Asahi

ADVANCING TO THE NEXT STAGE

Asahi Group Holdings, Ltd.

Integrated Report 2017

For the Fiscal Year Ended December 31, 2017

ADVANCING TO THE NEXT STAGE

A corporate group that shares its inspiration

The Asahi Group shares its inspiration, or *Kando*, with its customers, which we define as a combination of deliciousness, happiness, and innovation. The strong relationships we enjoy with our stakeholders have allowed us to take on myriad challenges driven by this underlying inspiration.

In doing so, we are expanding across the globe, transitioning from the Asahi of Japan to the Asahi of the world.

We pledge to continue challenging ourselves in order to spread fresh ideas and value to the rest of the world.

Corporate Philosophy of the Asahi Group

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

Presence in Japan

We offer some of the top brands in each product category in the Japanese market, including *Asahi Super Dry*, our flagship beer, which enjoys the No. 1 share among Japanese beer brands. Other products as well, including *Mitsuya Cider* and *MINTIA*, rank among the top brands in their respective domains.

2017 Domestic beer share*

49%

* Based on taxed shipment volume of five major Japanese breweries

ALCOHOL BEVERAGES

Core Brands

Asahi Super Dry
Black Nikka
Alpaca
Kanoka
Asahi Mogitate

OUR BRANDS

We offer a diverse array of brands that boast a top share in each product category in all of our four business domains: Alcohol Beverages, Soft Drinks, Food, and Overseas. Through these brands, we deliver products with the highest level of quality that advance our corporate philosophy of contributing to the promotion of healthy living and the enrichment of society worldwide.

SOFT DRINKS

Core Brands

Mitsuya Cider
Wilkinson
WONDA
Juroku-cha
Calpis

FOOD

Core Brands

MINTIA
Dear-Natura
EBIOS
Goo-Goo Kitchen
Itsumono Omisoshiru

Overseas core operating profit ratio

Approx. **40%**

Global Development

Thanks to the acquisition of new beer businesses in Western and Central Europe, overseas core operating profit now accounts for nearly 40% of overall core operating profit. Going forward, we will move beyond "the Asahi of Japan" to "the Asahi of the world" and expand the region for delivering *Kando* centered on our prominent premium brands.

OVERSEAS

Core Brands

Asahi Super Dry
Peroni Nastro Azzurro
Pilsner Urquell
Schweppes
Calpis

Evolving in the name of "Share the *Kando*"

1889

The drive toward the highest level of quality begins

The Company was founded in 1889 with the aim of producing an authentic Japanese beer made by Japanese people. Winning awards at expos and exhibitions both domestically and abroad, we are constantly striving for "the highest level of quality" that has been part of our corporate culture since our founding.

- 1889 Osaka Beer Brewing Company is established.
- 1892 *Asahi Beer* is launched.
- 1900 *Asahi Beer* wins a gold medal at the 1900 Paris Expo.

1949

A second start in the name of innovation and growth

In 1949, Asahi Breweries, Ltd. was established, a product of a corporate breakup brought on by post-war economic decentralization in Japan. Thereafter, Asahi continued to expand its business, centered on its alcohol and soft drink products, and drive innovation, one example of which was the start of canned beer sales in Japan.

- 1949 Asahi Breweries, Ltd. is established.
- 1958 Asahi launches Japan's first canned beer, *Asahi Beer*.
- 1969 Asahi pioneers the practice of putting expiry dates on product labels.
- 1983 Asahi acquires the trademark rights to *Wilkinson*.

1987

Taking off as a beer innovator

In 1987, Asahi launched Japan's first dry draft beer, *Asahi Super Dry*, which was brought to fruition by ideas that went beyond the common ways of thinking in the beer industry at that time. Since then, Asahi worked to spur innovation in overall supply chain management in such ways as establishing quality standards for freshness. In 1998, these efforts would culminate in Asahi taking the top share of the Japan's beer market.

- 1987 *Asahi Super Dry* is launched.
- 1991 The Taikoban Guarantee System*1 is introduced to improve quality control.
- 1993 Asahi forms the Fresh Management Committee to shorten the period from manufacture to consumption.
- 1998 Asahi gains the top share of Japan's beer market.*2

*1 A system designed to guarantee quality and reduce shipping time by checking quality at each step of the manufacturing process before a product is sent to the next step

*2 Based on taxed shipment volume of five major Japanese breweries

128 YEARS OF SHARING

As a company that creates and delivers *Kando*, we have built a history that thrives on challenges to create new value. This has resulted in the continued expansion of beverage brands that have been enjoyed over many generations, while at the same time has led us to launch *Asahi Super Dry*, which at the time completely changed the way people thought about beer.

2009

Share the *Kando* from Japan to the World

Asahi continued to cultivate the new domestic brands such as *Clear Asahi*, *Wilkinson*, and *MINTIA*. They created new demand for drinking and eating to lead expansion of their respective markets. Another important step in this process was the acquisition of *Calpis*, a popular lactic acid bacteria beverage. Overseas, Asahi took on a new challenge as a global player, entering markets in Oceania and Southeast Asia and carrying out a large-scale acquisition of European beer businesses with prominent brands.

- 2009 Asahi enters the Oceania market in earnest.
- 2011 Asahi enters the Southeast Asia market in earnest.
- 2012 Asahi acquires all the stock of Calpis Co., Ltd.
- 2016 Asahi enters the European market in earnest.

2001

Cultivating and expanding the *Kando* brand

In 2001, Asahi entered the happoshu market and captured the top shares in Japan's beer and happoshu markets. Vigorous M&A activity in the Alcohol Beverages (besides beer), Soft Drinks, and Food Businesses made the Asahi brand a top name in each respective category. Furthermore, as Asahi expanded its portfolio, the Company worked to strengthen the brand strength in each of its businesses by developing synergies across their entire range.

- 2001 Asahi captures top shares of the beer and happoshu markets.*3
- 2001 Asahi makes The Nikka Whisky Distilling Co., Ltd. a wholly owned subsidiary. (60% stake in 1954)
- 2002 Asahi acquires *MINTIA* by purchasing shares in POLA Foods Inc.
- 2006 Asahi acquires stock in Wakodo Co., Ltd., and enters the baby food business.
- 2008 Asahi acquires stock in Amano Jitsugyo Co., Ltd., and enters the freeze-dried food business.

*3 Based on taxed shipment volume of five major Japanese breweries

THE NEXT 20 YEARS

Our *Kando* is ever growing in scope, driven by our drink and food products, from Japan to the world. We want to share this inspiration, be it with one person or with many. It is with this desire that we will continue to strive forward and take on one new challenge after another.

THE SOURCE OF OUR VALUE

Continuing to Improve Quality and Satisfaction

As per our corporate philosophy, we aim to uphold "the highest level of quality." In the name of this pursuit, we have been working to strengthen our value chain, which extends from R&D to sales. We are aware that "the highest level of quality" is something that can only be achieved through diligence in each step of the process. Therefore, our value chain incorporates four strengths through each process. Going forward, we will leverage these strengths as we pursue innovation that allows us to deliver *Kando* to an even greater extent.

The Four Strengths in the Value Chain

❶ Brand Strength

- Strong brand assets, including *Asahi Super Dry* and *Mitsuya Cider*, and the ability to foster those assets
- A corporate brand that ensures food safety and reliability

❷ Cost Competitiveness

- Top-class productivity in overall SCM in the industry by leveraging manufactured and intellectual capital
- Ability to generate cost synergies locally and globally by leveraging human capital

❸ Human Resource (Organizational) Capabilities

- 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

❹ Social Collaboration Ability

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

▶ See page 24
"Value Creation Process"

FINANCIAL SUSTAINABILITY

Strong commitment to earning power

The past 10 years have come with many significant changes in the external fabric, including contraction of the domestic liquor market, changes in consumer preferences, and increasing concerns about the environment. Amid all of these factors, we have made some adjustments that have included steering operations to emphasize corporate growth. This move has involved shifting to a pure holding company structure in 2011, promoting marketing activities centered on core brands, expanding overseas networks, and maximizing synergies. The result has been steady average growth over the past decade*[1] of about 4% in revenue and 12% in EPS.

Presently, we have formulated an image of the future in 10 years' time in our Long-Term Vision, which anticipates several external factors potentially having an impact in the coming decade, including the declining domestic population and diversification of consumer preferences. With these factors in mind, and to realize growth based on high added value, we have redoubled our efforts to become a *Glocal**[2] Value Creation Company, underpinned by the strength of our global and domestic businesses. More specifically, we are aiming toward spearheading added-value competition in the domestic market and becoming a premium beer manufacturer with a highly competitive edge overseas. In focusing on "premiumization," we will lay the foundation for growth as a leading company in years to come. Furthermore, we will reinforce ESG initiatives linked to enhancing corporate value in our efforts to resolve social issues through business and governance reform.

The Asahi Group is entering a new stage in its history following the rebuilding of its business portfolio in Japan and overseas, which has seen a nearly 40% rise in the ratio of business profit overseas thanks to the addition of its Europe business. Going forward, we will speed up reforms to ensure sustainable growth and further develop management to enhance corporate value.

Medium-Term Management Policy Guidelines (Guidelines for 2018 onward)

Key Indicators: Approaches and Guidelines

Indicator	2017 Results	Guideline
Revenue	¥2,084.8 billion	Stable growth in existing businesses – Rebuilding our business portfolio + New M&As
Core Operating Profit	¥196.3 billion	CAGR: In mid-to-high single digits
EPS (post-adjustment*[3])	¥262.2	CAGR: In mid-to-high single digits
ROE (post-adjustment*[3])	13.7%	Maintain 13% or above

Financial / Cash Flow Guidelines

Cash Flow	FCF: Above ¥140.0 billion (annual average) Impact of business restructuring: Approx. ¥100.0 billion (FY2018 forecast)	**Investment for Growth**	Prioritize strengthening financial structure and consider M&As for expansion of foundations for growth
Debt Reduction	Net debt/EBITDA: Around 3 times by the end of FY2019 Net D/E ratio: Below 1 time by the end of FY2018	**Shareholder Returns**	Stable dividend increases with the aim of a dividend payout ratio of 30%*4

*1 The Company's consolidated financial statements have been prepared based on Japanese accounting standards for years up to the fiscal year ended December 2015 and based on International Financial Reporting Standards (IFRS) from the fiscal year ended December 2016.
*2 A term reflecting or characterized by both local and global considerations.
*3 EPS and ROE are calculated excluding temporary special factors such as business portfolio restructuring and exchange rate fluctuations.
*4 Adjusted profit attributable to owners of parent is used for calculation purposes, which is calculated after deduction of one-off special factors including business portfolio restructuring.

Message from the Chairman

A New Stage for Growth

Issuance of *Integrated Report 2017*

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. 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 materiality issues (priority themes). We strive to address social issues in these areas through our business activities. We continue to work in accordance with the Long-Term Vision that we formulated in 2016. Our Medium-Term Management Policy strives to realize this vision through three key priorities: i) strengthening of earning power; ii) asset and capital efficiency improvement; and iii) reinforcement of ESG initiatives. With steady improvement in both operating margin and capital efficiency, the response is clear.

The year 2017 marked a new stage for growth for us as we completed our acquisition of key beer businesses in Europe and restructured our business portfolio. Several risks and opportunities will continue to appear in accordance with changes in the external environment, including value diversification of consumer needs and continued premiumization, and we have also anticipated the growing interest in ESG initiatives that stakeholders require of companies.

Integrated Report 2017 has been edited based on the entire Group's efforts and discussions aimed at enhancing corporate value in the face of the ever-changing external environment as we enter this new stage in our history. As such, the compilation process and content of this report are appropriate.

We realize the value of maintaining dialogue with our stakeholders, including shareholders and investors, and that the dialogue brings various beneficial awareness and excitement to our management as well. We will continue to use the Integrated Report as an engagement tool to stimulate constructive dialogue, and in that spirit we would appreciate that you take the time to read it and give us your honest opinions and impressions.

June 2018

Naoki Izumiya

Chairman and Representative Director

IMPROVING CORPORATE VALUE THROUGH ENGAGEMENT

Contents

PROFILE & COMMITMENT

This section presents our current corporate value system and how it culminates in the concept of "Share the *Kando*."

OUR BLUEPRINT

Here we explain our sustainable business model and how it works to bring us into our new stage for growth.

BUSINESS STRATEGY & REVIEW

This section explains the external operating environment and risks as well as outlining progress on our business strategies. It also presents results for fiscal 2017 and the policies for fiscal 2018 and related key topics.

CORPORATE GOVERNANCE & FINANCIAL INFORMATION

This section contains details about corporate governance, which represents the foundation for sustainable growth, along with a summary of financial data and information about Company shares.

Editorial Policy

Since 2014, we have issued the Integrated Report combining the conventional Annual Report and CSR Communication Report into one.

In compiling *Integrated Report 2017*, we have referred to the Integrated Reporting Framework issued by the International Integrated Reporting Council. In doing so, we have created a communication tool that systematically combines financial and non-financial information as part of our value creation story, aiming to further develop management for corporate value enhancement.

We will continue working to enhance the content of the report in the hope that it will promote deeper understanding of the Group among a broad range of readers, including our shareholders and investors.

Report Period Covered

January 1, 2017–December 31, 2017
(including some information outside this period)

Scope of Report

Asahi Group Holdings, Ltd. and Group companies

About Stated Amounts

For all amounts stated in this publication, the figures are truncated to the nearest unit and the percentages are rounded to the nearest digit.

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. We caution 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, market competition, foreign exchange rates, taxes, and other systems influencing the Company's business areas.

Message from the CEO

Aiming to be a *Glocal* Value Creation Company by Leveraging the Unique Strengths of Asahi

DEVELOPING THE NEXT STRATEGY

Akiyoshi Koji

President and Representative Director, CEO

A New Stage for Growth for the Asahi Group

Taking the Next Step Forward as a *Glocal* Value Creation Company

The Asahi Group is a corporate group that generates extremely high earnings through the category-leading brands and high levels of profitability in the three domestic businesses of Alcohol Beverages, Soft Drinks, and Food. Based on the Medium-Term Management Policy we formulated in 2016, we have worked to further enhance the earning power of these three businesses while expanding our foundation for growth through the acquisition of European beer businesses. Meanwhile, we have nearly reached our goal of restructuring our business portfolio through focusing on core businesses, as evidenced by the sale of investment accounted for using the equity method in China and the sale of our shares in Indonesian beverage businesses. With the addition of the Europe business, profit from overseas businesses now accounts for almost 40% of our entire core operating profit, and nearly 60% of Group employees are from countries other than Japan. In these ways, our business foundation has undergone significant structural changes. We are now equipped with the necessary competitive edge and foundation to take on the challenge of becoming a truly global company, and we therefore recognize that we are currently at the next stage for growth for the Asahi Group as a whole. By expanding our business strategies that have historically placed the major point of emphasis on our domestic businesses, we aim to become a *Glocal* Value Creation Company with a key area of focus on high added value that combines the strengths of both our domestic and overseas businesses, including human resources and know-how.

In general, as the saying "Think Globally, Act Locally" suggests, we are progressing strategies deeply rooted in the culture of local communities while keeping our overall focus on a global scale. These strategies are not mere extensions of our previous standards and business approaches. Rather, they pursue the best practices that have been determined in consideration of the best approach we can take for the future. For example, with our model for future brand cultivation and marketing, we are making a shift from a centrally concentrated style of management to incorporate a more autonomous and dispersed style of management. This includes aspects such as horizontally deploying general strategies on a global basis while completely entrusting the execution of strategies based on local culture, customs, and personnel. In addition, not only do we need to globally expand sales of prominent brands such as *Asahi Super Dry*, *Peroni Nastro Azzurro*, and *Pilsner Urquell*, we must also utilize the expertise and know-how we gained through the acquisition of the Europe business to reform our domestic business model and the beer industry in Japan itself.

Also, as we aim to become a *Glocal* Value Creation Company, it is becoming even more important for us to foster a sense of unity among all Group employees, including those from countries other than Japan. As such, we are reworking our current corporate philosophy and vision to make them more relatable and easier to understand. We intend to finalize our new philosophy and vision in 2018 and explain them clearly to both our employees and managerial ranks in Japan and overseas. By fostering an understanding of the new philosophy and vision, we will bring the Group even closer together going forward.

Message from the CEO

An Increasing Number of Business Opportunities Right before Our Eyes

Realizing Genuine Growth with a Key Area of Focus on High Added Value

In the alcohol beverage and soft drink markets in Japan, a variety of factors including unseasonable weather and tax regulation revisions have had a negative short-term impact on business performance. In addition, if we consider the medium- to long-term impact of economic trends, population movements, and other issues, the achievement of sustainable growth going forward may seem difficult. However, by establishing a robust business foundation around the world, we will not only increase the number of global business opportunities we will also be able to improve our competitive edge in Japan through these new opportunities. We will smoothly incorporate a great deal of valuable skills and expertise from the newly added Europe business into our domestic businesses. They include the branding know-how these businesses have cultivated worldwide as well as their connections with distributors in each area of operation, negotiation techniques, procurement capabilities, and risk management and cash management expertise. In doing so, we will further enhance the competitive position of our three domestic businesses.

When we take a look at the market from the perspective of a global beer manufacturer, we see that beers in the premium and super premium price ranges account for roughly 40% of the entire global beer market, with an annual growth rate in the super premium market of nearly 5%. As the annual growth rate for the entire global beer market remains at just over 1%, it is likely that consumer demand for premium beers will increase even further if global economic conditions continue to gradually improve going forward. To capitalize on this opportunity, we aim to become a global premium beer manufacturer with a highly competitive edge as part of our overseas strategy. To this end, we are mapping out a course for growth that centers on a shift toward offering premium brands through cross-border sales and cultivation of *Asahi Super Dry* and other prominent brands. For the time being, we have decided to focus on countries and cities where the demand for premium brands is high and economic conditions are stable. While further reinforcing our relationships with major distributors, we will promote marketing that emphasizes brand value going forward.

The Competitive Edge That Has Driven Growth over the Years

Confidently Taking On Global Challenges Leveraging the Strengths We Have Developed through Our Solid Track Record

To address the intensifying price competition that has followed market contraction and deflation, we have taken various steps. We became a comprehensive beverage manufacturer and have enhanced our brands' equities through M&As and also have improved our cost competitiveness driven by generating integrated synergies. In doing so, we have achieved record profits for 17 consecutive years. To grow within a unique position as a truly global company over the next 50 to 100 years, we will further enhance the competitive edge we have cultivated over our history.

Major Strengths, Weaknesses, Opportunities, and Threats in Our Business Portfolio ● Domestic ● Overseas

S — STRENGTHS
- ● Numerous leading brands in the categories including beer-type beverages
- ● High levels of profitability in the Alcohol Beverages, Soft Drinks, and Food Businesses
- ● Prominent network in Europe, Oceania, and Southeast Asia
- ● Distinguished global premium brands and brand cultivation know-how

W — WEAKNESSES
- ● Maturation of the alcohol beverage and soft drink markets due to the declining birthrate and aging population, among other factors
- ● Continuation of fierce competition in a deflationary environment
- ● Increasing oligopolization by large global companies
- ● Strengthening of various regulations on alcohols, sugars, and other raw materials

O — OPPORTUNITIES
- ● Value variation in consumption behavior due to the exit from deflation, the revision of tax regulations, and other factors
- ● Continuation of high added value, including in health functional products and other categories
- ● Growth in the premium and super premium beer markets
- ● Increase in market entry opportunities due to factors including global restructuring

T — THREATS
- ● Greater-than-expected market contraction resulting from factors including stagnating economic conditions and consumer spending
- ● Deterioration of competitive environment due to tax regulation revisions
- ● Slowdown in the economies and shift to premium brands in key regions in which the Group operates
- ● Intensification of competition due to the offensive approach by large global companies, among other factors

Of these strengths, our corporate culture, high-quality brand development, cost competitiveness, and technologies and expertise provide us with an important competitive edge for driving future growth. As showcased by the launch of *Asahi Super Dry*, whose market share has dramatically increased over the years, the challenges and innovation we have continuously pursued since our founding and the sharing of *Kando* with our stakeholders have become rooted in our corporate culture and have provided us with the force to drive growth across the Group. In terms of our high-quality brand development, we have acquired the top share in a large number of product categories, including beer and clear, carbonated drinks, and this accomplishment reflects our efforts to win over the competition by not just merely expanding our market share but also thoroughly pursuing high added value. The main feature of our cost competitiveness has been our realization of industry-leading productivity levels and the creation of cost synergies. In terms of productivity, at our breweries, for example, we have continued to achieve a nearly 100% rate of operation. In addition, we are realizing product transportation that uses an extremely small number of trucks and people for the beverage industry. Furthermore, we possess a great deal of technologies and expertise pertaining to beer yeasts and lactic acid bacteria. By providing unique value through the commercialization of such technologies and expertise, we will contribute to the resolution of social issues such as those adopted under the Sustainable Development Goals (SDGs).

I mentioned previously that we are aiming to become a global premium beer manufacturer with a highly competitive edge. By constantly pursuing efforts to sharpen this competitive edge, we will realize sustainable growth going forward.

Evolution of Governance

Accelerating the Pace of Decision Making to Bring About Appropriate Decisions

By entering the next stage, the range of risks that we will face going forward has become more expansive. Accordingly, we will clarify the risks we need to address as we continue to expand our business across the globe. We will also promptly revamp and rigorously enforce our governance structure and various governance-related policies. One major aspect of risk management is to make concerted efforts to ensure that potential risks never materialize, and we in management will work to further increase our level of risk sensitivity. Additionally, the responsibilities we have to society and the planet have become greater. For example, in terms of compliance, it is no longer enough to simply adhere to laws and regulations. Rather, it is becoming more important to respond to the needs of society, or in other words, enhance our social compatibility. In addition to the Company as a whole, every one of our employees should have a thorough and consistent awareness of the customs and social etiquette that differ by country and market, and this awareness should include maintaining accountability.

In terms of decision making, we have entered a new stage in which we can no longer conduct management based only on our previous rules of thumb. In fact, there has been a rising number of instances in which the materials and documents we traditionally have used to make decisions are lacking in relevant content. What is important in this new stage is the ability to provide insight and observation with a high level of sensitivity. While directly observing collected data and various events to the greatest extent possible, we will make decisions based on the sensitivity we have cultivated through our experiences to date. In addition, repeatedly conducting decision making with an appropriate sense of speed will eventually allow us to reach the most appropriate decisions. As we continue to enhance our insight and observation, we will further enhance the speed and the quality of our decision making. In February 2018, my position changed from COO to CEO. With my role and responsibilities pertaining to business supervision and execution now made clearer, I will work to accelerate the pace of our business activities on a Group-wide basis.

Progress and Future Direction of the Medium-Term Management Policy

Further Enhancing Our Earning Power in Japan and Overseas

Our Medium-Term Management Policy, which was announced in 2016, presents guidelines for major indicators looking approximately three years into the future without setting fixed quantitative targets. At the same time, based on the three key priorities of “strengthening of earning power,” “asset and capital efficiency improvement,” and “reinforcement of ESG initiatives,” we are taking on the challenge of further developing our management for corporate value

Message from the CEO

enhancement. In fiscal 2017, not only did we enhance the earning power of our three domestic businesses, we also achieved a solid performance in our Overseas Business centered on Europe. As a result, we saw increases in both revenue and profit on a Group-wide basis that far exceeded our initial expectations.

In the Alcohol Beverages Business, the market environment was more severe than expected due in part to the unseasonable weather during the high season and the rise in retail prices that followed the revisions to the Liquor Tax Act. Despite this development, we were able to secure profit increases by enhancing our brand strength and cost competitiveness through the acquisition of the top share in the new genre category as well as through efforts to curtail advertising and promotion expenses and other costs. Not only did the business's core operating profit margin excluding the liquor tax reach 21%, its EBITDA margin reached nearly 25%, which represents an industry-leading level compared with other major beer manufacturers around the globe. While we still face some issues in terms of our beer product mix, including stagnating sales in the commercial-use product category, we will further improve the earning power of the Alcohol Beverages Business through the improvement of brand strength, the provision of new added value, and other efforts.

In the Soft Drinks and Food Businesses, we reinforced our core brand equities and improved product mix through a variety of investment and marketing activities. In addition, the core operating profit margin in both businesses reached an industry-leading level of over 10% thanks to the expansion of integrated synergies. Going forward, we will continue to concentrate our management resources on the strengthening of our brands, with a particular focus on our core brands. In doing so, we will further enhance the earning power of these businesses in the same manner as our Alcohol Beverages Business.

In our Overseas Business, we have been working to establish an engine for growth through the addition of the Europe business and efforts to cultivate brands in Oceania. Under the guidance of our highly motivated team of local managerial personnel, we have achieved financial results that have exceeded our initial expectations. In Europe, we have improved our product mix centered on the premium brands of *Peroni Nastro Azzurro* and *Pilsner Urquell*, in addition to steadily promoting efforts to be more cost efficient. We have also realized success in sharing values pertaining to such matters as brand, production, and quality with the local managerial personnel, and these successes have become a major driving factor for growth. Moving forward, we will increase the ratio of premium beer products in each country while working to further expand our core brands, including *Asahi Super Dry*, in third countries. At the same time, we aim to realize an even greater increase in profitability through such means as expanding sales of *Peroni Nastro Azzurro* and *Pilsner Urquell* in Asia and Oceania and leveraging synergies to improve overall business efficiency.

Synergy Creation

Developing and Expanding Our Premium Brands and Enhancing Our Cost Competitiveness

Here, I will provide a more detailed explanation of the synergies being generated between our existing businesses and the Europe business. Regarding sales, we established a production system for *Asahi Super Dry* in Italy in 2017 and commenced sales of the brand in the United Kingdom, France, and Italy in January 2018. We intend to expand sales of *Asahi Super Dry* to the Netherlands and Hungary as well. In addition, we started the full-scale introduction of *Peroni Nastro Azzurro* and other premium European brands in Japan in April 2018.

Approach and Guidelines for Key Indicators (up to Fiscal 2017)

Fiscal 2015 Business Performance		Guidelines Looking Approximately Three Years into the Future	Progress including Fiscal 2018 Forecasts
Revenue	**¥1,857.4 billion**	Stable growth from main businesses – Business restructuring + New M&As	—
Core operating profit	**¥135.1 billion**	Exiting businesses (CAGR in the high single digits) + Impact of new M&As	17.6% (6.6% for existing businesses alone)
EPS	**¥166.3**	CAGR of approx. 10%	23.1% (21.3% after adjustments)
ROE	**8.8%**	Maintain and grow to around 10% or higher	11.9% (13.8% after adjustments)

Notes:
1. The above indicators take into account the impact of the transition to IFRS at the end of fiscal 2016.
2. The calculation basis excludes special factors such as foreign exchange impact and one-off extraordinary items.

Expanding Global Premium Brands through Cross-Selling

In Europe, *Asahi Super Dry* seems unlikely to contribute to business performance over the short term due to temporary negative factors such as the decline in the number of stores handling the brand in the wake of revisions to business contracts, as well as the increase in marketing investments for the brand. However, we intend to boost *Asahi Super Dry*'s presence as a premium brand over the medium to long term. To this end, we are currently working closely with local staff to establish a brand development model for *Asahi Super Dry* that can be used as a global standard. We will make use of the past successes and branding know-how of *Peroni Nastro Azzurro* in countries that are not the home market of the brand like the U.K. and make efforts to establish *Asahi Super Dry* as a super premium brand, while retooling the ideal brand image and target customer base for the brand. We will also concentrate our investments in cities with strong demand for premium brands as we work to first raise our brand evaluation and recognition in the commercial-use market. We will then expand our range of investments in accordance with each stage of brand development. Rather than developing a brand that pursues sheer sales volume, we will endeavor to maintain premium prices as we leverage our robust local sales networks to steadily establish our brands in the region.

Meanwhile, for cost synergies, we will boost our cost competitiveness through a variety of means, including not only optimizing our IT infrastructure and systems and supply chain management but also lowering procurement costs and making business processes more efficient. By around the fifth year since adding the Europe business to the Group, we will strive to generate cost synergies totaling over ¥10.0 billion.

ESG Initiatives and Future Direction

Creating New Business Value That Leverages Our Unique Technologies and Strengths

Turning to our ESG initiatives, we are placing emphasis on revising the targets and the direction of our initiatives we have established so that we can address the changes that have been occurring in light of the external needs that are becoming more diverse and complex. While we will announce the specific framework that we plan to employ in our next Medium-Term Management Policy, our overall goal is to become a corporate group that excels in its approach and performance regarding ESG initiatives. To do so, we will go beyond simply adhering to laws and regulations and work to globally address needs that have the same obligatory nature as laws and regulations in a similar manner as the

Message from the CEO

Task Force on Climate-related Financial Disclosures (TCFD). In addition, with a focus on social issues, we are taking on the challenge of creating new business value that leverages our unique technologies and strengths, such as beer yeasts and lactic acid bacteria. We have already commenced initiatives in pursuit of this challenge, starting with the establishment of an agricultural material business that uses yeast cell walls, in fiscal 2017. We have also begun to provide new health-related value through such products as *Karada Calpis*, *Yasashi Misoshiru*, and *Lactwell*. Meanwhile, we have begun moving forward with establishing new commitments and frameworks centered on the three fields of the environment, alcohol-related problems, and human rights. For example, in the field of the environment, we have set new targets that aim to achieve a certain amount of CO_2 emission reductions by 2030 and by 2050 as part of our efforts to mitigate climate change. We are also incorporating global perspectives to strengthen our initiatives related to diversity, including our efforts to empower women in the workplace. Guided by these proactive ESG initiatives, we will evolve ourselves into a corporate group that can pass on the blessings of nature to the next generation and contribute to the future of society through our businesses.

