶ Increased efficiency and reinforced the quality control system, mainly by establishing optimal production and realigning in light of the conversion of ENOTECA CO., LTD. into a subsidiary and the integration of the Soft Drinks and Food Businesses.
- ▶ Enhanced the productivity and quality of global operating bases by leveraging technologies and know-how developed in Japan, including switching to internal production of PET bottles and increasing logistics efficiency in Oceania.
- ▶ Expanded the installation of cogeneration systems at Group companies in Japan (private power generation capacity of the entire Group in 2015: 39,227 kW; private power generation ratio: 37.4%)
- ▶ Strengthened measures to reduce environmental loads, including expanding the use of long-distance transportation (500 km or more) by train and ship (modal shift ratio in 2015: 35.7%)



## Marketing and Sales

- Strengthen our brand power and promote innovation aimed at creating new value and demand
- Strengthen solution-oriented marketing by collaborating with business partners
- Implement global marketing by leveraging our strengths
- Expand cause marketing and increase the number of health and environmentally conscious products

- ▶ Nurtured No.1 brands by strengthening proposals for comprehensive alcohol beverages, such as the imported wine *SANTA HELENA Alpaca* and the non-alcohol beer-taste beverage *Asahi Dry Zero*.
- ▶ Achieved substantial growth in mainstay food brands by nurturing high-value-added products such as *MINTIA Breeze* and *Dear-Natura GOLD* (foods with function claims).
- ▶ Enhanced global marketing by leveraging strengths originating from Japan, as highlighted by the launch of *Calpis* in Malaysia and the roll-out of *Asahi Soukai*, the Group's first beer brand in Australia.
- ▶ Expanded the use of green electricity for manufacturing of *Asahi Super Dry* and gift packages featuring beer-type beverages. (Accumulated sales volume of green electricity products from 2009 to 2015 surpassed 9.0 billion bottles.)

# Alcohol Beverages

Maintain and improve high profitability as the Group's largest cash-cow business



## Medium-Term Management Policy (Key Priorities)

- Demonstrate leadership in the industry with high added value and increase the profit pool of the industry as the No. 1 comprehensive alcohol beverages company
- Strengthen new value creation proposals through innovation and development of strong core brands in each category
- Reform profit structure through value chain sophistication and collaboration, and evolve the business model including e-commerce

### ► Business Environment (Opportunities and Risks)

Japan's beer-type beverage industry has continued to shrink from its 1994 peak due to the falling birthrate and aging population as well as diversification in alcohol consumption. We anticipate a risk that beer-type beverage market shipments will continue to decline by around 1.0% annually. In the meantime, amid emerging signs that the Japanese economy has overcome deflation, the diversification of consumption and values continues to be seen in areas such as the revitalization of the premium and craft beer markets. Moreover, rising health consciousness and other trends are expanding the market for functional

beverages with reduced carbohydrates and purine bodies.

In the category of alcohol beverages other than beer-type beverages, markets such as whisky and spirits, wine, and RTD low-alcohol beverages are growing due to diversification of lifestyles and proposals for new ways to enjoy beverages. In addition, with the upcoming Tokyo 2020 Olympic and Paralympic Games and the registration of *Japanese cuisine* as a World Intangible Cultural Heritage by UNESCO, we anticipate diverse opportunities for growth by leveraging our strengths in Japanese food culture and expanding inbound tourism demand.

### ► Medium-Term Management Policy (Key Priorities)

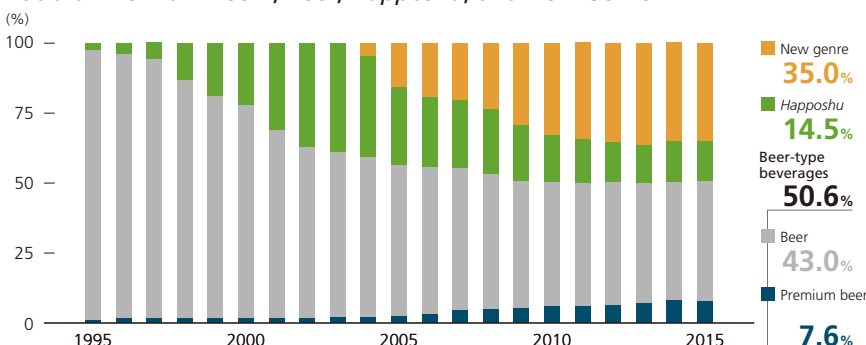
Based on these opportunities and risks, as the Group's largest cash-cow business, the Alcohol Beverages Business will strive to maintain and improve its high profitability as its priority mission.

As the No. 1 comprehensive alcohol beverages company with beer-type beverages and diverse leading brands and categories, our policy is to continue demonstrating leadership in adding value and improving the profit pool of the industry. We will strive to reinforce core brands by leveraging our brand development capabilities and to

generate new values and demand, aiming for first-entry into new markets based on our corporate culture of taking on the challenge of innovation.

Furthermore, while enhancing our industry-leading cost competitiveness (operating margin of 21% excluding liquor tax) across the entire value chain, we intend to undertake profit structure reforms through collaboration with our competitors and other measures, and evolve our business model using e-commerce and so forth.

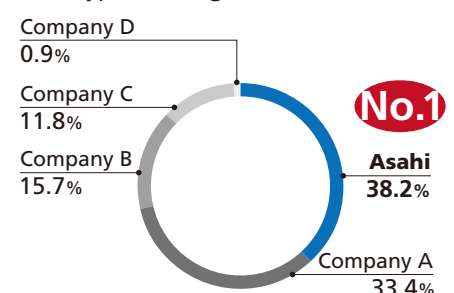
Ratio of Premium Beer\*, Beer, Happoshu, and New Genre



\* Ratio of premium beer has been estimated by Asahi

Market Share by Company in 2015

#### Beer-type Beverages Market



Note: Based on the taxable shipment volumes of Japan's five major beer companies



## ► 2015 Results

In the beer-type beverages category, we worked on creating *koto* consumption (consumption based on intangible values) by pursuing further evolution of the flavor of *Asahi Super Dry* and launching products with seasonal packaging among other measures. Moreover, in response to rising health consciousness, we also endeavored to expand our product lineup by releasing a purine body-free derivative of *Asahi Style Free in Happoshu* and *Clear Asahi – Toshitsu Zero (Carbohydrate-Free)* in the new genre category.

In the category of alcohol beverages other than beer-type beverages, whisky and other spirits, including the *Taketsuru* and *Black Nikka* brands, and imported wines, such as *SANTA HELENA Alpaca* from Chile, performed strongly. In alcohol-taste beverages (non-alcohol), sales grew sharply from those of the previous year, mainly due to the release of *Asahi Dry Zero Free*, which is purine body-free in addition to being calorie-free and carbohydrate-free.

As a result of the above and the addition of the results of ENOTECA CO., LTD., which became a new consolidated subsidiary in March 2015, the Alcohol Beverages Business posted net sales of ¥972.9 billion, up 3.3% year on year. Operating income before amortization of goodwill and other items increased by 2.2% year on year to ¥119.5 billion due mainly to the sales growth and reduced manufacturing costs, despite an increase in advertising and promotional expenses.



## ► Plans for 2016

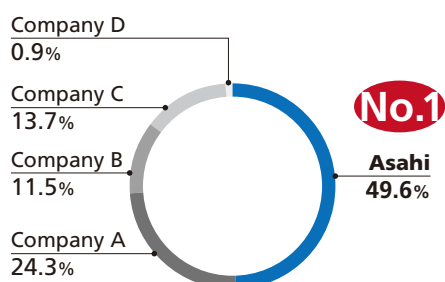
In 2016, we will aim to be the leading company for comprehensive alcohol beverage proposals, based on our Medium-Term Management Policy, as we work to increase our brand value and drive innovation.

In addition to bolstering the value of our flagship brands in each category, we will expand our proposals based on new value creation. These will include *Asahi The Dream*, a beer that offers the ultimate in depth of flavor and thirst-quenching qualities while slashing carbohydrates by 50%, and *Asahi Mogitate*, an RTD low-alcohol beverage with an uncompromising approach to the value

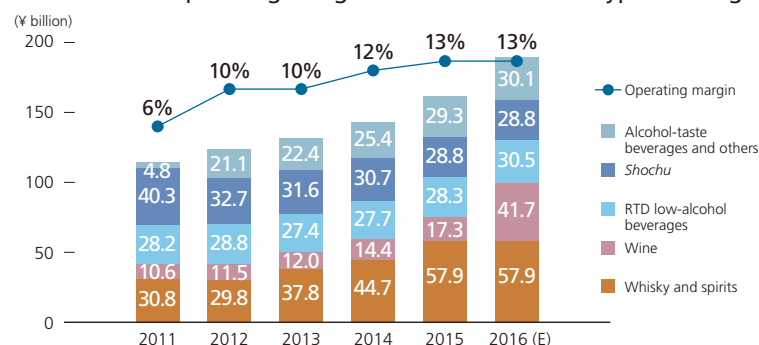
of freshness. We also intend to step up brand investments ahead of 2020 in our role as a Gold Partner for the Tokyo 2020 Olympic and Paralympic Games.



### Market Share Solely for the Beer Category



### Net Sales and Operating Margin of Other than Beer-type Beverages



\* The 2016 forecast for wine takes into account plans for ENOTECA CO., LTD.

## Soft Drinks

Realize profit growth by establishing a differentiated position as the Group's second mainstay business



### Medium-Term Management Policy (Key Priorities)

- Establish a distinctive, prominent position centered on reinforcement of the brand power of key products
- Offer higher added value in response to consumer health consciousness and propose new value through innovation, including in the chilled beverages business
- Carry out profit structure reforms such as maximization of integration synergies, sales channel and container mix improvement, and SKU reduction

### ► Business Environment (Opportunities and Risks)

Based on previous annual growth of a mere 0–1.0%, we expect the Japanese soft drinks market to continue to be growing slowly in terms of shipments. Meanwhile, the carbonated drinks market centered on functional beverages and mineral water market have been expanding against a backdrop of rising consumer health consciousness and security concerns and food safety. Furthermore, the soft drinks markets for foods for specified health uses (FOSHU) and foods with function claims are expanding, and opportunities for growth in each category through provision of

high added value are expected to expand.

On the other hand, there is a risk that competition will continue to intensify in the Japanese soft drinks market due to the substantial number of large beverage manufacturers and the expansion of private-label products. In addition, as a few top brands capture the lion's share of demand in each category, we also need to seek growth opportunities by anticipating the restructuring of the beverage industry.

### ► Medium-Term Management Policy (Key Priorities)

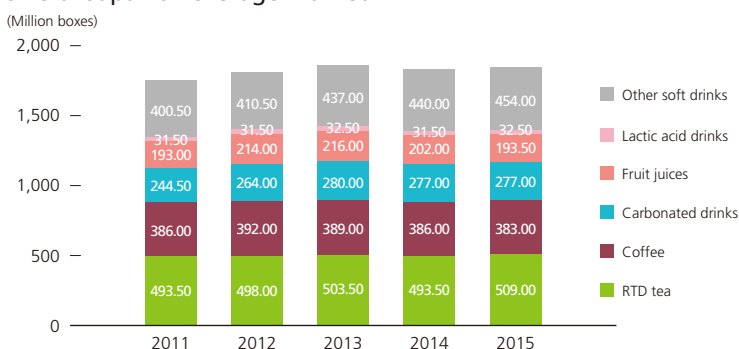
In light of these opportunities and risks, we aim to realize growth with profit in the Soft Drinks Business by establishing a differentiated position as the Group's second mainstay business.

Rather than falling into a price war by focusing mainly on total market share alone, we will seek to establish an individual, distinctive, and prominent position centered on the brand development capabilities we have cultivated, including our leading non-cola carbonated drink brand *Mitsuya Cider*. We will also aim to demonstrate strengths

in health functionality, leveraging high added value in FOSHU and other products and lactic acid technology to drive even further innovation.

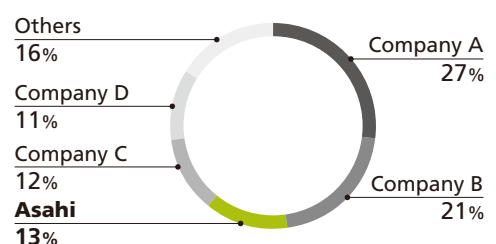
Moreover, we will strive to establish a robust profit structure by maximizing our synergies with the fully integrated Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd., in such ways as building optimal production and logistics systems. Other initiatives will include improving our sales channels and container mix and reducing stock keeping units (SKUs).

Size of Japan's Beverage Market



Source: Inryo Soken

Market Share by Company in 2015



Source: Inryo Soken

## ► 2015 Results

In our mainstay categories, we sought to enhance brand value by releasing the *Mitsuya Fruit Cider* series, a carbonated drink containing fruit juice, on a full-scale basis; launching new products such as the *WONDA GRAND WONDA* series, offered in bottle-type can; and renewing *Calpis Water*.

Furthermore, the Group worked on proposing new value by renewing the FOSHU products *Mitsuya Cider Plus* and *Asahi Shokujito-iss honi Juroku-cha W (Double)*, and by releasing *Ameal Water* and *Asahi Memehana-cha*, both of which are foods with function claims. With respect to chilled soft drinks, the RTD tea category performed well due to the expansion of the product lineup for the *Otona no Kocho Premium* series.

As a result, the Soft Drinks Business posted net sales of ¥490.2 billion, up 4.0% year on year, as net sales at Asahi Soft Drinks Co., Ltd. and LB Co., Ltd. exceeded those

of the previous year. In spite of sales growth, operating income before amortization of goodwill and other items amounted to ¥25.6 billion, down 3.1% year on year, due to aggressive spending on promotional expenses and deterioration in the component ratio of product categories, sizes and types of containers.



Calpis Water

Mitsuya Cider Plus

Ameal Water

Asahi Memehana-cha

## ► Plans for 2016

In 2016, we plan to grow sales and establish a robust profit structure by developing strong brands based on the Medium-Term Management Policy.

We will work to enhance the power of our six core brands, *Mitsuya Cider*, *Wilkinson*, *WONDA*, *Asahi Juroku-cha*, *Oishii Mizu* and *Calpis* with a focus on strengthening their health value in terms of safety and reliability. At that same time, we will promote higher added value by expanding our offerings in FOSHU and foods with function claims.

We will continue to promote profit structure reforms by improving our sales channels and container mix and capitalizing on our business integration with Calpis Co., Ltd. to build optimal production and logistics systems and to increase capacity utilization.



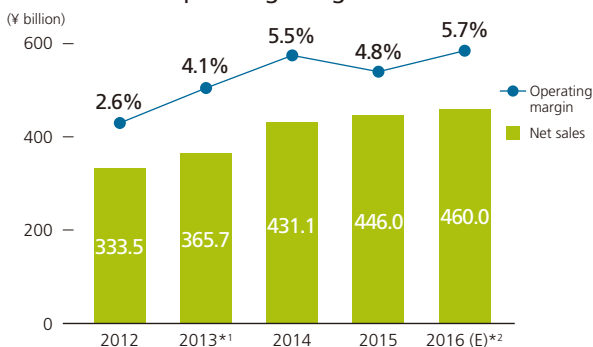
Mitsuya Sumikiru Grape Cider

Calorie-Free Calpis Sukkiri

Asahi Shokujito-iss honi Juroku-cha W (Double)

Oishii Mizu Plus

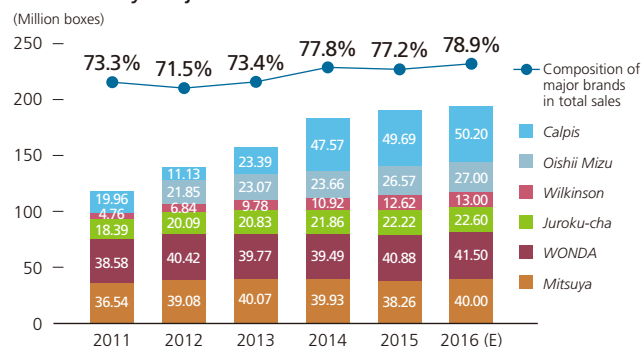
### Net Sales and Operating Margin of Asahi Soft Drinks



\*1. Performance figures for 2013 include the effect from the management integration on September 1 of the domestic soft drink business of Calpis Co., Ltd. with Asahi Soft Drinks Co., Ltd.