Future Guidelines

Enacting Guidelines on a Rolling Basis with the Aim of Achieving Further Profit Growth

In the Medium-Term Management Policy, we established guidelines to act as flexible indicators to be used on a rolling basis in accordance with changes in the business environment. In regard to progress that includes the outlook for fiscal 2018, we anticipate that the CAGR for core operating profit over the policy's three-year period will reach over 17%, thanks to the addition of M&A impacts on organic growth. As a result, we forecast a CAGR for EPS after adjustments and ROE after adjustments, two of our major indicators, of around 21% and over 13%, respectively. Both of these results would surpass the initial guidelines we established. In addition, while generated cash flow has surpassed our initial guidelines, our net debt-to-equity ratio has increased over 1.0 times due to large-scale investments for growth. However, we expect to see improvements in this ratio soon.

In light of the solid progress we have made, we have rolled over our guidelines based on our business performance in fiscal 2017. In terms of revenue, we will continue to move forward with examinations for the stable growth of existing businesses, as well as further business restructuring and M&As from a medium- to long-term perspective. For core operating profit and EPS after adjustments, in light of the increasing size and greater global nature of our business, we will give ourselves a little more leeway with an aim to realize a CAGR in the mid-to-high single-digit range. We also intend to maintain ROE after adjustments at the 13% level or higher.

While we will make no changes to our basic financial and cash flow policies, we will prioritize the use of free cash flow, including cash flow generated from asset sales, to strengthen our financial position over the upcoming three years. As for shareholder returns, we will steadily increase dividends targeting a payout ratio of 30%. Meanwhile, we will boost our investment capacity through the prompt elimination of debt and move forward with examinations regarding such matters as bolt-on M&As to complement our current business portfolio.

The Foundation and Ideal Style of Management

Understanding That a Company Cannot Grow Unless Its Employees Grow as Well

"If I wasn't hard, I wouldn't be alive. If I couldn't ever be gentle, I wouldn't deserve to be alive." This is a passage from a novel by author Raymond Chandler that I am very fond of. Whether within my work or my personal life, I keep this passage dear to me. While being "hard" is necessary for a person to survive by themselves and as part of a family, I believe there is no value in life if one cannot be "gentle" to his or her family and peers. This same line of thinking applies to corporations. Strengths such as technological and operational capabilities are essential for a company to realize growth and remain competitive. However, if those strengths are not met with gentleness toward employees in such forms as open communication and heartfelt guidance and support, then the existence of that company is meaningless. Employees are not chess pieces, they are the life of a corporation, and I believe that the foundation of management lies in the understanding that a company cannot grow unless its employees grow as well. In addition, I believe the ideal style of management involves people who do not simply give orders and provide oversight from the top down, but rather

lead the way in carrying out a company's mission and boldly take the first step in realizing a company's future vision.

Bolstering earning power is one of the most important issues for a company to tackle. As such, we are pursuing constructive dialogue with capital markets using our Medium-Term Management Policy as our engagement agenda. We are also promoting management that emphasizes such indicators as EPS and ROE and focuses on the provision of high added value. As a result, our valuation in terms of price-earnings ratio and enterprise value-to-EBITDA ratio has reached a level that ranks us among the major global players in the industry, and I feel expectations are being put upon us to grow not as a Japan-based Asahi but rather a globally active Asahi. However, simply pursuing profits can often trigger reckless behavior and a fall into decline. To realize business expansion, it is imperative that we provide products that are needed by customers and society as a whole. Furthermore, to continue to operate a business that benefits from the blessings of nature, conserving the natural environment is a must. Our goal is therefore to continuously offer unique value to customers, society, and the planet and receive a profit in compensation for doing so. If we wish to improve our corporate value in a sustainable manner, I believe it is particularly important for us to constantly consider the meaning of our existence and simultaneously pursue both financial and social value.

Accordingly, we must honor the commitments we have made not only to our shareholders and other investors but also to our customers, business partners, and the natural environment. However, as I cannot accomplish this task on my own, the growth of our employees is essential. The successes people achieve in their work represents a combination of their capabilities and efforts, and my personal theory is that the effort you put in is more important than the capabilities you have when it comes to realizing growth through your profession. We make concerted efforts to assign people with the right capabilities to the right posts based on their requests, regardless of their race, gender, religious affiliation, or nationality. At the same time, we strive to create a workplace where employees can accumulate a solid track record through their efforts with peace of mind, even while raising children or providing nursing care. In these ways, we strongly support the individual growth of our employees.

In Closing

Pursuing Our Dreams Together with Our Employees While Always Remaining Grateful

We take pride in the fact that the Group has established an overwhelming presence, obtaining nearly half of the share of the beer market in Japan. However, there was a time when we experienced extreme difficulties in selling beer. No matter how much time passes or what stage of growth we enter, we will never forget to be grateful to our customers and business partners who supported us during those difficult times. As a member of senior management, it is my duty to ensure that this gratitude is passed down to the next generation as part of the Group's DNA.

Making the leap to becoming a *Glocal* Value Creation Company is an important dream I would like to share with our employees. Opportunities are not something that can be stored away for later. To not let our dreams be just dreams, I would like to lead by example—boldly taking on risks and actively pursuing new opportunities.

We are a corporate group that has reached the next stage for growth and is taking on the challenge of becoming a *Glocal* Value Creation Company. Accordingly, I would like to ask our stakeholders for their continued support as we pursue this challenge.

June 2018

Akiyoshi Koji

President and Representative Director, CEO

Our Management Team (As of March 27, 2018)

The management team at the Asahi Group consists of a diverse group of members with extensive experience, sophisticated insight, and advanced expertise. In March 2018, the Asahi Group transitioned to a structure in which the president serves as CEO, thereby clarifying the role for the supervision and execution of management. Under this new structure, we aim to speed up and optimize our decision-making process and promote efforts toward further developing management for corporate value enhancement.

1 Naoki Izumiya
Chairman and Representative Director
As of March 2016

2 Akiyoshi Koji
President and Representative Director, CEO
As of March 2016

3 Katsutoshi Takahashi
Senior Managing Director and Senior Managing Corporate Officer
As of March 2017

4 Yoshihide Okuda
Senior Managing Director and Senior Managing Corporate Officer
As of March 2017

5 Atsushi Katsuki
Managing Director and Managing Corporate Officer
As of March 2018

6 Noboru Kagami
Director and Corporate Officer
As of March 2016

7 Kenji Hamada
Director and Corporate Officer, CFO
As of March 2016

8 Naoki Tanaka
Outside Director
As of March 2009
- President, Center for International Public Policy Studies

9 Tatsuro Kosaka
Outside Director
As of March 2016
- President and Representative Director, CEO, Chugai Pharmaceutical Co., Ltd.

10 Yasushi Shingai
Outside Director
As of March 2018
- External Board Director, Recruit Holdings Co., Ltd.

11 Akira Muto
Standing Audit & Supervisory Board Member
As of March 2015

12 Tetsuo Tsunoda
Standing Audit & Supervisory Board Member
As of March 2016

13 Katsutoshi Saito
Outside Audit & Supervisory Board Member
As of March 2014
- Advisor, The Dai-Ichi Life Insurance Company, Limited

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

14 Yumiko Waseda
Outside Audit & Supervisory Board Member
As of March 2015
- Attorney at Law and Partner, Tokyo Roppongi Law & Patent Offices

15 Yutaka Kawakami
Outside Audit & Supervisory Board Member
As of March 2017
- Certified Public Accountant

Other important concurrent position
- Supervisory Director, Nippon Building Fund Inc.

Yasutaka Sugiura
Managing Corporate Officer

Ryoichi Kitagawa
Managing Corporate Officer

Yukitaka Fukuda
Corporate Officer

Tomomasa Kanda
Corporate Officer

Yutaka Henmi
Corporate Officer

Taemin Park
Corporate Officer

Manabu Sami
Corporate Officer

Keizo Tanimura
Corporate Officer

Ikuo Sato
Corporate Officer

Tatsuhito Chiku
Corporate Officer

Naoko Nishinaka
Corporate Officer

Kazuma Kohno
Corporate Officer

Kaoru Sakita
Corporate Officer

THE ASAHI GROUP'S MANAGEMENT TEAM

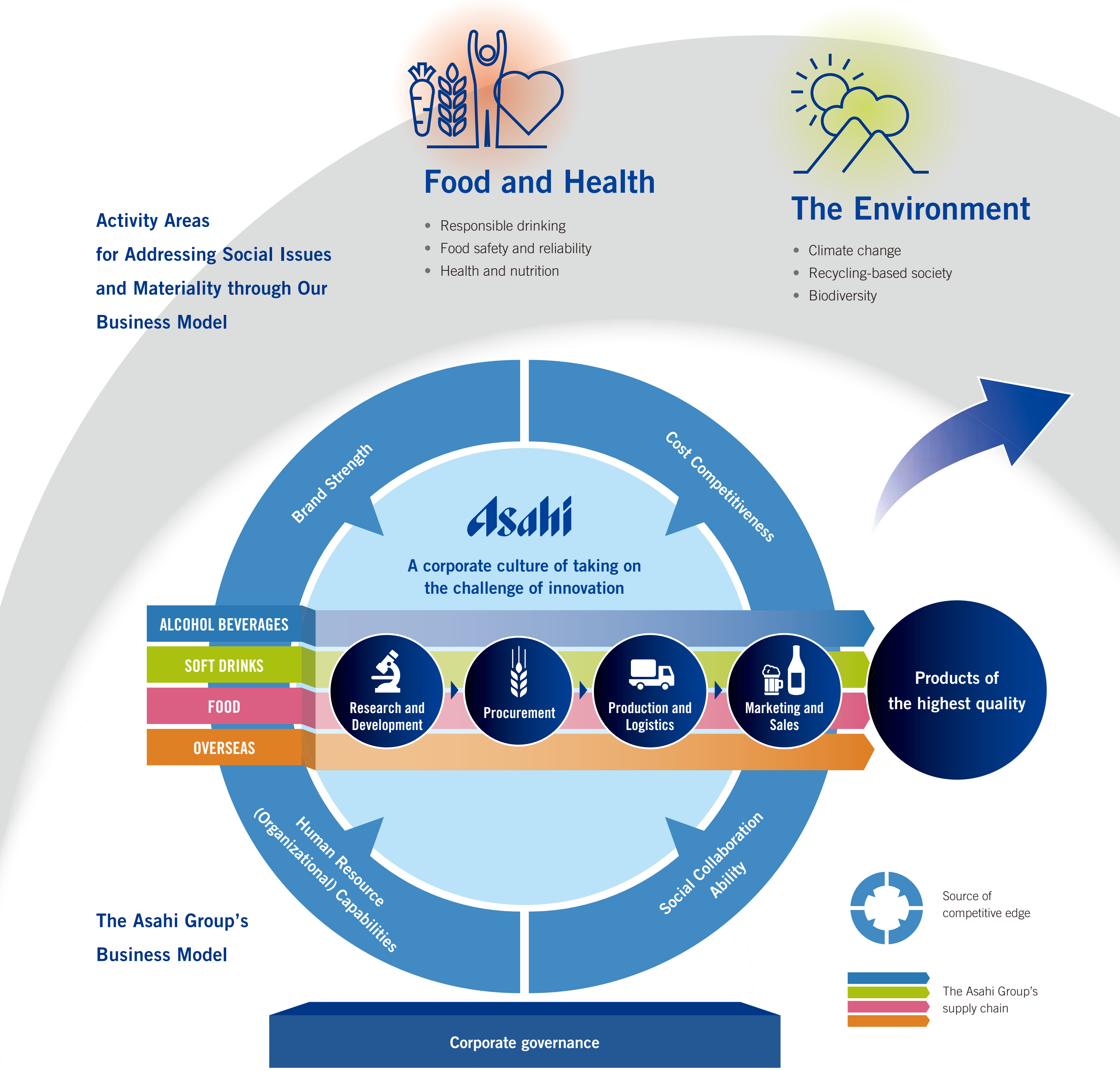
OUR BLUEPRINT

Business Model Strategy and Sustainability

The Asahi Group has entered a new stage for growth as a result of large-scale acquisitions overseas and a restructuring of its business portfolio. In this section, we lay out our path toward realizing our goal of becoming a *Glocal* Value Creation Company and our ongoing efforts to evolve our business model and build on our strengths.

Value Creation Process

The Asahi Group has continued to pursue the highest levels of quality while tackling a broad range of issues through an unconventional, original, and creative approach. In doing so, the Group has consistently offered innovative value that has impressed its customers. We have cultivated brand strength, cost competitiveness, human resource (organizational) capabilities, and social collaboration ability through our corporate culture of taking on the challenge of innovation. These assets provide the Group with a competitive edge that will be crucial for realizing future growth. Moving forward, the Group will offer value that exceeds the expectations of all of its stakeholders through products that are of the highest quality.



Vision

Striving to be a corporate group trusted around the world through the *Kando* of food

Exceeding social expectations

+

For Stakeholders

Working to achieve sustained corporate value enhancement by pursuing satisfaction for all stakeholders

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	Create 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

People and Society

- Human resource development and diversity
- Healthy and affluent society
- Sustainable water resources
- Sustainable supply chains

Characteristics of the Asahi Group's Business Processes

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Frameworks

Research and Development

The R&D divisions of operating companies play a central role in the Asahi Group's efforts to develop products that propose new value. In this pursuit, the Research & Development Section and the Research & Development Center of Asahi Group Holdings help coordinate Group-wide R&D activities while also developing new technologies as well as the "seeds" of new products.

Procurement

The Procurement Section of Asahi Group Holdings is responsible for Group-wide procurement strategies and thus coordinates with the operating companies to advance optimal procurement activities. The strategies and policies drafted by the Procurement Section are transmitted throughout the Group to shape the specific procurement initiatives of operating companies.

Characteristics

Research and Development

The Asahi Group has long been engaged in the research and development of ingredient technologies, most notably those pertaining to yeast and lactic acid bacteria, as well as sensory analysis, analytical, and other fundamental technologies. These are just some of the Group's technologies that are currently being used in various business crossovers. At the Asahi Group, we are driven by a passion to create unprecedented technological innovations through multifaceted R&D projects that examine such technologies from the perspectives of our different businesses.

Procurement

We seek to maintain the ideal division of responsibilities between Asahi Group Holdings and operating companies. To this end, responsibility for tailoring procurement strategies to the operating environment and advancing activities that require an element of speed is entrusted to operating companies. Asahi Group Holdings, meanwhile, is charged with enhancing Group-wide procurement functions through initiatives such as promoting collaboration and risk management via intra-Group coordination.

Strategies and Policies

Research and Development

The Asahi Group plans to step up the integration of its bases along with exchanges of its human resources in order to accelerate the development of technologies and evolve these technologies, particularly core technologies related to yeast and lactic acid bacteria. This approach will be taken in light of the increase in operating companies possessing the technologies viable for developing business crossovers within the Group as a result of recent M&As. At the same time, we will utilize open innovation from outside fields such as *kansei* engineering in our quest to create new value unique to the Asahi Group by expanding the scope of our product development activities.

Procurement

The Asahi Group is committed to fostering mutually beneficial, win-win relationships with its suppliers to ensure that it is able to reliably procure safe, secure, and high-quality raw materials at low costs. Recently, we acquired two beer businesses in Europe, welcoming several new operating companies to the Group as a result. By fully leveraging the procurement expertise and networks cultivated by these companies, we aim to strengthen our procurement functions across the supply chain.

ESG Initiatives Engrained in Our Business Processes

Research and Development

- Reduction of environmental impacts through the use of lighter packaging and bio ingredients
- Socially conscious packaging based on universal design principles
- Development of products that deliver health value
- Creation of shared value through agricultural materials utilizing yeast cell walls and other unique technologies

Procurement

- Promotion of CSR procurement based on the CSR Principles for Asahi Group Suppliers
- Enhanced communication with suppliers through forums for explaining the Group's policies
- Requests for improvement and follow-up activities based on supplier evaluations and CSR surveys
- Improvement of raw material quality levels through inspections and internal audits by the Asahi Group
- Measures to maintain an understanding of water risks in major raw material production regions and address risks based on analyses

The Production Section of Asahi Group Holdings houses the Group's production strategy functions. The Group's production systems see production activities taking place in the production sections of operating companies as well as at 96 factories located around the world. The Logistics Section, which similarly houses logistics strategy functions in the Company's Head Office, promotes logistics activities centered on the logistics sections of operating companies through coordination with Asahi Logistics Co., Ltd., a company tasked with actual logistics operations.

In production, reliable quality is of utmost importance. We therefore work to guarantee quality throughout the Asahi Group based on proprietary standards. In our logistics activities, meanwhile, we take advantage of our nationwide network and our relationships with partner companies while pursuing cost reductions through the optimal positioning of bases. Moreover, we are guided by our Total Fresh Management principles, which seek to ensure we are able to supply all customers with fresh products, as we make progress in the development of supply-demand management techniques to realize low-inventory operations.

The Asahi Group aims to optimize its production and logistics activities on a Group-wide basis. Production initiatives to this end will include establishing production IT platforms at bases around the world in order to track and analyze production activities and thereby facilitate improvements in productivity and efficiency (energy savings, among others). As for logistics, we will pursue increased efficiency in a wide range of areas by standardizing timetables for processes and exterior packaging pertaining to our diverse product lineup while promoting modal shift and round-trip logistics.

- Use of green electricity in production processes
- Reduction of water consumption through cleaning and sterilization and use of recycled water
- Development of comfortable work environments at manufacturing bases
- Recycling of by-products and waste at factories
- Reduction of environmental impacts through modal shift and round-trip logistics
- Joint deliveries through coordination with competitors

Centered on the marketing sections of operating companies, the Asahi Group strives to advance marketing activities that accurately respond to changes in market demand. At the same time, our sales offices located throughout Japan engage in sales activities aimed at resolving the issues faced by HORECA and other sales channels in order to heighten our ability to create value together with business partners.

Our marketing and sales activities are focusing on augmenting the Group's brand strength through the creation of new value and demand. We also develop solution-oriented marketing approaches through making proposals for boosting the sales of both Asahi brand products and the sales channels we affiliate ourselves with. Overseas, we have established dedicated marketing organizations to explore new markets through local networks.

Each business focuses on strengthening core brands and will seek to improve added value and propose new value. In regard to *Asahi Super Dry*, for example, our goal in Europe over the foreseeable future will be to establish a premium image for this brand in the large urban markets, which are our primary targets. To this end, we will step up our efforts to communicate the brand image of *Asahi Super Dry* while raising the reputation and recognition of this brand in the commercial-use market.

- Responsible drinking awareness campaigns
- Promotion of medical research on the relationship between alcohol and health and announcement of findings
- Sales promotions of foods for specified health uses and foods with function claims
- Nutrition and health education through products

Characteristics of the Asahi Group's Business Processes

Research and Development

CLOSE-UP

New Value Creation through Technological Excellence

In addition to product development in the areas of alcohol beverages, soft drinks, and food, our R&D activities seek out new core technologies to serve as foundations for future business growth and develop analytical tools for food safety. Our researchers are also contributing to the realization of a flourishing and sustainable society by developing environmentally friendly production technologies and packaging as well as materials to support agriculture and livestock industries. A principal characteristic of the Asahi Group's R&D activities is that the insight gained in this diverse range of areas is comprehensively analyzed and utilized in a cross-business-field manner. By developing better technologies, advancing more exhaustive research, and creating new value, we will seek to further enhance the corporate value of the Asahi Group.

Business Fields

ALCOHOL BEVERAGES | SOFT DRINKS | FOOD | OVERSEAS

R&D Fields

Product Development

The Asahi Group develops a wide range of food and drinks to offer customers products that will contribute to a rich dietary culture. These development activities are spearheaded by the R&D divisions of operating companies, which are directly involved in their respective business field. We also develop various health foods and drinks that utilize functional ingredients identified through new ingredient research, such as foods for specified health uses and foods with function claims.

Cross-Business-Field Accumulation and Utilization of Insight

New Ingredients

The Asahi Group is researching a wide range of technologies, including fermentation control and analysis technologies related to the production of alcohol beverages and fermented milk. Leveraging the microbial utilization technologies and functional evaluation technologies cultivated over years of development, the Asahi Group searches for new ingredients with health benefits.

Fundamental Technologies

We are continuously refining our fundamental technologies to ensure our innovative research findings can be applied to our business and to deliver high-quality and safe products to customers. Our research on intestinal microflora is also an important field with high potential to open up new research opportunities.

New Ingredients

Efforts to Unlock the Potential of Yeast, Lactic Acid Bacteria, and Other Ingredients Used in Existing Businesses

See page 50

The Asahi Group has accumulated extensive insight regarding yeast and lactic acid bacteria over the course of years of research. The scope of our insight and technologies in these areas is expanding beyond the boundaries of our conventional Alcohol Beverages Business and Soft Drinks Business and into new business fields. For example, turning our attention toward the components of beer yeast cell walls that are beneficial to cultivating plants, we are developing and supplying unique agricultural materials that use these substances. In addition, focusing on the potential for lactic acid bacteria to break down body fat led us to launch *Karada Calpis*, a product that has been posting impressive sales by addressing contemporary health needs. We will continue working to unlock the potential of yeast and lactic acid bacteria in order to create value with the Asahi Group's unique strengths.

Fundamental Technologies

Exploration of New Fields in Search of Distinctive Value

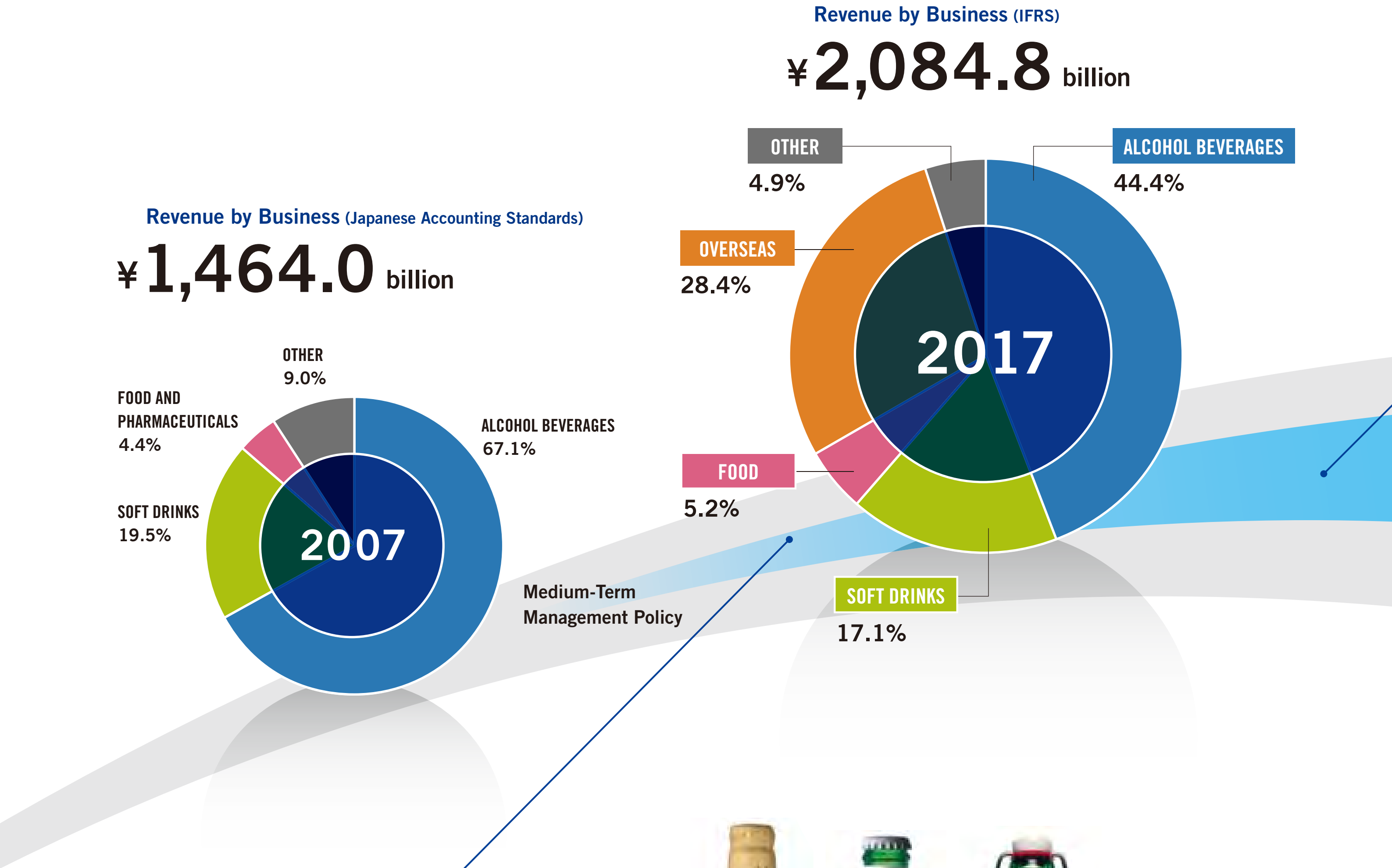
In addition to its research on yeast and lactic acid bacteria, the Asahi Group has been researching intestinal microflora since the 1970s. The term "intestinal microflora" is used to collectively refer to the more than 100 trillion bacteria that are found in over 1,000 different varieties in the human intestine. The Group has been seeking out intestinal microflora that offer beneficial effects and working to create ingredients that heighten these effects. One such bacterium is *Bacillus subtilis C-3102*, which has been shown to help maintain the ideal balance of intestinal microflora. We originally discovered *Bacillus subtilis C-3102* among the intestinal microflora of livestock, but we have since found that this bacterium has various benefits for the intestinal microflora of humans and we are currently dealing in products that employ this bacterium. Going forward, we will continue to muster our accumulated intestinal microflora insight and related analytical technologies in the search of bacterium with the potential to offer new benefits.

New Analytical Technologies Ensuring Draft Beer of the Highest Quality

The presence of certain bacteria in beer-type beverages can diminish their taste and fragrance, and methods of detecting these bacteria are therefore crucial to the production of such beverages. Based on the result of more than 20 years of research, the Asahi Group has succeeded in developing a revolutionary new detection method that can detect bacteria quickly and accurately. As a result, we are now able to complete inspections that used to take up to 14 days in around eight hours, ensuring that customers are able to drink beer that is both fresh and high quality. Going forward, the Asahi Group will remain committed to supplying its customers with products of the highest quality through the use of sophisticated analytical technologies.

Roadmap for Corporate Value Enhancement

Through efforts to boost the earning power of our three domestic businesses, the acquisition of the Europe business, and the restructuring of our business portfolio both in Japan and overseas, we have entered into a new stage for growth. To realize growth focused on high added value, a goal adopted under our Long-Term Vision, we are accelerating efforts aimed at becoming a *Glocal* Value Creation Company by combining both our domestic and overseas strengths.



Acquisition of European Beer Businesses

Main brands added through the acquisition

Peroni (Italy)
Grolsch (Netherlands)
Peroni Nastro Azzurro (United Kingdom)
Pilsner Urquell (Czech Republic)
Kozel (Czech Republic)

Three Key Priorities of the Medium-Term Management Policy

1
Strengthening of earning power
Improve product mix, pursue innovation, and expand foundation for growth overseas

Strategic Focus Page 40

Bolstering Our "Brand Strength" to Position Our Domestic Profit Base as the Cornerstone of Earnings

2
Asset and capital efficiency improvement
Restructure business and product portfolios and increase the equity spread

3
Reinforcement of ESG initiatives
Enhance intangible assets, expand CSV strategy, and promote growth-oriented governance

Long-Term Vision

(Future Vision for Our Business)

Become an industry leader with high added value as a key area of focus

Become a global player that leverages strengths originating in Japan

Efforts to Become a *Glocal* Value Creation Company and Realize Our Long-Term Vision

▶ ***Glocal*** **Strategy**

Leverage expertise gained overseas	• Utilize brand development know-how cultivated in Europe • Leverage and promote interaction between human resources from Japan and overseas
Cost reforms	• Introduce European cost reform methods (zero-based budgeting) in our domestic businesses • Create cost synergies by enhancing system efficiency in our Europe business and revising work processes
Cross-selling of brands	• Expand sales of *Asahi Super Dry* in Europe • Introduce *Peroni Nastro Azzurro* and *Pilsner Urquell* in Japanese and Chinese markets
Restructure brand strategy	• Leverage past successes and know-how of *Peroni Nastro Azzurro* to establish *Asahi Super Dry* as a super premium brand

Strategic Focus Page 44

Shifting toward New Premium Brands for *Asahi Super Dry* in Europe

Acquiring an Appropriate ESG Evaluation for Our Position as a *Glocal* Value Creation Company

▶ **The Direction of the Asahi Group's New ESG Framework**

Increasing the positive impact of our business	Reinforce efforts for value creation, or CSV, by leveraging unique Asahi strengths
Eliminating the negative impact of our business	Promote an appropriate response to the various changes in the external environment on a global scale as part of our efforts in extensive risk management

Strategic Focus Page 48

Making Our Global Business Growth More Sustainable

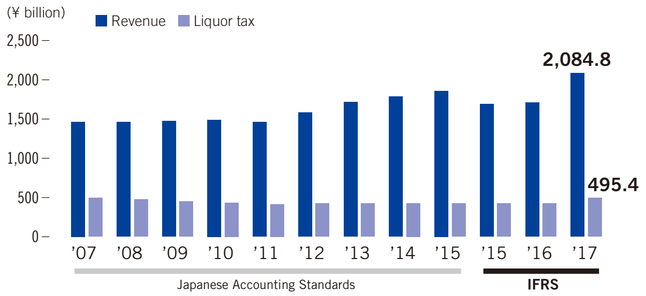
Financial Highlights

Asahi Group Holdings, Ltd. and consolidated subsidiaries
Years ended December 31

Revenue / Liquor Tax

¥2,084.8 billion Revenue

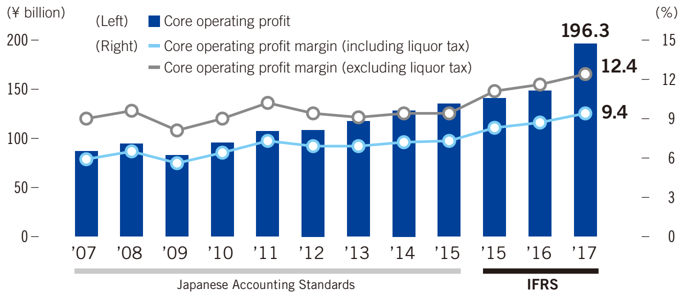
Although revenue in the Alcohol Beverages Business decreased due to the impacts of unseasonable weather, consolidated revenue was up following higher revenue in the Overseas Business associated with the newly consolidated operations in Europe. The Group also steadily paid liquor taxes.