\*2. Forecast figures for 2016 include the effect from the integration of the domestic soft drink manufacturing business and dairy products business of Calpis Co., Ltd. due to a business reorganization

### Net Sales by Major Brand





## Food

Develop the Group's next-generation foundations for growth by focusing on strengths and leveraging business integration



### Medium-Term Management Policy (Key Priorities)

- Enhance brand value and strengthen high-value-added product proposals by focusing on existing categories where our strength lies
- Create new value and new demand through innovation that leverages business integration in areas such as foods with function claims
- Drive profit structure reforms through business selection, integration synergy creation, and value chain optimization

### ► Business Environment (Opportunities and Risks)

Although the domestic food market as a whole has been shrinking due to Japan's falling birthrate and aging population, changes in family structure and lifestyles have given rise to various growing categories. As seen in the alcohol beverages and soft drinks markets, the high-value-added category featuring high quality and health functionality, in particular, has been expanding, reflecting consumers' multivalued needs and rising consciousness about food security and safety. In addition, our mainstay businesses, such as breath mint tablet, supplement, baby food, and

freeze-dried food businesses, have been stably growing, owing to new value proposals leveraging brand power and the expansion of inbound demand.

There are also risks that the deteriorating competitive environment could lead to a decline in profitability amid further fragmentation of the category. However, we believe that the competitive advantages of the Japanese food industry in quality and technological superiority will open up growth opportunities in Japan and overseas.

### ► Medium-Term Management Policy (Key Priorities)

Considering the aforementioned opportunities and risks, we will concentrate on our strengths in the Food Business and leverage the integration of our three food companies to nurture the Group's next-generation growth base.

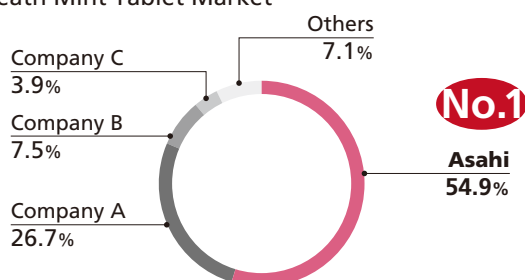
We will enhance our brand value and promote high-value-added products by concentrating our management resources on existing brands and categories where we have strengths, such as *MINTIA*, the No. 1 brand in the breath mint category, as well as baby food and freeze-dried food. Moreover, we will aim to create new

values and new demand through business innovation in areas such as foods with function claims, with a focus on strengthening our R&D function through the business integration of our three food companies.

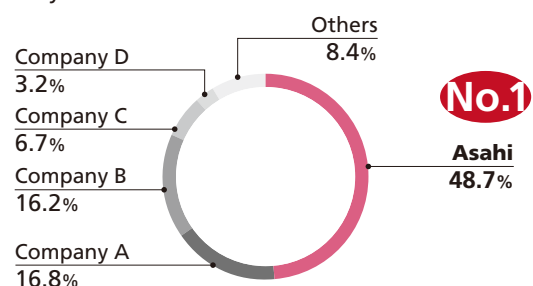
We have achieved an operating margin of 7.2%, exceeding the guideline of Medium-Term Management Plan 2015 (5.5%). We intend to continue our policy of strengthening the cost competitiveness of the whole value chain, in addition to business selection and concentration to drive profitability even higher.

#### Market Share by Company in 2015

##### Breath Mint Tablet Market



##### Baby Food Market



Source: INTAGE Food SRI / candy (candy tablet market) / nationwide (excluding Okinawa) / all-industry, January 2015 to December 2015

Source: INTAGE Inc. "Baby Food" January 2015 – December 2015 sales amount (09SDI-Baby-M)

## ► 2015 Results

At Asahi Food & Healthcare Co., Ltd., satisfactory sales continued thanks to the expansion of its product lineup including *MINTIA* breath mint tablets and *Ippon Manzoku Bar* nutrition bars. In addition to *Dear-Natura* in the category of dietary supplements, Asahi Food & Healthcare launched *Dear-Natura Gold*, a food with function claims. Wakodo Co., Ltd. renewed *Eiyo Marche*, a prepackaged baby food, and launched new products in the *Oyako de Gohan* easy seasoning mix series, as well as stepped up promotional activities for infant formula. Amano Jitsugyo Co., Ltd. expanded the number of mass retailers handling *Itsumono Omisoshiru*, one of its mainstay freeze-dried miso soup products, and introduced new products such as the *Mitsuboshi Kitchen* pasta series and *Freeze Dry no Osozai* series. Each of the operating companies worked to enhance their hands in the categories and businesses where their strengths lie.

As a result, the Food Business posted net sales of ¥115.0 billion, up 4.6% year on year, as each of the three food companies performed better than in the previous year. Operating income before amortization of goodwill and other items increased by 30.2% year on year to ¥8.4 billion due to increased sales, efficient allocation of advertising and promotional expenses and reduced manufacturing costs.



## ► Plans for 2016

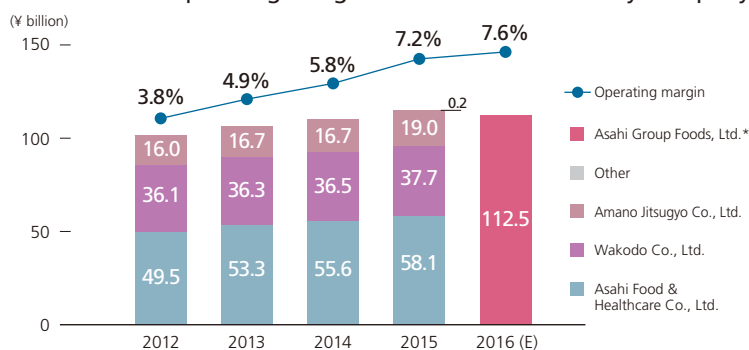
In 2016, the integrated Asahi Group Foods Co., Ltd. will work to select and concentrate its businesses and brands, and to generate integration synergies based on the Medium-Term Management Policy.

Net sales are expected to decline, mainly due to revision of the business portfolio; however, we will further strengthen our top brands such as *MINTIA* and baby food brands. Meanwhile, in foods with function claims, we will develop *Dear-Natura Gold* and launch *Schwabe Ginkgo Ginkgo Biloba Leaf Extract*, among other steps to promote strategies for growth centered on expanding high-value-added products.

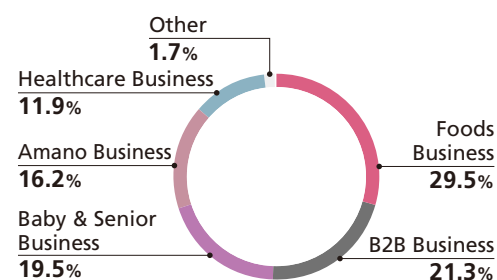
We will also maximize integration synergies, such as promoting Group procurement and reorganization of logistics sites leveraging the business integration.



### Net Sales and Operating Margin of the Food Business by Company



### Sales Volume Composition by Business in 2015



## Overseas

Expand the global foundation for growth that leverages our strengths and drive the Group's sustained growth



### Medium-Term Management Policy (Key Priorities)

- Implement strategies for growth centered on brand reinforcement and development of existing businesses in Oceania, Southeast Asia, and other regions
- Reform the profit structure and restructure the business portfolio by region through means including expansion of integration synergies
- Acquire new foundations for growth by leveraging strengths originating in Japan, such as brand power and cost competitiveness

### ► Business Environment (Opportunities and Risks)

The world's alcohol beverages and non-alcohol beverages markets overall have been expanding, mainly in emerging countries, although there is some regional variation. Depending on the degree of economic growth in each region, consumption habits and consumer values have diversified just as in Japan. We anticipate that demand will continue to shift to soft drinks featuring health functionality and products in the high-value-added category, backed by rising health consciousness among consumers in advanced countries.

Among the regions we have entered, the Oceania

market has advanced into a low-growth period. Demand has been shifting to non-cola carbonated beverages and mineral water in the non-alcohol beverages category and cider and imported beer in the alcohol beverages category. Meanwhile, in addition to the slowdown in market growth in Southeast Asia and China, the continued oligopolization by large global companies presents a risk of increased competition. Nevertheless, we believe that there is a possibility that growth investment opportunities will expand in the future due to further reorganization and so forth.

### ► Medium-Term Management Policy (Key Priorities)

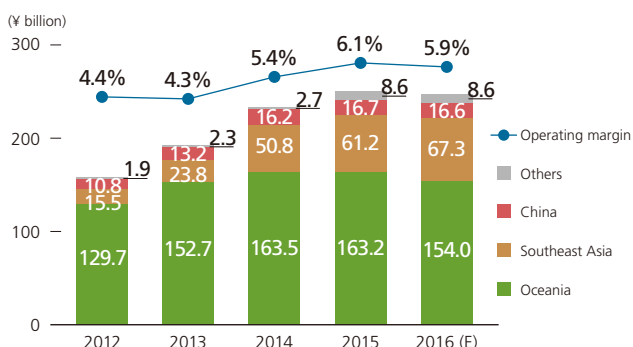
Considering the aforementioned opportunities and risks, our policy in the Overseas Business is to expand the global foundation for growth that leverages our strengths and drive the Group's sustained growth.

In our existing businesses, we will focus mainly on Oceania, which accounts for 65% of net sales, and work to increase profits by strengthening and nurturing our brands in response to structural changes in the market and expanding integration synergies. We will also restructure our business portfolio by region, including Southeast Asia and China, and accelerate the growth strategies of our

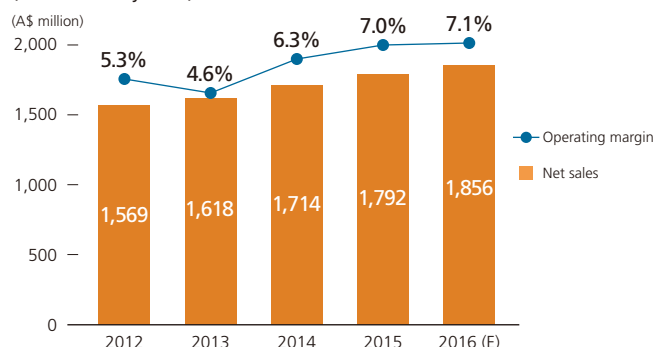
existing businesses.

Furthermore, taking the opportunities offered by global reorganization and consolidation, we will work to acquire a new growth platform upon which we can leverage the strengths in brand power and cost competitiveness that we have cultivated in Japan. Part of this strategy is the acquisition of European beer operations that we announced in February 2016. We will go on to build the Overseas Business into a growth engine by increasing the profitability of our existing businesses and expanding new business platforms.

Net Sales by Section and Operating Margin of the Overseas Business



Oceania: Net Sales and Operating Margin (Local currency basis)





## ► 2015 Results

In the Oceania Business, the Group conducted aggressive promotional activities targeting core brands in the carbonated drinks category, such as *Schweppes* and *Solo*, and in the bottled mineral water category, such as *Cool Ridge* and *Frantelle*. In the alcohol beverages category, *Somersby* performed strongly in the growing category of cider. Meanwhile, the Group sought to enhance recognition of the *Asahi* brand by promoting *Asahi Super Dry* and launching *Asahi Soukai*, a beer for exclusive distribution within Australia. In the Southeast Asia Business, the Group developed its own brand products, such as *WONDA* in Malaysia and *ICHI OCHA* in Indonesia. In the China Business, the Group acquired new accounts for *Asahi Super Dry* for commercial use and local mass retailers.

As a result, the Overseas Business posted net sales of ¥249.7 billion, up 7.1% year on year, as the businesses in each geographical region remained solid and the Etika

Group's business results provided an additional contribution. Operating income before amortization of goodwill and other items increased by 21.7% year on year to ¥15.5 billion, thanks to increased sales and the Group's efforts at maximizing integration synergies in Oceania through internal production of PET bottles and streamlining of logistics costs.



Asahi Soukai (Australia)



WONDA Mocha (Malaysia)



ICHI OCHA Minuman Teh Melati (Indonesia)

## ► Plans for 2016

In 2016, based on the Medium-Term Management Policy, we plan to establish a business structure to generate stable growth in Oceania in our existing businesses, and to strengthen our growth structure in China and Southeast Asia.

In the Oceania Business, we will reinforce the profit base by continuing to strengthen and expand the growth portfolio and maximizing integration synergies. In Southeast Asia and China, we will work to strengthen the medium-term growth platform and reduce costs by cultivating core brands and expanding the sales network.

Furthermore, assuming the completion of the European beer business acquisition, we intend to step up

our activities to quickly develop the overseas business into a growth engine.



WONDA Kopi Tarik (Malaysia)



Calpis (Malaysia)

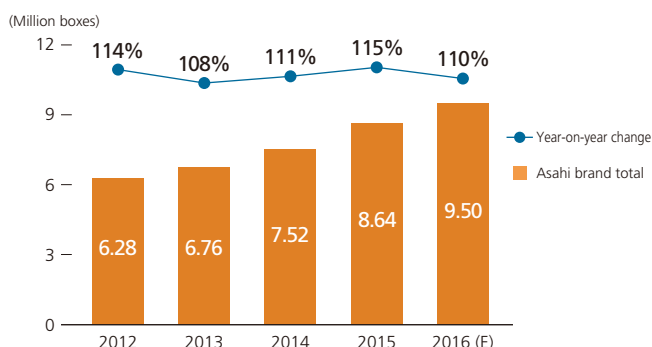


Caféla expresso (Indonesia)

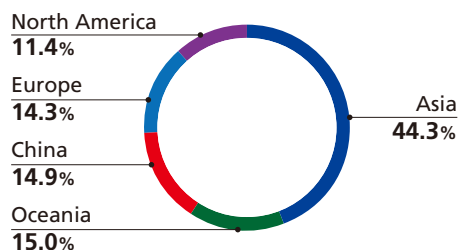


Wilkinson Soda Water (Myanmar)

### Asahi Brand: Overseas Net Sales Volume



### Asahi Brand: Sales Volume Composition by Area in 2015



## Positioning of ESG Issues

One of the three key priorities in the Asahi Group's Medium-Term Management Policy from 2016 is reinforcement of ESG initiatives. Upon starting the Medium-Term Management Policy, the Group set about creating a foundation for its initiatives by reframing social issues as business priorities for the Group. As part of this, the Group revised the CSR priority themes that make up its CSR materiality in light of the recent social situation. Looking ahead, the Group aims to continuously increase its corporate value by incorporating ESG initiatives into its management strategy.

### Positioning within the Medium-Term Management Policy

### Positioning within the Group's CSR Materiality

See page 40 for details

# E

Environmental

#### Upgrading of intangible assets and their development toward a CSV (creating shared value) strategy

- Aim to upgrade intangible assets including natural and social capital by expanding environmental initiatives and collaboration with stakeholders.
- Strengthen upgrading of human capital essential for sustained growth through development of talent, promotion of diversity, and other means.
- Work toward the above not only to fulfill social responsibilities, but also aim to develop the CSV (creating shared value) strategy utilizing the Group's strengths.

# S

Social

Food and Health

- Responsible Drinking
- Food Safety and Reliability
- Health and Nutrition

The Environment

- Climate Change
- Recycling-Based Society
- Biodiversity

People and Society

- Human Resource Development and Diversity
- Healthy and Affluent Society
- Sustainable Water Resources
- Sustainable Supply Chains

# G

Governance

#### Promotion of "Active Corporate Governance"

- Implement further reforms based on the Corporate Governance Guidelines and Corporate Governance Code
- Strengthen Group governance to strengthen strategic functions and build medium- to long-term growth drivers

#### Refer to Corporate Governance

See page 48 for details

#### Main Contents

Status of the Corporate Governance Code .....	p49
Reasons for the Election of Independent Directors/Auditors .....	p51
Remuneration for Directors, Corporate Auditors, and the Independent Accounting Auditor .....	p52
Promotion of Engagement through IR Activities .....	p53
Internal Control .....	p54
Evaluation of the Board of Directors .....	p55

WEB

<http://www.asahigroup-holdings.com/company/governance/>

## CSR of the Asahi Group

### Basic Philosophy

In this report, social collaboration power is given as one of the Asahi Group's four strengths. This refers to initiatives aimed at a sustainable society and enhancing overall communication. It does not stop at the pursuit of stakeholder satisfaction, but the Group believes that the key factor in social collaboration is cooperating with stakeholders to contribute to solving various social issues.