Core Operating Profit*1 / Core Operating Profit Margin

¥196.3 billion Core Operating Profit

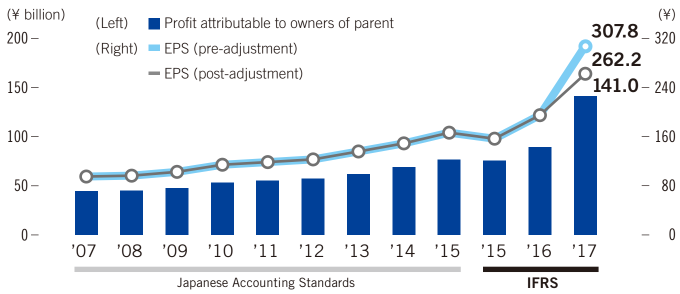
Core operating profit increased due to sales mix improvements resulting from efforts to strengthen core brands in each business, higher cost efficiency, and additional profit from the newly consolidated operations in Europe. The core operating profit margin also increased steadily.



EPS*2 / Profit Attributable to Owners of Parent

¥262.2 EPS (post-adjustment)

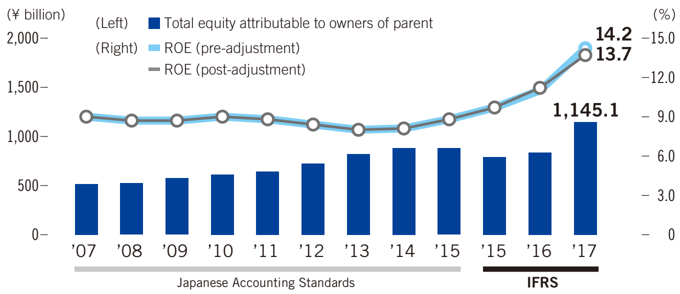
Profit attributable to owners of parent rose as a result of higher core operating profit as well as gains on sales of stocks in subsidiaries and affiliates and investments accounted for using the equity method. Earnings per share (EPS) also increased markedly.



ROE*2 / Total Equity Attributable to Owners of Parent

13.7% ROE (post-adjustment)

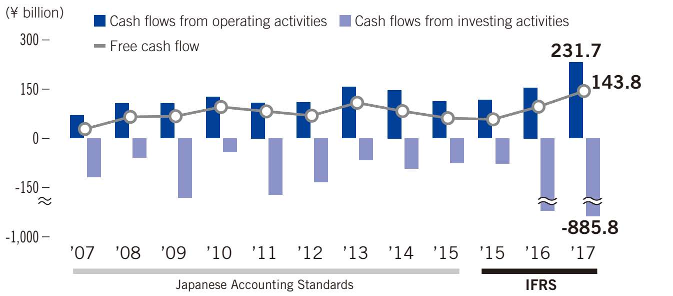
Return on equity (ROE) exceeded the guideline in the Medium-Term Management Policy following efforts to enhance the earning power of each business and an improvement in capital efficiency resulted from factors such as substantial dividend increases.



Cash Flows

¥143.8 billion Free Cash Flow

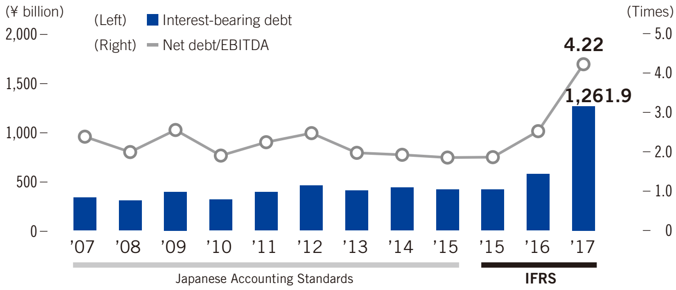
Free cash flow*3 increased due to an improved capacity to generate cash in existing operations as well as the additional cash generated by the newly consolidated operations in Europe while cash flows from investing activities grew significantly due to the acquisition of the Central Europe beer business.



Interest-Bearing Debt / Net Debt/EBITDA*4

4.22 times Net Debt/EBITDA

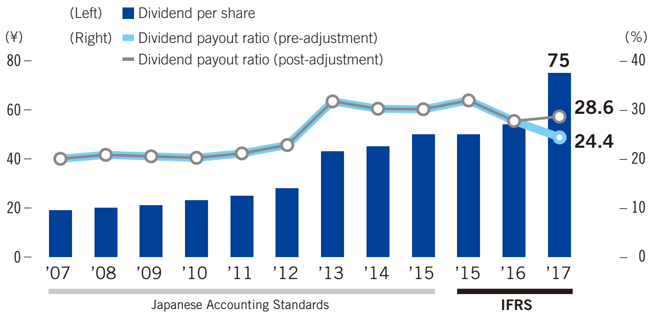
Net debt/EBITDA increased despite efforts to improve our capacity to generate cash in our core businesses and to reconstruct our business portfolio as interest-bearing debt rose following the acquisition of the Central Europe beer business.



Dividend per Share / Dividend Payout Ratio*2

28.6 % Dividend Payout Ratio (post-adjustment)

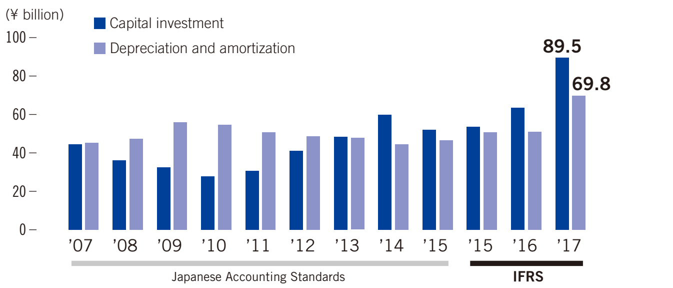
The dividend per share was increased by ¥21. In accordance with the Medium-Term Management Policy, we aim to increase the consolidated dividends steadily targeting a payout ratio of 30%.



Capital Investment / Depreciation and Amortization*5

¥89.5 billion Capital Investment

Capital investment was up due to a rise in investments associated with the newly consolidated operations in Europe, investment in the production of *Asahi Super Dry* in Italy, and investments for improving efficiency by increasing the ratio of in-house production in the Soft Drinks Business.



*1 Core operating profit is the reference index for normalized business performance.
Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)
*2 Both pre-adjustment and post-adjustment figures are provided for EPS, ROE, and the dividend payout ratio. Post-adjustment figures exclude one-off extraordinary factors such as the impacts of business portfolio reconstruction and foreign exchange movements.
*3 Free cash flow = (Cash flows from operating activities + Proceeds from sales of property, plant and equipment) – Purchase of property, plant and equipment
*4 Under IFRS, EBITDA = Core operating profit + Amortization of intangible assets + Depreciation
Under Japanese accounting standards, EBITDA = Operating income + Amortization of goodwill + Depreciation
*5 The above capital investment and depreciation and amortization amounts do not include lease assets or trademarks at the time of acquisition of subsidiaries.

Non-Financial Highlights

CSR Activity Area | **Activities and Accomplishments by Major CSR Theme**

Food and Health

Responsible Drinking

Number of educational tools for primary school students **72,264**

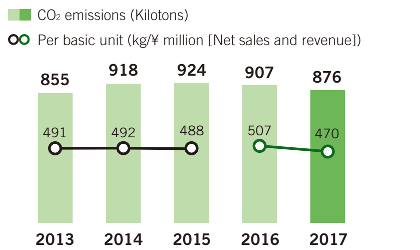
In 2017, Asahi Breweries, Ltd. revised the educational tools it supplies to primary school students to prevent underage drinking. By including messages for parents, these tools were transformed to facilitate family learning at home.

The Environment

Climate Change

CO_2 emissions **876** kilotons

We are working to reduce CO_2 emissions through our business operations. For example, we use green electricity when manufacturing *Asahi Super Dry* products, and an aggregate total of 10 billion cans of such products have been produced in this manner to date.



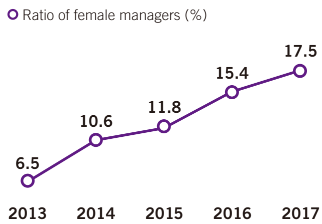
Notes:
1. CO_2 emissions per basic unit for 2016 onward were calculated using revenue in accordance with International Financial Reporting Standards (IFRS).
2. Figures for 2013 onward include CO_2 reduction contributions resulting from the Asahi Group's use of green electricity.

People and Society

Human Resource Development and Diversity

Ratio of female managers **17.5** %

We have specific goals for promoting the success of female employees at each major operating company, and we are advancing initiatives for accomplishing these goals. As a result of these efforts, the ratio of female managers has been increasing steadily and two new female presidents were appointed at Group companies in 2017.



Note: The figure for 2013 is for the major operating companies in Japan while figures for 2014–2017 are for the entire Group.

Safe and Flourishing Society

Social contribution expenditure ¥**1,314** million

We undertook social contribution activities that included offering support for disaster-affected regions and advancing projects aimed at high school students and younger children. As part of efforts to support reconstruction from the impacts of the Great East Japan Earthquake, we promoted the sale of beers that were produced using barley grown in the quake-stricken area.

Please refer to page 52 for more information on the Asahi Group's CSR activity areas, major CSR themes, and key performance indicators (KPIs).

Food Safety and Reliability

Number of presentations on food safety and reliability at academic conferences **7**

The Asahi Group is enhancing its Group-wide quality assurance system from a technical standpoint, and we held presentations at academic conferences on themes such as the development of new analytical methods for detecting agricultural chemicals and natural toxins as part of initiatives for improving food defense measures.

Health and Nutrition

Number of participants in *Wakodo Nutrition Consultations* **Approx. 96,000**

Asahi Group Foods, Ltd. holds *Wakodo Nutrition Consultations* in which its certified dieticians provide consultation on nutrition. By continuing this program, which has a history spanning roughly 60 years, we aim to communicate the joy of food right from the weaning period.

Recycling-Based Society

Recycling ratio of by-products and waste **100%**

We endeavor to recycle by-products and waste through means such as using excess yeast in foods and agricultural materials. In 2017, we maintained a recycling ratio of 100% at the Asahi Group Head Office and manufacturing bases in Japan.

Biodiversity

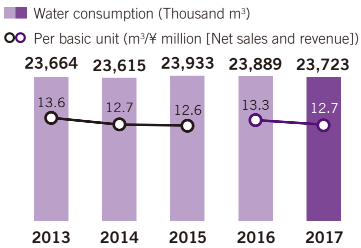
Number of sites, events, and participants involved in forest preservation activities **13 sites, 151 events, and 6,992 participants**

In 2017, we took part in forest preservation activities in areas that supply water to our manufacturing bases and in forests close to workplaces. With participation by employees, their families, and local residents, the Group conducted tree planting, undergrowth clearing, and other activities.

Sustainable Water Resources

Water consumption **23,723,000 m³**

We work to reduce water consumption by cutting back on water use at manufacturing bases and promoting the reuse of water. In addition, we seek to minimize our environmental burden with regard to water intake and exhaust.



Note: Water consumption per basic unit from 2016 onward was calculated using revenue in accordance with International Financial Reporting Standards (IFRS).

Sustainable Supply Chains

Number of companies spoken to directly with regard to survey results **13**

We visited 13 suppliers that had taken the Supplier CSR Survey in 2015 and 2016. By following up on the survey results, we aim to more effectively address issues across the supply chain.

Message from the CFO

Providing Robust Support for Our Global Growth Strategies through the Further Evolution of Cash Management

We are pursuing constructive dialogue with capital markets using the three key priorities of our Medium-Term Management Policy as our engagement agenda. We have also been receiving extremely high evaluations regarding our information disclosure practices, which have included being chosen 13 times as the top company in the foods category in the Securities Analysts Association of Japan's Awards for Excellence in Corporate Disclosure. Under the leadership of the Company's president, we have passionately engaged in "true to our word" management and continued to honor our commitments one after another as a result. In doing so, we have strengthened the trust-based relationship we have with capital markets as the years have passed. Going forward, we will continue to appropriately disclose information and engage in constructive dialogue as we work to further reduce capital costs.

In this section, I will explain the progress and future direction of "asset and capital efficiency improvement," which is one element of our engagement agenda, as it relates to each aspect of the equity spread.

Further Improving Profit Margin on Revenues

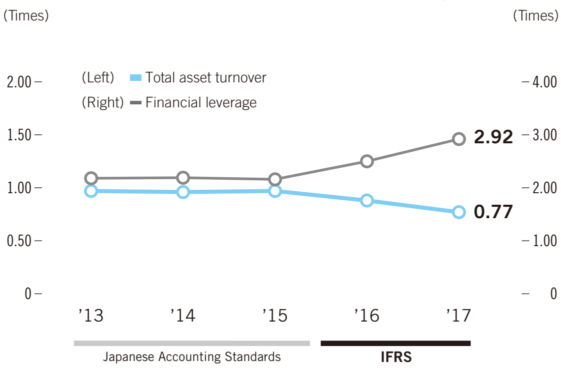
In addition to further strengthening the earning power of our three domestic businesses, we have incorporated the business performance of the newly consolidated Europe business in our financial results. Accordingly, core operating profit in fiscal 2017 rose ¥47.8 billion, or 32.2%, to ¥196.3 billion. By business, core operating profit margin in the Alcohol Beverages Business was up only 0.1%, to 12.5% (21.0% when excluding liquor tax), due in part to the impact of unseasonable weather conditions. Meanwhile, core operating profit margin in both the Soft Drinks and Food Businesses reached industry-leading levels, increasing over 10% thanks to such factors as an improved product mix following the expansion of core brands as well as the generation of various synergies. Additionally, core operating profit margin rose over 10% (12.8% when excluding liquor tax) in our Overseas Business, reflecting profit improvements in the Oceania business, and the acquisition of highly profitable businesses in Western and Central Europe. In these regions, we are seeing the successes of strategies that focus on improving product mixes and shifting to premium products, which have allowed us to achieve a higher-than-expected business performance. In light of this, we anticipate that core operating profit in the Overseas Business will account for approximately 40% of the Company's overall core operating profit in fiscal 2018. Moving forward, we will enhance our domestic marketing activities focusing on core brands and pursue a shift toward high-added-value products. At the same time, in our Overseas Business, we will strive to further improve profitability centered on a shift toward premium products.

In terms of cost competitiveness, we are starting to see clear results, particularly in the Soft Drinks Business, from our efforts to improve capacity utilization, which have included the establishment of an optimized production structure at Asahi Soft Drinks Co., Ltd. and Calpis Co., Ltd., an increase in production lines, and the creation of new

Trends in Revenue and Core Operating Profit Margin by Business

	Revenue (¥ billion)	YoY Change (¥ billion)	Core Operating Profit Margin (%)	YoY Change (pts)
Alcohol Beverages	968.8	(7.7)	12.5	0.1
Soft Drinks	374.5	10.6	10.2	1.3
Food	113.7	2.9	10.2	0.9
Overseas	621.1	370.7	10.6	5.7

Total Asset Turnover and Financial Leverage



distribution centers. Moreover, we have entrusted the accounting duties of operating companies to our subsidiary Asahi Professional Management Co., Ltd. and have been taking steps to reform working styles and enhance operational efficiency through the use of IT and AI. In these ways, we have steadily improved worker productivity.

Bolstering Profitability through Zero-Based Budgeting

From 2018, while thoroughly reexamining all kinds of costs from a zero-based perspective and working to reform various business processes, we have been undertaking efforts to strengthen our profit foundation and have commenced zero-based budgeting (ZBB). In our Europe business, we have been promoting initiatives similar to ZBB in certain countries for over 10 years. By leveraging the acquisitions of the Europe business, we have started to incorporate such initiatives in our domestic businesses to promote a style of ZBB unique to Asahi. For the efforts we are making in our Europe business, costs and policies that can be made more efficient are decided on each year, and the corporate officers of these businesses are responsible for analyzing every aspect of operations in terms of cost. While meticulously controlling costs as a cross-organizational project, department managers formulate plans regarding the extent to which certain methods can be used to make costs more efficient. Before deciding on the annual budget, these managers must receive the approval of Board members in relation to costs and the processes to make costs more efficient. In these ways, ZBB provides an extremely thorough framework for managing costs. Using our Europe business as an example, we intend to reexamine all costs in our domestic businesses, including at the Asahi Group Head Office, from a zero-based perspective to determine and pursue more specific and clear targets.

Steadily Improving Asset and Capital Efficiency by Restructuring Our Business Portfolio

By investing approximately ¥1,200.0 billion to acquire new businesses in Europe, total assets at the end of fiscal 2017 stood at ¥3,346.8 billion, up nearly 1.6 times from the end of the previous fiscal year. Meanwhile, as part of our efforts toward asset and capital efficiency improvement, we are moving forward with a focus on our competencies, selling off investments accounted for using the equity method in China and our stake in a joint venture business in Indonesia. In doing so, we believe we have partially achieved our goals regarding the restructuring of our business portfolio. Whether we are conducting M&As or selling off assets, the process to do so is extremely complicated and negotiations can become rather difficult. However,

Kenji Hamada
Director and Corporate Officer, CFO

Message from the CFO

through the expertise and know-how we have accumulated from past successes and failures, we have gained a genuine ability to execute deals, which has benefited us in a variety of ways, including allowing us to shorten the time it takes to close a deal.

In addition, we are working to further improve asset and capital efficiency through such means as reducing working capital by optimizing inventories and accounts receivables and payables as well as by making clear capital expenditures and reducing non-utilized assets. Meanwhile, we have a framework in place where, on a quarterly basis, the holding company monitors and analyzes the increase or decrease of working capital at the operating companies as well as improvements or deterioration in terms of these companies' return on invested capital (ROIC). The holding company then provides guidance to the operating companies, including pointing out any issues discovered through its monitoring and analysis. With that said, there have been instances where operating companies carry out investments to bolster facilities and spur innovation over the medium to long term if such investments are deemed necessary for realizing sustainable growth by the holding company, even if doing so causes ROIC to decline temporarily.

On a consolidated basis, ROIC declined in fiscal 2017 compared with the previous fiscal year due in part to the impact of the significant increase in invested capital Group-wide and the incorporation of temporary expenses following the addition of the new Europe business. However, this decline is only temporary, and if we look solely at existing businesses and exclude the newly added Europe business, we see that ROIC increased significantly over last year's levels due to our efforts to strengthen the earning power of each business and restructure our business portfolio.

Evolving Cash Management to Further Improve Asset and Capital Efficiency

With Japan serving as the starting point, the Asahi Group has thus far streamlined capital management functions to major operating bases in each region, including Australia and Malaysia, in the pursuit of efficient capital management operations. However, with the acquisition of the new Europe business, we are faced with the pressing issue of evolving our capital management structure on a more global scale. To address this issue, during 2018 we intend to make visible the conditions of cash flows, surpluses, and other items at each Group company across the globe and monitor these conditions at our head office in a unified manner.

In addition, after realizing this kind of visualization, we will work to maximize capital efficiency based on the management methods in our Europe business, where cash is managed rigorously. In doing so, we will work to comprehensively reduce the cost of raising and distributing funds on a Group-wide basis. Furthermore, in regard to the financial risks we will face in the future, such as the risk of foreign currency translation, which rises in proportion to the increase in the amount of currencies we deal with, the further evolution of our cash management system will help us enhance the accuracy of our risk predictions and realize more effective risk hedging.

Prioritizing the Repayment of Interest-Bearing Debt and Thoroughly Reinforcing Our Financial Foundation

At the end of fiscal 2017, the net debt/EBITDA ratio stood at 4.2 following the acquisition of our new Europe business. While this figure may make it seem as if our financial position is worsening, we anticipate that the addition of the Europe business to our existing businesses, which are seeing improved profitability, will generate high levels of

Financial and Cash Flow Strategy and Guidelines

	Guidelines for the Next Three Years
Cash flow	• FCF: Above ¥140.0 billion (annual average) • Impact of business restructuring: Approx. ¥100.0 billion (FY2018 forecast)
Debt reduction	• Net debt/EBITDA: Around 3 times by the end of FY2019 • Net D/E ratio: Below 1 time by the end of FY2018
Investment for growth	• Prioritize strengthening financial structure and consider M&As for expansion of foundations for growth
Shareholder returns	• Stable dividend increases with the aim of a dividend payout ratio of 30%*

* Adjusted profit attributable to owners of parent is used for calculation purposes, which is calculated after the deduction of one-off special factors including business portfolio restructuring.

cash flow going forward. Specifically, we expect annual cash flow from operating activities of over ¥200.0 billion and free cash flow of over ¥140.0 billion. In addition, through the added effects of asset liquidation efforts, such as the sale of shares in Tsingtao Brewery Company, we anticipate that we will reach our target of a net debt/EBITDA ratio of approximately 3.0 by the end of 2019, one year ahead of our initial expectations. Also, we plan to reduce our net debt/equity ratio, which currently stands at 1.1, to around 0.8 by the end of fiscal 2018. For the time being, we will prioritize the allocation of generated cash flow to the repayment of interest-bearing debt with the aim of strengthening our financial foundation and maintaining and improving our credit rating. At the same time, we will steadily work to enhance our investment capacity with a view toward future investments for growth.

Going forward, we will give examination to prioritizing bolt-on M&As to complement the competitive edge of our Europe business. For the funds required to do so, we intend to make use of cash and deposits on hand and debt financing while maintaining a focus on current interest rate trends.

Aiming to Steadily Implement Shareholder Returns with a Planned Payout Ratio of 30%

In the guidelines laid out in our Medium-Term Management Policy, we plan to successively increase dividends targeting a payout ratio of 30% on an IFRS basis in fiscal 2018. For fiscal 2018, we plan to issue an annual dividend of ¥90 per share, with an expected payout ratio of over 30% when excluding temporary extraordinary factors such as the restructuring of our business portfolio.

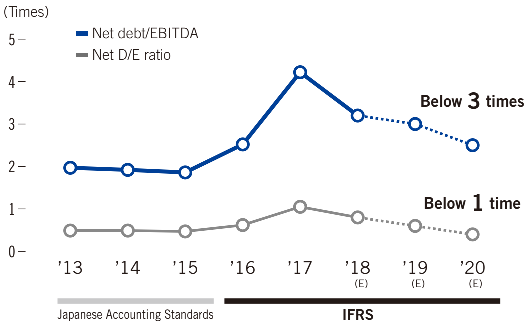
Moving forward, we aim to continue to steadily increase dividends with a planned payout ratio of 30% in an effort to meet the expectations of our shareholders. Also, while giving priority to the reduction of interest-bearing debt, we will examine further enhancements to shareholder returns in line with other global companies in the event that growth in cash flows exceeds our expectations and if we believe we have the capacity to do so.

Cultivating Talented CFOs to Support Our Global Strategies

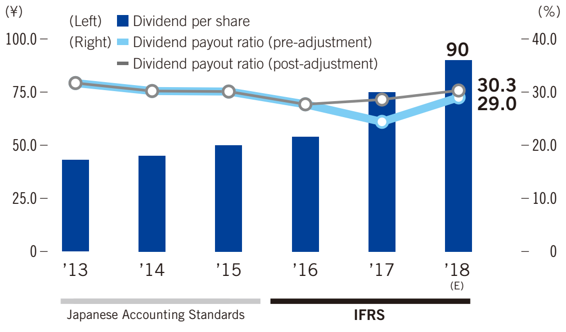
We believe that the CFOs at all Group companies, not just the CFO at the holding company, use numerical data to clear the path toward logical and objective improvements in corporate value. We also believe that CFOs play a key role in supporting the decision making of the CEO. With a focus on the Group's future strategies for growth, we expect our CFOs to continuously assess strategic, operational, and compliance risks based on a deep understanding of accounting and financial perspectives as they lead the Group's overall business into the future. To this end, there is a need for us to cultivate talented CFOs who possess greater levels of strategic insight and experience related not only to accounting and finance but also to M&As, sophisticated risk management, and tax planning, as well as outstanding business execution abilities.

The Group has tremendous talent in each business and in each region, and we intend to cultivate this talent, who possess the strengths and potential to lead the Group's growth from a financial perspective, into future candidates for CFO positions. As we examine future M&As, we will increase the number of personnel that experience the integration process after the execution of M&As and other matters. Regardless of nationality, if we gain more talent with experience related to such important aspects as post-merger integration, we will then certainly find the spark to further drive our global strategies.

Net Debt/EBITDA and Net D/E Ratio



Total Dividend Amounts and Trend in Payout Ratio



Strategic Focus

Domestic

Bolstering Our "Brand Strength" to Position Our Domestic Profit Base as the Cornerstone of Earnings

Since its founding, the Asahi Group has developed a wide variety of leading brands and product categories in the fields of alcohol beverages, soft drinks, and food, guided by a corporate culture of taking on the challenge of innovation. After commencing the development of an authentic Japanese beer, the Group has worked to grow its areas of operation, including expanding into product categories such as whisky and soft drinks. Amid doing so, the Group has accumulated a history of taking on challenges in brand development.

Currently, as the market in Japan matures, consumption preferences are becoming more diverse and the demand for products with added value is increasing. Under such circumstances, we are leveraging the brand strength we have cultivated over the years to expand the development of products with high added value. In doing so, we are stepping up our efforts to play a key role in steering the industry toward value competition.

Going forward, we aim to further solidify the profit bases of our three domestic businesses and enhance our overall brand strength, including the strength of products from businesses we have acquired over the years. In this section, we introduce the efforts we are taking in each business to bolster brand strength.

Alcohol Beverages Business

Maximizing the Brand Equity of the *Clear Asahi* Brand

In 2008, Asahi Breweries, Ltd. introduced *Clear Asahi*, a new genre brand with a "clean taste and a pure sharp finish with malt flavor." To develop this product, we started by adding spirits made from barley to a happoshu base and then fully leveraged our unique brewing techniques. In doing so, we created a product with a brand-new taste in the new genre category. Since launching *Clear Asahi*, we have taken steps to enhance its brand equity, including improving its taste by revising the brewing process and the ratio of supplementary materials used as well as rolling out aggressive marketing activities.

In 2013, we leveraged the brand assets of *Clear Asahi* to launch *Clear Asahi Prime Rich*, which combines "record levels of richness"*1 with a "clear aftertaste." This product represented the first expansion of the *Clear Asahi* brand. In 2015, we launched *Clear Asahi Toshitsu Zero*,*2 which offers a "robust taste" with "carbohydrate-free*3 benefits." In these ways, we have made concerted efforts to offer products with high

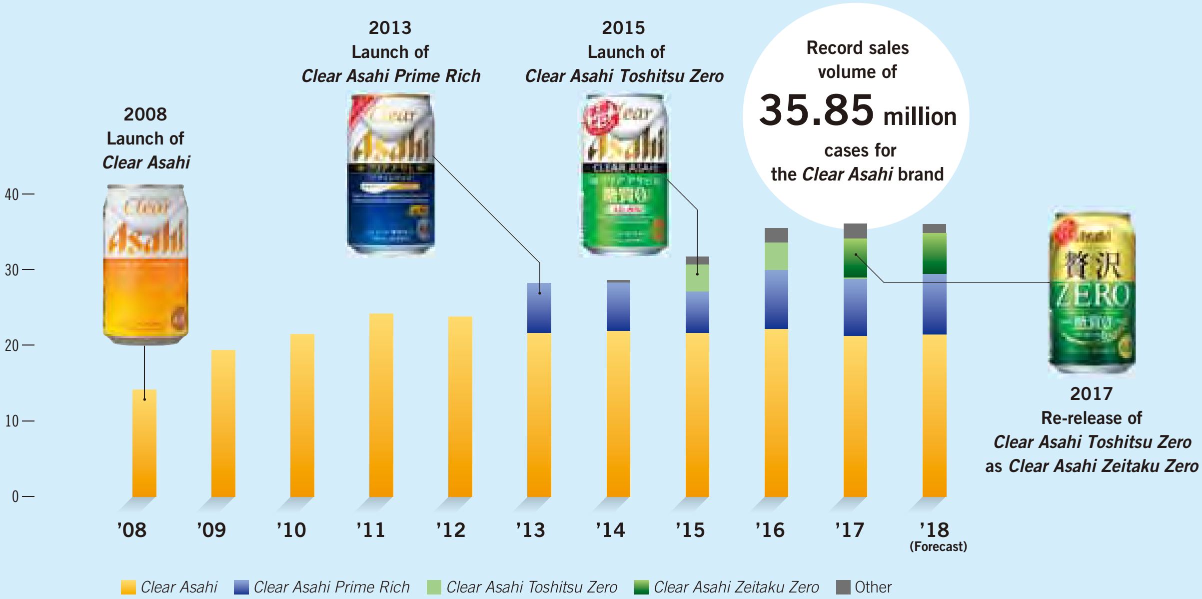
added value that meet the needs of our customers. Through these efforts, the total sales volume of *Clear Asahi* brands in 2017 was a record 35.85 million cases, making it the No. 1 brand in the wheat-based new genre market for the second year in a row.

By promoting such measures as enhancing our marketing strategies that leverage long-cultivated brand assets, we will work to further improve the value of *Clear Asahi* going forward.

*1 Highest concentration of original wort extract within the Company's happoshu-based liqueur (effervescent) category
*2 Re-released as *Clear Asahi Zeitaku Zero* in February 2017
*3 Based on the Standard of Labeling Nutritional Data

Trends in Sales Volume of the *Clear Asahi* Brand

(Million cases)



Strategic Focus

Bolstering Our "Brand Strength" to Position Our Domestic Profit Base as the Cornerstone of Earnings

Soft Drinks Business

Offering New Value by Leveraging the Brand Assets of *Calpis*

Calpis was created in 1919 as Japan's first lactic acid bacteria drink. Since adding *Calpis* to the Asahi Group in 2012, it has seen an increase in sales for five consecutive years thanks to the synergies being generated with Asahi Soft Drinks Co., Ltd.

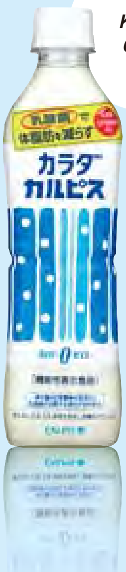
To add to the mainstay products of *Calpis* and *Calpis Water*, we launched *Karada Calpis*, a food with function claims, in 2017. In these ways, we have been strengthening proposals for the value offered by lactic acid bacteria, which, through Calpis Co., Ltd., we have passed down and focused on for nearly 100 years, including its unique taste and health benefits.

In addition, by leveraging the expertise and technological capabilities we have cultivated through our many years of research on lactic acid bacteria, we have been increasing our presence in the healthy beverage market through the launch of products that draw on the benefits of lactic acid bacteria, such as *Mamoru Hataraku Nyusankin* and *Todoku Tsuyosa-no Nyusankin*. We have also launched *Asahi Oishii Mizu Plus Calpis no Nyusankin* and *WONDA Nyusankin*

Coffee as products that collaborate with other core brands. With these efforts, we have been using the brand assets of the Group to enhance the generation of synergies.

In 2019, the *Calpis* brand will celebrate its 100-year anniversary. In honor of this occasion, we will work to further enhance our proposals for new value through such means as building on the healthy image created by our natural production methods for *Calpis*, which involve lactic acid bacteria and yeast fermentation, and generating an even greater number of synergies that leverage brand assets.

Calpis Water



Karada Calpis

WONDA Nyusankin Coffee

Food Business

Creating New Demand in the Candy Tablet Market through *MINTIA*

Since its launch in 1996, *MINTIA* has offered not only a delicious and intense taste with just one tablet but also the convenience of having a highly portable container. These features have helped to contribute new value to the candy tablet market by allowing consumers to easily freshen their breath at any time and at any place.

After *MINTIA* was added to the Asahi Group in 2002, it has helped drive recent growth in the candy tablet market through the creation of various settings in which to enjoy the product, including the change to the current thin container and an expansion to the product lineup to include a wider variety of mint and fruit flavors.

In 2014, we launched *MINTIA Breeze*, a large tablet-type product that addresses the need for enjoying cool and comfortable sensations for longer periods of time. In 2017, we launched *MINTIA Excare*, which offers a cool and hydrating sensation that expands in the mouth. In these ways, we have been strengthening our proposals for new value without being satisfied with the status quo.

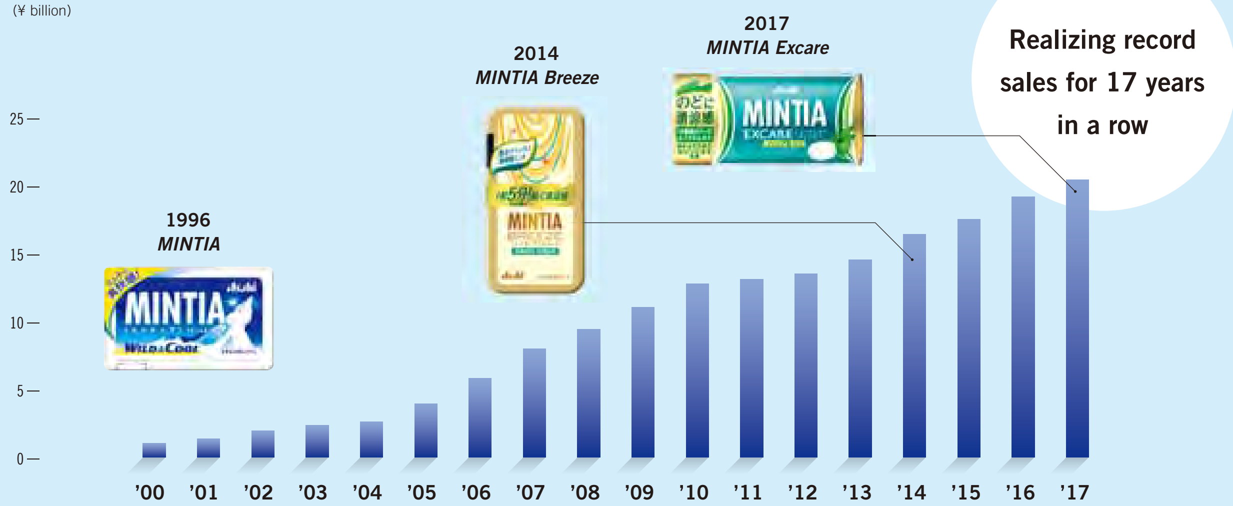
As a result of these efforts, *MINTIA* has been realizing record sales for 17 years in a row, and since 2005 it has boasted the highest sales volume in the candy tablet market.*

Going forward, we will respond to lifestyle and other changes as we continue to propose new ways to enjoy *MINTIA*. In doing so, we will work to further improve the brand equity of *MINTIA* while also making efforts to invigorate the candy tablet market.

* Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), Convenience Stores/Supermarkets/Drugstores, May 1, 2005–January 31, 2018; INTAGE Inc.

Sales Performance of the *MINTIA* Brand

(¥ billion)



Strategic Focus

Overseas

Shifting toward New Premium Brands for *Asahi Super Dry* in Europe

In addition to the global premium brands of *Peroni Nastro Azzurro* and *Pilsner Urquell*, we also secured excellent human resources, who cultivated these brands, and an abundance of know-how through the acquisition of the Europe business. By combining the strengths of this business with our domestic alcohol beverages business, we will aim to enhance the presence of *Asahi Super Dry* as a premium brand in Europe going forward. This section introduces the specific initiatives we are undertaking to do so.

We currently offer *Asahi Super Dry* in 70 countries around the world and have been taking steps to increase sales volumes primarily in South Korea, Oceania, and China. In 2017, overseas sales of *Asahi Super Dry* exceeded 10 million cases for the first time ever. However, in Europe, despite our efforts to expand *Asahi Super Dry* through the outsourcing of manufacturing and sales to external business partners, we were unable to sufficiently establish the product as a premium brand in the region.

Meanwhile, in the United Kingdom, *Peroni Nastro Azzurro* did not necessarily have strong brand value in the country when it was introduced. After the former SABMiller plc. acquired the brand, it has been fundamentally reinvented to enhance the brand equity steadily. In doing so, *Peroni Nastro Azzurro* was able to acquire the No. 1 position in the category of super premium products.

By sharing know-how and best practices in this fashion, we have put in place a structure to manufacture *Asahi Super Dry* in Europe on our own. This allowed us to commence sales of *Asahi Super Dry* in Europe on our own initiative in January 2018.

Building a Brand Cultivation Model Centered On “Premiumization”

We have adopted a shared target of consistently offering the value of the *Asahi Super Dry* brand to customers throughout the value chain by sharing and integrating the technologies and know-how cultivated by relevant personnel in each division in Japan and Europe. With this target, we have made collaborative efforts to rebuild the *Asahi Super Dry* brand after the acquisition of beer business in Western Europe.

At the Padova Brewery in Italy, we have been committed to producing *Asahi Super Dry* with the same level of quality we offer in Japan. By sharing production processes and quality control methods different from those that were conventionally utilized at the plant and repeatedly carrying out experimental brewing, we were able to successfully produce unpasteurized *Asahi Super Dry*.

From a marketing standpoint, we took steps to combine the brand value of *Asahi Super Dry* that we have cultivated in the Japanese market, where consumer standards tend to be extremely high, with the best practices of *Peroni Nastro Azzurro*. We also promoted efforts to redefine our brand value and revise our marketing activities in the region. In doing so, we established a foundation for expanding *Asahi Super Dry* as a premium brand in Europe.

Going forward, we aim to utilize our robust sales network to expand our beer businesses in Western and Central Europe, building on our entry into Italy, the United Kingdom, and France in January 2018. In the future, we will make use of the best practices employed in Europe to expand into other regions in an effort to transform *Asahi Super Dry* into a truly global brand.

Expanding *Asahi Super Dry* through cross-selling in Europe

Strategic Focus

Shifting toward New Premium Brands for *Asahi Super Dry* in Europe

Supply Chain Management

Providing *Asahi Super Dry* with the Same Level of Quality as That in Japan

There are many aspects of the manufacturing and quality control processes used for *Asahi Super Dry* that differ from those used for local beers. While it took painstaking efforts to accomplish we were able to overcome a wide range of issues, thanks to everyone working toward the same goal—the local production of *Asahi Super Dry*.

We worked to identify issues throughout the entire process for producing *Asahi Super Dry* at the Padova Brewery, from procuring raw materials to shipping finished products, and tackled them one by one.

Specifically, we passed on the necessary technologies to manage brewer's yeast used to brew *Asahi Super Dry* and worked to improve the manufacturing environment for producing draft beer. In addition, we introduced new analytical technologies and equipment to manage important microbes in the quality control process. We also established new storage facilities for auxiliary materials used as raw ingredients. Through efforts such as these, we resolved all the necessary issues that we faced during the manufacturing process.

Furthermore, as the fermenting and storage periods are longer for *Asahi Super Dry* than they are for locally produced beers, we faced operational issues in terms of production efficiency. However, by fostering an understanding of the Asahi Group's approach to quality with local employees and instilling in them a strong desire to accomplish shared goals, we were able to combine the technologies and know-how possessed by both the Group and the local staff at a pace much faster than we expected. This in turn enabled us to produce *Asahi Super Dry* with the same taste as that in Japan.

Message from Local Director

Roberto Cavalli
Group Supply Chain Director

The local production of *Asahi Super Dry* is progressing at a much faster rate than anticipated.

Asahi Super Dry embodies the real application of "purity" and "*Karakuchi*" in the brewing process, delivering the "dryness" flavor profile invented by Asahi Japan. Extensive collaboration among teams in Japan and Europe and additional investment at the Padova Brewery enabled us to become certified to produce *Asahi Super Dry* unpasteurized with the same original recipe and ingredients as in Japan. We have gradually mastered the same taste of *Asahi Super Dry* as that produced in Japan, so much so that the two products cannot be differentiated in a sensory evaluation. We have also introduced new equipment and working methodologies to ensure consistency in delivering high-quality products.

We put exceptional emphasis on the resources in place for research and development, organization discipline, levels of professionalism, and product quality not only within the brewery's premises but also at the point of sale. The production of *Asahi Super Dry* in Europe is exceeding expectations thanks to very similar corporate cultures where employees work energetically and collaboratively and with a real sense of partnership between Japanese and European teams. I truly appreciate everyone's great contributions in realizing this achievement—the brewing of outstanding beer at Padova Brewery with the same quality standards as in Japan.

Marketing

Creating a Brand Story for the Shift toward Becoming a Premium Brand

By combining the strengths accumulated by the Asahi Group and local employees over many years, we established a clear vision for the kind of brand equity we want *Asahi Super Dry* to offer and redefined our target customers. In doing so, rather than simply pursuing higher sales volumes, we totally revamped our marketing strategy with a focus on brand equity.

Going forward, we will take steps to create a brand story that combines *Asahi Super Dry*'s functional value, meaning its reputation as a Japanese beer with outstanding levels of quality, with its emotional value, meaning its unique and differentiated quality of *Karakuchi* and its brand image that has been continuously innovated. We will also link this brand story with the tastes of our target customers, primarily young adults who are constantly in search of newer and better things. In doing so, we will strengthen our efforts to promote the value of *Asahi Super Dry* as a premium brand.

Additionally, to improve our capability to communicate information both internally and externally with the aim of realizing the globalization of *Asahi Super Dry*, not only will we cultivate personnel to serve as brand advisors we will also pursue collaborations in Europe to create and enhance a global brand platform, which will include brand policies, brand cultivation models, and evaluation standards. In this way, we will strengthen our structure for global brand management.

Message from Local Director

Gisela Rule
Global Brands Portfolio Director

Utilizing all of the management resources we possess, we will achieve success in expanding *Asahi Super Dry* in Europe.

I believe that we have four fundamental competitive advantages at Asahi Europe Ltd. The first is our very capable and committed people who expertly and seamlessly balance strategy and execution. Secondly, we have a truly differentiated, world-class premium brand portfolio. We believe in the power of our brands to win both individually and collectively. Our third competitive advantage lies in our ability to leverage great market insights; while our fourth advantage manifests in the flawless execution of our strategies, delivered with uncommon speed and agility. We leveraged all four of these competitive advantages in relaunching *Asahi Super Dry* in Europe.

Our vision is to replicate *Asahi Super Dry*'s success in Japan and become the “No. 1 Super Premium Beer in the World.” We believe the *Karakuchi* taste will be welcomed by European consumers who are very open to easy drinking styles. In Europe, our target consumers are the Enrichment Seekers: people who are worldly, cultured, forward-looking, and excited about the next adventure life has to offer. Our launch campaign invites target consumers to experience the unique taste of *Asahi Super Dry* as it was intended to be experienced, brewed true to the high standards applied in Japan.

Our colleagues at the Asahi Group are very committed to quality and innovation. I am very impressed by the respectful way that our Japanese colleagues conduct business. I am proud to be part of such a strong business that operates with impeccable integrity.

Strategic Focus

Strategy for Sustainability

Making Our Global Business Growth More Sustainable

The Asahi Group has adopted the reinforcement of ESG initiatives as one of the key priorities in its Medium-Term Management Policy. Through the acquisition of the new Europe business, the Group is now fully prepared to take on new challenges as a global player. However, these challenges mean that the Group now faces risks that it has never been exposed to before. Furthermore, as awareness toward social and environmental changes has been rising in recent years, the Group recognizes the need to reconsider the initiatives that it has thus far pursued to improve its social value. The Group is currently taking steps to revise the framework it has traditionally employed for promoting ESG initiatives. This section introduces examples of how the Group is starting to establish new frameworks for ESG initiatives as well as the efforts it is taking to monetize such initiatives.

The Direction of the Asahi Group's New ESG Framework

Increasing the positive impact of our business	Reinforce efforts for value creation, or CSV, by leveraging unique Asahi strengths	▶ P. 49
Eliminating the negative impact of our business	Promote an appropriate response to the various changes in the external environment on a global scale as part of our efforts in extensive risk management	▶ P. 52

Increasing the Positive Impact of Our Business

— Creating Corporate Value Centered On Social Issues

With a focus on social issues, we are working to create new businesses by fully leveraging Asahi's uniqueness and competitiveness. We are also pursuing CSR and CSV initiatives that will allow us to increase both our financial and social value.

The Asahi Group's Materiality Assessment

Food and Health | The Environment | People and Society

Contribute to the SDGs to determine the kind of value we wish to provide in each materiality theme

Food and Health

Contribute to the physical and mental health of all people by pursuing deliciousness of the highest quality

Steadily Creating New Business Value

Examples of Value Creation

01 Beer Yeast Cell Walls

02 *Karada Calpis*

Creating the Future of **Deliciousness** Using the Blessings of Nature

The Environment

Contribute to the creation of a recycling-based society so that we can pass on an earth full of the blessings of nature into the future

People and Society

Contribute to the creation and maintenance of an enriched society brimming with health and vitality as a manufacturer that is engaged in the food industry

Introducing Unique Strengths in Areas Where the Group Is Active

Strength 01

Biotechnologies cultivated through research on yeast and lactic acid bacteria

Strength 02

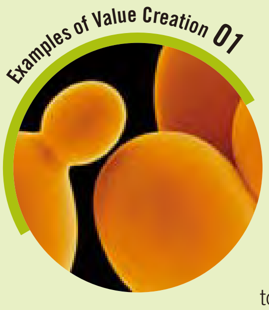
Strong portfolio of various prominent brands, including *Asahi Super Dry*

Strength 03

Ability to promptly create optimal systems for product production, management, and supply

Strategic Focus

Making Our Global Business Growth More Sustainable



Expanding the Global Potential of Beer Yeast Cell Walls

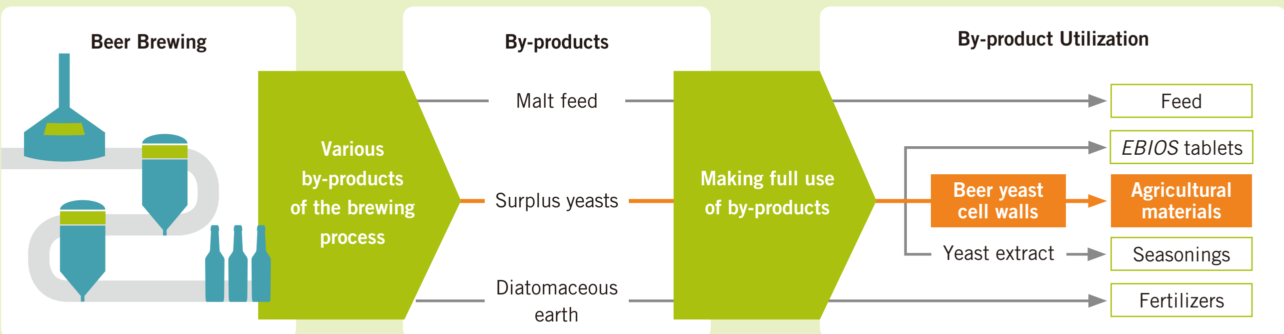
The Asahi Group has been focusing its efforts on harnessing the ability of beer yeast cell walls, a by-product of the beer brewing process, to boost the immunity of plants. Since 2004, the Group has been engaged in the development of a new agricultural material. This material helps reduce the use of agricultural chemicals and chemical fertilizers, which ensures safety and security. It also provides various benefits, including enhancing plant quality and improving soil conditions. In addition, it helps increase crop yields and reduce greenhouse gas emissions per harvested volume of crops. To resolve the various social issues pertaining to agriculture through our business, we established Asahi Bio Cycle Co., Ltd. in 2017. We are currently collaborating with stakeholders involved in agriculture, forestry, and landscape architecture to create innovative technologies and new value in such ways as revitalizing abandoned farmland, which has become a social issue.

The idea behind the development of this agricultural material started from a livestock farmer who realized that giving his livestock feed that used beer yeast helped them grow stronger and faster. Beer yeast alone does not dissolve easily in water, which means it is difficult for plants to absorb. However, as a result of our repeated research, we developed a unique technology that breaks down the cell walls of beer yeast to the corpuscular level by placing them under high temperature and pressure, resulting in the creation of a new agricultural material. When testing this material on tomatoes, rice plants, and other agricultural produce, we verified that it allowed roots to grow at a surprisingly fast rate and made the produce more resistant to diseases. Accordingly, this material succeeds in both reducing the amount of agrochemicals used and increasing the amount of produce harvested.

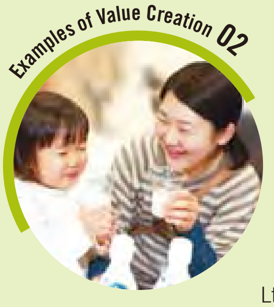
In addition to the agricultural industry, this material is now being used at nearly one-third of the golf courses in Japan—a feat accomplished only one year after the establishment of Asahi Bio Cycle—as it is extremely useful in maintaining the quality of grass. While limiting the use of agrochemicals, this material can grow lush, green grass with firm roots that is perfect for playing golf on in as little as 10 days.

Going forward, Asahi Bio Cycle will work to develop sales channels for this material in not only Japan but also Southeast Asia, North America, and other overseas regions. By leveraging this agricultural material, which makes use of the growing potential of beer yeast cell walls, we will contribute to the realization of a safe and secure food supply and the promotion of environmentally friendly agriculture.

Making Full Use of By-products from the Beer Brewing Process



Examples of Value Creation 02



Karada Calpis—Breaking Down Body Fat with Lactic Acid Bacteria

3 GOOD HEALTH AND WELL-BEING

Promoting and maintaining health is a trend garnering significant social attention. In response to this trend, Asahi Soft Drinks Co., Ltd. is promoting the Asahi Soft Drinks Health Challenge! program, which aims to improve people's physical and mental health through beverages. As a part of this project, the company launched *Karada Calpis* in April 2017.

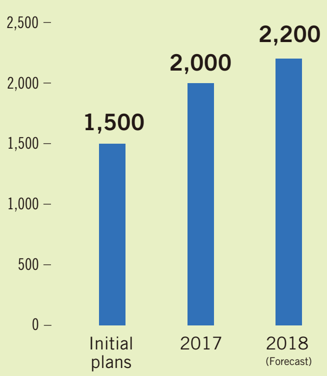
Karada Calpis is a beverage that uses lactic acid bacteria, which the Asahi Group has spent many years researching through the *Calpis* soft drink. Lactic acid bacteria can take on a wide variety of forms and has many potential health benefits. For the development of *Karada Calpis*, we selected a type of lactic acid bacteria that has the ability to break down body fat—for which there is significant latent demand—and spent nearly 10 years working to commercialize it. Over the course of 2017, we sold approximately two million cases of *Karada Calpis*, achieving results that greatly surpassed our expectations. In light of this, we recognize that there is a major need for a product that helps break down body fat.

In 2018, we have set a target to increase the sales volume of *Karada Calpis* by 10% year on year, with the overall aim of achieving a sales volume of more than three million cases over the medium to long term. To this end, we will make concerted efforts to promote the various benefits of lactic acid bacteria, such as its ability to break down body fat. At the same time, we intend to leverage the brand strength of *Calpis* to its full potential. Drawing on the relatively unknown fat-reducing benefits of *Calpis*, a sweet and sour soft drink that many consumers are familiar with, we will promote *Calpis* as a health promotion approach that people can incorporate in their daily lives in a convenient and fun manner.

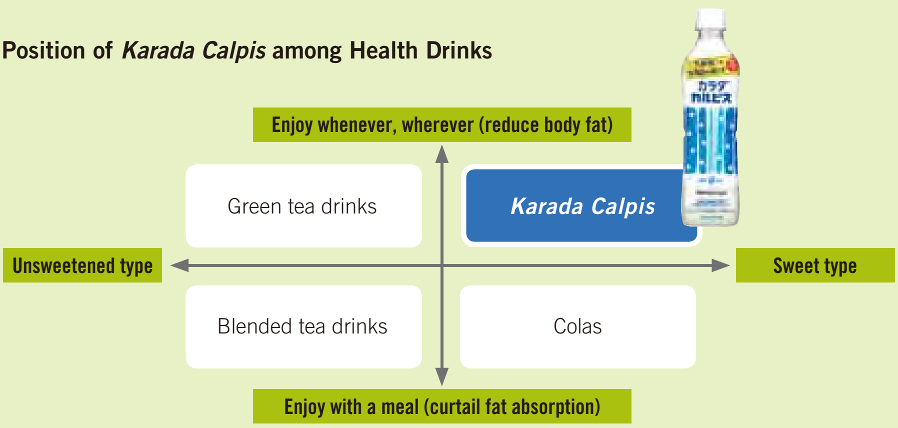
The Asahi Soft Drinks Health Challenge! program

Under the Asahi Soft Drinks Health Challenge! program, we are holding various events that include the distribution of *Karada Calpis* samples, seminars on improving eating habits, and health checkups. In addition, we are working with local governments across Japan to contribute to the resolution of health-related issues through our well-known soft drink products.

Sales Volume of *Karada Calpis*



Position of *Karada Calpis* among Health Drinks



Strategic Focus

Making Our Global Business Growth More Sustainable

Eliminating the Negative Impact of Our Business

— Further Strengthening Our Global Risk Management

With its global expansion, the Asahi Group is becoming exposed to an increasing number of risks, and the Group must now determine how to deal with these risks. To this end, the Group is working to make its global risk management more sophisticated as it transitions to a corporate group that contributes to the future on a global stage.

10 REDUCED INEQUALITIES

Promoting Labor Practices That Emphasize Respect for Human Rights

The expectations that society places on corporations in terms of their approach to human rights issues such as the risk of modern slavery continue to change over time. Even countries or raw materials that are currently deemed to be low risk may become high risk in the future. The Asahi Group recognizes the importance of continuously disclosing the initiatives it is pursuing in a manner that is highly transparent while constantly giving consideration to current social conditions. As part of this recognition, we used our commitment to the UK Modern Slavery Act in 2017 as an opportunity to analyze the risk of modern slavery at our factories and throughout the entire supply chain. Going forward, we will utilize the results of this analysis to identify potential risks related to modern slavery.

Major Points of the UK Modern Slavery Act

- Companies must submit a statement on human rights (with regard to forced labor and human trafficking) each year
- The above statement must be approved by the board of directors of each company
- The statement should be disclosed in an easy-to-find location on a company's corporate website
- The Act requires companies to disclose a statement, but it does not require them to take steps to eradicate slavery

3 GOOD HEALTH AND WELL-BEING

Promoting Responsible Drinking from a Global Perspective

As a corporate group that centers on alcohol beverages, we are well aware of the serious negative impact caused by the inappropriate use of alcohol. In order for individuals, families, and communities to enjoy healthy, enriched lifestyles, we have systematically and continuously made efforts to promote appropriate drinking habits. We also employ a unique bottom-up structure in which each organization and office actively responds to the wide range of alcohol-related issues based on a high awareness of compliance.

To realize sustainable growth on a global stage going forward, we understand the increasing need

Major CSR Themes and KPIs (Results and Targets)

Activity areas	Major CSR themes	KPIs
Food and Health	Responsible Drinking	Distribute over 35,000 copies of educational tools for primary school students throughout 2017 to contribute to the prevention of underage drinking
	Food Safety and Reliability	Achieve an average score of 90 points or higher (out of a total of 100 points) on 2017 customer questionnaires*1
	Health and Nutrition	Engage in dialogue with over 100,000 participants in 2017 through Wakodo Nutrition Consultations
The Environment	Climate Change	Establish medium- to long-term environmental targets consistent with scientific knowledge within 2017
	Recycling-based Society	
	Biodiversity	
People and Society	Human Resource Development and Diversity	Achieve the targets for the ratio of female managers set at each major Group company
	Healthy and Affluent Society	In keeping with the policy of the 1% Club established by Keidanren (Japan Business Federation), pledge to spend around 1% of core operating profit on social contribution activities
	Sustainable Water Resources	Establish medium- to long-term environmental targets consistent with scientific knowledge within 2017
	Sustainable Supply Chains	Engage in direct dialogue with 13 suppliers within 2017, based on the findings of the Supplier CSR Survey undertaken in 2015

*1 This questionnaire is for certain customers who have submitted comments on the products of Asahi Breweries, Ltd.
*2 The 13 suppliers visited include suppliers that were the targets of the Supplier CSR Survey implemented in 2016.

for us to initiate a global response to alcohol-related risks. We therefore intend to formulate a global commitment to addressing these risks in 2018. While leveraging the knowledge we have gained through our efforts to encourage appropriate drinking habits, we will work to eliminate the issues caused by inappropriate alcohol use in all areas in which we operate.