The Asahi Group engages in communication with various stakeholders at a deep level to implement many initiatives while working together with

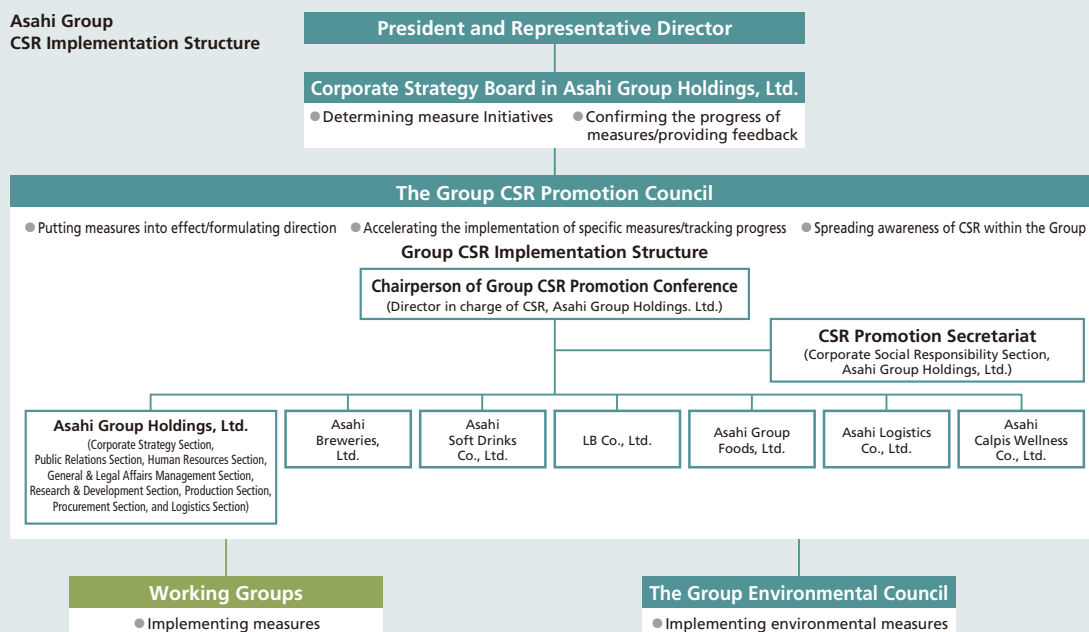
stakeholders through its businesses. The Group also has internal systems to utilize the opinions and comments received during those initiatives in future activities.

Through these initiatives, the Asahi Group will increase its social collaboration power, thereby enhancing its corporate value.

### CSR Implementation Structure

To ensure that CSR activities extend beyond the efforts of individual companies and effectively increase the corporate value of the entire Group, the Asahi Group has adopted a structure for promoting CSR across the Group. Specifically, the Group regularly holds the Group CSR Promotion

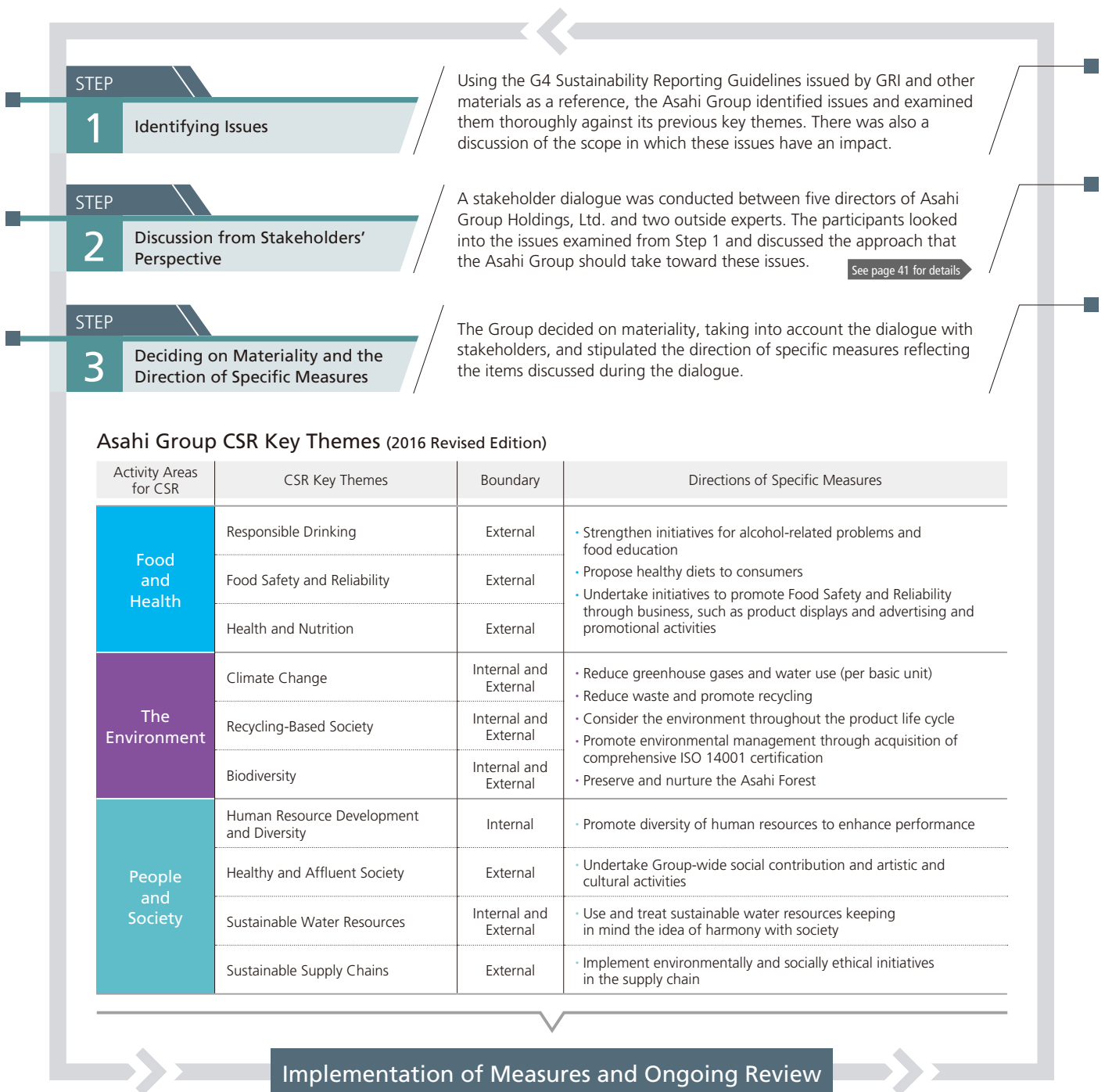
Council and the Group Environment Council to decide on specific policies and confirm implementation progress. Decisions are made with advice from the Asahi Group Holdings, Ltd. Corporate Strategy Board and commitment with the Board of Directors is emphasized.





## The Group's CSR Materiality Determination and Process

In 2012, the Asahi Group set the scope of its CSR activities and priority themes, but since then there have been significant developments with new objectives regarding social issues set globally, such as the adoption in 2015 of the sustainable development goals (SDGs) by the UN and the Paris Agreement by the COP21. Based on these developments, the Group revised the CSR Key Themes that make up the Group's materiality following the process below.



Based on the direction decided in steps 2 and 3, specific measures on new materiality were drawn up. These measures are implemented mainly by the Group CSR Promotion Council and reviewed when appropriate.

## Stakeholder Dialogue for Materiality Determination

To ensure the key issues that the Asahi Group should address are identified while considering the expectations and requests of stakeholders, we held a dialogue between five of the Company's directors and two external experts.



Date	January 29, 2016
Venue	Asahi Group Head Office

### Approaching global scale issues as opportunities

2015 saw the establishment of new international goals on social issues, such as sustainable development goals (SDGs) and the COP21 Paris Agreement. During the dialogue, both the experts and the directors frequently referenced the need for corporate management to initiate action on social issues going forward.

For example, food and energy shortages are becoming a major social and environmental issue with the increase in population. If we can realize new approaches to food production and energy creation, we can gain a competitive advantage as a company. Our panel experts noted that social and environmental issues present both restrictions and opportunities, and urged the Asahi Group seize them as opportunities.

Another point the experts made was that while the SDGs and the Paris Agreement represent long-term targets, back-casting from these to see what needs to be done now shows that there is no time to lose. The experts pointed to the importance of moving into concrete measures while retaining a medium- to long-term perspective.

### Solving social issues by creating value through our main business

As a specific initiative for the future, the experts provided examples of ethical consumption focused mainly on the younger generation. The Company

directors offered an opinion that the Group should promote solutions through its main business, such as creating socially and environmentally considerate products. They also pointed out the importance of taking action with an awareness of the entire supply chain, rather than focusing only on business activities inside the Group.

In the final phase of the dialogue, the Company directors said that they sought to engage in solving global issues together with stakeholders from a perspective of creating value rather than simply responding to the theory of corporate responsibility with respect to social issues. To this end, the management team needs to recognize social issues as management issues, and to incorporate them into management strategies. All of the participants shared the recognition of the importance of sustainable corporate management. At the close of the dialogue, the Company's management team had a stronger awareness of the need to increase corporate value through the resolution of social issues.



Dr. Naoki Adachi  
CEO  
Response Ability, Inc.



Mariko Kawaguchi  
Chief Researcher  
Research Division  
Daiwa Institute of Research Ltd.

## Activities for Solving Social Issues

The Asahi Group promotes various initiatives related to the materiality reported on page 40. Following are examples of initiatives that enhance corporate value by resolving social issues, presented using the activity areas for CSR.

Food  
and  
Health

### Engaging in Education to Promote Healthy Diets through Business Activities



Health and nutrition were added as new themes following the revision of CSR Key Themes. One of our important initiatives for these themes is education activities for consumers.

#### ■ Lactobacilli Laboratory Visiting Lectures Conducted as a Group-Wide Activity

CALPIS® Children's Lactobacilli Laboratory elementary school classes are conducted with Asahi Soft Drinks Co., Ltd. employees serving as the lecturers. By 2015, a total of 2,969 schoolchildren had attended the lectures. The children make full use of their five senses, observing the yeast and lactobacillus produced by CALPIS® under a microscope, and comparing the taste and smell of milk and cultured milk, which are the ingredients of CALPIS®. The lectures are based on the idea that deepening knowledge of the various possibilities inherent in lactobacillus will raise interest in food. A feature is the Group-wide nature of this activity, which involves not only the departments directly concerned but also personnel from new recruits through to the president.



A lesson at the CALPIS® Children's Lactobacilli Laboratory

#### ■ Over 100,000 Personal Nutrition Consultations Conducted Annually

Asahi Group Foods, Ltd., has been conducting "Wakodo Nutrition Consultations" for parents raising children and others involved in child-raising, for more than 55 years.

Employees who are certified dietitians provide advice by directly consulting on matters such as weaning and nutrition. Each year more than 100,000 personal consultations are provided.

At a time when consumers are inundated with information on child-raising, many people are anxious about matters such as how to wean children and children's nutrition. Asahi Group Foods relieves these anxieties about child-raising by dispatching specialist dietitian employees to provide advice carefully and continues to convey the enjoyment of food from the weaning stage.

#### ■ Activities for Raising Awareness about Moderate and Responsible Drinking

Asahi Breweries, Ltd. aims to eradicate the various problems caused by inappropriate drinking of alcohol by disseminating accurate information inside and outside the Company concerning the consumption of alcohol from the perspective of the manufacture and sale of alcohol beverages. Asahi Breweries undertakes a range of education such as conducting lectures on proper drinking habits during tours at breweries and giving seminars on moderate and responsible drinking at companies, universities, and other organizations. These activities are an effective method to convey knowledge and information on the mechanism of intoxication, harm to health, and social issues resulting from inappropriate drinking, and convey useful ideas on how to prevent it. The program aims to be useful in a practical way by including specific details from the viewpoints of participants and the environment.

Asahi Breweries will continue educational programs on healthy and enjoyable drinking behavior for everyone through a variety of means of communication.



## The Environment

## Initiatives for Climate Change and Water Resource Management Obtained the Highest Rating in an International Survey

Asahi Group Holdings, Ltd. was given an A List rating, the highest possible, for its initiatives on both water resource management and climate change in an international survey conducted by the international non-profit group, CDP.

With regard to water resource management, the Group was recognized for taking action across the entire supply chain rather than only within its scope of operations. These efforts included reducing water use in the production process and managing drainage, as well as analyzing water risks at the production sites of its main raw materials.

The key factor in the evaluation of climate change response was for initiatives to reduce CO<sub>2</sub> emissions through business, such as using green electricity, introducing a co-generation system, and actively utilizing energy saving vending machines.

Looking ahead, the Group will strengthen initiatives to resolve global environmental issues and contribute to the realization of a sustainable society.



Forest preservation activities in water source areas

## People and Society

## Building a Sustainable Supply Chain with Suppliers

Sustainable supply chains was added as a new theme in the revision of the CSR Key Themes reflecting the global spread of supply chains and their broader scope of influence due to the Group's procurement activities.

Under this theme, the Group is conducting specific activities aiming to promote CSR principles for Asahi Group Suppliers among suppliers. The principles were

formulated in 2015 and is focused on the principle of promoting supplier engagement. For example, we hold Quality Assurance Meetings with main raw materials suppliers as one aspect of communicating with them. At the meetings, we share our policies on initiatives for Group CSR materiality issues and issues clarified through CSR-related questionnaires for suppliers.

Through these activities, we aim to strengthen joint activities with suppliers to solve social issues.



Procurement staff visit raw material production sites

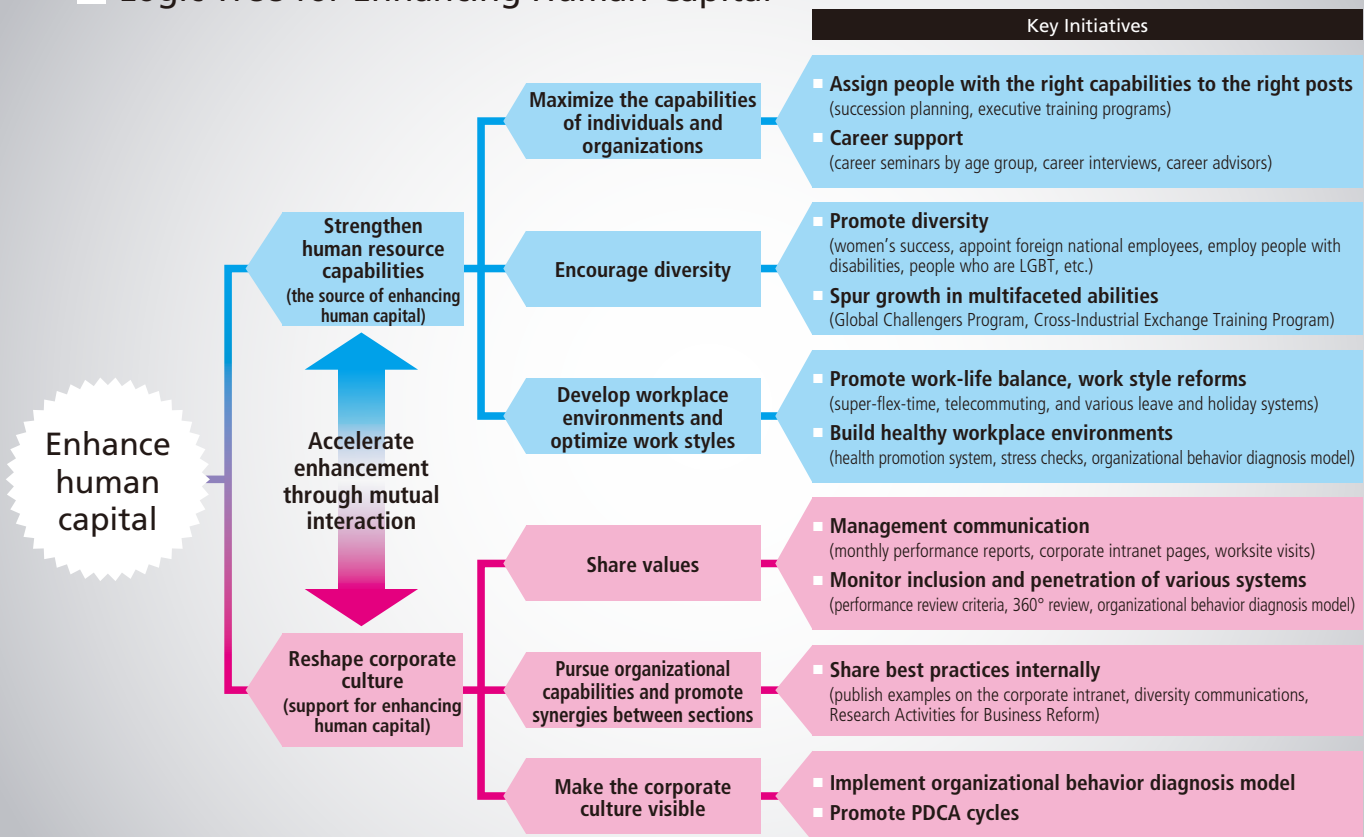
# Enhancing Human Capital

## Enhancing Human Capital is Vital to Sustained Growth

The Asahi Group's corporate value is underpinned by the capabilities of its personnel. The Group is working to enhance its human capital with a view to enhancing its corporate value going forward.