Taking On Challenges under "Asahi CARBON ZERO" in Response to Climate Change

The Asahi Group has implemented a broad range of measures to address issues related to climate change through its business. However, with the establishment of international targets such as the SDGs and COP21 (Paris Agreement), we have formulated the new policy "Asahi CARBON ZERO," which lays out targets for reducing CO_2 emissions by 2030 and again by 2050. Under "Asahi CARBON ZERO," we have voluntarily established targets to gradually reduce the CO_2 emissions that are caused by our business activities using 2015 as a base year for reference, with the ultimate goal of achieving zero CO_2 emissions by 2050. To realize these targets amid our continued global expansion, we will actively promote efforts to further conserve energy and utilize renewable energy sources. In addition, we will undertake initiatives across our entire value chain, including containers and packaging, distribution, and product sales.

Medium- to Long-Term Targets for Reducing CO_2 Emissions

2015

Base year for annual emission amounts

2030 (target)

CO_2 emission amount compared with 2015

Scope 1 and 2: **30%** reduction (challenge target)

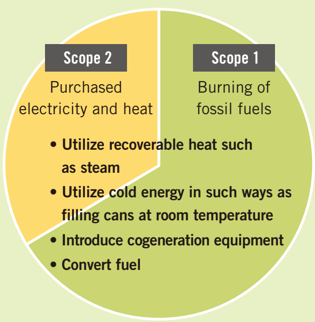
Scope 3: **30%** reduction (monitoring target)

2050 (target)

Aim for zero CO_2 emissions

Set standards that can compete on a global level

Efforts to Achieve Our Targets



Scope 3

1. Reduce CO_2 emissions related to containers and packaging
   - **Reduce weight**
   - **Make use of low-carbon materials**
2. Reduce CO_2 emissions related to distribution
   - **Pursue a modal shift**
   - **Promote collaborative delivery**
3. Reduce CO_2 emissions related to product sales
   - **Enhance energy efficiency of vending machines and automatic servers**
4. Reduce CO_2 emissions related to raw materials
   - **Collaborate with suppliers to achieve reductions**

We are thoroughly examining the establishment of new materiality themes and KPIs in consideration of important factors for realizing sustainable growth for the Asahi Group. We intend to announce these new materiality themes and KPIs in 2019.

Fiscal 2017 results	Fiscal 2018 targets
Distributed 72,264 copies of educational tools	Aim to distribute over 35,000 educational tools and make use of feedback on said tools in activities going forward
Achieved a score of 94.2, continuing a tradition of being highly evaluated by customers	Aim to continue to achieve an average of 90 points or higher on these questionnaires
Engaged in dialogue with 96,000 participants, expanding our target audience from young children to also include senior citizens	Aim to engage in dialogue with 100,000 participants through these consultations
Unable to establish targets during 2017 as it took a considerable amount of time to plan initiatives to pursue going forward in light of future energy policies in response to the Paris Agreement and Japan's medium- to long-term CO_2 targets, as well as technological trends and the advancement of social infrastructure. In regard to climate change, "Asahi CARBON ZERO" was announced in April 2018, which lays out medium- to long-term targets.	Formulate a new environmental vision during 2018 and release it in 2019
Increased ratio of female managers and made steady progress toward achieving our targets, including appointing women as CEOs at two Group companies	Continue efforts to achieve the targets for the ratio of female managers set at each major Group company
Devoted ¥1.3 billion to social contribution activities	Continue to spend around 1% of core operating profit on social contribution activities, in keeping with the policy of the 1% Club
Unable to establish targets during 2017 as it took a considerable amount of time to plan initiatives to pursue going forward	Formulate a new environmental vision during 2018 and release it in 2019
Visited 13 suppliers*2 and verified survey answers through direct dialogue	Report the results of the Supplier CSR Survey, which will be carried out again in 2018, to the individual companies that submitted responses

Enhancing Human Capital

The Long-Term Vision set out our future vision for the Asahi Group as an industry leader in Japan with high added value as a key area of focus that has also established a unique position as a global player that leverages strengths originating in Japan. To realize this vision, we consider it vital to increase our human resource (organizational) capabilities—one of our four core strengths—and have thus been promoting various initiatives to enhance our human capital.

Logic Tree for Enhancing Human Capital

Enhance human capital

Strengthen human resource (organizational) capabilities (the source of enhancing human capital)

Accelerate enhancement through interaction

Reshape corporate culture (support for enhancing human capital)

KEY INITIATIVES

1 Maximize the capabilities of individuals and organizations
- **Assign people with the right capabilities to the right posts**
  (Succession planning, executive training programs)
- **Career support**
  (Career seminars by age group, career consultations, career advisors)

2 Encourage diversity
- **Promote diversity**
  (Promotion of contributions by female employees, appointment of foreign national employees, employment of differently abled individuals and members of the LGBT community, etc.)
- **Foster various talents**
  (Global Leadership Development Program, Cross-Industrial Exchange Training Program)

3 Develop workplace environments and optimize work styles
- **Promotion of work-life balance, work style reforms**
  (Super-flex-time, telecommuting, various leave and holiday systems)
- **Development of healthy workplace environments**
  (Health promotion system, stress checks, organizational behavior diagnosis model)

4 Share values
- **Management communication**
  (Management reports for employees, corporate intranet pages, worksite visits)
- **Monitoring of inclusion and normalization of various systems**
  (Performance review criteria, 360° reviews, organizational behavior diagnosis model)

Develop organizational capabilities and promote synergies between sections
- **Internal sharing of best practices**
  (Publication of examples on corporate intranet, diversity communication, Research Activities for Business Reform)

4 Make corporate culture visible
- **Implementation of organizational behavior diagnosis model**
- **Promotion of PDCA cycle**

Promotion of *Glocalization*

New Stage for Human Resource Strategies

The Asahi Group has reached a new stage for growth, as indicated by nearly 40% of its core operating profit coming from overseas and approximately 60% of its employees being of nationalities other than Japanese. If we are to continue growing as a *Glocal* Value Creation Company, cultivating global human resources, promoting diversity, and sharing Asahi's distinctive corporate culture will be more important than ever. We are therefore dedicated to disseminating our corporate philosophy, sharing our policies, and engaging in proactive personnel exchanges, including those sending employees overseas, in order to realize our vision for a *Glocal* Value Creation Company.

1 Maximize the Capabilities of Individuals and Organizations

Career Support

The Asahi Group supports human resource development through shared Group-wide programs and individual education programs tailored based on employee ranks and fields of specialization with the aim of cultivating human resources that can excel in the midst of the globalization trend.

Given the future vision for the Asahi Group described in the Long-Term Vision, it will be important for us to adopt an overarching view surveying the entire Group and to acquire a wide range of necessary management skills. We are therefore implementing Group-wide education programs for managerial employees.

Meanwhile, to ensure the growth of individual businesses, we aim to maximize employee capabilities by implementing specialized education programs enhancing the skills required in each rank and field of specialization.

Executive Training Programs

Changes in the Asahi Group's operating environment are accelerating with each passing year. With the new acquisition of operations in Europe, the amount of our core operating profit that comes from overseas has risen to nearly 40%. It is therefore vital that we develop managerial personnel with the capabilities necessary to realizing sustainable growth both in and outside of Japan.

For this reason, we aim to cultivate candidates for future management positions that can respond rapidly to changes in the operating environment. To facilitate this effort, we have incorporated global elements into our conventional education programs and otherwise implement human resource cultivation programs that accommodate globalization.

■ Asahi Executive Leader Program

The presidents and executives of Asahi Group Holdings handpick the participants for the Asahi Executive Leader Program, which is aimed at developing candidates for future management positions. This program is implemented with the objective of fostering participants' ability to develop strategies, lead, and achieve targets. After completing the program, participants are assigned to roles in which they can put these skills into practice to ensure effective education.

■ Asahi Next Leader Program

Under the Asahi Next Leader Program, we select personnel that aspire to become future corporate managers from among managers (aged 35 to 45) within the Group and provide corporate management education from a medium- to long-term perspective. We have created opportunities for the participants to gain a broader perspective by acquiring practical experience through job rotations after completing the program.

Education Programs Tailored to Rank and Field of Specialization

We implement education programs designed to help develop the expert skills needed in individual operating companies and divisions as well as the capabilities for specific ranks, such as new recruits or managerial personnel. In addition, we are promoting the cultivation of human resources that can excel in the midst of the globalization trend through means such as personnel exchanges with overseas operating companies based on division and field of specialization.

Global Leadership Development Program

The Global Leadership Development Program was introduced in 2014 with the aim of bettering participants' understanding of the history, management policies, and other aspects of the Asahi Group and endowing participants with a global perspective and outlook. It is also intended to help participants understand and build networks with employees in different regions. In 2017, a total of four sessions of this program were held to train 12 participants selected as future management candidates from operating companies around the world.



2 Encourage Diversity

Promote Diversity

Basic Philosophy

We see the individual growth of employees with diverse characteristics utilizing their own capabilities and aptitudes as something that assists the growth of the entire Group. We therefore work to educate human resources and create a corporate culture where employee diversity is respected, and employees of all nationalities, genders, ages, and levels of ability can participate. We are therefore creating a Group-wide promotion framework to encourage diversity throughout the entire Group.

Asahi Group Holdings, Ltd.
Executive officer in charge of human resources

Asahi Group Holdings, Ltd.
Human Resources Section
Diversity Promotion Group

Asahi Breweries, Ltd. Diversity promotion representative	Asahi Soft Drinks Co., Ltd. Diversity promotion representative	Asahi Group Foods, Ltd. Diversity promotion representative	Asahi Calpis Wellness Co., Ltd. Diversity promotion representative	Asahi Logistics Co., Ltd. Diversity promotion representative

Promotion of Female Employees' Success

The Asahi Group has been promoting the success of its female employees based on the three policies outlined below. As one facet of this initiative, we have made a concerted effort to develop female leaders by encouraging female employees to participate in various human resource development programs within the Group. As a result, the number of female managers and female executives has grown steadily over the past few years, leading to two female presidents being appointed within the Group in 2017 and Asahi Group Holdings' first female corporate officer being appointed in 2018.

In recognition of these activities, Asahi Group Holdings has been selected as a Nadeshiko Brand company for three consecutive years, in 2016, 2017, and 2018. 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, we will continue to promote a wide range of activities to become a company where women can succeed.

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

NADESHIKO BRAND 2018

3 Develop Workplace Environments and Optimize Work Styles

Develop Workplace Environments and Optimize Work Styles

Work Style Reforms

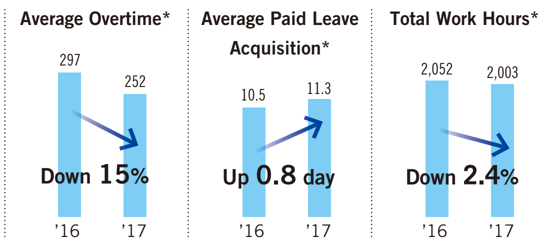
The Asahi Group aims to maximize the value that can be generated from the work of individual employees. To this end, we have continued to implement work style reforms in terms of work processes and workplace environments since 2016. Our goal in these reforms is to create a virtuous cycle in which enhancing operational productivity helps to improve employees' work-life balance, health management, and self-development, in turn enabling individual employees to achieve their full potential.

Specific work style reform initiatives are advanced through measures drafted and promoted by Group companies. For example, Asahi Group Holdings is striving to develop a workplace environment in which employees can work efficiently anytime and anywhere. The Company has therefore actively utilized its super-flex-time system as well as a telecommuting system that makes it possible to take advantage of external satellite offices, among other options, and pursued increased operational efficiency through the use of smart devices. As a result, overall work hours showed a 2.4% year-on-year decrease in 2017.

In 2018, we will continue our efforts by allowing for shortened work hours and establishing a health-oriented leave system that requires employees to acquire leave within two months of any month in which their overtime hours exceed a predetermined limit.

Meanwhile, Asahi Breweries, Ltd. has launched a work style reform project spearheaded by its president. Through the reforms of this program, the company seeks to increase productivity via fundamental improvements to its work processes, an endeavor that has borne results including more efficient meetings and shortened in-house decision-making processes.

Going forward, the Asahi Group will position work style reforms as a never-ending theme for management and continue to promote related initiatives.



* Scope of calculation: Asahi Group Holdings, Ltd. and head office division of Asahi Professional Management Co., Ltd.

Encouragement of Self-Driven Health Improvement Efforts

The Asahi Group recognizes that the health of its employees is a driving force behind the growth of the Group. It is for this reason that regular meetings of the Group Health Promotion Committee are convened. Led by the executive officer in charge of human resources, this committee advances initiatives for encouraging the self-driven health improvement efforts of employees while also working together with the Asahi Group Health Insurance Society to implement health initiatives for addressing lifestyle diseases at the worksite level. Meanwhile, Asahi Soft Drinks has started its company-wide Asahi Soft Drinks Health Challenge! program to promote health initiatives in-house and in the greater community.

4 Share Values and Make Corporate Culture Visible

Organizational Behavior Diagnosis through Awareness Surveys

The Asahi Group conducts regular awareness surveys of the approximately 9,000 employees at major Group companies in Japan.

The goal of the survey is to gain an understanding of such matters as employee career awareness, diversity promotion, and workplace environments, and to implement an effective PDCA (plan-do-check-act) cycle based on this understanding. Specifically, the survey comprises 60 questions in 11 categories designed to gain an understanding of the awareness and perception of employees with regard to Company strategies and management plans, employee careers, compensation and welfare systems, diversity, and workplace efficiency, among other matters. We use the survey to identify issues to be addressed at each worksite throughout the entire Company and to formulate concrete measures with the aim of enhancing our human capital.

BUSINESS STRATEGY & REVIEW

Business Overview by Segment

The Asahi Group covers four business domains: Alcohol Beverages, Soft Drinks, Food, and Overseas. In this section, we explain the progress of business strategies based on the external environment and risks of each segment. We also introduce our performance in fiscal 2017 pertaining to business strategies as well as our policies for fiscal 2018 and related key topics.

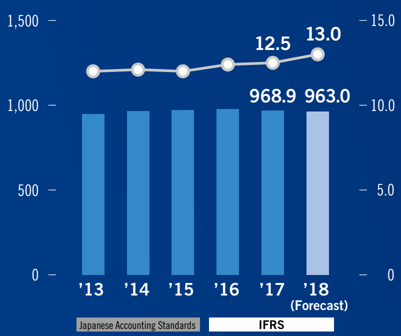
ALCOHOL BEVERAGES

Improving on already high profitability as the Group's greatest generator of cash

- 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
- Enhance new value creation proposals through innovation and develop strong core brands in each category
- Reform earning structure through value chain upgrading and collaboration and evolve business models including e-commerce

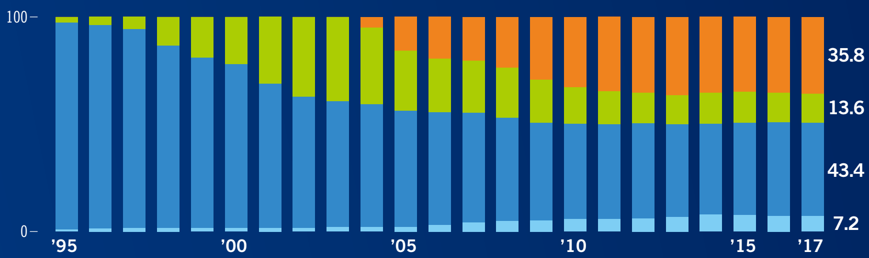
DISCUSSION POINTS

Revenue and Core Operating Profit Margin



Revenue (Left)
Core operating profit margin (Right)

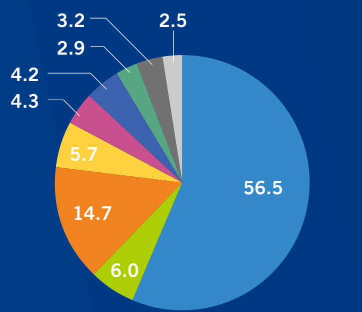
Market Share of Beer, Happoshu, and New Genre



Premium beer Beer Happoshu New genre

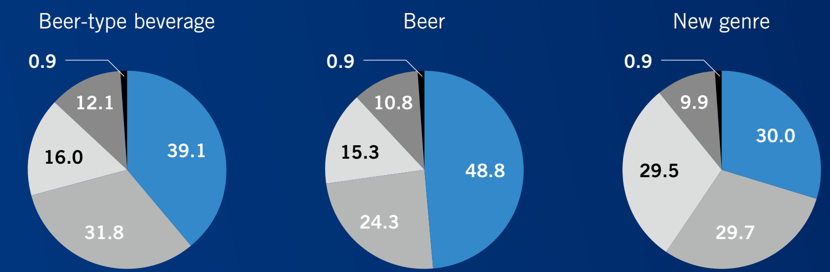
Notes: 1. Based on taxed shipment volume of five major Japanese breweries
2. Composition ratio of premium beer estimated by Asahi

Revenue by Category in 2017



Beer Happoshu New genre
Whisky and spirits Wine
Ready-to-drink (RTD) beverages Shochu
Alcohol-taste beverages (non-alcohol) Other

Market Share by Company in 2017



Asahi Company A Company B Company C Others

Note: Based on taxed shipment volume of five major Japanese breweries

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. Meanwhile, the diversification of consumption and values has invigorated the market for premium beer and craft beer, and the market for functional beverages with fewer carbohydrates is becoming a larger presence amid greater health consciousness among consumers. We expect a return of consumers to the beer category as a result of the change to the definition of beer instituted in April 2018 as well as the finalized policy to gradually bring the liquor tax rates on all beer-type beverages to the same level by 2026.

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

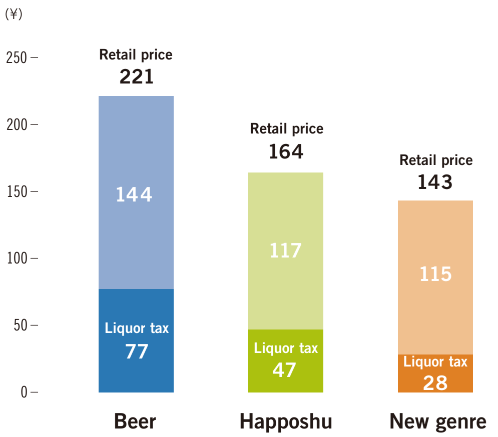
Medium-Term Management Policy (Key Priorities)

Based on these opportunities and risks, the Alcohol Beverages Business—the Group's greatest generator of cash—will strive to improve its high profitability as its top-priority mission.

As the No. 1 comprehensive alcohol beverages company with beer-type beverages and diverse leading brands and product categories, we plan to continue demonstrating leadership in adding value and improving the profit pool of the industry. By leveraging our brand development capabilities to reinforce core brands and utilizing our corporate culture of taking on the challenge of innovation, we will strive to create new value and demand, aiming to be the first entrant into new markets.

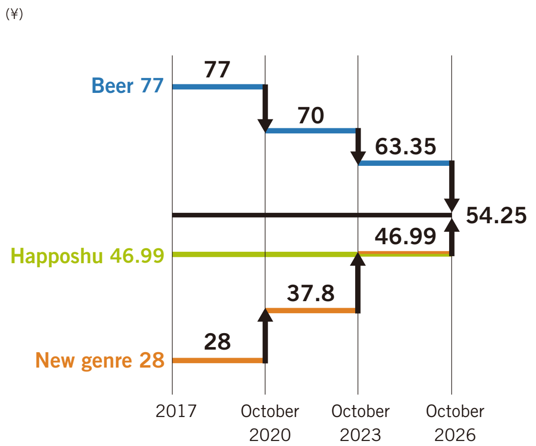
Furthermore, while enhancing our already industry-leading cost competitiveness (with a core operating profit margin of 21% excluding liquor tax) across the entire value chain, we intend to undertake earning structure reforms through logistics collaboration with our competitors and other measures and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

Comparison of the Liquor Tax (tax per 350 ml)*



* The upper figures are retail prices at a major convenience store chain (includes consumption tax, at the end of 2017).

Revision of the Liquor Tax (tax per 350 ml)



Alcohol Beverages

2017 Results

In beer-type beverages, we sought to enhance new value proposals with a focus on core brands. Specific initiatives included the launch of *Asahi Super Dry Shunrei Karakuchi*, a special limited-edition brew meant to commemorate the 30th anniversary of the *Asahi Super Dry* brand, and *Clear Asahi Zeitaku Zero*, which delivers a rich barley taste with zero carbohydrates.

In alcohol beverages other than beer-type beverages, we sought to strengthen core brands. To this end, we actively promoted *Asahi Mogitate* products in RTD beverages while stepping up sales promotions for *Black Nikka* in whisky and spirits. We also made an effort to solidify the market presence of *Asahi Dry Zero* by updating this alcohol-taste (non-alcohol) beverage.

As a result of these endeavors, revenue declined 0.8% year on year, to ¥968.8 billion. Although sales were up for alcohol beverages other than beer-type beverages, overall revenue was down following lower beer-type beverage sales volumes stemming from unseasonable summer weather. Core operating profit, meanwhile, rose 0.6%, to ¥121.5 billion, due to the benefits of improved efficiency with regard to advertising and promotion expenses as well as reductions to raw material and other costs.

Asahi Super Dry Shunrei Karakuchi *Clear Asahi Zeitaku Zero* *Asahi Mogitate* *Asahi Dry Zero*

2018 Targets

In 2018, we will be acting based on our new slogan: "Innovate to create new value and further elevate industry-leading strategies." This slogan will guide us in generating new demand and boosting cost competitiveness centered on the beer market.

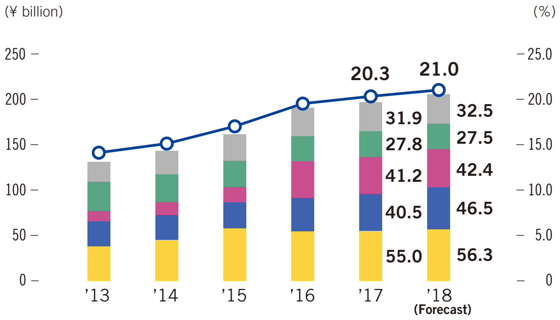
In beer-type beverages, we will strengthen new value proposals pertaining to beer by selling *Asahi Super Dry Shunrei Karakuchi* throughout the year, launching *Asahi Gran Mild* based on the new beer definition instituted in April 2018, and developing the premium brands acquired in Europe. At the same time, we will update the *Clear Asahi* brand and otherwise work to enhance our presence in the new genre beer-type market.

In alcohol beverages other than beer-type beverages, our focus will include updating *Asahi Mogitate* RTD beverages, releasing *Asahi Zeitaku Shibori*, and strengthening and cultivating core brands in all product categories.

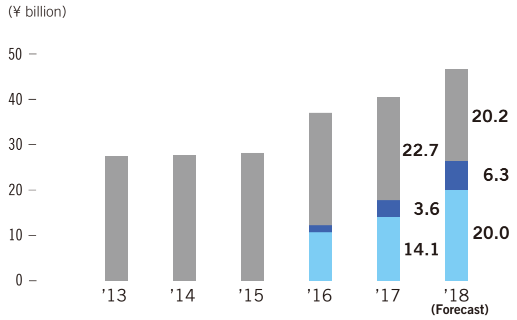
Through these initiatives, we will target revenue of ¥963.0 billion, an increase of 0.5% year on year, and core operating profit of ¥125.0 billion, an increase of 3.8%, which we will achieve through higher revenue and a more profitable container mix for beer.

Asahi Super Dry Shunrei Karakuchi *Asahi Gran Mild* *Clear Asahi* *Asahi Zeitaku Shibori*

Revenue by Category for Alcohol Beverages Other Than Beer-Type Beverages



RTD Category Revenue



TOPICS 01

Launch of *Asahi Super Dry Shunrei Karakuchi* Utilizing Proprietary Brewing Technologies

The *Asahi Super Dry* brand is one of the Asahi Group's greatest brand assets. Since its launch in 1987, we have proceeded to build a solid market position for this brand through a concerted effort to create various innovations across the value chain.

In 2017, we commemorated the 30th anniversary of this brand's launch with the release of *Asahi Super Dry Shunrei Karakuchi*, a new special limited-edition brew. This product is made using rare hops and proprietary brewing technologies to create a refreshing beverage with a satisfying aftertaste that has been successful in stimulating new demand centered on people in their 20s and 30s. Moreover, the quality of this beer has earned international recognition, receiving a gold medal in the Lager: International Style Pilsner category of the 2017 Brussels Beer Challenge, a Belgium-based international beer competition.

We will continue to refine the taste of *Asahi Super Dry Shunrei Karakuchi* as we sell this product throughout 2018 with the aim of creating further enthusiasm in the beer market.

TOPICS 02

Support for Recovery of Quake-Stricken Regions by Harnessing Knowledge of Barley

As part of our post-Great East Japan Earthquake recovery support activities, we have been conducting the Barley-of-Hope Project in collaboration with the Higashimatsushima Organization of Progress and Economy, Education, Energy since 2014. This project is aimed at effectively utilizing the land in Miyagi Prefecture's Higashimatsushima City, which was heavily impacted by the Great East Japan Earthquake, to cultivate barley and thereby invigorate local industries.

The craft beer and snacks made using barley harvested through this project were introduced in 2015, and then we started brewing limited-edition *Barley-of-Hope Ale* at our craft beer brewery, Sumida River Brewing, in 2016. This ale is available at Group-operated restaurants and other venues. The barley grown as part of this project is also used in a wide range of other products, such as *Clear Asahi Toretate no Zeitaku*, which was released for sale exclusively in the Tohoku region in 2017. In addition, the Group is carrying out a support campaign through which donations are made to recovery support activities based on the number of applicable beer products sold.

Going forward, the Asahi Group will continue to harness its knowledge and technologies to support the recovery of regions impacted by the Great East Japan Earthquake.

SOFT DRINKS

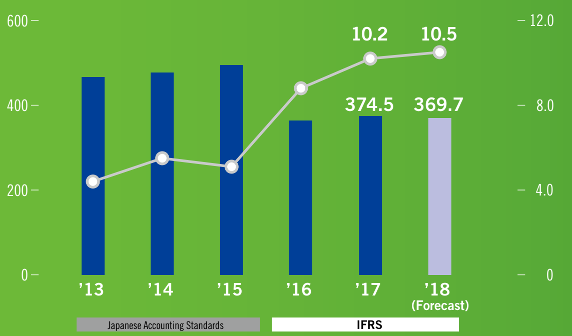
Realizing profitable growth through the establishment of a differentiated position as the Group's second business pillar

- Establish a distinctive, prominent position centered on reinforcement of the brand strength of core products
- Offer higher value in response to health-conscious consumers and propose new value through innovation
- Reform the earning structure through such means as the maximization of integration synergies, sales channel and container mix improvement, and SKU reduction

DISCUSSION POINTS

Revenue and Core Operating Profit Margin

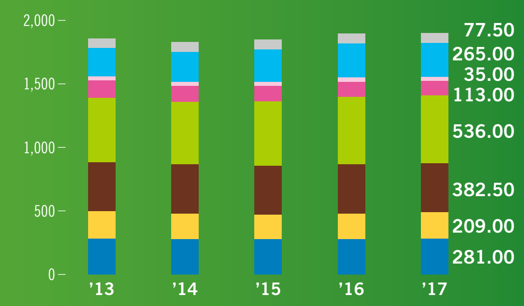
(¥ billion) (%)



Revenue (Left) Core operating profit margin (Right)

Japan's Beverage Market by Category

(Million cases)

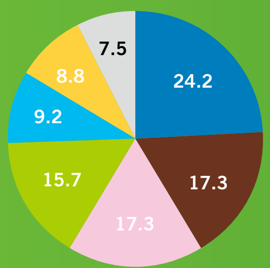


Carbonated drinks Vegetable and fruit drinks RTD coffee
RTD tea Sports drinks and energy drinks Lactic acid bacteria drinks
Mineral water Other soft drinks

Source: Inryo Soken

Revenue by Category in 2017

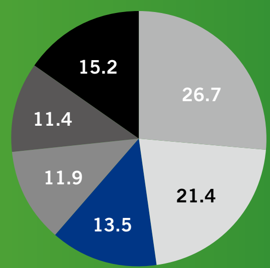
(%)



Carbonated drinks RTD coffee Lactic acid bacteria drinks
RTD tea Mineral water Fruit juices Other soft drinks

Market Share by Company in 2017

(%)



Asahi Company A Company B Company C
Company D Others

Business Environment (Opportunities and Risks)

The Japanese soft drinks market has recorded compound average annual growth of around 1% over the past five years, and we do not expect significant growth in sales volumes going forward. Conversely, the sugar-free tea and carbonated beverage markets have been growing against a backdrop of rising consumer health consciousness and concerns for food safety and reliability. Furthermore, the healthy beverage market including foods with function claims is expanding, and we anticipated a widening range of opportunities for growth to be achieved through the provision of high-added-value products in such product categories.

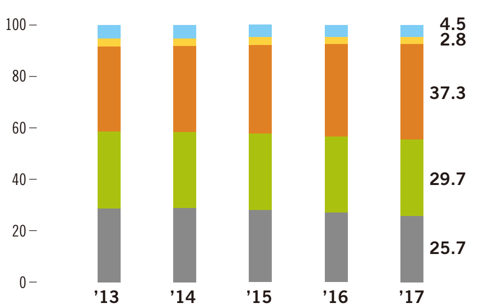
There is a risk that competition will intensify in the Japanese soft drinks market due to the substantial number of large beverage manufacturers. However, the entire industry is currently shifting toward value competition that emphasizes profitability. Furthermore, as sales in each product category are becoming increasingly concentrated in a few top brands, we will also need to seek opportunities for growth through alliances and collaboration within the industry.