Two measures are key to accelerating the enhancement of human capital. First, we must strengthen our human resource capabilities, which are the source of enhancing human capital, in terms of both quality and quantity. Second, we must reshape our corporate culture, which is the foundation for enhancing human capital. We believe that these two measures will interact positively with each other as we vigorously implement each measure, thereby accelerating the enhancement of human capital.

### Logic Tree for Enhancing Human Capital



We are working to strengthen human resource capabilities, our first key measure, with a view to bolstering both the quality and quantity of these capabilities based on three approaches. The first approach is to maximize the capabilities of individuals and organizations. The Asahi Group considers that driving the growth of both employees and organizations will help to spur the growth of the Company as a whole. The second approach is to promote diversity. If we are to address the major changes reshaping our business environment globally and achieve innovation, we consider it essential to increase the number of talented, diverse personnel even further, while enabling them to demonstrate their capabilities to the fullest. Finally, the third approach is to develop work environments and optimize work styles as the foundation for the above two elements. It is critical to enable individual employees to lead vibrant, full lives both professionally and privately, according to their abilities and characteristics. Our mission

is to develop workplace environments and optimize work styles so as to enable them to achieve this. We believe that therein lies our source of competitive advantage.

The second key measure is to reshape our corporate culture. In the past decade, the Asahi Group has seen the size of its business expand as a large number of operating companies both in Japan and overseas have joined the Group. In this context, it is imperative for the Group's corporate culture to evolve further based on the strengths and values the Group has developed to date. That is why the Asahi Group is working to share values and to pursue organizational capabilities and promote interdepartmental synergies in consideration of environmental changes in and outside the Company and the future direction of management. By working to make its corporate culture visible, the Group will also provide the support needed by every employee to continue scaling new heights, with a view to achieving the sustainable growth of the Group as a whole.

## Specific Measures

# Maximize the Capabilities of Individuals and Organizations

### Executive Training Programs

As the global business environment surrounding the Asahi Group changes at a growing pace, requirements for corporate managers have become more complex and varied year after year. To ensure that the Group is able to adapt to these changes in the environment and achieve sustained growth, it has become imperative to systematically foster corporate manager candidates.

Against this backdrop, in Japan the Asahi Group has been conducting the Asahi Executive Leader Program for personnel (ages 45 to 55) who will be charged with

administering the Group in the near future, and the Asahi Next Leader Program, which is a support program primarily for young managers. Moreover, the Group has been conducting the Global Leadership Development Program since 2014 to cultivate candidates for the next generation of corporate management at overseas operating companies. Through these programs, the Group is working to foster the next generation of candidates for corporate management who are able to take the lead in achieving sustained growth.

### Asahi Executive Leader Program

Since 2013, directors or workplace managers are nominated as participants in the Asahi Executive Leader Program by the presidents and executives of various operating companies. This program is implemented with the objective of nurturing the participants' ability to develop strategies, leadership abilities, and the ability to attain targets. At the same time, participants work to address management issues the Group currently faces, including developing strategies for globalization. The program has so far been attended by 28 employees. After completing the program, the participants have been assigned to positions where they can further hone their skills and gain experience through actual practice, in order to nurture candidates for future corporate management positions.

Number of Participants in the Asahi Executive Leader Program

2013	2014	2015	Total
9	9	10	28

### Asahi Next Leader Program

The Asahi Next Leader Program began in 2012. Under this program, the Group selects personnel who strongly aspire to become future corporate managers from among managers (aged 35 to 45) at operating companies in Japan through an open recruitment or nomination process. The Group has strengthened corporate manager training from a medium-term perspective primarily by enabling participants to carry out networking within the Group and obtain a diverse array of perspectives. The program has so far been held four times, and attended by 58 participants. The Group has created opportunities for the participants to expand their horizons by gaining practical experience through job rotations after completing the program.

Number of Participants in the Asahi Next Leader Program

2012	2013	2014	2015	Total
14	15	14	15	58

### Global Leadership Development Program

The Global Leadership Development Program began in 2014. For this approximately two-year program, the Group selected the first class of 10 members from among the general managers of overseas operating companies through nomination by the President. Through the program, the Group is working to foster internal personnel by giving the participants a global perspective and outlook and bettering their understanding of the history, corporate philosophy, and other aspects of the Asahi Group. In addition, the program is intended to provide participants with opportunities for robust networking, in tandem with understanding the perspectives and approaches of employees in different regions.





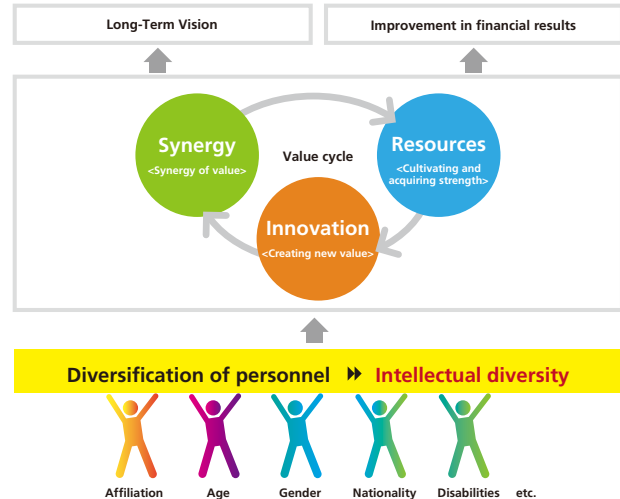
## Encourage Diversity

### Promote Diversity

#### Basic Philosophy

The Asahi Group believes that diversity in human capital creates intellectual diversity. This, in turn, fosters many different ideas, which generates innovation, ultimately leading to realization of the Group's Long-Term Vision and improvement in the Group's financial results. Therefore, the Asahi Group is striving to build a corporate culture that respects the diversity of its employees, enabling everyone to succeed regardless of their nationality, gender, age, disability, or other attributes.

#### Basic Philosophy



#### Promoting Women's Success

The Asahi Group is implementing measures to promote women's success in line with the policies and targets set forth below. The Group has been concentrating its efforts on nurturing female leaders through conducting programs such as Women Leaders Training for line-manager class female employees in addition to the Asahi Next Leader Program for nurturing the next generation of managers of both genders.

As a result, the Group appointed two new female officers in 2016, increasing the number of female officers in Japan from three to five.

In recognition of these activities overall, Asahi Group Holdings, Ltd. was selected as a Nadeshiko Brand in 2016. The Nadeshiko Brand designation is a joint effort by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange to select companies that have demonstrated superior performance in encouraging women's success in the workplace. Looking ahead, the Asahi Group will continue to promote such success by supporting career development for female employees through a wide range of activities.



#### Policies

- Enable greater participation by women in decision-making meetings (Corporate Strategy Board, etc.)
- Propose and pursue action plans tailored to each company's circumstances
- Set numerical targets and implement measures to attain those targets

#### Targets for Ratio of Female Managers by 2021 (Ratio of Female Department Heads for Asahi Breweries, Ltd. only)

Company	Target (2021)	Present status (as of December 31, 2015)
Asahi Group Holdings, Ltd.	20%	13.6%
Asahi Breweries, Ltd.	10%	3.5%
Asahi Soft Drinks Co., Ltd.	10%	5.5%
LB Co., Ltd.	10%	10%
Asahi Group Foods, Ltd.	20%	15.9% (as of March 31, 2016)
Asahi Calpis Wellness Co., Ltd.	15%	10.7% (as of March 31, 2016)

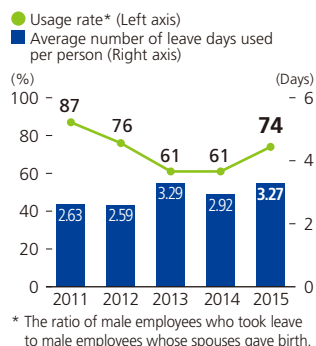
## Develop Workplace Environments and Optimize Work Styles

### Promote Work-Life Balance and Work Style Reforms

The Asahi Group is introducing and implementing various systems, including super-flex-time and telecommuting systems, with the aim of ensuring efficient work results by enhancing employees' work-life balance and facilitating flexible work styles. However, to enable employees with limitations on their work hours to work enthusiastically, the Group must not only put systems in place, but must also change the consciousness of employees and increase the understanding of management-level personnel.

Notably, Asahi Breweries, Ltd. is advancing measures to encourage changes in the consciousness of all employees. These measures include providing internal training seminars focused on the theme of approaching work by delivering results within a limited time frame, along with internally distributing a compilation of examples of best work practices to increase consciousness of efficient ways of working among employees.

Through these and other initiatives, the Group has started to see positive results, such as an increase in the number of male employees using the Spouse Maternity Leave System, which allows employees to take up to five days off without a reduction in pay. The Asahi Group will continue working to build a corporate culture where employees can demonstrate their abilities to the fullest at work while balancing involvement in their family lives.



### Building Healthy Workplace Environments

Asahi Breweries, Ltd. is strengthening mental health initiatives by conducting company-wide stress checks and stepping up efforts for early detection and treatment of disease by expanding the age groups subject to full physical check-ups. Moreover, Asahi Breweries has established a system to address health issues and employees' health-related needs at its workplaces. Measures include entering into medical consultation agreements with psychiatrists in around 20 locations including factories and main sales offices across Japan, and enhancing the health guidance framework for employees by increasing the number of nurses at major sales offices nationwide.

In recognition of these activities, Asahi Breweries was included for a second straight year in the Health and Productivity Stock Selection, a joint undertaking by METI and TSE. In parallel, sales per employee for the entire organization improved by approximately ¥10 million from 2011 to 2014 due to a reduction of approximately 40% in the number of employees on long-term absences or leave.



## Share Values and Make the Corporate Culture Visible

### Organizational Behavior Diagnosis Model Applied through an Attitude Survey

Each year the Asahi Group conducts an attitude survey of approximately 9,000 executives and employees of the holding company and its major domestic subsidiaries. Specifically, we are utilizing an organizational behavior diagnosis model\* to encourage staff to share our vision and corporate policies Group-wide and monitor their penetration. Through this survey, the Group is also striving to make its corporate culture visible, while reshaping it to

enhance its human capital faster. This involves identifying the issues facing individual workplaces and the Company as a whole and formulating specific countermeasures. By doing so, the Group is bolstering support for the strengthening of its human resource capabilities, which is the source of corporate value enhancement over the medium and long terms.

\* Model developed by Michael L. Tushman, PhD.

**Survey framework:** The organizational behavior diagnosis model is a survey method based on the idea that it is important for employees' views on operations, structure, human resources and organizational culture—the elements in organizational activity that produce plans/strategies and results/accomplishments suited to the business environment—be formed in a well-balanced manner. In keeping with that idea, we conduct employee attitude surveys on the key elements of environment, leadership/management, strategy, operations, structure, human resources, organizational culture, and results/achievements.

## Asahi Group's Corporate Governance System for Supporting Sustained Growth

### Basic Policy

The Company considers that strengthening the corporate governance of the Asahi Group is the utmost managerial priority in order to realize corporate activities that aim to satisfy all stakeholders, including shareholders and investors. Based on this concept, the Company endeavors to proactively strengthen group management, enhance the trust relationship with society, and improve the sociality and transparency of the Group companies.

Moreover, under this concept, "growth-oriented governance" for transparent, fair, timely and decisive decision-making is indispensable for reinforcing management for corporate value enhancement.

In light of the introduction of the Corporate Governance Code targeting companies listed on Japanese stock exchanges, the Company practices the code appropriately and agrees with the idea that ensuring sustained growth and improving corporate value for the medium to long term will contribute to the stakeholders and, eventually, the development of the overall economy, based on which, we will endeavor to implement measures to further enhance our corporate governance.

### Measures toward Enhancement of Our Corporate Governance

2000	<ul style="list-style-type: none"> <li>Corporate Officer System was introduced.</li> <li>The Nomination Committee and the Compensation Committee were established.</li> <li>Corporate Strategy Board was established.</li> </ul>
2007	<ul style="list-style-type: none"> <li>In order to respond swiftly to the changes in the business environment, we reduced the term of office for our Directors within one year.</li> <li>The retirement bonus system for Directors and Corporate Auditors was abolished.</li> </ul>
2011	<ul style="list-style-type: none"> <li>The Company transitioned to a pure holding company structure.</li> <li>The Basic Policies on Development of Internal Control System was newly established.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Takeover defense measures were abolished.</li> </ul>
2015	<ul style="list-style-type: none"> <li>Corporate Governance Guidelines were formulated.</li> </ul>

### Characteristic Features of Our Corporate Governance System

As a company with a Board of Corporate Auditors, the Company audits the execution of duties by the Directors utilizing the Board of Corporate Auditors, of which a majority of the board members are independent Outside Corporate Auditors, while taking advantage of the corporate auditor system with its independence, in which the power of final decision-making is given to each person and Standing Corporate Auditors. In addition, the Nomination Committee and the Compensation Committee have been established voluntarily to act as advisory bodies to the Board of Directors, with half the members of each committee made up of independent Outside Directors. Under the system of these discretionary bodies, the Company is creating a structure that allows independent Outside Directors and Corporate Auditors to monitor the management of the Company with high effectiveness.

Other steps to build a corporate governance system for realizing corporate activities that meet the expectations of our stakeholders include the establishment of the

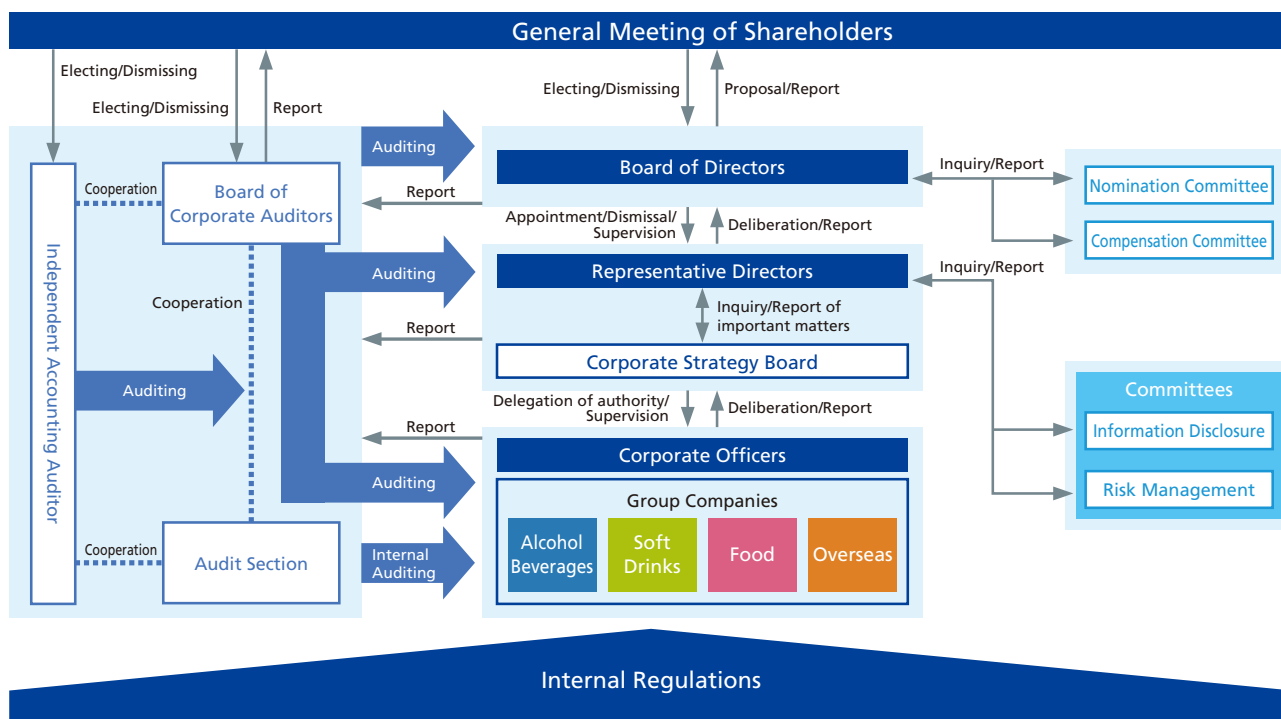
Corporate Strategy Board, comprising Internal Directors and executive officers, to act as an advisory body to the Representative Directors, providing reports on its evaluation of the objectivity, reasonableness and legality of substantive matters, in order to help the Representative Directors to make prompt decisions.

### Schematic Chart (as of March 24, 2016)

Structure of Organizational Design	Company with a Board of Directors and Board of Corporate Auditors
Number of Directors	10
Number of Outside Directors included	3
Directors term of office	1 year
Number of Corporate Auditors	5
Number of Outside Corporate Auditors included	3
Independent Accounting Auditor	KPMG AZSA LLC



## Characteristic Features of Our Corporate Governance System



### Status of Compliance with the Corporate Governance Code

To further develop management for corporate value enhancement with the aim of sustainably increasing corporate value, in our reinforcement of ESG initiatives set under the Medium-Term Management Policy, we consider it essential to practice growth-oriented governance for transparent, fair, timely and decisive decision-making. Accordingly, we announced

our Corporate Governance Guidelines setting forth the Company's basic concept, framework and operations guide regarding corporate governance.

The status of the Company's compliance with the Corporate Governance Code of the Tokyo Stock Exchange is as follows (as of March 24, 2016).

- Established Criteria for independence of Outside Directors and Outside Corporate Auditors; See **P.51**
- Performance-Linked Stock Compensation Plan introduced as a new long-term performance-linked executive remuneration; See **P.52**
- Management succession plan formulated to achieve sustained growth; See **P.52**
- Conducted evaluation of the effectiveness of the Board of Directors; See **P.55**

**WEB** Corporate Governance Guidelines

[http://www.asahigroup-holdings.com/en/csr/gov/internal/pdf/160325\\_guidelines\\_en.pdf](http://www.asahigroup-holdings.com/en/csr/gov/internal/pdf/160325_guidelines_en.pdf)

## ■ Directors and the Board of Directors

The Board of Directors consists of 10 Directors, including 3 Outside Directors who meet the requirements of independent Directors/Auditors as defined by the Company. The Board of Directors shall appropriately fulfill its roles and responsibilities to achieve the sustained growth and corporate value enhancement of the Company over the medium to long term, as well as to improve earning capacity and capital efficiency, taking into account its fiduciary responsibility and accountability to shareholders. These roles and responsibilities shall include determining and executing important corporate strategies, such as the Long-Term Vision and Medium-Term Management Policy, and appropriately supporting management's risk taking by maintaining the internal control system and risk management system.

The Board of Directors includes three or more Outside Directors elected from among corporate managers and experts in consideration of their experience, insight and professional background. Their presence ensures the balance of knowledge, experience, and ability, and the diversity of the entire board. The Inside Directors are comprehensively evaluated and judged based on their experience, insight and professional background with reference to the requirements for officers, which are determined based on the corporate philosophy, action guidelines and management strategies of the Company.

## ■ Nomination Committee and the Compensation Committee

To ensure complete fairness and transparency in decision making regarding the appointment and remuneration of Directors, Corporate Auditors, and Corporate Officers, the Company has established the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors. The two committees are made up of Directors, including Outside Directors.

The Nomination Committee consists of two Outside and two Inside Directors. As an advisory body to the Board of Directors, it makes recommendations regarding candidates for Director, Corporate Auditor, and Corporate Officer. The committee chairman is an Inside Director elected by its members, and the secretariat is the head of the Human Resources Section. The committee met twice in 2015 and the members had a 100% attendance rate.

The Compensation Committee consists of two Outside and two Inside Directors. As an advisory body to the Board of Directors, it makes recommendations regarding the compensation plan and remuneration for Directors and Corporate Officers. The committee chairman is an Outside Director elected by its members, and the secretariat is the head of the Human Resources Section. The committee met nine times in 2015 and the members had a 100% attendance rate.

## ■ Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors of the Company consists of five Corporate Auditors, of which three shall be Outside Corporate Auditors who meet the requirements of independent Directors/Auditors as defined by the Company.

The Outside Corporate Auditors shall be elected from among accounting experts, lawyers and corporate managers who have a wealth of experience and broad insight in their certain professional fields.

The Standing Corporate Auditors attend important meetings such as the Corporate Strategy Board, examine important documents for approval, and collect information from the Directors, the sections in charge of internal audits, and so forth. They report the collected information to the Board of Corporate Auditors, discuss with the Outside Corporate Auditors, and conduct appropriate audits on the management of the Company. Furthermore, some employees who are not subject to directives or orders from management/Directors are assigned as dedicated staff under the Board of Corporate Auditors.

Moreover, by combining the high-level expertise of the Outside Corporate Auditors and the information held by the Standing Corporate Auditors, the system enables them to exercise their authority actively and assertively, making appropriate judgments and taking action from an independent and objective standpoint.

### List of Committee Members

Category	Name	Nomination Committee	Compensation Committee
Directors	Naoki Izumiya	◎	
	Akiyoshi Koji	○	
	Katsutoshi Takahashi		○
	Yoshihide Okuda		○
	Noboru Kagami		
	Kenji Hamada		
	Ryoichi Kitagawa		
	★ Mariko Bando	○	○
	★ Naoki Tanaka	○	◎
	★ Tatsuro Kosaka		
Corporate Auditors	Akira Muto		
	Tetsuo Tsunoda		
	★ Tadashi Ishizaki		
	★ Katsutoshi Saito		
	★ Yumiko Waseda		

Note: ★denotes Outside Directors/Corporate Auditors ◎Committee Chairpersons  
○Committee Members

## Reasons for the Election of Independent Directors and Corporate Auditors

According to the Company's Criteria for Independence of Outside Directors and Outside Corporate Auditors, the Company deems that its Outside Directors and Outside Corporate Auditors maintain sufficient independence with no potential conflict of interests occurring between them

and the general shareholders. Moreover, as they meet the requirements for independent directors/auditors as defined by the Tokyo Stock Exchange, the Company has reported them as independent directors/auditors to the said exchange.

### Reasons for the Election of Independent Directors and Corporate Auditors

Name	Reasons	Number of meetings attended	
		Board of Directors	Board of Corporate Auditors
Mariko Bando	Mariko Bando has a wide range of knowledge as an educator in addition to her diverse experience in public administration both in Japan and overseas. We hope that she provides the Company with the benefit of this experience and knowledge.	12/12	—
Naoki Tanaka	Naoki Tanaka has abundant experience as a member of government councils and his broad knowledge as a specialist deeply versed in domestic and international economic policy. We hope that he provides the Company with the benefit of this experience and knowledge.	12/12	—
Tatsuro Kosaka	Tatsuro Kosaka serves as the Chief Operating Officer of a global corporation, and has abundant experience and broad knowledge that includes implementing medium-term management plans and various other business reforms. We hope that he provides the Company with the benefit of this experience and knowledge.	—	—
Tadashi Ishizaki	Tadashi Ishizaki has years of research experience and expertise in accounting. We hope that he provides the Company with the benefit of this experience and expertise in the area of auditing.	12/12	7/7
Katsutoshi Saito	Katsutoshi Saito has a wealth of company management experience and broad knowledge. We hope that he provides the Company with the benefit of this experience and knowledge in the area of auditing.	12/12	7/7
Yumiko Waseda	Yumiko Waseda has a wealth of experience as an attorney and a professional view. We hope that she provides the Company with the benefit of this experience and knowledge in the area of auditing.	9/10	5/5

Notes: 1. The number of meetings attended for Board of Directors and Board of Corporate Auditors is for 2015.

2. Director Tatsuro Kosaka was newly elected at the 92nd Annual General Meeting of Shareholders held on March 24, 2016.

3. As Corporate Auditor Yumiko Waseda was newly elected at the 91st Annual General Meeting of Shareholders held on March 26, 2015, the above number of Board of Directors meetings and Board of Corporate Auditors meetings held that she could attend is different from other Directors and Corporate Auditors.

### Criteria for Independence of Outside Directors and Outside Corporate Auditors

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

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

\*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 Corporate Auditors.

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

\*3. "Party who is a major business partner of the Group" refers either to a party whose transactions in the most recent fiscal year amount to 2% or more of the Company's consolidated net sales, 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 Corporate Auditors' 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/Corporate Auditors" refers to a relationship where an executive of the Group serves as an outside director/corporate auditor of another company, and an executive of that company serves as an Outside Director/Corporate Auditor 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/Corporate Auditors stipulated by the Company" means ten (10) years with respect to Directors and twelve (12) years with respect to Corporate Auditors.



## ■ Remuneration for Directors, Corporate Auditors, and the Independent Accounting Auditor

### Basic Policy

The Company has determined remuneration for Directors and Corporate Auditors by a resolution of the Board of Directors based on the following Basic Policy on Remuneration for Directors and Corporate Auditors, after discussion by the Compensation Committee.

- Remuneration should contribute to securing excellent human resources
- Remuneration should be appropriate for the size of the role and scope of responsibility for each position
- Remuneration should provide motivation to enhance corporate value and drive sustained growth
- Remuneration should be decided through a transparent process and objectivity

Remuneration and so forth for the Directors of the Company comprises basic remuneration (a fixed monthly amount) and bonuses (yearly performance-linked amounts). The system is designed to take into account motivation to continue increasing corporate earnings and corporate value. Remuneration for Directors in 2015 comprised approximately 70% basic remuneration and approximately 30% bonuses.

Remuneration for Corporate Auditors comprises only basic remuneration following the abolition of the bonus system in April 2009.

The retirement benefit system and stock option system were abolished in 2007.

### Remuneration for Directors and Corporate Auditors (2015)

(¥ million)

	No. of recipients	Basic remuneration	Bonus	Total
Internal directors	5	220.3	84.4	304.7
Outside directors	3	31.2	14.4	45.6
Internal corporate auditors	3	63.7	—	63.7
Outside corporate auditors	4	32.4	—	32.4

Note: The figures above include Corporate Auditor Yukio Kakegai and Outside Corporate Auditor Hitoshi Ogita, who retired upon the expiry of their terms of office at the conclusion of the 91st Annual General Meeting of Shareholders held on March 26, 2015.

### Independent Accounting Auditor Remunerations

In 2015, audit fees and other remuneration payable and so forth by the Company to the Independent Accounting Auditor amounted to ¥136 million for an attestation

agreement and the total amount of remuneration payable and so forth by the Company and its subsidiaries to the Independent Accounting Auditor amounted to ¥465 million.

### New Policy for 2016 Onward

To bolster the contribution to the increase of corporate value and growth of the Company over the medium to long term, in addition to the basic remuneration and the short-term performance-linked bonuses, the Asahi Group has introduced a Performance-Linked Stock Compensation Plan as a new long-term performance-linked scheme.

The aim to motivate Directors, excluding Outside Directors, to strive harder to accomplish their performance goals but also help them share the benefits and risks of stock price fluctuations with the Shareholders. Under

the plan, the Company will grant points to the Directors according to the level of achievement of earnings per share (EPS)\* which is a key performance indicator outlined in the Medium-Term Management Policy. At the time of their retirement, the Company will distribute to the Directors a number of shares of common stock of the Company corresponding to the number of points granted to them.

The plan excludes Outside Directors because it is highly sensitive to business performance, and their role is supposed to be to supervise management from an objective position independent from executives.

\* Earnings per share (EPS) = net income / average total number of shares outstanding during the term

## ■ Succession Plan

Given that rapid and unprecedented changes are foreseen in the business environment surrounding corporations, the Company considers the succession of management and the reinforcement of its talent pipeline as the most important priorities in ensuring its sustained growth. Accordingly, the Company has formulated a succession plan for the Chief Executive Officer (CEO) and other leading persons. It has a framework that takes into consideration not only individual capability requirements and selection criteria but also transparent and fair governance, and the building of

a talent pipeline enhanced in terms of both quality and quantity. The plan has been formulated with advice from the Nomination Committee with reference to the requirements for the Corporate Officers, which are determined based on the management philosophy, action guidelines and management strategies of the Company. The Board of Directors appropriately oversees the succession plan for the CEO and other leading persons, receiving reports from management as necessary.

## Promotion of Engagement through IR Activities

Through the publication of integrated reports such as this one, Asahi Group Holdings, Ltd. is pursuing the fair and broad disclosure of its financial information, including operating results, and non-financial information, including management strategies, business challenges and risk and governance related information. At the same time, the Group has been actively engaged in dialogue with its shareholders and investors as well as implementing management reforms to reflect their voices.

In February 2016, the Company utilized its dialogues with shareholders and investors to launch a new Long-Term Vision with the addition of its future business

vision for a decade from now, and the Medium-Term Management Policy, with a focus on the direction of management. The Company will treat the issues raised in the vision and policy as an engagement agenda (agenda for constructive dialogues) and strive to deepen this dialogue from more of a medium- to long-term perspective.

The Company will aim to enhance its corporate value in a sustainable manner by continuing to promote IR activities with a focus on adequate information disclosure and engagement, thus realizing further management reforms in the future.

### Major IR Activities in 2015

Activities	Frequency	Details
Financial Results Briefing for Analysts and Institutional Investors	Four times	Quarterly briefing sessions. (briefing sessions by the President and officers in charge for Q2 and Q4, and teleconferences by the IR/finance sections for Q1 and Q3)
Business Operation Briefing for Analysts and Institutional Investors	Once	Briefing sessions by General Managers (A briefing on Oceania business was conducted in 2015.)
Facilities Tour for Analysts and Institutional Investors	Once	Briefing sessions combined with facilities tours (The tour was conducted Asahi Breweries, Ltd.'s Ibaraki Brewery in 2015.)
IR Interviews for Analysts and Institutional Investors	Approx. 250 times	IR interviews for analysts and institutional investors
Individual Visits for Japanese Institutional Investors	Twice	President's visits to shareholders and investors in Japan (Q2 and Q4.)
Individual Visits for Overseas Institutional Investors	Three times	President's visits to overseas shareholders and investors (North America, Europe and Asia)
Briefing Sessions for Individual Investors	17 times	Briefing sessions by the President (contents also made available on the website) Briefing sessions by the IR officer also held at beer factories across Japan.

### IR Activity-Related Awards in 2015



Asahi Group Holdings, Ltd.  
Integrated Report 2014


The Third WICI Japan Award for Excellence in Integrated Reporting

Best Integrated Reporting Award



NIKKEI Annual Report Awards 2015

Award for Excellence



### Inclusion in SRI Indexes

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices were jointly developed by Dow Jones & Company of the U.S. and RobecoSAM AG of Switzerland.



The Ethibel Excellence Investment Register is an investment universe managed by Forum ETHIBEL, an NPO headquartered in Belgium.



FTSE4Good

The FTSE4Good Global Index is a stock index developed by FTSE International Limited, established by The Financial Times Ltd. and London Stock Exchange Group plc.



The Morningstar Socially Responsible Investment index is Japan's first socially responsible share index. Morningstar Japan K.K. selects for inclusion in the index 150 publicly listed Japanese companies that have been evaluated as possessing outstanding social credentials.

The Asahi Group has been included in several major Socially Responsible Investment (SRI) indexes and funds worldwide. SRI is an investment approach that uses valuation criteria for investment decisions based on social perspectives, such as environmental consideration and corporate citizenship, in addition to financial considerations.

## Internal Control

### Internal Control System

With regard to a system for ensuring that the Directors' execution of duties complies with laws and regulations, and with the articles of incorporation, and a system for ensuring that other operations are conducted appropriately (Internal Control Systems), the Company's Board of Directors resolved and announced as follows. The content has been revised in line with revisions to the Companies Act and other relevant laws and regulations by a resolution of the Board of Directors on April 30, 2015.

In order to develop and operate the Internal Control Systems of the Company and Group companies and effectively achieve the objectives of internal control, the sections

of the Company in charge of internal auditing cooperate with the internal auditing organization established within the Asahi Group when conducting audits in accordance with annual audit plans to determine whether the operations are executed properly and efficiently. During 2015, a total of 25 Group companies were audited.

With respect to internal control over financial reporting, the evaluating organization established within the Asahi Group evaluates the Group Companies' internal control activities pursuant to the Basic Regulations for the Evaluation and Reporting of Internal Control for Financial Reporting.