Medium-Term Management Policy (Key Priorities)

In light of these opportunities and risks, we aim to realize profitable growth in the Soft Drinks Business by establishing a differentiated position. We intend to avoid succumbing to price competition by focusing solely on our market share. We will thus seek to establish a unique, prominent position centered on the brand development capabilities we have cultivated, including those pertaining to our leading clear carbonated drink brand *Mitsuya Cider*. At the same time, we aim to demonstrate strengths with respect to health functionality. To this end, we will take on the challenges of offering high added value including foods with function claims and creating innovation by leveraging lactic acid bacteria technology.

Moreover, we will strive to establish a robust profit structure by maximizing integration synergies through the construction of optimal production and logistics systems, improving our sales channels and container mix, and reducing stock keeping units (SKUs).

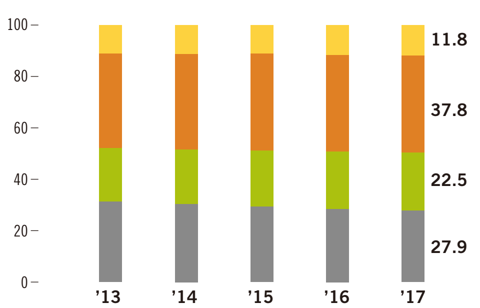
Distribution of Sales by Soft Drink Market Container Type



Cans Large PET bottles Small PET bottles Bottles Paper and other materials

Source: Inryo Soken

Distribution of Sales by Soft Drink Market Sales Channel



Vending machines Convenience stores Supermarkets Others

Source: Inryo Soken

Soft Drinks

2017 Results

In our core brands, we improved our brand equities by launching *Mitsuya Shinshibori* products using clear fruit juice, releasing *Asahi Juroku-cha Gotochi Sozai Blend* made with local ingredients from seven regions of Japan, and expanding our lineup of *WONDA Kiwami* canned coffees produced under the supervision of a venerable coffee shop. At the same time, we utilized our brand assets to propose new product value through means such as releasing *Asahi Oishii Mizu Plus Calpis no Nyusankin Sparkling*, which combines sparkling spring water with *Calpis* lactic acid bacteria.

In the health function domain, we sought to strengthen our market presence with the release of *Karada Calpis*, a food with function claims that incorporates proprietary lactic acid bacteria.

As a result, revenue in the Soft Drinks Business was ¥374.5 billion, up 2.9% year on year. Core operating profit came to ¥38.3 billion, an increase of 18.5%, due to higher sales as well as more beneficial product sales and container mixes and improved capacity utilization stemming from efforts to build optimal production systems.

Mitsuya Shinshibori | *WONDA Kiwami* | *Asahi Oishii Mizu Plus Calpis no Nyusankin Sparkling* | *Karada Calpis*

2018 Targets

In 2018, we will strive to achieve growth through product lineup enhancements while also reforming earning structures. Initiatives to this end will include concentrating the allocation of management resources on core brands and marketing high-added-value products in the health function domain.

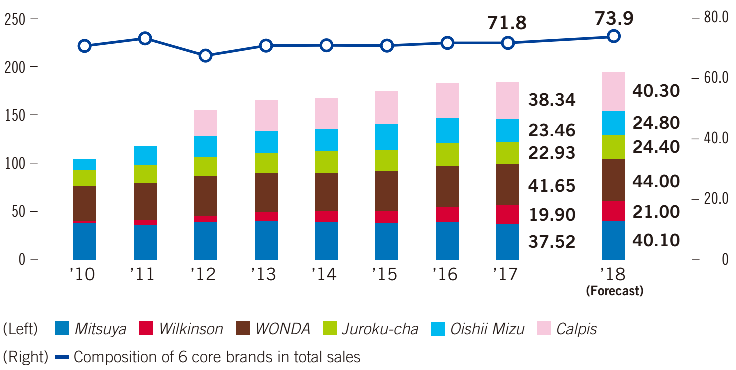
Accordingly, we will proceed with the improvement of our brand equity, placing emphasis on high-added-value products as we strengthen our lineup of products proposing new value in core brands such as *Mitsuya Cider*, *WONDA*, and *Calpis* and expand lineups of health-oriented products that take advantage of proprietary technologies.

As a result of the above initiatives, we forecast revenue in the Soft Drinks Business of ¥369.7 billion, a decrease of 1.3% year on year. This decrease will largely be the result of the sale of LB Co., Ltd., the impacts of which will outweigh the benefits of higher sales of core brand products. Core operating profit, meanwhile, is projected to be ¥38.9 billion, an increase of 1.5%, due to an improved sales mix in conjunction with a rise in sales of high-added-value products as well as the construction of optimal production and logistics systems through reviews spanning the entire supply chain.

Mitsuya Green Sparkling Water | *WONDA Tea Coffee Cafelatte Hojicha* | *Wilkinson Dry* | *Koime no Calpis*

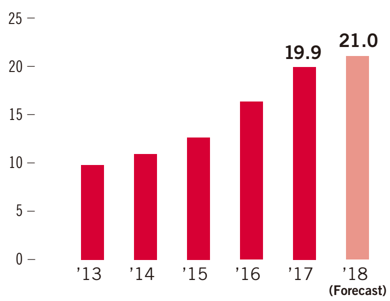
Sales Volumes by 6 Core Brands and Composition of 6 Core Brands in Total Sales

(Million cases) (%)



Wilkinson Brand Sales Volumes

(Million cases)



TOPICS 01

Wilkinson Brand Products Become No. 1 in Carbonated Water Sales*1

Sales of *Wilkinson* brand products have continued to grow for 10 years since 2008, and sales volumes today are 10 times higher than in 2008, demonstrating how these products have been driving recent growth in the carbonated water market. In 2017, we sold 19.9 million boxes of *Wilkinson* brand products, an increase of 22% over the previous year.

In 2011, we proposed a new style of drinking carbonated water, specifically the style of direct consumption, when we began offering *Wilkinson* brand products in 500 ml PET bottles, and this style has since become commonplace. In the years that followed, we continued to propose new drinking opportunities to the sugar-free carbonated water market, which has been expanding on the back of increased health consciousness. For example, we bolstered our *Wilkinson* flavor line with the releases of *Wilkinson Tansan Lemon* and *Wilkinson Tansan Dry*, among others, and commenced sales of *Wilkinson Ginger Ale* and *Wilkinson Tonic*, both of which are used as mixers in alcohol drinks, in PET bottles.

Looking ahead, we will continue to heighten the presence of *Wilkinson* as a full-fledged carbonated beverage brand offering an unparalleled bite. At the same time, we will seek to build upon the unique value of this brand exemplified in the slogan “stronger bite” while also expanding the brand’s consumer base.

*1 *INTAGE Beverage SRI*, Carbonated Water (Including Sparkling Water), Nationwide, Convenience Stores/Supermarkets/Drugstores, January 1–December 31, 2017; INTAGE Inc.

TOPICS 02

Calpis-Derived Lactic Acid Bacteria Science Series

The Asahi Group has begun branding products borne out of research utilizing its strengths in lactic acid bacteria technologies as the *Calpis-Derived Lactic Acid Bacteria Science* Series.

Through this new approach, we will solicit the undisputed sense of healthiness and reliable taste created through years of research while also accelerating efforts aimed at increasing our brand recognition and presence in the functional lactic acid bacteria drink market.

Furthermore, we are supporting the health promotion initiatives of municipal governments and companies through means such as providing samples of *Calpis-Derived Lactic Acid Bacteria Science* Series products as part of the Asahi Soft Drinks Health Challenge!*2 program.

Through these efforts, we have been able to steadily expand our operations in the ever-growing lactic acid bacteria product market, leading to a year-on-year increase of 15% in sales volumes of these products in 2017.

We view increasing health-related demand among customers as representing an opportunity to grow. To better capitalize on this demand, we aim to improve our brand equity by fully utilizing our lactic acid bacteria technologies and research achievements to contribute to the resolution of social issues pertaining to health.

*2 Program combining the perspectives of health and community partnership that is aimed at supporting the resolution of issues faced by communities and companies

***Calpis-Derived Lactic Acid Bacteria Science* Series**

Mamoru Hataraku Nyusankin | *Todoku Tsuyosa no Nyusankin 100* (Foods with function claims) | *Ameal Yasashi Hakkonyu Shitate* (Foods with function claims)

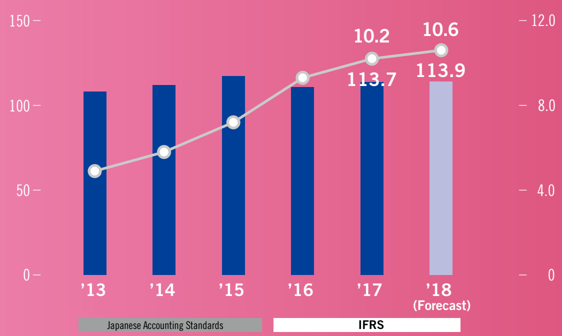
FOOD

Cultivating the Group's next-generation foundations for growth by focusing on strengths and taking advantage of business integration

- Enhance brand equity and strengthen high-added-value product proposals through a focus on existing categories where our strength lies
- Create new value and demand through innovation that leverages business integration in areas such as foods with function claims
- Reform the earning structure through a focus on core competencies, creation of integration synergies, and value chain optimization

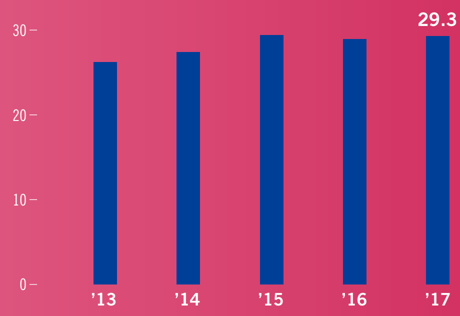
DISCUSSION POINTS

Revenue and Core Operating Profit Margin



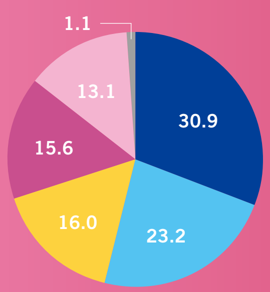
Revenue (Left) Core operating profit margin (Right)

Breath Mint Tablet Market Scale



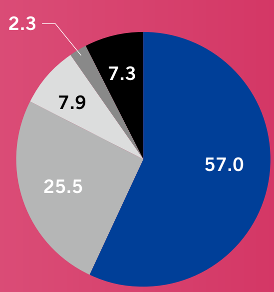
Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, March 1, 2013–December 31, 2017; INTAGE Inc.

Revenue by Category in 2017



Food and confectionery business Baby & senior business Amano business B2B business Healthcare business Other

Share of Unit Sales in Breath Mint Tablet Market in 2017



Asahi Company A Company B Company C Others

Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1–December 31, 2017; INTAGE Inc.

Business Environment (Opportunities and Risks)

Although the domestic food market as a whole has been shrinking due to Japan's declining birthrate and aging population, changes in family structure and lifestyles have given rise to growth in various product categories. As seen in the alcohol beverages and soft drinks markets, the high-added-value product category featuring high quality and health functionality, in particular, has also been expanding, reflecting the diversification of consumer values and rising consciousness about food safety and reliability. In addition, the breath mint tablet, supplement, baby food, freeze-dried food, and other markets have been experiencing steady growth amid the rise in singles living alone and in two-income households driven by work style reforms and changes in the structure of society.

As product categories become more compartmentalized, there are also risks that intensified competition could lead to declines in profitability. However, we believe that our competitive advantages in terms of quality and technological superiority will open up opportunities for growth.

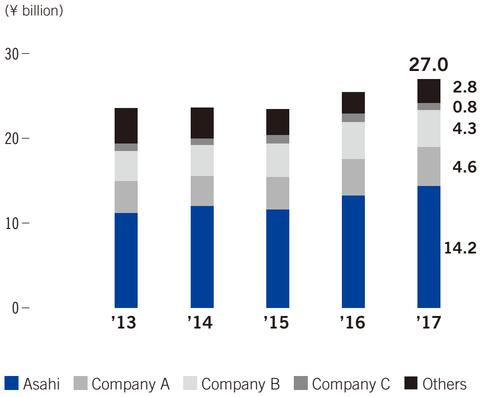
Medium-Term Management Policy (Key Priorities)

Considering the aforementioned opportunities and risks, we will focus on our strengths in the Food Business and take advantage of the integration of our operations to cultivate the Group's next-generation growth foundations.

To accomplish this objective, we will enhance our brand equity and promote high-added-value products by focusing our management resources on existing brand and product categories in which we boast strengths, such as *MINTIA*, the No. 1 brand in the breath mint category, as well as dietary supplements, baby food, and freeze-dried foods. Moreover, we will aim to create new value and demand through business innovation in areas such as foods with function claims, with a focus on strengthening our R&D function.

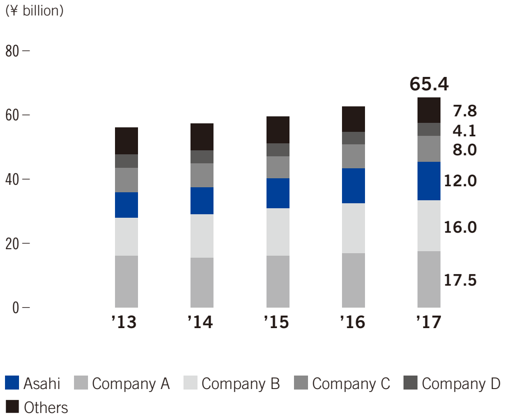
As we endeavor to reform our earning structures by focusing on the core competencies of our operations, we will also enhance cost competitiveness across our entire value chain through the integration of production and sales forces while increasing management efficiency through better operational governance. Through such means, we aim to increase profitability even further.

Baby Food Market Scale



Source: SDI Data, All Industries

Instant Miso Soup Market Scale



Source: Fuji Keizai Co., Ltd.

Food

2017 Results

In breath mint tablets, we sought to enhance our value-added proposals by updating the *MINTIA Breeze* line of large-sized breath mint tablets and releasing *MINTIA Excare*, a product proposing new value. In dietary supplements, we sought to improve our brand equity by expanding our product lineups of pouch-type *Dear-Natura Style* offerings and *Dear-Natura Gold*, foods with function claims. At the same time, we ramped up sales promotions of *Goo-Goo Kitchen* and *Eiyo Marche* in the baby food category while launching the *Balance Kondate* series of foods aimed at senior citizens with the goal of increasing our presence in the nursing care food market. As for freeze-dried foods, we worked to grow sales by accelerating sales activities related to our mainstay product, *Itsumono Omisoshiru*.

As a result, revenue in the Food Business rose 2.7%, to ¥113.7 billion. Core operating profit totaled ¥11.6 billion, a year-on-year increase of 13.4%, due to the benefits of higher revenue, improved efficiency in advertising and promotion expenses, and lower manufacturing costs.


MINTIA Excare


Dear-Natura


Balance Kondate


The Umami

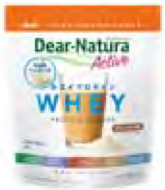
2018 Targets

In 2018, we will seek to cultivate foundations for ongoing growth. Initiatives to this end will include concentrating management resources on core brands, rolling out high-added-value products that utilize the Asahi Group's ingredients and technologies, and constructing optimal production and logistics systems through business integrations.

The Asahi Group will also enhance new value proposals by bolstering lineups of products matched to consumer needs with particular emphasis placed on top brands in growing product categories, such as *MINTIA* and *Dear-Natura*. Meanwhile, we will withdraw from businesses lacking profitability and otherwise seek to concentrate on core competencies and generate synergies through business integrations in order to build a highly profitable business structure.

We anticipate that these efforts will lead to the Food Business posting revenue of ¥113.9 billion, a year-on-year increase of 0.1%. Revenue growth will be limited as the withdrawal from low-profit businesses will reduce revenue, effectively counteracting the benefits of increased sales of core brands. Core operating profit will amount to ¥12.1 billion, up 4.1%, following higher sales of core brands and lower manufacturing costs.

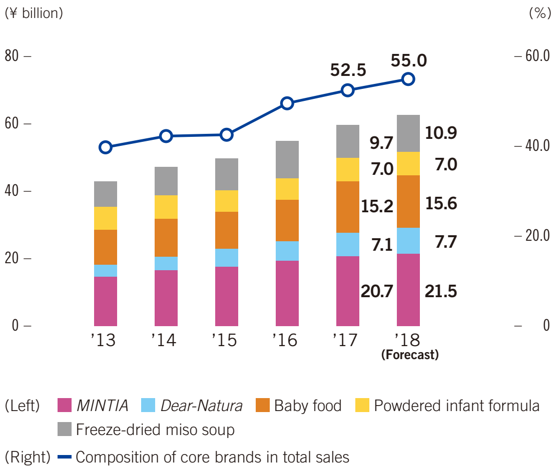

MINTIA Breeze


Dear-Natura Active

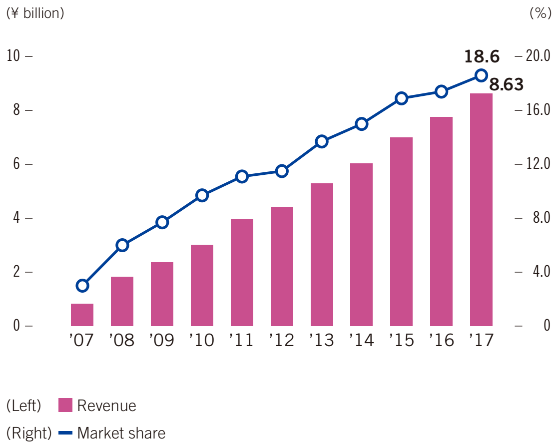

Cream Genmai Bran


Itsumono Omisoshiru

Revenue by Core Brand and Category



Revenue*1 and Market Share*2 of *Dear-Natura*



*1 Source: *SDI Data*, INTAGE Inc. (figures for *Dear-Natura* series products)
*2 Share of market for supplement competition with the *Dear-Natura* series, based on the Company's definition

TOPICS 01

New Daily Diet Proposals Using Freeze-Dried Foods

Changes in family structures and lifestyles are stimulating increased demand for food products that are accommodating to individuals eating alone and that can be eaten quicker and with greater convenience. This trend is causing attention to shift toward freeze-dried foods, which are characterized by their taste, appearance, and ability to retain their nutritional value to a relatively high degree after preparation.

The Asahi Group is leveraging the freeze-drying technologies it has accumulated to date to deliver a robust lineup of easy-to-prepare freeze-dried foods, including miso and other soups, pastas, and curries. This extensive lineup should heighten our ability to address consumers' diversifying needs as we strive to propose menus that make every meal tastier and more fun to choose.

Furthermore, we have established the Amano Freeze-Dried Station specialty shop with the aim of providing customers with an opportunity to experience the appeal of freeze-dried foods through learning and tasting.

Looking ahead, we will take advantage of the strengths of our proprietary freeze-drying technologies to enrich the lives of customers by proposing meal settings that match their changing lifestyles.

TOPICS 02

Invigoration of the Supplement Market with the *Dear-Natura* Brand

The supplement market has been displaying strong growth in recent years, spurred on by the spread of the concept of self-medication, which encourages people to take health management into their own hands.

In this environment, we aim to supply an extensive lineup of *Dear-Natura* brand products that cater to the goals and lifestyle habits of individual consumers. At the same time, we seek to make it easier for consumers to consistently take dietary supplements by offering pouch-type products that provide a simple way to try out supplements, among other initiatives.

Sales of our *Dear-Natura* products have grown in each of the 10 years since we launched this brand in 2007. This feat was accomplished by responding to customers' diversifying needs. For example, in 2015 we introduced a series of foods with function claims aimed at customers looking to take supplements to achieve concrete goals.

Furthermore, the Asahi Group advanced into the protein market in 2018 with the launch of its new *Dear-Natura Active* series of protein powders. Through efforts such as these, we hope to broaden the opportunities for customers to consume *Dear-Natura* products while encouraging more people to use these products.

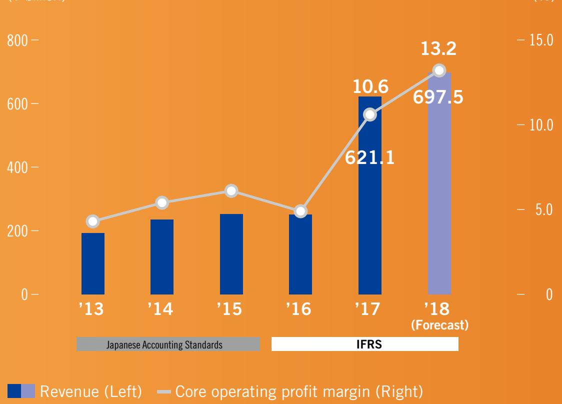
OVERSEAS

Driving ongoing Group growth by leveraging strengths to expand global foundations for growth

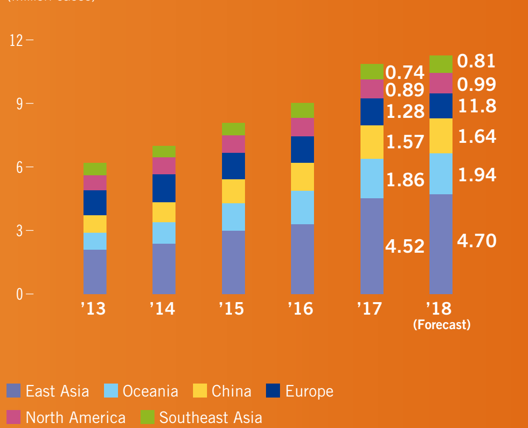
- Implement strategies for growth centered on brand reinforcement and development of existing businesses in Oceania, Southeast Asia, and other regions
- Reform earning structures through means including expansion of integration synergies and restructure business portfolios by region
- Acquire new foundations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

DISCUSSION POINTS

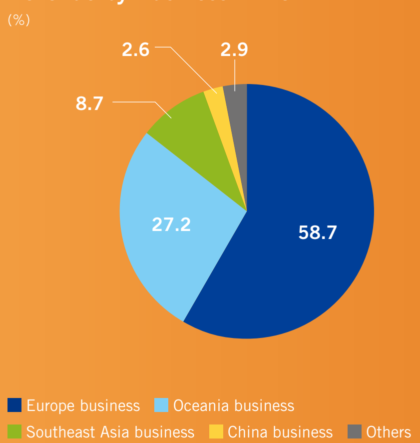
Revenue and Core Operating Profit Margin



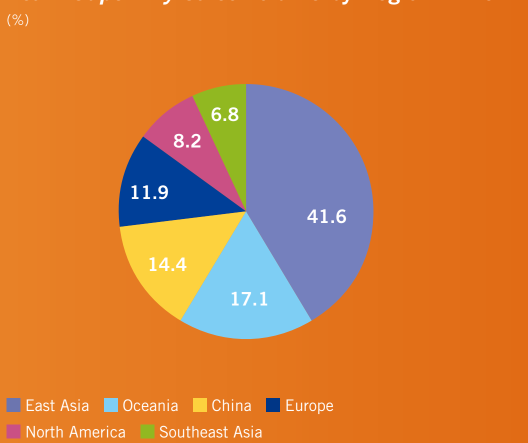
Asahi Super Dry Overseas Sales Volumes



Revenue by Business in 2017



Asahi Super Dry Sales Volume by Region in 2017



Business Environment (Opportunities and Risks)

The world's alcohol beverage and non-alcohol beverage markets have been expanding overall, mainly in emerging countries, although there is some regional variation. The consumption habits and consumer values of various regions have diversified in a manner similar to Japan based on the degree of economic growth seen in each region. We anticipate that demand will continue to shift to high-added-value product categories, such as premium beer and soft drinks with function claims, and that this trend will be strongest among consumers in advanced countries.

Looking at overseas regions where we have operations, the European market has matured overall, but demand has been growing for premium beer and flavored beer. In Oceania, demand has continued to shift toward bottled water in the soft drinks category and imported beer in the alcohol beverages category. Meanwhile, demand for high-added-value products is growing steadily in the soft drink markets of Southeast Asia and the beer market of China. Accordingly, we expect that the Asahi Group will see a widening range of opportunities for growth to be captured by using its strengths going forward.

Medium-Term Management Policy (Key Priorities)

Considering the aforementioned opportunities and risks, our policy in the Overseas Business is to expand global foundations for growth that leverage our strengths in order to drive the Group's ongoing growth.

In Europe, we will build global foundations for growth as a highly competitive manufacturer of premium beer through growth strategies for improving sales mixes in local markets and the expansion of cross-selling initiatives between our three global premium beer brands.*

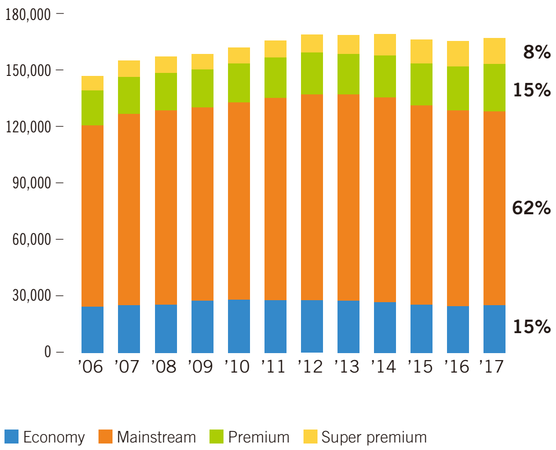
In Oceania and other regions, we plan to pursue higher profits by strengthening and cultivating brands in response to structural changes in the market and by expanding integration synergies. We will also restructure our business portfolios by region, including Southeast Asia and China, and accelerate growth strategies that leverage our strengths.

Moreover, we intend to leverage the strengths cultivated in Japan, such as our brand strength and cost competitiveness, to generate global synergies and transform the Overseas Business into a growth engine.

* *Asahi Super Dry*, *Peroni Nastro Azzurro*, and *Pilsner Urquell*

Global Market Scale and Composition (Volume)

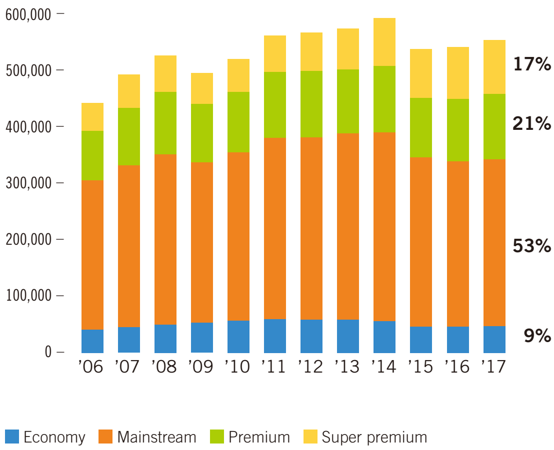
(Thousand kl)



Source: Canadean

Global Market Scale and Composition (Value)

(US$ million)



Source: Canadean

Overseas

2017 Results

In the Europe business, initiatives for increasing the equity of our core brands, namely *Peroni Nastro Azzurro* and *Pilsner Urquell*, were stepped up in Western Europe as well as in Central Europe. In addition, we established *Asahi Super Dry* production and sales systems in Europe along with other frameworks for generating synergies.

In the Oceania business, we sought to strengthen core brands and generate synergies by leveraging *Asahi Super Dry*, *Peroni Nastro Azzurro*, and other Group brands in the growing markets for bottled water and premium beer.

In the Southeast Asia business, we bolstered our lineups of *WONDA* and *Calpis* products in Malaysia. Meanwhile, we sought to grow sales volumes in the China business by enhancing proposal-based marketing activities pertaining to the *Asahi Super Dry* brand.

As a result, revenue in the Overseas Business totaled ¥621.1 billion, a massive increase of 148.1% year on year. Core operating profit surged 434.0%, to ¥65.9 billion, due to the addition of profits from the newly acquired operations in Europe.

Peroni Nastro Azzurro (U.K.) *Pilsner Urquell* (Czech) *Cool Ridge* (Australia) *WONDA Original* (Malaysia)

2018 Targets

In 2018, our focus will include reinforcing growth portfolios and promoting premiumization in all businesses while expanding foundations for growth with the aim of becoming a highly competitive global player by generating synergies that exceed the boundaries between Group brands.

In the Europe business, we will strive to improve sales mixes in local markets and expand into other countries in order to reinforce foundations for ongoing growth. At the same time, we will heighten the presence of *Asahi Super Dry* as a premium brand in the United Kingdom, France, and Italy.

Efforts in businesses in Oceania and China will be geared toward augmenting the brand power of *Asahi Super Dry* and creating synergies by utilizing our European premium beer brands in these regions.

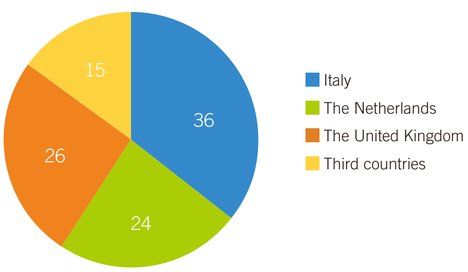
The Southeast Asia business, meanwhile, will see us bolstering product lineups, particularly those of Group brands, and accelerating sales promotion activities.