**WEB** <http://www.asahigroup-holdings.com/en/csr/gov/internal/system.html>

### Risk Management

In conjunction with the transition to the pure holding company structure in 2011, the Asahi Group established the Asahi Group Risk Management Regulations and the Asahi Group Risk Management Detailed Regulations. The Risk Management Regulations define the basic issues related to risk management. The Risk Management Detailed Regulations define specific management processes based on the Risk Management Regulations. The goal in drafting these regulations and procedures is to prevent all types of risks surrounding the business and to strengthen our risk management system for responding to emergency situations.

The Asahi Group Risk Management Committee, established in line with these Group Regulations conducts

cross-sectional risk management for the entire Asahi Group. During 2015, 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," and so forth, based on the findings of periodic risk surveys conducted by departments responsible for each field.

Through its Clean Line System, the Company detects and resolves risk problems early, and effectively prevents risk problems themselves from occurring. During 2015, Corporate Auditors were added as a new whistle-blowing contact, which helped enhance the effectiveness of the System.

### Compliance

Based on Fair and Transparent Corporate Ethics, as stipulated in the Asahi Group Guidelines for Corporate Activity, the Company established Corporate Ethics Rules for the Asahi Group and the Asahi Group Corporate Ethics Guidelines, and requires Directors, Corporate Auditors and employees to observe these guidelines.

Based on these guidelines, the Company promotes compliance by assigning managers responsible for promoting compliance and risk management in the Company and Group companies and conducting education and training

by job class. During 2015, the principal focus was the themes of "harassment" and "information management."

The Company conducts multifaceted and multilayered surveys of compliance awareness and behavior by conducting an anonymous Compliance Questionnaire each year for the employees of the Company and Group companies. In 2015, the questionnaire results revealed that the "overall compliance awareness level stood at a high level and was generally on track towards improvement."



## ■ Evaluation of the Board of Directors

We analyzed and evaluated the effectiveness of the Company's Board of Directors in 2015, based on the operation guide set forth in the Corporate Governance Guidelines. A summary of the results is provided below.

**WEB** <http://www.asahigroup-holdings.com/en/csr/gov/internal/index.html>

### I. Methods of analysis and evaluation

In analyzing and evaluating effectiveness of the Board of Directors in 2015, the Company's Board of Directors had each Director complete a self-evaluation between December 2015 and January 2016, based on a Director self-evaluation questionnaire prepared by the secretariat of the Board of Directors. The results were reported and

discussed at meetings of the Board of Directors held in February and March 2016. The secretariat of the Board of Directors has referred to the opinions given by third-party external advisors in the course of preparing Director self-evaluation questionnaire and compiling the results of the self-evaluations completed by the Directors.

### II. Evaluation items

The main items listed in the Director self-evaluation questionnaire are as follows.

1. Fiduciary responsibility of Directors	6. Election of senior management and Directors	11. Access to information and support systems for the Board of Directors
2. Responsibilities of the Board of Directors	7. Remuneration for management	12. Training of Directors
3. Support for appropriate risk-taking	8. Advice from independent Outside Directors	13. Dialogue with shareholders
4. Delegation of authority to management	9. Risk management	
5. Structure of the Board of Directors	10. Succession plan	

### III. Summary of analysis and evaluation result

In the results of the self-evaluation performed by the Directors regarding effectiveness of the Board of Directors, the majority of the Directors answered "performed without incident" for all but one of the evaluation items. All of the Directors made a number of constructive suggestions for enabling the Company's Board of Directors to operate more effectively.

After discussion based on the evaluation results, the Company's Board of Directors concluded that the effectiveness of the Board of Directors in 2015 was "effective overall."

Item "10. Succession plan" was rated by nearly half of the Directors as "somewhat insufficient" or

"problematic." Many Directors indicated such concerns in the self-evaluations, presumably because they were in the process of formulating the succession plan during 2015. As such, the Company's Board of Directors found in its analysis and evaluation that many Directors are aware of the need for the Board to engage in further discussion on the succession plan.

The succession plan was formulated through discussions among members of the Nomination Committee, and the Board of Directors received a report on the details of the plan in its meeting held on March 2016, thereby providing appropriate supervision.

### IV. Suggestions

The main suggestions made by the Directors in the self-evaluation were to provide more opportunities and information geared to promote a better understanding of the Company's business environment among the Outside Directors, to take measures to further reflect advice from Outside Directors in management, to take steps to create a stronger balance and diversity of knowledge, experience and capabilities among respective Directors, for Inside Directors to be involved in the

management of the entire Group from a high perspective not limited to their own jurisdiction, and to engage in further discussion at the Board of Directors meetings concerning the reinforcement of ESG initiatives.

The Company's Board of Directors will discuss these suggestions with the aim of further developing management for corporate value enhancement, and take steps to improve the effectiveness of Board of Directors accordingly.

## Interview with an Outside Director

We interviewed Outside Director Naoki Tanaka for his view of the effectiveness of the Board of Directors and the issues facing the Group.



We must continue to identify value, pin down risks, and make wise decisions.

### Naoki Tanaka

*Outside Director*

#### Profile

Apr. 2007 President, Center for International Public Policy Studies (current position)  
Mar. 2009 Outside Director of the Company (current position)

Q

Do you consider the Board of Directors to be operating effectively?

A

**Yes, I think it has lived up to expectations by making careful and successful investment decisions.**

The market for beer-type beverages in Japan has been shrinking ever since it peaked in 1994. Generally speaking, the consumer mindset has been changing gradually in the Japanese market for food, soft drinks, and alcohol beverages, and that change has been very significant when viewed in 10-year increments. We have entered a difficult and challenging era, in which the Group must continue to develop products and search for sales formats that are in tune with changes in consumer society.

Meanwhile, decisions must be reached carefully because the Group cannot turn business around by simply focusing on overseas business development. Take the BRICS (Brazil, Russia, India, China and South Africa) markets, for example. Despite being heralded for their spectacular growth only a few years ago, these markets are now saddled with a large amount of problems, including economic slowdown and currency depreciation. The beer industry, in the meantime, has also undergone a substantial global restructuring.

Yet the Asahi Group has been able to carefully identify and execute a steady stream of growth investments. This is because the members of the board have never lost sight

of the big picture in Japanese society and global economic trends, and were capable of discussing business calmly and objectively.

I would say the Board of Directors has lived up to expectations because I think the Asahi Group's accreting business performance and corporate value is the result of these careful objective discussions between its members.

Q

What is the strength of the Asahi Group?

A

**Agility. We give executives the responsibility and authority to make swift decisions.**

I wouldn't call today's environment tumultuous, but it is constantly changing, and the Asahi Group has the agility needed to dynamically push business forward in this environment.

Consider, for instance, the continuing reorganization of competitors, such as the acquisition of SABMiller plc by beer industry giant Anheuser-Busch InBev. We recognized that such companies would want to build new supply chains and sales channels as quickly as possible following a takeover. Companies are also "living organisms" so the more time spent on business development after an acquisition, the greater the reduction in acquisition value.

So, to move matters along, the Asahi Group made the proposal to acquire four of SABMiller's European beer companies as subsidiaries, on the condition that AB InBev went forward with the takeover. The Group judged that it could utilize the advantages nurtured in its Alcohol Beverages Business to assist AB InBev in achieving the rapid business structure development that it needed. The Group made its decision to move with the times, and then acted on it. The Asahi Group truly leveraged its strength in agility to make a decision that really reflected the Group's character.

This kind of competitive ability ultimately derives from effective discussion between the board members. Such a corporate culture is also, in part, a legacy handed down from one CEO to the next in the Asahi Group. I believe that this is where frontline personnel with responsibility and authority facilitated agile decision-making.

Q

What business opportunities do you see for the Asahi Group at present?

A

**This is a great time to be making growth investments, and the Asahi Group's ability to build the right business platform will be tested.**

The continuing decline in stock prices since the beginning of 2016 has provided an opportunity to make growth investments, including the proposal we made to acquire the beer companies in Europe. You could say the Company is positioning itself to take advantage of these conditions. In addition to major restructuring at the global level, the basic agreement reached on the Trans-Pacific Partnership (TPP) will also provide a tail wind, with the prospect for building an integrated economic system among member countries.

The TPP will open up a market that's six times the size of Japan's in terms of gross domestic product (GDP). This will provide a great opportunity for the Asahi Group to establish growth platforms by making the most of its agility. One way of doing this might be to develop a new business line for promoting brands originating in Japan amid a rising global interest in Japanese food, culture, and style. The possibilities are immense if the Asahi Group can combine its accumulated management resources in market intelligence, commercial distribution, and brand power and work in collaboration with a wide range of business partners.

In the process, I think the Group's ability to come up with entirely new business concepts combining strengths

from the Alcohol Beverages, Soft Drinks, and Food Businesses will be tested. I therefore see a need for the members of the board to discuss matters such as developing human resources for the Asahi Group and catching up on best practices.

Q

What will be your main focus going forward as an outside director?

A

**I will strive to determine the fair value of each investment proposal to make wise decisions.**

As I mentioned the year before, there is a need to determine fair value and identify the risks involved in each investment proposal, particularly those that are global. Because the opportunities are better than ever, I am determined to analyze the complex risks from all angles and reduce them to the best of my ability, using my knowledge and understanding of international affairs and financial economics.

I will continue striving to make wise decisions by viewing the Asahi Group's business activities objectively as an outside director. I will spare no effort. I believe that such actions will prevent the erosion of corporate value and contribute to the gain of shareholders and investors.



# Eleven-Year Financial Summary

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
Years ended December 31

¥ Billion

<b>Operating Results (For the year):</b>	2005	2006	2007	2008	2009
Net sales	¥1,430.0	¥ 1,446.3	¥ 1,464.0	¥ 1,462.7	¥ 1,472.4
Cost of sales	953.9	950.1	961.1	953.4	958.4
Selling, general and administrative expenses	385.7	407.5	415.9	414.7	431.2
Operating income	90.2	88.7	86.9	94.5	82.7
Net income	39.8	44.7	44.7	45.0	47.6
EBITDA	141.6	139.6	134.6	145.8	145.7
Capital investment	43.9	36.8	44.4	36.1	32.5
Depreciation and amortization	50.0	48.7	45.2	47.3	55.9
Research and development expenses	8.2	8.4	8.6	9.0	9.3

## Financial Position (At year-end):

Total assets	¥1,218.2	¥ 1,288.5	¥ 1,324.3	¥ 1,299.0	¥ 1,433.6
Interest-bearing debt	289.2	290.1	332.4	302.2	391.8
Total net assets	454.8	509.7	529.7	534.6	577.7

## Cash Flows:

Net cash provided by operating activities	¥ 87.2	¥ 105.8	¥ 69.5	¥ 106.0	¥ 106.3
Net cash used in investing activities	(44.5)	(82.2)	(117.8)	(58.2)	(180.6)
Net cash provided by (used in) financing activities	(35.7)	(22.2)	36.1	(46.3)	78.5
Cash and cash equivalents at end of year	21.3	23.7	11.7	12.6	18.0

## Per Share Data (In yen and U.S. dollars):

Net income	¥ 82.22	¥ 94.02	¥ 94.94	¥ 96.31	¥ 102.49
Diluted net income	80.98	93.85	94.74	96.14	102.42
Cash dividends applicable to the year	17.00	19.00	19.00	20.00	21.00
Net assets	951.12	1,012.77	1,089.33	1,122.13	1,233.25

## Financial Ratios:

Operating margin (%)	6.3	6.1	5.9	6.5	5.6
ROE (%)	9.1	9.6	9.0	8.7	8.7
ROA (%)	7.4	7.2	6.9	7.4	6.6
Total assets turnover (times)	1.16	1.15	1.12	1.12	1.08
Equity ratio (%)	37.3	37.0	38.9	40.2	40.0
D/E ratio (times)	0.64	0.61	0.65	0.58	0.68

## ESG:

Number of employees at year-end	14,878	15,280	15,599	16,357	17,316
Number of directors (total) (at year-end)	11	12	11	11	13
Number of directors (outside) (at year-end)	3	3	2	2	3
Water consumption (thousand m <sup>3</sup> )	21,990	21,649	20,974	20,211	19,828
CO <sub>2</sub> emissions (kilotons)	394	400	376	845	756
Social contribution expenditure (¥ million)	1,017	1,360	1,436	1,428	2,421

Notes: 1. Companies included in data calculation:

Water consumption 2010–2012: 12 companies, 2013: 29 companies, 2014–2015: 30 companies  
CO<sub>2</sub> emissions 2008–2012: 28 companies, 2013: 29 companies, 2014–2015: 30 companies

2. CO<sub>2</sub> emissions data for 2013–2015 includes a CO<sub>2</sub> reduction contribution in accordance with Asahi's Certificate of Green Power.

3. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥120.61 to U.S.\$1.00, the exchange rate prevailing at December 31, 2015.



					¥ Billion	%	Millions of U.S. dollars
2010	2011	2012	2013	2014	2015	YoY change (2015/2014)	2015
¥ 1,489.4	¥ 1,462.7	¥ 1,579.0	¥ 1,714.2	¥ 1,785.4	¥ 1,857.4	4.0	\$15,400
943.3	907.2	974.7	1,032.8	1,073.4	1,100.5	2.5	9,124
450.7	448.3	495.9	563.9	583.7	621.7	6.5	5,155
95.3	107.1	108.4	117.4	128.3	135.1	5.3	1,120
53.0	55.0	57.1	61.7	69.1	76.4	10.6	633
157.6	166.8	170.9	183.6	192.3	197.9	3.0	1,641
27.8	30.6	41.1	48.4	59.8	52.0	-12.9	431
54.6	50.7	48.5	47.7	44.5	46.6	4.7	386
9.3	8.9	9.6	10.8	10.7	10.3	-2.8	86
¥ 1,405.3	¥ 1,529.9	¥ 1,732.1	¥ 1,791.5	¥ 1,936.6	¥ 1,901.5	-1.8	\$15,766
311.4	390.0	456.2	403.7	434.7	414.9	-4.6	3,440
612.6	643.7	726.8	827.4	896.5	891.8	-0.5	7,394
¥ 125.6	¥ 108.5	¥ 109.2	¥ 157.2	¥ 146.7	¥ 112.7	-23.2	\$ 934
(41.7)	(171.2)	(134.3)	(65.7)	(92.1)	(75.5)	—	(626)
(90.8)	67.0	43.0	(84.9)	(35.8)	(73.0)	—	(605)
10.8	16.1	34.3	41.1	62.2	43.2	-30.4	358
¥ 114.10	¥ 118.36	¥ 122.75	¥ 135.73	¥ 148.92	¥ 166.25	11.6	\$ 1.37
114.00	118.28	122.67	126.26	148.80	166.18	11.7	1.37
23.00	25.00	28.00	43.00	45.00	50.00	11.1	0.41
1,315.51	1,378.19	1,553.35	1,772.47	1,904.64	1,916.69	0.6	15.91
6.4	7.3	6.9	6.9	7.2	7.3		
9.0	8.8	8.4	8.0	8.1	8.8		
7.1	7.6	7.0	7.0	7.1	7.6		
1.05	1.00	0.97	0.97	0.96	0.97		
43.6	41.9	41.8	45.7	45.5	46.2		
0.51	0.61	0.63	0.49	0.49	0.47		
16,712	16,759	17,956	18,001	21,177	22,194		
13	11	10	11	9	9		
2	3	3	3	3	3		
19,130	18,966	19,532	23,664	23,615	23,933		
740	728	815	855	918	924		
1,990	1,998	1,515	1,836	1,456	1,210		

## Discussion and Analysis of Fiscal 2015 Business Results

### Analysis of Business Results

#### Overview of Business Results

During the fiscal year under review, the global economy continued to follow an overall pattern of modest growth, reflecting an increase in the number of employed workers and expansion in personal consumption in the United States and a modest business recovery in Europe, despite the slowdown in the business conditions of emerging countries such as China.

In the Japanese economy, business conditions remained on track for a mild recovery, primarily as a result of improved corporate earnings due to increased demand from foreign visitors and other factors, as well as steady personal consumption against a backdrop of improved employment and income environments.

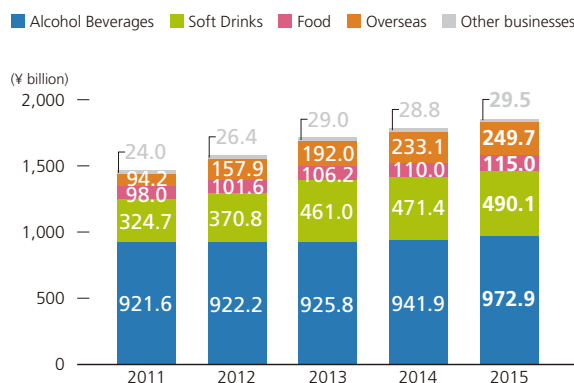
Under these conditions, the Asahi Group focused on its strengths, such as brands, technologies, and cost competitiveness, and leveraged them for the creation of new value and innovation. The Group also promoted initiatives aimed at attaining long-term stable growth by further expanding its domestic and overseas networks. Giving top priority to sales and profit growth, the entire Group worked to increase ROE (return on equity) and EPS (earnings per share) by improving capital efficiency, increasing shareholder returns and so forth.