Through these initiatives, we are targeting growth of 9.5% in revenue, to ¥697.5 billion, together with an increase of 37.2% in core operating profit, to ¥92.0 billion, owing to higher sales, improved sales mixes, and the creation of synergies.

Asahi Super Dry *Grolsch* (Netherlands) *Kozel* (Czech) *CALPIS* (Malaysia)

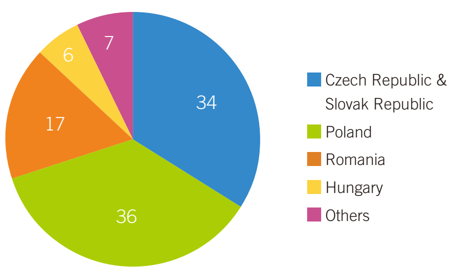
Revenue by Country in Western Europe in 2017

(%)



Revenue by Country in Central Europe in 2017

(%)



TOPICS 01

Cultivation of Imported Premium Beer Market in Australia with *Asahi Super Dry* and *Peroni Nastro Azzurro*

Having launched both *Asahi Super Dry* and *Peroni Nastro Azzurro* in Australia, the Asahi Group is proceeding to expand its foundations for growth as a highly competitive, global manufacturer of premium beer.

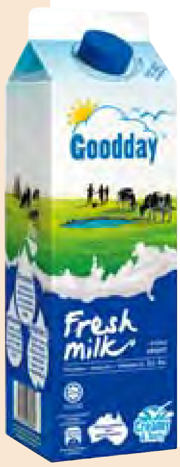
Asahi Super Dry was introduced in the Australian market in 1992, and we have since been increasing the presence of this brand in the premium beer market through extensive sales strategies focused on brand equity. The addition of *Peroni Nastro Azzurro* to our product portfolio has made it possible for the Group to advance sales strategies that merge the value of these two prominent premium brand beers, one of which is from Asia while the other is from Europe.

In 2017, *Asahi Super Dry* captured the No. 2 market share in the imported premium beer market on a monetary sales value basis while *Peroni Nastro Azzurro* claimed the No. 4 spot. These two premium brands will form the backbone of future efforts to boost the competitiveness of our product portfolio and thereby increase our presence in the premium beer market.

TOPICS 02

Contribution to Healthy Lifestyle Habits among Elementary School Students through Malaysian Dairy Product Business

In 2014, we acquired a dairy product business in Malaysia to develop alongside our existing soft drinks business in this country. This business brought with it *Goodday*, a milk brand with a history spanning more than half a century. This brand is central to our efforts to strengthen operating foundations in this business. Through such efforts, the Asahi Group has succeeded in developing its position as the No. 1 fresh milk brand in Malaysia by expanding its lineup beyond just plain milk to also include chocolate, strawberry, green tea, and other flavored milk.



As we develop these operations, we have also been utilizing the power of the *Goodday* brand to help foster health awareness, primarily among elementary schools, through means such as encouraging habitual milk consumption.

As part of these activities, we hold events through collaboration with Malaysia's most-read educational magazine in which we seek to help encourage children to adopt healthy diets by explaining how milk is an excellent source of protein, calcium, and other nutrients that are vital to growing children.

The Asahi Group will continue building upon the brand equity of *Goodday* as it engages in proactive initiatives for promoting health improvement, an issue that is garnering social attention.

CORPORATE GOVERNANCE & FINANCIAL INFORMATION

Asahi Group's Management Capabilities

Corporate governance provides an important foundation for realizing sustainable growth for the Asahi Group. In this section, we provide an overview of the Asahi Group's corporate governance system and explain the efforts we are pursuing to reinforce this system. We expand on this subject in a discussion based on "Governance in the New Stage for Growth" between the chairman and two of our Outside Officers. This section also introduces financial information and the status of Company shares.

Dialogue

Chairman × Outside Officers

The Ideal Form of Governance in the Next Stage for Growth and the Steps That Need to Be Taken to Get There

Naoki Izumiya Chairman and Representative Director

Naoki Tanaka Outside Director

Yumiko Waseda Outside Audit & Supervisory Board Member

With the Asahi Group entering a new stage for growth, what is the ideal form of governance for the Group to adopt to realize sustainable growth going forward? In this section, Chairman and Representative Director Naoki Izumiya provides a report on the governance reforms the Company has carried out over the past year. In addition, based on their respective specialist insight, two of the Company's Outside Officers provide straightforward evaluations and opinions on the issues the Company needs to address to realize growth going forward.

Approach to Organizational Design and Efforts to Strengthen Governance System

Izumiya: Focusing on "the separation of management and business execution functions," "transparency and fairness of the board of directors," and "swift and proactive decision making," which are major points emphasized in Japan's Corporate Governance Code, we repeatedly held discussions over the course of 2017 on the kinds of governance reforms we need to promote to respond to the next stage for growth.

The separation of management and business execution functions is more than just a simple separation. Rather, this point focuses on enhancing the sophistication of our decision-making process in light of the fact that evaluations from the executive side are becoming more difficult and complex to perform due to the Company's global expansion. If the goal was only to separate these functions, then we would simply transition to a "company with committees" system. However, based on the perspective of securing transparency and fairness, we have decided to continue to adopt a "company with a board of directors and audit & supervisory board" system so that examinations and monitoring can be carried out by both the Board of Directors and the Audit & Supervisory Board.

Waseda: By combining a "company with a board of directors and audit & supervisory board" system with the Asahi Group's pure holding company structure, the Company has put in place a hybrid governance system that possesses many of the features of a "company with committees" system, where the role of monitoring is clearly defined. While a demerit of this system is that it has a longer decision-making process than under a "company with committees" system, transparency and fairness of the Board of Directors' decisions is secured due to the presence of the Audit & Supervisory Board. Furthermore, with the current system, the Standing Audit & Supervisory Board Members conduct collaborative audits with the Outside Audit & Supervisory Board Members, certified public accountants, and sections in charge of internal audits, and the results of these audits are reported to the Board of Directors when necessary. Accordingly, the Company is able to carry out both growth-oriented corporate governance, which supports bold decision making, and defensive corporate governance, which curtails compliance risks, in a highly functional manner.

Izumiya: As Ms. Waseda has stated, under a "company with a board of directors and audit & supervisory board" system, the decision-making process can take a considerable amount of time, and it is true that swift decision making is essential to competing on

Strengthening a Transparent and Timely Governance System to Compete on a Global Stage

a global stage. As such, in March 2018 we transitioned from a structure in which the chairman served as CEO to one in which the president serves as CEO, thereby clarifying the position responsible for business execution. In doing so, we have established a system in which we can simultaneously accelerate the pace of decision making by concentrating authority in the CEO position while also strengthening the monitoring functions of the Board of Directors.

Also, the Board of Directors is responsible for appointing and dismissing Company CEOs. To further secure the transparency and fairness of that process, we have taken steps to ensure that independent officers comprise the majority of both the Nomination Committee and Compensation Committee, which act as advisory bodies to the Board of Directors. We have also transitioned to a framework where we choose independent Outside Directors to serve as the chairpersons of these committees.

Tanaka: Transitioning to a structure that concentrates authority and responsibility in one position rather than two is a move that is extremely easy to understand in terms of governance. I also believe this transition represents a management decision that gives close consideration to the perspectives of the Company's stakeholders, including the shareholders. Also, the successor candidates should be chosen based on evaluations from a variety of angles, and this naturally means that outside perspectives are essential. I therefore believe that the Company's decision to revise the structures of the Nomination Committee and Compensation Committee was extremely significant. With that said, I think an important issue for the Company to address going forward is finding the time and energy needed to select management talent for the next generation.

Meanwhile, I believe that to instill an awareness in employees that they too play a key role in the Company's management, it is best for the Company to maintain its standards pertaining to the necessary qualities for serving in managerial positions as well as the duration of service, regardless of what stage of growth the Company finds itself in.

Izumiya: If we give consideration to the business environment 10 years down the road, we will most likely have to change both the business and management structure of the Group in a similar manner. Our vision for the ideal type of human resources to serve in managerial positions will likely change as well. We will therefore enact and continuously make improvements to a three-pronged approach that involves succession plans for management personnel, the human resources pipeline, and frameworks for cultivating human resources. At the same time, we will increase the number of discussions focused on the future in 10 years' time at Board of Directors' meetings.

Turning to a different topic, when we acquired the Europe business, we worked diligently to collect, explain, and share detailed information, such as market analyses, so that we could hold thorough discussions in a limited amount of time. However, I would like to ask Ms. Waseda and Mr. Tanaka if there were any issues or anything we should improve upon from the perspective of the decision-making process.

Waseda: While it is important to determine the pluses and minuses of each M&A project, the most important aspect is to share the recognition with outside officers whether or not a project is aligned with the direction of the Group's growth over the medium to long term. If the connection a project has to the Group's future vision and

Dialogue: Chairman × Outside Officers

position is clearly understood by all officers, then the Company should be able to increase the pace of the decision-making process while ensuring high levels of transparency and fairness.

Tanaka: When the Board was having discussions on the acquisition of the Europe business, I honestly believed that this acquisition matched perfectly with the direction of the Group's growth. The reason is that, amid the contraction of the beer market in Japan due to the declining birthrate and aging population, I often heard Directors of the Company express their desire to demonstrate the Group's presence through an even larger forum. I also believe that the earnest approach the Company adopted for M&As in the past helped it reach the decision to acquire this business. While it was extremely difficult for me to give an evaluation on the appropriate acquisition amount, the Company provided me with an abundance of information that showcased the importance of this M&A to Asahi, which constantly pursues business value. As I recall, it was this information that helped me share my opinion at Board meetings that the Company should actively pursue this acquisition.

The Ideal Form of Global Governance Based On the Risks and Opportunities Facing the Overseas Business

Izumiya: The Overseas Business is essential for realizing growth for the Group. One job of the Board of Directors in this business is to thoroughly capitalize on business opportunities while securing the effectiveness of regulations in place to curtail risks. Some issues we are currently dealing with are the establishment of a framework to ensure that information from the Overseas Business is sufficiently communicated to the Board of Directors as well as the creation of a governance system that can comprehensively manage the Overseas Business.

In addition, in Europe and the Americas, lawyers are assigned to serve at the same level as both the COO and CFO in an effort to thoroughly implement compliance. The more we expand overseas, the more difficult it becomes to monitor local subsidiaries from our head office. Amid these circumstances, what kind of opportunities and risks should the Company be aware of?

Tanaka: Japan is a country surrounded by the ocean, making it rich in water resources. However, Europe develops a critical feeling caused by the water-related issues facing Africa and the Middle East, which have accompanied climate change. In regard to climate change, issues that will garner significant attention are how Japan will move forward with discussions on such matters as policies to reduce CO_2 emissions and emission trading schemes. As the approach to the same issue differs depending on the country and region, there is a need to be aware of the various ways of thinking around the world and avoid discussions that only focus on the environment in Japan or Japanese points of view. If the Company is unable to do so, then its management sense will be called into question.

Waseda: While there are many compliance-related risks that I could talk about, when thinking about risk from the perspective of a lawyer, it seems that the majority of corporate scandals that occur in Japan are brought to light by reports made by external sources rather than internal, even if a company has in place an internal system for reporting compliance issues. This trend is due to the presence of management that is not sincerely dedicated to internal reporting. A company's corporate culture tends to be the underlying factor of this issue, but I have no real concerns when it comes to the corporate culture of the Asahi Group. For the issue of corporate scandals, it is not a matter of believing that humans are fundamentally good or fundamentally bad, but rather giving consideration to the idea that humans are fundamentally weak. I therefore believe that whether it be in Japan or overseas, a company needs to identify where its weaknesses are and establish systems to improve upon them.

The manufacturers comprising the newly acquired Europe business have long since established themselves as global beer manufacturers, and they therefore have robust governance and auditing systems in place. I hope that, through the addition of standing audit & supervisory board members and accounting auditors, these systems can help further reinforce the Group's overall auditing systems.

Tanaka: In terms of diversity, the acquisition of the Europe business significantly expands the Company's operating domains, and also means that an even greater number of diverse employees are involved in the Company. Amid these circumstances, if the Company is unable to make the proper adjustments to be active on a global scale and an issue were to occur within the processes for decision making and business execution, there could be a major negative impact on the Company's business. It is therefore imperative that the Company establish a framework for incorporating the opinions and expertise of employees from countries other than Japan.

Waseda: Another major issue for many Japanese corporations is appointing directors who are from countries other than Japan. Not only are there significant difficulties in terms of setting up remuneration systems, there is also a limited pool of talent from which to choose potential directors. I believe that the number of highly experienced women serving in managerial positions or as corporate officers will increase going forward, but I also feel that the Company needs to examine efforts to increase the number of corporate officers from countries other than Japan.

Specific Targets and Necessary Initiatives in Terms of ESG

Izumiya: You both have offered us a variety of opinions related to the Company's governance, but how about our overall efforts in terms of ESG? I believe that the most important part of ESG—which stands for environmental, social, and governance—is the G, and a company's efforts toward E and S depend on how it approaches G. A company cannot properly address important environmental and social issues, such as the Sustainable Development Goals (SDGs), without the combined efforts of those on the business supervision side and those on the business execution side. In addition, if a company is not sincere in its efforts toward ESG, it runs the risk of facing a backlash from its stakeholders. I believe that our ESG-related efforts to date have not been sufficient. Accordingly, as we formulate the next medium-term management policy, we will examine specific materiality issues and KPIs for both proactive and defensive ESG efforts.

Waseda: Looking around the world, Japanese corporations are lagging behind significantly when it comes to their ESG initiatives. I therefore feel there is a need to increase the number of opportunities for the Company's management to study ESG, such as by introducing examples of advanced ESG initiatives by overseas companies at Board meetings, in an effort to raise overall awareness. Also, the Company needs to properly disclose and provide detailed explanations of its ESG activities. Not providing explanations on such activities is basically the same as not engaging in them at all, so the Company should be more aware that the responsibility of explaining such activities is just as important as the responsibility of implementing them.

Tanaka: The Company's management should constantly be considering shareholders' value based on medium- to long-term perspectives, not short-term ones. To speak in extremes, it would be a mistake for a Company director to only consider business performance during the term of his or her service. I feel that to truly improve environmental and social value a company must refrain from only thinking in the short term. Based on that perspective, I believe the Company made a significantly meaningful improvement when it revised its officer evaluation standards in 2018 to include a framework for measuring the creation of social value.

Furthermore, I feel that the Company's corporate culture that encourages the sharing of excitement and inspiration with consumers and other stakeholders plays a significant role in establishing strong, trust-based relationships with them. Such a culture also offers major support for enhancing corporate value. Going forward, I hope that there will be active discussion at Board meetings on how to leverage the strengths provided by the intangible asset that is the Company's corporate culture to further expand ESG activities.

Izumiya: We have reached a period in time where we can no longer consider ESG as a social responsibility that weighs down on our business activities. In Japan, we have a tendency to think in black and white; something is either "good" or "bad." If we do not endeavor to change this tendency and adopt a more comprehensive way of thinking, then we will not be able to get the most out of the relationships with our employees from countries other than Japan. The pursuit of such a change will be a true test of leadership for the Company's management, starting with the CEO. By drawing on our capabilities in terms of human resources, technologies, and development, we will make concerted efforts to satisfy our customers through our products. At the same time, we will fully leverage our strengths to address environmental and social issues. Moving forward, we will continue to utilize strengths that cannot be measured in numerical figures to create value that also cannot be measured in numerical figures. In doing so, we will continue to be a corporate group that can realize sustainable enhancement to corporate value.

Yumiko Waseda Outside Audit & Supervisory Board Member
Attorney at Law and Partner, Tokyo Roppongi Law & Patent Offices

Naoki Tanaka Outside Director
President, Center for International Public Policy Studies

Corporate Governance Systems Focused On Transparency and Impartiality

Basic Policy

Asahi Group Holdings considers strengthening its corporate governance to be a top managerial priority for improving medium- to long-term corporate value by sharing *Kando* with all of its stakeholders, including shareholders and investors. For this reason, we endeavor to proactively strengthen Group management, enhance our trust-based relationship with society, and make Group companies more transparent.

Under this policy, growth-oriented governance entailing transparent, fair, timely, and decisive decision making is defined as indispensable for reinforcing management to enhance corporate value.

Furthermore, the Company agrees with the core concept of Japan's Corporate Governance Code, namely that ensuring sustained growth and improving corporate value over the medium to long term will contribute to all stakeholders and, subsequently, to the development of the overall economy. On this basis, we will endeavor to implement measures to further enhance our corporate governance.

In March 2018, the Company transitioned to a system in which the president and representative director serves concurrently as the chief executive officer (CEO) in order to separate the management supervision function from the operational execution function. In addition, we chose to have an additional Outside Audit & Supervisory Board Member join the Nomination Committee and Compensation Committee, sitting alongside the two Outside Directors already on these committees to make for a majority of Outside Officers. Furthermore, Outside Directors were appointed as the chairpersons of these committees as part of proactive governance reforms for enhancing the impartiality, transparency, and effectiveness of the Board of Directors.

WEB Corporate Governance Guidelines
http://www.asahigroup-holdings.com/en/csr/gov/internal/pdf/170328_guidelines_en.pdf

Measures for Enhancing Corporate Governance

2000	● Number of Directors was reduced from 40 to 10. ● Corporate Officer System was introduced. ● Nomination Committee and Compensation Committee were established. ● Number of Outside Directors was increased from one to three. ● Corporate Strategy Board was established.
2007	● Terms of Directors were shortened to one year. ● Retirement bonus system for Directors and Audit & Supervisory Board Members was abolished.
2009	● Risk Management Committee was established.
2011	● The Company transitioned to a pure holding company structure.
2013	● Takeover defense measures were abolished.
2015	● Corporate Governance Guidelines were formulated. ● Evaluations of the effectiveness of the Board of Directors were commenced.
2017	● Performance-Linked Stock Compensation Plan was introduced for internal Directors.
2018	● Title of CEO was transferred from chairman and representative director to president and representative director to improve the effectiveness of management supervision from operational execution. ● Majority of Outside Officers were appointed as members of the Nomination Committee and Compensation Committee.

Characteristics of Our Corporate Governance System

As a company with an Audit & Supervisory Board, we audit the execution of duties by the Directors utilizing the Audit & Supervisory Board, of which a majority of the members are independent Outside Audit & Supervisory Board Members. These members are also designated as independent auditors as stipulated by the Tokyo Stock Exchange. Independence and authority are granted to the Audit & Supervisory Board Members, who work together with the Standing Audit & Supervisory Board Members.

In addition, the Nomination Committee and the Compensation Committee have been established voluntarily to act as advisory bodies to the Board of Directors and thereby facilitate highly effective monitoring of management.

In regard to the composition of the Board of Directors, three or more Outside Directors have been selected from among corporate managers, experts, and other professionals in consideration of their experience, insight, and professional background. This approach is taken to ensure the overall balance of knowledge, experience, and ability as well as the diversity of the Board of Directors. Internal Directors are appointed after being comprehensively evaluated and judged with reference to the requirements for Directors, which are determined based on the Corporate Philosophy of the Asahi Group, Asahi Group's Corporate Action Guidelines, and management strategies of the Company.

In 2011, the Company transitioned to a pure holding company structure in order to clarify the authorities and responsibilities of operating companies and to allow for stronger and more functional Group governance.

Authority for the management of Group companies is delegated based on the importance of the duties of the respective operating companies and in accordance with the Asahi Group's Regulation of Authority. In addition, major domestic and overseas operating companies submit monthly reports on the status of operational execution, and management frameworks are in place with regard to matters requiring resolutions by the Board of Directors, among other considerations, in order to strengthen Group governance.

Reasons for the Selection of Independent Directors and Audit & Supervisory Board Members

Based on the Company's Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members, the Company has deemed that its Outside Directors and Outside Audit & Supervisory Board Members maintain sufficient independence with no potential conflicts of interest occurring between them and general shareholders. Moreover, as they meet the requirements for independent directors and auditors as defined by the Tokyo Stock Exchange, the Company has reported them as independent directors and auditors to said exchange.

Information on the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members can be found in the Company's Corporate Governance Guidelines.

Reasons for the Selection of Outside Directors and Outside Audit & Supervisory Board Members

Name	Reasons	Number of meetings attended	
		Board of Directors	Audit & Supervisory Board
Naoki Tanaka	Naoki Tanaka has abundant experience as a member of government councils and broad knowledge as a specialist deeply versed in domestic and international economic policy. Accordingly, the Board of Directors deems that he possesses capabilities appropriate for an independent Outside Director.	12/13	—
Tatsuro Kosaka	Tatsuro Kosaka has abundant experience and broad knowledge as a corporate manager gained primarily while serving as the Chief Operating Officer of a global corporation and from his involvement in various business reforms including the medium-term management plan. Accordingly, the Board of Directors deems that he possesses capabilities appropriate for an independent Outside Director.	13/13	—
Yasushi Shingai	Yasushi Shingai served as the Chief Financial Officer of a global corporation, and has abundant experience and broad knowledge as a corporate manager in Japan and overseas that include directing acquisitions of and integrations with foreign companies. Accordingly, the Board of Directors deems that he possesses capabilities appropriate for an independent Outside Director.	Appointed in March 2018	
Katsutoshi Saito	Katsutoshi Saito has long served as an operating officer of global corporations and has abundant experience and broad knowledge. Accordingly, the Board of Directors deems that he possesses capabilities appropriate for an independent Outside Audit & Supervisory Board Member.	13/13	7/7
Yumiko Waseda	Yumiko Waseda has long served as an attorney at law and has abundant experience and expert knowledge related to corporate legal affairs. Accordingly, the Board of Directors deems that she possesses capabilities appropriate for an independent Outside Audit & Supervisory Board Member.	13/13	7/7
Yutaka Kawakami	Yutaka Kawakami has served as a certified public accountant and has expert knowledge related to accounting and abundant auditing experience both in Japan and overseas. Accordingly, the Board of Directors deems that he possesses capabilities appropriate for an independent Outside Audit & Supervisory Board Member.	10/10	5/5

Notes: 1. The numbers of meetings attended for the Board of Directors and the Audit & Supervisory Board are for 2017.
2. Yasushi Shingai was newly appointed as a director at the 94th Annual General Meeting of Shareholders held on March 27, 2018.
3. As Yutaka Kawakami was newly appointed as an Audit & Supervisory Board Member at the 93rd Annual General Meeting of Shareholders held on March 28, 2017, the above number of Board of Directors' and Audit & Supervisory Board meetings held that he could attend is different from other officers.

Corporate Governance Systems Focused On Transparency and Impartiality

Corporate Governance System (As of March 27, 2018)

Directors and the Board of Directors

Meetings in 2017: > 13

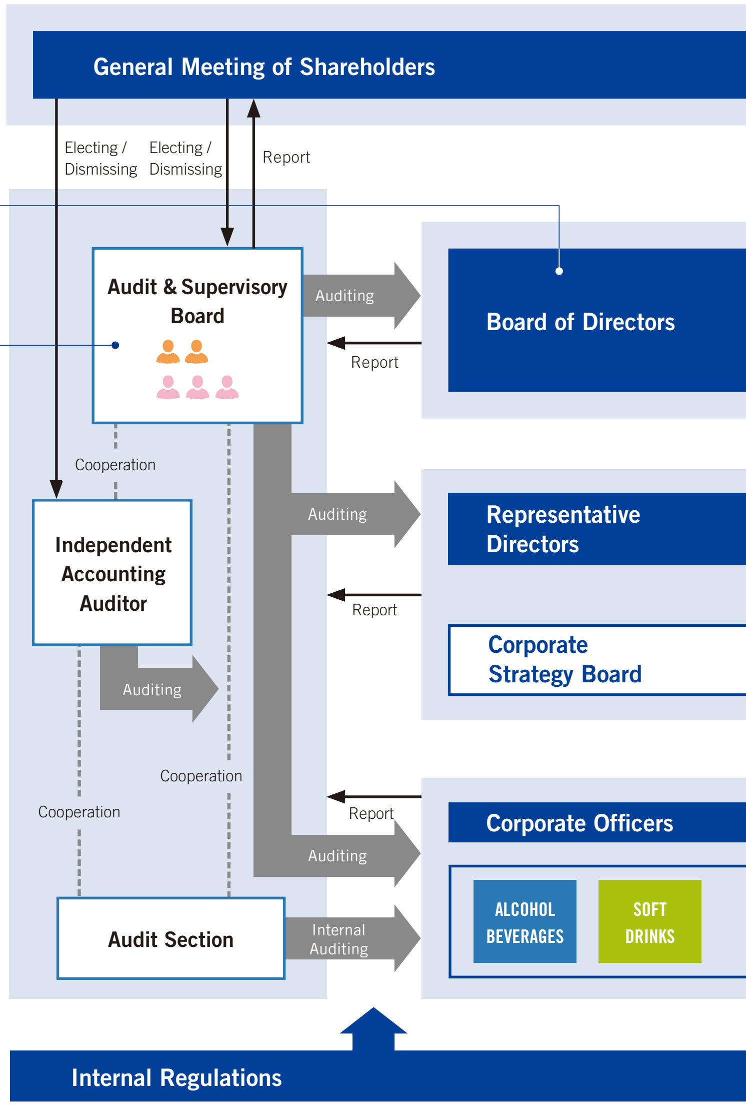
The Board of Directors is responsible for defining and implementing important corporate strategies, such as the Long-Term Vision and the Medium-Term Management Policy. The Board of Directors also provides effective support for management's risk-taking by streamlining the internal control system and the other risk management systems. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are held as necessary. In 2017, the Board of Directors met 13 times and the rate of attendance by Outside Directors was 94.9%. In regard to the composition of the Board of Directors, Outside Directors are selected from among corporate managers, experts, and other professionals in consideration of their experience, insight, and professional background. This approach is taken to ensure an overall balance of knowledge, experience, and ability as well as the diversity of the Board of Directors. Internal Directors are appointed after being comprehensively evaluated and judged based on their experience, insight, and professional background with reference to the requirements for Directors, which are determined based on the Corporate Philosophy of the Asahi Group, Asahi Group's Corporate Action Guidelines, and management strategies of the Company.

Audit & Supervisory Board Members and the Audit & Supervisory Board

Meetings in 2017: > 7

By combining the information held by the Standing Audit & Supervisory Board Members and the high-level expertise of the Outside Audit & Supervisory Board Members, the Company's system enables Audit & Supervisory Board Members to exercise their authority actively and assertively, making appropriate judgments and taking action from an independent and objective standpoint. In 2017, the Audit & Supervisory Board met 7 times and the rate of attendance by Outside Audit & Supervisory Board Members was 100%. The Standing Audit & Supervisory Board Members attend important meetings such as those of the Corporate Strategy Board, examine important documents for approval, and collect information from the Directors, the sections in charge of internal audits, and other divisions. They report the collected information to the Audit & Supervisory Board, where they discuss this information in order to conduct appropriate audits of the management of the Company. The Outside Audit & Supervisory Board Members are selected from among corporate managers, lawyers, and accounting experts possessing extensive experience and broad insight.