As a result, the Asahi Group posted net sales of ¥1,857.4 billion, up 4.0% year on year. Operating income was ¥135.1 billion, up 5.3%, and ordinary income was ¥145.9 billion, up 9.6%. Net income was ¥76.4 billion, up 10.6%.

#### Net Sales

Sales increased across all businesses. In the Alcohol Beverages Business, sales increased mainly due to a rise in sales of alcohol beverages other than beer-type beverages and of alcohol-taste beverages and the addition of sales from a newly consolidated subsidiary. Furthermore, in other businesses, companies in the Soft Drinks and Food Businesses saw their sales grow, while the Overseas Business saw sales increase thanks to steady performance in all areas and the addition of sales from a newly consolidated subsidiary. As a result, consolidated net sales were ¥1,857.4 billion, up 4.0% year on year, reflecting increases in sales across all businesses.

#### Net Sales

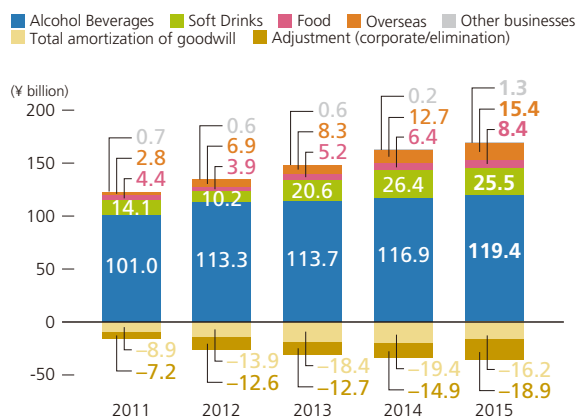


#### Operating Income

Operating income before amortization of goodwill and other items increased in the Alcohol Beverages Business due to a reduction in manufacturing costs, in the Food Business due to effective investment in promotional and advertising expenses, and in the Overseas Business due to maximization of integration synergies in Oceania, such as the self-manufacturing of PET bottles and streamlining of logistics expenses. These increases were offset by a decline in income in the Soft Drinks Business, mainly due to an increase in advertising and promotional expenses.

As a result of the above, operating income before amortization of goodwill and other items increased, and operating income after amortization of goodwill and other items was ¥135.1 billion, up 5.3% year on year.

#### Operating Income by Segment/Total Amortization of Goodwill



### Non-Operating Income (Expenses)

Net non-operating income improved by ¥5.9 billion year on year, mainly due to an improvement in the balance of financial income and expenses reflecting increases in the share of profit of entities accounted for using equity method and interest and dividend income.

### Extraordinary Income and Loss

Net extraordinary loss deteriorated by ¥29.1 billion year on year, mainly due to recording a loss on valuation of investment securities and business integration expenses. In addition, the Company did not record gain on sales and disposal of property, plant and equipment—net in relation to the sale of the former site of the Nishinomiya Brewery and settlement received in relation to a consolidated subsidiary overseas, which had been recorded in the previous fiscal year.

### Net Income

Net income was ¥76.4 billion, up ¥7.3 billion, or 10.6%, year on year, setting a record high for the 15th consecutive year. The increase was mainly attributable to a decline in income taxes due to the effect of a reduction in the corporate income tax rate and the effect of preferential treatment under the Australian tax system.

## Review of Operations by Segment

### Business Results by Segment

(¥ billion)

Segment	Net Sales	Change	Operating Income before Amortization of Goodwill and Other Items	Change	Operating Income after Amortization of Goodwill and Other Items	Change
Alcohol Beverages	972.9	3.3%	119.4	2.2%	118.7	1.5%
Soft Drinks	490.1	4.0%	25.5	(3.1)%	22.4	5.2%
Food	115.0	4.6%	8.4	30.2%	8.0	35.0%
Overseas	249.7	7.1%	15.4	21.7%	3.5	—
Other Businesses	29.5	2.1%	1.3	545.8%	1.3	550.0%
Adjustment	—	—	(18.9)	—	(18.9)	—
Total	1,857.4	4.0%	151.3	2.4%	135.1	5.3%

### Alcohol Beverages

In the beer-type beverages category, we worked on enhancing the brand value of *Asahi Super Dry* by pursuing further evolution of flavor, and by launching products with seasonal package designs and limited-time products. Outside of beer-type beverages, sales increased significantly year on year due to strong performance in whisky and spirits and imported wines, as well as alcohol-taste beverages. Furthermore, the Group strengthened its operating base in the Alcohol Beverages Business by adding ENOTECA CO., LTD., an importer and distributor of wines, as a new consolidated subsidiary.

As a result of the above, net sales in the Alcohol Beverages Business were ¥972.9 billion, up 3.3% year on year, while operating income before amortization of goodwill and other items was ¥119.4 billion, up 2.2%, due mainly to sales growth and reduced manufacturing costs. (Operating income after amortization of goodwill and other items was ¥118.7 billion, up 1.5%).

### Soft Drinks

In the Soft Drinks Business, we sought to enhance the value of our core brands. We strengthened sales of the *Mitsuya* brand and launched new products under the *WONDA* brand, as well as renewed flagship products in the *Calpis* brand. Regarding FOSHU, we strengthened our new value proposals, including by renewing existing products and launching new products. Furthermore, in chilled beverages, we took steps to expand our product lineup.

As a result, net sales in the Soft Drinks Business were ¥490.1 billion, up 4.0% year on year; however, operating income before amortization of goodwill and other items was ¥25.5 billion, down 3.1%, mainly due to aggressive investment in promotional expenses and deterioration in the composition ratio of product categories and containers. (Operating income after amortization of goodwill and other items was ¥22.4 billion, up 5.1%).

**Food**

At Asahi Food & Healthcare Co., Ltd., the Group strengthened its core brands by expanding the product lineup of breath mint tablets and launching the supplement (foods with function claims) and other items. At Wakodo Co., Ltd., we renewed our mainstay prepackaged baby food, and at Amano Jitsugyo Co., Ltd., launched a new series of pasta and prepared dishes. In this way, we sought to increase brand recognition by leveraging both companies' strengths.

As a result of the above, net sales in the Food Business were ¥115.0 billion, up 4.6% year on year. Operating income before amortization of goodwill and other items was ¥8.4 billion, up 30.2%, mainly due to higher sales, effective investment in promotional and advertising expenses, and a decline in the cost of manufacturing. (Operating income after amortization of goodwill and other items was ¥8.0 billion, up 33.5%).

**Overseas**

In the Oceania Business, the Group strengthened its sales in the carbonated soft drinks and mineral water categories. In addition, we strengthened our brands, such as *Asahi Super Dry*, in the Alcohol Beverages Business growth markets.

In the Southeast Asia Business, the Group endeavored to enhance its market presence in each country by aggressively conducting promotional activities for Asahi-brand products, and expanding deals with new customers for *Asahi Super Dry* in the China Business.

In addition to these initiatives, the Group also added the results of the Etika Group to achieve net sales in the Overseas Business of ¥249.7 billion, up 7.1% year on year. Operating income before amortization of goodwill and other items was ¥15.4 billion, up 21.7%, mainly reflecting higher sales and maximization of integration synergies in Oceania. (Operating income after amortization of goodwill and other items was ¥3.5 billion, an improvement of ¥4.7 billion).

**Analysis of Financial Position**

**Assets**

Total assets at the end of the fiscal year stood at ¥1,901.5 billion, down ¥35.0 billion from the end of the previous fiscal year. The change reflected a growth in assets due to the inclusion of new acquisitions in Japan and overseas and certain equity-method affiliates in the scope of consolidation. On the other hand, non-current assets decreased as a result of a decline in goodwill due to the early application of the accounting standard for business combinations and goodwill impairment, as well as depreciation and amortization and impairment losses.

**Liabilities**

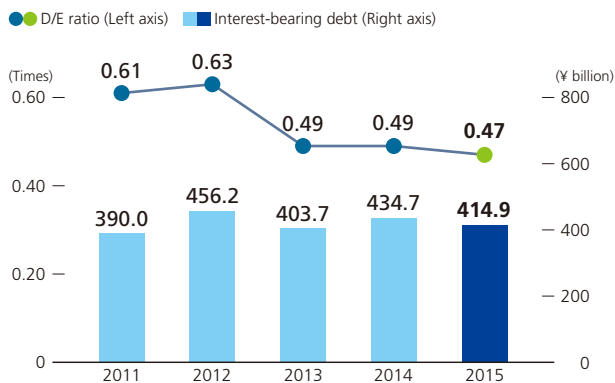
Total liabilities at the end of the fiscal year stood at ¥1,009.7 billion, down ¥30.3 billion from the end of the previous fiscal year. The decrease mainly reflected a decrease in financial debt (the sum of short-term loans payable, current portion of long-term debts, current portion of bonds, commercial paper, bonds payable, and long-term debts).

**Net Assets, Shareholders' Equity, and the Equity Ratio**

Total net assets at the end of the fiscal year stood at ¥891.8 billion, down ¥4.6 billion from the end of the previous fiscal year. The result reflected an increase in retained earnings due to recording net income, as well as an increase in valuation difference on available-for-sale securities. However, the Company also applied corporate consolidation accounting standards rapidly and acquired treasury stock, as well as recorded a decrease in foreign currency translation adjustment due to currency market fluctuations.

As a result, shareholders' equity excluding minority interests came to ¥877.6 billion, and the equity ratio was 46.2%.

**Analysis of Financial Position**





## Analysis of Cash Flows

### Cash Flows from Operating Activities

Operating activities provided net cash of ¥112.7 billion, ¥34.0 billion less than the previous fiscal year. Factors increasing cash, such as recognition of depreciation, amortization of goodwill and impairment loss, were partially offset by factors decreasing cash, such as share of profit of entities accounted for using equity method. Cash was also reduced due to fluctuations in operating funds, such as notes and accounts receivable—trade and notes and accounts payable—trade, as well as income taxes paid.

### Cash Flows from Financing Activities

Financing activities used net cash of ¥73.0 billion, ¥37.2 billion more than the previous fiscal year. Cash was used mainly for purchase of treasury stock and payment of dividends, and to reduce financial debt through the repayment of short-term loans payable.

As a result of the above, cash and cash equivalents at the end of the period stood at ¥43.2 billion, down ¥18.9 billion from the end of the previous fiscal year.

## Capital Investment

Capital investment during the fiscal year under review amounted to ¥56.8 billion (including intangible fixed assets). In the Alcohol Beverages business, we focused on strategic investments to renew existing facilities and improve profitability. In the Soft Drinks business, we made capital investments for improving production system efficiency across the entire Group, mainly at Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd. In the Food business, we made strategic investments at Asahi Food & Healthcare Co., Ltd. and Amano Jitsugyo Co., Ltd. to expand their

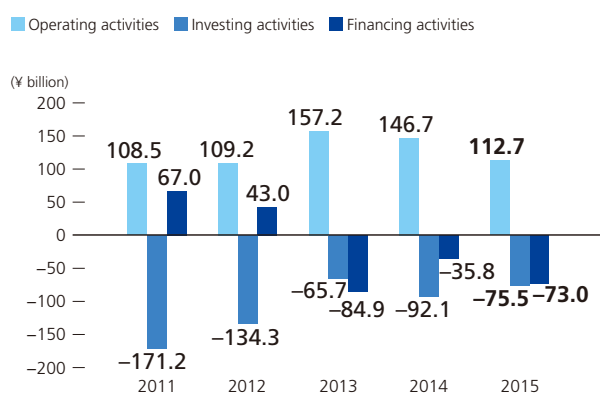
## Research and Development

Group-wide R&D expenses for the fiscal year under review amounted to ¥10.3 billion. Our R&D activities in each business are aimed at developing innovative and differentiated products as well as the foundation technologies that underpin them. In addition, we conduct R&D for the creation of new businesses to support the next generation of the Asahi Group.

### Cash Flows from Investing Activities

Investing activities used net cash of ¥75.5 billion, ¥16.6 billion less than the previous fiscal year. Cash was used mainly for the purchase of subsidiaries' stocks, purchase of property, plant and equipment, and purchase of intangible assets.

### Analysis of Cash Flows



sales by enhancing their production systems and to achieve continuous earnings improvement. In the Overseas business, we made capital investments to increase efficiency based on a strategy of continuously improving earnings.

### Breakdown of Capital Investments

	(¥ billion)					
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other Businesses	Corporate (Shared)
Capital Investments	18.0	16.6	5.3	15.6	0.2	0.8

## Consolidated Balance Sheets

(¥ Million)

	As of December 31, 2014	As of December 31, 2015
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	¥ 65,064	¥ 48,210
Notes and accounts receivable—trade	353,704	362,240
Merchandise and finished goods	82,117	91,200
Raw materials and supplies	42,431	41,114
Deferred tax assets	13,012	15,048
Other	53,042	47,546
Allowance for doubtful accounts	(5,529)	(4,861)
<b>Total current assets</b>	<b>603,842</b>	<b>600,498</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	433,018	433,344
Accumulated depreciation	(263,734)	(267,980)
Buildings and structures, net	169,283	165,364
Machinery, equipment and vehicles	558,442	561,787
Accumulated depreciation	(423,378)	(426,872)
Machinery, equipment and vehicles, net	135,064	134,914
Tools, furniture and fixtures	138,901	143,017
Accumulated depreciation	(81,907)	(81,967)
Tools, furniture and fixtures, net	56,993	61,049
Land	202,051	193,891
Leased assets	(45,010)	40,947
Accumulated depreciation	(23,715)	(23,552)
Leased assets, net	21,294	17,394
Construction in progress	20,617	9,339
Other	179	222
Accumulated depreciation	(69)	(78)
Other, net	109	144
<b>Total property, plant and equipment</b>	<b>605,415</b>	<b>582,098</b>
Intangible assets		
Goodwill	195,859	145,104
Other	99,930	90,444
<b>Total intangible assets</b>	<b>295,790</b>	<b>235,549</b>
Investments and other assets		
Investment securities	375,044	422,469
Long-term loans receivable	2,335	2,458
Long-term prepaid expenses	12,490	11,905
Net defined benefit asset	19,252	24,574
Deferred tax assets	9,448	8,183
Other	16,116	16,388
Allowance for doubtful accounts	(3,124)	(2,571)
<b>Total investments and other assets</b>	<b>431,561</b>	<b>483,408</b>
<b>Total non-current assets</b>	<b>1,332,767</b>	<b>1,301,056</b>
<b>Total assets</b>	<b>¥1,936,609</b>	<b>¥1,901,554</b>

(¥ Million)

	As of December 31, 2014	As of December 31, 2015
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	¥ 130,402	¥ 126,800
Short-term loans payable	173,938	148,750
Current portion of long-term loans payable	10,941	7,489
Commercial paper	76,000	63,000
Current portion of bonds	20,000	30,000
Lease obligations	8,486	7,567
Accrued alcohol tax	110,361	110,044
Accrued consumption taxes	26,617	17,857
Income taxes payable	27,396	23,460
Accounts payable—other	73,097	69,521
Accrued expenses	71,137	76,655
Deposits received	18,255	18,076
Provision for bonuses	4,685	4,917
Other	6,054	11,053
<b>Total current liabilities</b>	<b>757,374</b>	<b>715,193</b>
<b>Non-current liabilities</b>		
Bonds payable	113,000	118,000
Long-term loans payable	40,846	47,690
Lease obligations	14,810	11,590
Provision for directors' retirement benefits	302	237
Net defined benefit liability	26,525	23,377
Deferred tax liabilities	48,611	54,445
Asset retirement obligations	430	441
Other	38,198	38,748
<b>Total non-current liabilities</b>	<b>282,724</b>	<b>294,531</b>
<b>Total liabilities</b>	<b>1,040,099</b>	<b>1,009,725</b>
<b>&lt; Net assets &gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	182,531	182,531
Capital surplus	143,339	120,524
Retained earnings	477,427	524,859
Treasury shares	(58,176)	(77,377)
<b>Total shareholders' equity</b>	<b>745,120</b>	<b>750,537</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	28,850	45,799
Deferred gains or losses on hedges	(218)	(82)
Foreign currency translation adjustment	107,832	81,259
Remeasurements of defined benefit plans	(492)	157
<b>Total accumulated other comprehensive income</b>	<b>135,970</b>	<b>127,134</b>
<b>Minority interests</b>	<b>15,419</b>	<b>14,157</b>
<b>Total net assets</b>	<b>896,510</b>	<b>891,829</b>
<b>Total liabilities and net assets</b>	<b>¥1,936,609</b>	<b>¥1,901,554</b>

## Consolidated Income Statements

(¥ Million)

	Year Ended December 31, 2014 (From January 1 to December 31)	Year Ended December 31, 2015 (From January 1 to December 31)
<b>Net sales</b>	¥1,785,478	¥1,857,418
<b>Cost of sales</b>	1,073,439	1,100,519
<b>Gross profit</b>	712,039	756,899
<b>Selling, general and administrative expenses</b>		
Sales commission	247,058	267,557
Advertising expenses	52,738	50,549
Haulage expenses	57,145	61,355
Provision of allowance for doubtful accounts	88	(503)
Salaries, allowances and bonuses	88,125	94,898
Retirement benefit expenses	5,024	4,005
Depreciation	23,560	24,154
Amortization of goodwill	13,823	10,564
Other	96,170	109,196
Total selling, general and administrative expenses	583,733	621,779
<b>Operating income</b>	128,305	135,119
<b>Non-operating income</b>		
Interest income	453	583
Dividend income	1,840	2,112
Foreign exchange gains	1,404	—
Share of profit of entities accounted for using equity method	8,025	14,167
Other	1,437	2,526
Total non-operating income	13,161	19,389
<b>Non-operating expenses</b>		
Interest expenses	3,686	3,615
Other	4,612	4,947
Total non-operating expenses	8,299	8,562
<b>Ordinary income</b>	133,168	145,946
<b>Extraordinary income</b>		
Gain on sales of non-current assets	16,243	833
Gain on sales of investment securities	611	1,011
Settlement received	16,994	—
Gain on step acquisitions	—	5,932
Other	250	184
Total extraordinary income	34,099	7,961
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	4,166	4,903
Loss on sales of investment securities	28	157
Loss on valuation of investment securities	23	2,619
Impairment loss	23,701	21,336
Business integration expenses	5,686	8,049
Other	4,525	4,090
Total extraordinary losses	38,131	41,157
<b>Income before income taxes and minority interests</b>	129,136	112,750
<b>Income taxes—current</b>	52,018	42,532
<b>Income taxes—deferred</b>	7,934	(4,920)
<b>Total income taxes</b>	59,952	37,611
<b>Income before minority interests</b>	69,183	75,138
<b>Minority interests in income or loss</b>	65	(1,288)
<b>Net income</b>	¥ 69,118	¥ 76,427



# Comprehensive Income Statements

(¥ Million)

	Year Ended December 31, 2014 (From January 1 to December 31)	Year Ended December 31, 2015 (From January 1 to December 31)
<b>Income before minority interests</b>	¥ 69,183	¥ 75,138
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,868	16,950
Deferred gains or losses on hedges	(442)	136
Foreign currency translation adjustment	21,162	(35,093)
Remeasurements of defined benefit plans, net of tax	—	618
Share of other comprehensive income of entities accounted for using equity method	13,632	7,382
Total other comprehensive income	42,221	(10,005)
<b>Comprehensive income</b>	¥111,404	¥ 65,133
<b>Comprehensive income attributable to</b>		
Owners of the parent	¥109,985	¥ 67,869
Minority interests	1,419	(2,736)

# Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2014 (From January 1 to December 31)

(¥ Million)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares		
<b>Balance at beginning of current period</b>	¥182,531	¥152,537	¥428,661	¥(40,032)		¥723,698
Cumulative effect of a change in accounting policy						
<b>Initial balance reflecting change in accounting policy</b>	182,531	152,537	428,661	(40,032)		723,698
<b>Changes during period</b>						
Dividends of surplus			(20,353)			(20,353)
Net income			69,118			69,118
Purchase of treasury shares				(50,378)		(50,378)
Disposal of treasury shares		(9,198)		32,234		23,036
Net changes other than shareholders' equity						
<b>Total changes during period</b>	—	(9,198)	48,765	(18,144)		21,422
<b>Balance at end of current period</b>	¥182,531	¥143,339	¥477,427	¥(58,176)		¥745,120

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
<b>Balance at beginning of current period</b>	¥20,981	¥ 223	¥ 74,390	¥ —	¥ 95,595	¥ 8,186	¥827,481
Cumulative effect of a change in accounting policy							
<b>Initial balance reflecting change in accounting policy</b>	20,981	223	74,390	—	95,595	8,186	827,481
<b>Changes during period</b>							
Dividends of surplus							(20,353)
Net income							69,118
Purchase of treasury shares							(50,378)
Disposal of treasury shares							23,036
Net changes other than shareholders' equity	7,868	(442)	33,441	(492)	40,374	7,232	47,606
<b>Total changes during period</b>	7,868	(442)	33,441	(492)	40,374	7,232	69,029
<b>Balance at end of current period</b>	¥28,850	¥(218)	¥107,832	¥(492)	¥135,970	¥15,419	¥896,510

Year Ended December 31, 2015 (From January 1 to December 31)

(¥ Million)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares		
<b>Balance at beginning of current period</b>	¥182,531	¥143,339	¥477,427	¥(58,176)		¥745,120
Cumulative effect of a change in accounting policy		(22,443)	(7,365)			(29,809)
<b>Initial balance reflecting change in accounting policy</b>	182,531	120,895	470,061	(58,176)		715,311
<b>Changes during period</b>						
Dividends of surplus			(21,629)			(21,629)
Net income			76,427			76,427
Purchase of treasury shares				(20,031)		(20,031)
Disposal of treasury shares		(370)		831		460
Net changes other than shareholders' equity						
<b>Total changes during period</b>	—	(370)	54,798	(19,200)		35,226
<b>Balance at end of current period</b>	¥182,531	¥120,524	¥524,859	¥(77,377)		¥750,537

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
<b>Balance at beginning of current period</b>	¥28,850	¥(218)	¥107,832	¥(492)	¥135,970	¥15,419	¥896,510
Cumulative effect of a change in accounting policy			(277)		(277)		(30,086)
<b>Initial balance reflecting change in accounting policy</b>	28,850	(218)	107,554	(492)	135,693	15,419	866,423
<b>Changes during period</b>							
Dividends of surplus							(21,629)
Net income							76,427
Purchase of treasury shares							(20,031)
Disposal of treasury shares							460
Net changes other than shareholders' equity	16,949	136	(26,295)	650	(8,558)	(1,261)	(9,820)
<b>Total changes during period</b>	16,949	136	(26,295)	650	(8,558)	(1,261)	25,406
<b>Balance at end of current period</b>	¥45,799	¥ (82)	¥ 81,259	¥ 157	¥127,134	¥14,157	¥891,829

# Consolidated Statements of Cash Flows

(¥ Million)

	Year Ended December 31, 2014 (From January 1 to December 31)	Year Ended December 31, 2015 (From January 1 to December 31)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	¥129,136	¥112,750
Depreciation	59,050	60,682
Impairment loss	23,701	21,336
Amortization of goodwill	14,247	10,564
Increase (decrease) in net defined benefit asset and liability	(3,908)	(5,308)
Increase (decrease) in allowance for doubtful accounts	(29)	(1,148)
Interest and dividend income	(2,294)	(2,695)
Interest expenses	3,686	3,615
Foreign exchange loss (profit)	(415)	2,465
Share of loss (profit) of entities accounted for using equity method	(8,025)	(14,167)
Loss (gain) on sales of investment securities	(583)	(853)
Loss (gain) on valuation of investment securities	23	2,619
Loss (gain) on sales of non-current assets	(16,243)	(833)
Loss (gain) on sales and retirement of non-current assets	4,166	4,903
Settlement received	(16,994)	—
Difference between gain and loss on step acquisitions	—	(5,932)
Decrease (increase) in notes and accounts receivable—trade	(26,223)	(12,775)
Decrease (increase) in inventories	(838)	(4,721)
Increase (decrease) in notes and accounts payable—trade	5,748	(3,030)
Increase (decrease) in accrued alcohol tax payable	(80)	(173)
Increase (decrease) in accrued consumption taxes	15,301	(8,786)
Bonuses paid to directors and corporate auditors	(349)	(369)
Other, net	7,771	18,087
<b>Subtotal</b>	<b>186,846</b>	<b>176,227</b>
Interest and dividend income received	8,329	8,798
Interest expenses paid	(3,676)	(3,644)
Settlement received	20,306	—
Income taxes paid	(65,022)	(68,616)
<b>Net cash provided by (used in) operating activities</b>	<b>146,783</b>	<b>112,765</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,219)	(1,830)
Proceeds from withdrawal of time deposits	336	1,912
Purchase of property, plant and equipment	(55,205)	(46,504)
Proceeds from sales of property, plant and equipment	22,439	5,239
Purchase of intangible assets	(8,831)	(5,004)
Purchase of investment securities	(18,147)	(3,822)
Proceeds from sales of investment securities	3,405	2,279
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(28,563)	(21,257)
Payments for transfer of business	(2,408)	—
Payments of loans receivable	(384)	(1,542)
Collection of loans receivable	1,153	1,193
Other, net	(4,757)	(6,247)
<b>Net cash provided by (used in) investing activities</b>	<b>(92,183)</b>	<b>(75,583)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	48,383	(36,328)
Repayments of lease obligations	(9,367)	(9,198)
Proceeds from long-term loans payable	16,043	13,828
Repayments of long-term loans payable	(9,169)	(14,113)
Proceeds from issuance of bonds	35,000	35,000
Redemption of bonds	(48,405)	(20,000)
Purchase of treasury shares	(50,378)	(20,031)
Cash dividends paid	(20,353)	(21,629)
Cash dividends paid to minority shareholders	(376)	(479)
Proceeds from share issuance to minority shareholders	2,334	—
Other, net	446	(92)
<b>Net cash provided by (used in) financing activities</b>	<b>(35,842)</b>	<b>(73,044)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>2,361</b>	<b>(4,558)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,118</b>	<b>(40,421)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>41,116</b>	<b>62,235</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>21,476</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 62,235</b>	<b>¥ 43,290</b>

# Corporate Profile / Stock Information (As of December 31, 2015)

## ■ Corporate Profile

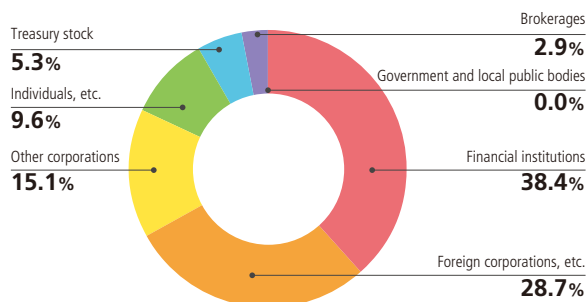
Date of Establishment	September 1, 1949
Paid-In Capital	¥182,531 million
Number of Employees	273 (consolidated: 22,194)
Number of Group Companies	Consolidated subsidiaries: 118 Equity-method non-consolidated subsidiaries: 2 Equity-method affiliates: 124
Total Number of Issued Shares	483,585,862
Trading Unit	100 shares
Number of Shareholders	106,712
Stock Exchange Listing	Tokyo Stock Exchange
Securities Code	2502
Fiscal Year-End Date	December 31
Ordinary General Meeting of Shareholders	March
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited
Independent Accounting Auditor	KPMG AZSA LLC

## ■ Major Shareholders

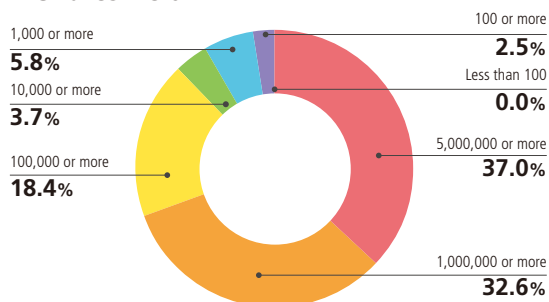
Name of shareholder	Number of shares held (in thousands)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,209	6.4
Japan Trustee Services Bank, Ltd. (Trust Account)	20,579	4.5
Asahi Kasei Corporation	18,785	4.1
The Dai-ichi Life Insurance Company, Limited	16,920	3.7
Fukoku Mutual Life Insurance Company	15,500	3.4
Sumitomo Mitsui Banking Corporation	9,028	2.0
Sumitomo Mitsui Trust Bank, Limited	8,126	1.8
JPMorgan Securities Japan Co., Ltd.	6,637	1.4
STATE STREET BANK WEST CLIENT – TREATY 505234	6,382	1.4
THE BANK OF NEW YORK MELLON SA/NV 10	6,236	1.4
<b>Total</b>	<b>137,403</b>	<b>30.0</b>

Notes: 1. The Company holds treasury stock numbering 25,676 thousand shares. However, the Company is excluded from the above list of major shareholders.  
2. Shareholding percentages are calculated based on the total number of issued shares less the number of shares in treasury stock.

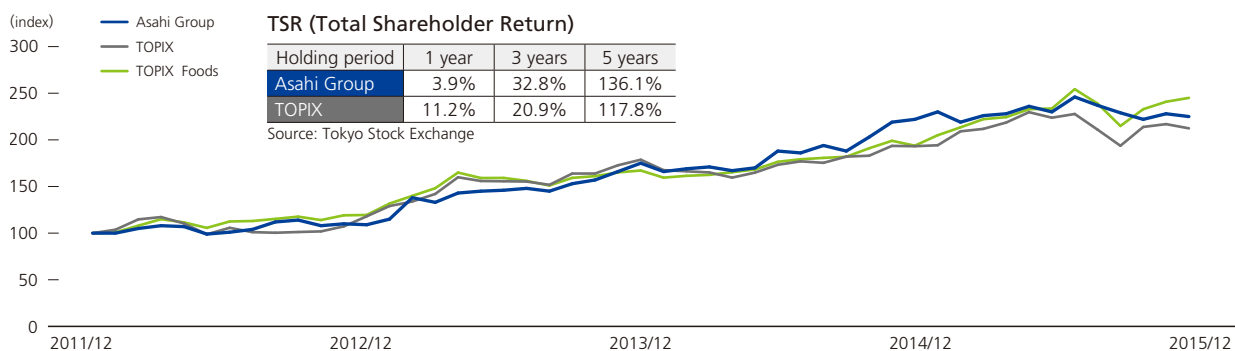
## ■ Breakdown of Shareholdings by Investor Type



## ■ Breakdown of Shareholdings by Number of Shares Held



## ■ Stock Price



Notes: 1. Taking the closing price on December 30, 2011 as 100.  
2. The holding period for TSR is based on the closing price on December 31, 2015.



# Explanation of Various Information Tools

## Information Site for Shareholders and Investors <http://www.asahigroup-holdings.com/en/ir/index.html>

With the purpose of providing appropriate and fair information to shareholders and investors, we will use the website to eagerly develop IR activities.



▶ Main contents to be featured

▶ Recent financial results and results briefings

▶ Timely disclosure and other IR news

<b>Management Information</b> <ul style="list-style-type: none"> <li>▶ Management Message</li> <li>▶ Long-Term Vision</li> <li>▶ Medium-Term Management Policy</li> </ul> <p>Others</p>	<b>Financial Information</b> <ul style="list-style-type: none"> <li>▶ Financial Data</li> <li>▶ Financial Highlights</li> <li>▶ Segment Information</li> </ul> <p>Others</p>	<b>IR Library</b> <ul style="list-style-type: none"> <li>▶ Financial Results</li> <li>▶ Integrated Reports/ Annual Reports</li> </ul> <p>Others</p>
<b>IR Events</b> <ul style="list-style-type: none"> <li>▶ IR Calendar</li> <li>▶ Annual Meetings for Shareholders</li> </ul> <p>Others</p>	<b>Stock and Bonds</b> <ul style="list-style-type: none"> <li>▶ Stock Information</li> <li>▶ Stock Ownership</li> <li>▶ Dividend Information</li> </ul> <p>Others</p>	

## Others

We will also try our best to provide non-financial information such as that covering Asahi Group's CSR and environmental activities in a timely and up-to-date manner.

### Responsibility

<http://www.asahigroup-holdings.com/en/csr/index.html>



▶ Main contents to be featured

President's Message  
CSR Activities of the Asahi Group  
Dialogue with Stakeholders

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# Asahi