Corporate Governance System Chart



Changes to Members of the Nomination Committee and the Compensation Committee

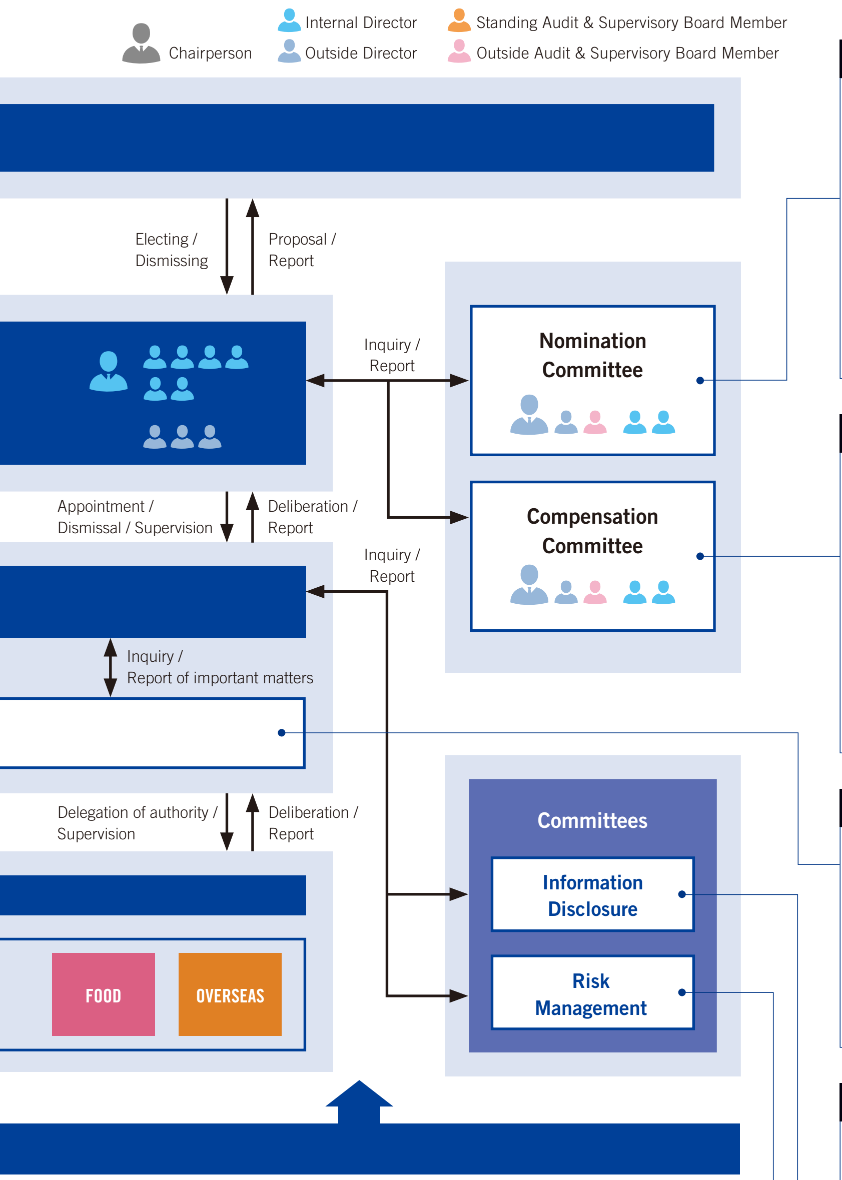
Directors

2017 Name	Nomination Committee	Compensation Committee	2018 Name	Nomination Committee	Compensation Committee
Naoki Izumiya	◎		Naoki Izumiya	○	
Akiyoshi Koji	○		Akiyoshi Koji	○	
Katsutoshi Takahashi		○	Katsutoshi Takahashi		○
Yoshihide Okuda		○	Yoshihide Okuda		○
Noboru Kagami			Atsushi Katsuki		
Kenji Hamada			Noboru Kagami		
Atsushi Katsuki			Kenji Hamada		
Mariko Bando ★	○	○	Naoki Tanaka ★	○	◎
Naoki Tanaka ★	○	◎	Tatsuro Kosaka ★	◎	
Tatsuro Kosaka ★			Yasushi Shingai ★		○

Audit & Supervisory Board Members

Name	2017 Nomination Committee	2017 Compensation Committee	2018 Nomination Committee	2018 Compensation Committee
Akira Muto				
Tetsuo Tsunoda				
Katsutoshi Saito ★			○	
Yumiko Waseda ★				○
Yutaka Kawakami ★				

Note: ★ denotes Outside Directors / Outside Audit & Supervisory Board Members
◎ denotes committee chairpersons ○ denotes committee members



Nomination Committee

Meetings in 2017: > 4

The Nomination Committee discusses matters including succession plans for Directors, Audit & Supervisory Board Members, and corporate officers as well as the selection of candidates for these positions. The committee consists of two Outside Directors, one Outside Audit & Supervisory Board Member, and two internal Directors. The two Outside Directors on the committee select which one of them will serve as the chairperson. The committee met four times during 2017 and primarily discussed matters such as succession plans and the appointment of Directors, Audit & Supervisory Board Members, and corporate officers. The rate of attendance by committee members was 100%.

Compensation Committee

Meetings in 2017: > 3

The Compensation Committee discusses matters pertaining to the remuneration systems and amounts for Directors, Audit & Supervisory Board Members, and corporate officers. The committee consists of two Outside Directors, one Outside Audit & Supervisory Board Member, and two internal Directors. The two Outside Directors on the committee select which one of them will serve as the chairperson. The committee met three times during 2017 and held discussions primarily in relation to matters such as the revision of the officers' remuneration plans, the Performance-Linked Stock Compensation Plan, and officers' bonuses. The rate of attendance by committee members was 100%.

Corporate Strategy Board

Meetings in 2017: > 50

The Corporate Strategy Board discusses important issues related to business operations from the perspectives of legality, objectiveness, and rationality. The board comprises internal Directors, corporate officers, and Standing Audit & Supervisory Board Members and is chaired by the president and representative director. The board met 50 times in 2017 and primarily discussed matters pertaining to the establishment of business strategies and operational execution at Group companies.

Information Disclosure Committee

Meetings in 2017: > 18

The Information Disclosure Committee manages and oversees the disclosure of corporate information in an integrated manner and carries out discussions from the perspective of unbiased, swift, and far-reaching information disclosure. This committee is composed of internal Directors, excluding the chairman and representative director and the president and representative director, and corporate officers, and the Director in charge of public relations serves as the chairperson. The committee met 18 times in 2017. Meetings were used to analyze information details and determine the information to be disclosed as well as the content and means of disclosure while referencing the Timely Disclosure Rules of the Tokyo Stock Exchange.

Risk Management Committee

Meetings in 2017: > 4

The Risk Management Committee discusses matters pertaining to overall risk management activity policies and major risk countermeasures. The committee consists of internal Directors and external lawyers, and the Director in charge of general and legal affairs serves as the chairperson. The committee met four times in 2017 to discuss periodic risk assessments and the implementation status of internal whistleblower systems.

Basic Information

Organizational structure	Company with an Audit & Supervisory Board
Number of Directors	10
of whom, number of independent Outside Directors	3
Term of office for Directors	1 year
Number of Audit & Supervisory Board Members	5
of whom, number of independent Outside Audit & Supervisory Board Members	3
Independent accounting auditor	KPMG AZSA LLC

Corporate Governance Systems Focused On Transparency and Impartiality

Remuneration for Directors, Audit & Supervisory Board Members, and the Independent Accounting Auditor

Basic Policy

Remuneration for Directors and Audit & Supervisory Board Members is decided by resolution of the Board of Directors based on the following Basic Policy on Remuneration for Directors and Audit & Supervisory Board Members after discussion by the Compensation Committee.

- Remuneration is conducive to acquiring superior human resources.
- Remuneration is suitable for the magnitude of the roles and the scope of responsibilities for each executive position.
- Remuneration provides motivation for the Company's corporate value enhancement and sustainable growth.
- Transparency and objectivity is assured with respect to the remuneration-setting procedures.

Remuneration for Directors consists of basic remuneration (monthly and fixed), bonuses (annual and short-term performance-linked), and performance-linked stock compensation (long-term performance-linked), forming a scheme that gives consideration to motivation to pursue the sustained enhancement of corporate performance and value. The level of each item is set according to the responsibilities of each Director and their status as internal or outside and by drawing on survey data from outside expert organizations.

Basic remuneration is determined at the beginning of the term on the basis of position and extent of role, and bonuses are determined using profit attributable to owners of parent as a benchmark in proportion to the level of achievement of targets, which are set at the beginning of each year. For performance-linked stock compensation, points are granted primarily according to the level of achievement of targets in terms of earnings per share (EPS), one of the performance benchmarks set in the Medium-Term Management Policy, and Company shares in the number equivalent to the cumulative number of these points will be allocated at the time of their retirement.

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

Remuneration for Audit & Supervisory Board Members consists only of basic remuneration (monthly and fixed) following the abolition of the bonus system in April 2009.

Remuneration for Directors and Audit & Supervisory Board Members (2017)

	Basic remuneration		Bonuses		Overall total (Millions of yen)
	Number of people	Total (Millions of yen)	Number of people	Total (Millions of yen)	
Directors (of whom, Outside Directors)	11 (3)	379 (46)	8 (—)	234 (—)	613 (46)
Audit & Supervisory Board Members (of whom, Outside Audit & Supervisory Board Members)	6 (4)	106 (36)	— (—)	— (—)	106 (36)

Note: The figures above include amounts paid to Director Ryoichi Kitagawa and Audit & Supervisory Board Member Tadashi Ishizaki, who retired upon the expiration of their terms of office at the conclusion of the 93rd Annual General Meeting of Shareholders held on March 28, 2017.

Independent Accounting Auditor Remuneration

In 2017, audit fees and remuneration and other amounts payable by the Company to the independent accounting auditor came to ¥262 million based on the attestation agreement, and the total amount of monetary and other remuneration payable by the Company and its subsidiaries to the independent accounting auditor came to ¥826 million.

Policy Regarding Cross-Shareholdings

It is the Company's policies to refrain from holdings of shares when such holdings are deemed as neither contributing to the ongoing growth of the Company nor increasing its corporate value over the medium to long term. This policy has been adopted out of consideration for our goal of pursuing asset and capital efficiency improvement that takes into consideration capital cost, one of the key priorities of the Medium-Term Management Policy.

Major cross-shareholdings are reviewed every year by the Board of Directors based on the aforementioned policy. Shareholdings that are deemed to have no meaningful rationale for justifying ownership are to be sold after engaging in the requisite dialogue with the counterpart entity.

The Company appropriately exercises the voting rights attached to the stocks it holds by comprehensively judging whether proposals contribute to the ongoing growth of the Company and to increases in its corporate value over the medium to long term, and whether they contribute to the common interests of the investee's shareholders.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzed and evaluated its effectiveness in 2017 as part of the Company's efforts to implement growth-oriented corporate governance that contributes to the practice of management for corporate value enhancement. An overview of the results and the initiatives to be implemented going forward is as follows. Please refer to the following website for details on the methods of analysis and evaluation and evaluation items.

WEB Analysis and Evaluation Regarding the Effectiveness of the Company's Board of Directors in Fiscal 2017—Summary of Results
http://www.asahigroup-holdings.com/en/whoweare/governance/pdf/180402_board_of_directors_result_en.pdf

Overview of Results of Analysis and Evaluation

The response "performed without incident" accounted for a high proportion of the answers to several of the questions on the self-evaluation questionnaire. Moreover, Directors and Audit & Supervisory Board Members made suggestions for improving effectiveness in response to almost all questions.

Specifically, there were shared concerns among Directors and Audit & Supervisory Board Members with regard to several areas, including succession plans; risk management; and environmental, social, and governance (ESG) issues.

Turning to evaluation results pertaining to our response to issues recognized in 2016, a generally high evaluation was received with regard to the improvement measures implemented in relation to "devising means of improving discussions of the Board of Directors." In addition, while further effort is required on the front end of risk management, the thorough discussions about governance at meetings of the Board of Directors received a high evaluation in responses associated with "promoting an approach to governance that addresses the matter of rapid globalization of the Company's business." In regard to "promoting initiatives for enhancing corporate social value and ESG initiatives," discussions are held at meetings of the Board of Directors and officer meetings attended by all Directors and Audit & Supervisory Board Members. During the discussions, all Directors and Audit & Supervisory Board Members expressed a great deal of opinions that will be beneficial for increasing the Company's social value and improving sustainability. The increased depth of the discussion brought to light this issue warranting further examination.

- Upon discussing the above results, the Board of Directors concluded that it was "effective overall" in 2017, as was the case in the previous year.

Initiatives Going Forward

After having held discussions based on the many suggestions submitted by Directors and Audit & Supervisory Board Members, the Board of Directors has decided to work to improve its effectiveness premised on awareness of the three points listed below.

i) Continuous improvement of the effectiveness of the Board of Directors

In order to improve the Company's governance system from a medium- to long-term perspective, the Board of Directors will encourage discussions at meetings regarding succession plans and further promote the advancement of global risk management practices that support appropriate risk-taking and of the internal control system.

ii) Promotion of discussion on corporate social value and ESG initiatives

In regard to ESG initiatives for improving social value, the Board of Directors will promote further discussion to clarify the position in the Company's value creation process and link these discussions to concrete initiatives.

iii) Cultivation of a corporate culture shared throughout the Group

The Board of Directors will further promote the cultivation of a corporate culture shared throughout the entire Group in conjunction with the progress of globalization, primarily through ongoing discussion regarding topics such as overseas Group companies' acceleration of initiatives to cultivate corporate culture and strengthening of the relationship with ESG initiatives.

Eleven-Year Financial and Non-Financial Summary

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

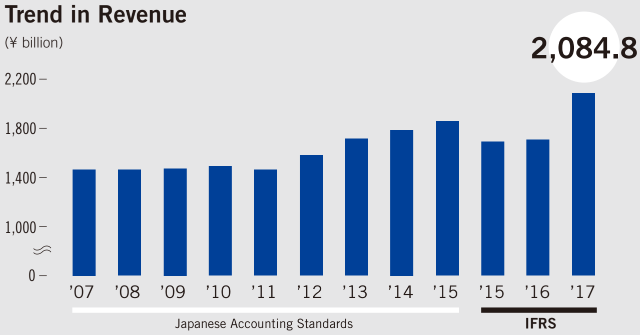
Japanese Accounting Standards

	2007	2008	2009	2010	2011
Operating Results (For the year):					
Revenue	¥ 1,464.0	¥ 1,462.7	¥ 1,472.4	¥ 1,489.4	¥ 1,462.7
Cost of sales	961.1	953.4	958.4	943.3	907.2
Selling, general and administrative expenses	415.9	414.7	431.2	450.7	448.3
Core operating profit*1	86.9	94.5	82.7	95.3	107.1
Profit attributable to owners of parent—pre-adjustment Profit attributable to owners of parent—post-adjustment*2	44.7	45.0	47.6	53.0	55.0
EBITDA*3	134.6	145.8	145.7	157.6	166.8
Capital investment	44.4	36.1	32.5	27.8	30.6
Depreciation and amortization	45.2	47.3	55.9	54.6	50.7
Research and development expenses	8.6	9.0	9.3	9.3	8.9
Financial Position (At year-end):					
Total assets	¥ 1,324.3	¥ 1,299.0	¥ 1,433.6	¥ 1,405.3	¥ 1,529.9
Interest-bearing debt	332.4	302.2	391.8	311.4	390.0
Total equity	529.7	534.6	577.7	612.6	643.7
Cash Flows:					
Cash flows from (used in) operating activities	¥ 69.5	¥ 106.0	¥ 106.3	¥ 125.6	¥ 108.5
Cash flows from (used in) investing activities	(117.8)	(58.2)	(180.6)	(41.7)	(171.2)
Cash flows from (used in) financing activities	36.1	(46.3)	78.5	(90.8)	67.0
Cash and cash equivalents at end of period	11.7	12.6	18.0	10.8	16.1
Per Share Data (In yen):					
Profit attributable to owners of parent—pre-adjustment Profit attributable to owners of parent—post-adjustment*2	¥ 94.94	¥ 96.31	¥ 102.49	¥ 114.10	¥ 118.36
Dividends	19.00	20.00	21.00	23.00	25.00
Equity attributable to owners of parent	1,089.33	1,122.13	1,233.25	1,315.51	1,378.19
Financial Ratios:					
Core operating profit margin (%)	5.9	6.5	5.6	6.4	7.3
ROE (Ratio of profit to equity attributable to owners of parent) (%)—pre-adjustment ROE (Ratio of profit to equity attributable to owners of parent) (%)—post-adjustment*2	9.0	8.7	8.7	9.0	8.8
ROA (Ratio of profit before tax to total assets) (%)	6.9	7.4	6.6	7.1	7.6
Total asset turnover (Times)	1.12	1.12	1.08	1.05	1.00
Equity attributable to owners of parent ratio (%)	38.9	40.2	40.0	43.6	41.9
Net debt/EBITDA (Times)	2.38	1.99	2.55	1.90	2.24
ESG:					
Number of employees at year-end	15,599	16,357	17,316	16,712	16,759
Number of directors (Total) (At year-end)	11	11	13	13	11
Number of directors (Outside) (At year-end)	2	2	3	2	3
Water consumption (Thousand m^3)*4	20,974	20,211	19,828	19,130	18,966
CO_2 emissions (Kilotons)*4,5,6	376	845	756	740	728
Social contribution expenditure (Millions of yen)	1,436	1,428	2,421	1,990	1,998

*1 Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)
*2 Post-adjustment figures exclude one-time extraordinary factors such as the impacts of business portfolio reconstruction and foreign exchange movements.
*3 Under IFRS, EBITDA = Core operating profit + Amortization of intangible assets + Depreciation
Under Japanese accounting standards, EBITDA = Operating income + Amortization of goodwill + Depreciation
*4 Number of companies included in the scope data calculation:
Water consumption 2010–2012: 12 companies; 2013: 29 companies; 2014 and 2015: 30 companies; 2016 and 2017: 31 companies
CO_2 emissions 2008–2012: 28 companies; 2013: 29 companies; 2014 and 2015: 30 companies; 2016 and 2017: 31 companies
*5 CO_2 emissions data for 2013–2017 includes CO_2 reduction associated with the Company's Certificate of Green Power.
*6 CO_2 emissions data is derived from Scope 1, 2, and 3 (distribution shippers, vending machines).

Trend in Revenue

(¥ billion)



Trend in Core Operating Profit

(¥ billion)

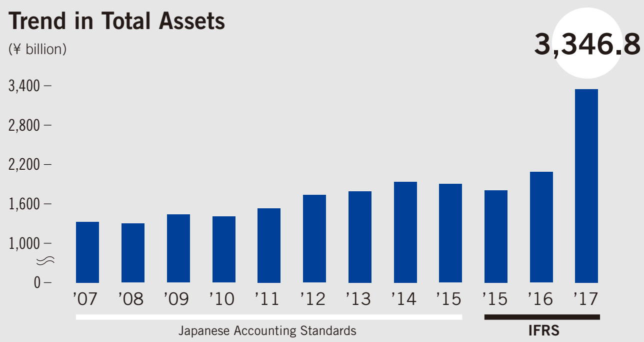
Information about This Page

- The Company's consolidated financial statements have been prepared based on Japanese accounting standards for the years up to the fiscal year ended December 2015 and based on International Financial Reporting Standards (IFRS) from the fiscal year ended December 2016 onward. The line items have been prepared based on IFRS.
- The IFRS line item "revenue" corresponds to "net sales" under Japanese accounting standards, while "core operating profit" corresponds to "operating income"; "profit attributable to owners of parent" corresponds to "net income"; and "equity attributable to owners of parent" corresponds to "shareholders' equity."

			(Billions of yen)	IFRS		(Billions of yen)	%
2012	2013	2014	2015	2015	2016	2017	YoY change (2017/2016)
¥ 1,579.0	¥ 1,714.2	¥ 1,785.4	¥ 1,857.4	¥ 1,689.5	¥ 1,706.9	**¥ 2,084.8**	22.1
974.7	1,032.8	1,073.4	1,100.5	1,102.8	1,098.1	**1,295.3**	17.9
495.9	563.9	583.7	621.7	445.9	460.2	**593.1**	28.8
108.4	117.4	128.3	135.1	140.6	148.4	**196.3**	32.2
57.1	61.7	69.1	76.4	75.7	89.2	**141.0**	58.0
						120.1	34.6
170.9	183.6	192.3	197.9	197.2	205.8	**285.3**	38.7
41.1	48.4	59.8	52.0	53.5	63.4	**89.5**	41.1
48.5	47.7	44.5	46.6	50.8	51.0	**69.8**	36.7
9.6	10.8	10.7	10.3	10.3	9.5	**11.6**	22.1
¥ 1,732.1	¥ 1,791.5	¥ 1,936.6	¥ 1,901.5	¥ 1,804.6	¥ 2,086.3	**¥ 3,346.8**	59.8
456.2	403.7	434.7	414.9	414.4	570.3	**1,261.9**	121.3
726.8	827.4	896.5	891.8	803.6	846.1	**1,152.7**	36.2
¥ 109.2	¥ 157.2	¥ 146.7	¥ 112.7	¥ 116.4	¥ 154.4	**¥ 231.7**	50.0
(134.3)	(65.7)	(92.1)	(75.5)	(77.0)	(268.5)	**(885.8)**	—
43.0	(84.9)	(35.8)	(73.0)	(75.2)	119.5	**661.8**	—
34.3	41.1	62.2	43.2	43.2	48.4	**58.0**	19.8
¥ 122.75	¥ 135.73	¥ 148.92	¥ 166.25	¥ 164.82	¥ 194.75	**¥ 307.78**	
						262.23	
28.00	43.00	45.00	50.00	50.00	54.00	**75.00**	
1,553.35	1,772.47	1,904.64	1,916.69	1,723.97	1,825.57	**2,499.62**	
6.9	6.9	7.2	7.3	8.3	8.7	**9.4**	
8.4	8.0	8.1	8.8	9.7	11.0	**14.2**	
					11.2	**13.7**	
7.0	7.0	7.1	7.6	6.5	7.7	**7.2**	
0.97	0.97	0.96	0.97	0.93	0.88	**0.77**	
41.8	45.7	45.5	46.2	43.7	39.9	**34.2**	
2.47	1.97	1.92	1.85	1.86	2.52	**4.22**	
17,956	18,001	21,177	22,194		23,619	**30,864**	
10	11	9	9		10	**10**	
3	3	3	3		3	**3**	
19,532	23,664	23,615	23,933		23,889	**23,723**	
815	855	918	924		907	**876**	
1,515	1,836	1,456	1,210		1,390	**1,314**	

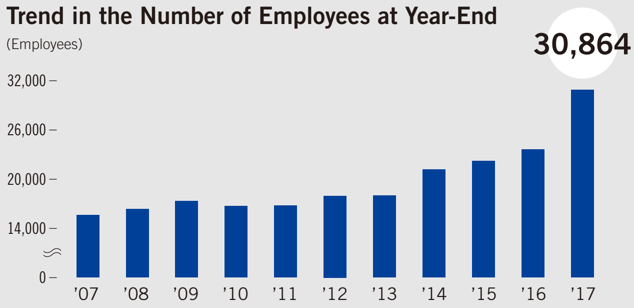
Trend in Total Assets

(¥ billion)



Trend in the Number of Employees at Year-End

(Employees)



Discussion and Analysis of 2017 Business Results

Analysis of Business Results

Overview of Business Results

In 2017, the global economy continued to experience a general recovery trend overall due to the strong economic conditions in the United States and Europe, where economies were supported by increased employment and consumer spending, as well as a recovery in China and other Asian economies. In the Japanese economy, economic conditions remained on a mild recovery track, primarily as a result of higher corporate earnings and an upturn in consumer spending, which was buoyed by an improved job market and increased wages.

Under these conditions, we continued working to further develop management for corporate value enhancement based on the three key priorities laid out in our Medium-Term Management Policy established in 2016, namely strengthening of earning power, asset and capital efficiency improvement, and reinforcement of ESG initiatives. Notably, one of the key priorities is the strengthening of earning power. In Japan, we sought to reinforce our domestic earnings foundation, which emphasizes high added value and differentiation. Overseas, we endeavored to create synergies by leveraging our premium brands and wide-ranging sales networks centered on the Europe business.

As a result, we posted revenue of ¥2,084.8 billion, up 22.1% year on year. Core operating profit* was ¥196.3 billion, up 32.2%, and operating profit was ¥183.1 billion, up 33.8%. Profit attributable to owners of parent was ¥141.0 billion, up 58.0%.

* Core operating profit is the reference index for normalized business performance.
Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)

Revenue

In the Alcohol Beverages Business, overall revenue was down following lower beer-type beverage sales volumes stemming from unseasonable summer weather, which outweighed the year-on-year increases in sales of alcohol beverages other than beer-type beverages and of alcohol-taste beverages (non-alcohol). Revenue was up in the Soft Drinks Business following higher sales volumes for products including carbonated beverages and lactic acid bacteria drinks. The Food Business also saw a rise in revenue thanks to impressive performance centered on core brands. Meanwhile, the Overseas Business achieved higher revenue as a result of a strong performance in the Oceania business as well as additional revenue associated with the newly consolidated operations in Europe.

(Billions of yen)

	2016	2017	YoY change
Revenue	1,706.9	**2,084.8**	**377.9**
Alcohol Beverages	976.6	**968.8**	**(7.7)**
Soft Drinks	363.9	**374.5**	**10.6**
Food	110.8	**113.7**	**2.9**
Overseas	250.3	**621.1**	**370.7**
Other	102.2	**106.1**	**3.8**
Adjustment (corporate/elimination)	(97.0)	**(99.5)**	**(2.4)**
Core operating profit	148.4	**196.3**	**47.8**
Alcohol Beverages	120.8	**121.5**	**0.6**
Soft Drinks	32.3	**38.3**	**5.9**
Food	10.2	**11.6**	**1.3**
Overseas	12.3	**65.9**	**53.5**
Other	2.0	**1.9**	**(0.0)**
Adjustment (corporate/elimination)	(29.2)	**(43.0)**	**(13.7)**

As a result, consolidated revenue, including the increases in revenue of the Other Business, was ¥2,084.8 billion, up 22.1%, or ¥377.9 billion, year on year.

Core Operating Profit

In the Alcohol Beverages Business, core operating profit was up, despite the decline in revenue, due to more efficient spending on advertising and promotion and reductions in raw material and other costs. The Soft Drinks Business achieved higher core operating profit as a result of higher revenue, improvement in category and container mixes, and lower manufacturing costs stemming from improved capacity utilization achieved through efforts to build optimal production systems. Core operating profit was also up in the Food Business on the back of higher revenue and the benefits of initiatives for achieving more cost-efficient advertising and promotion and reducing manufacturing costs. The Overseas Business saw core operating profit rise due to the inclusion of profit from the newly acquired Europe business, which offset the impacts of expenses associated with the acquisition of beer operations in Central Europe.

As a result of the above, consolidated core operating profit increased 32.2%, or ¥47.8 billion, to ¥196.3 billion.

Operating Profit

Operating profit amounted to ¥183.1 billion, up 33.8%, or ¥46.3 billion, year on year, as a result of additional profit associated with the newly consolidated Europe business as well as increased profits from the Group's businesses and gains on sales of stocks of subsidiaries and affiliates.

Profit Attributable to Owners of Parent

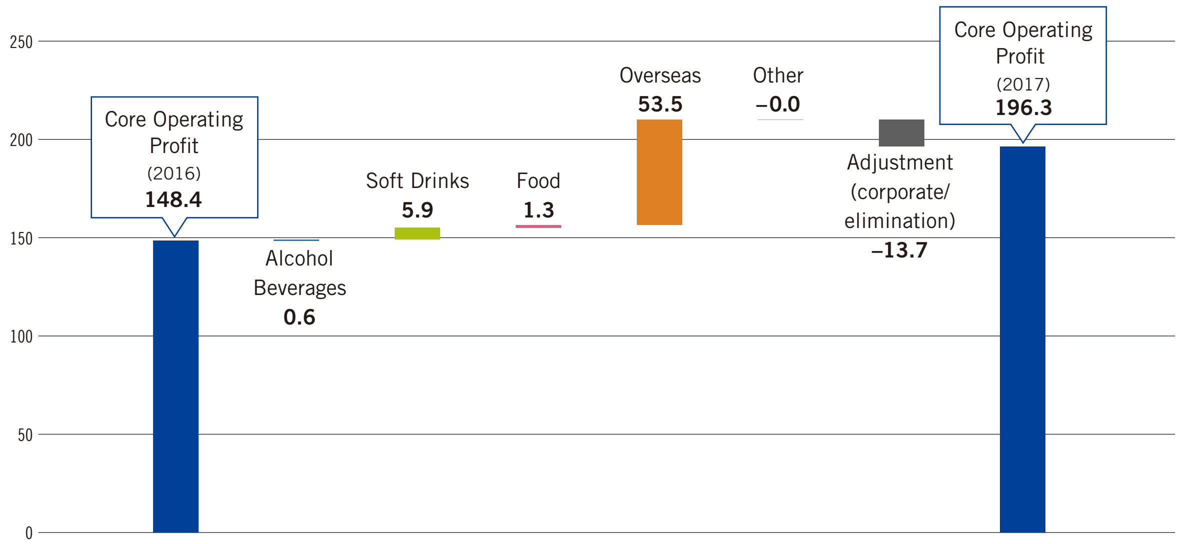
Profit attributable to owners of parent was ¥141.0 billion, an increase of 58.0%, or ¥51.7 billion, year on year. This result marked a record high for the 17th consecutive year. The increase mainly reflected higher operating profit and the recording of a gain on sales of investments accounted for using the equity method.

Analysis of Financial Position

Total assets stood at ¥3,346.8 billion on December 31, 2017, an increase of ¥1,252.4 billion from a year earlier, following rises in various assets associated with the inclusion of the Central Europe business in the scope of consolidation. Total liabilities were up ¥945.8 billion from the previous year-end, at ¥2,194.0 billion, primarily as a result of increases in bonds and borrowings in conjunction with the acquisition of the Central Europe business. Total

Factors Behind Changes in Core Operating Profit

(¥ billion)



Discussion and Analysis of 2017 Business Results

equity at the end of the year amounted to ¥1,152.7 billion, up ¥306.6 billion from the previous year-end. Factors contributing to this outcome included an increase in retained earnings due to the recording of profit attributable to owners of parent as well as more beneficial translation difference on foreign operations thanks to favorable foreign exchange rate movements. As a result, the equity attributable to owners of parent ratio was 34.2%.

Analysis of Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥231.7 billion, an increase of ¥77.2 billion from the previous year. The main factors increasing cash were the increase of non-cash items such as depreciation and amortization and impairment losses. Meanwhile, the main factors decreasing cash were income taxes paid and declines resulting from fluctuations in working capital, such as trade receivables.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥885.8 billion, ¥617.3 billion more than the previous year. The main use of cash was for the purchase of European subsidiaries' stocks. Meanwhile, cash inflows were generated mainly from the proceeds from sales of financial assets and investment in an entity accounted for using the equity method.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥661.8 billion, an increase of ¥542.3 billion from the previous year. The main source of cash was an increase in interest-bearing debt due to proceeds from the issuance of bonds and from long-term borrowings.

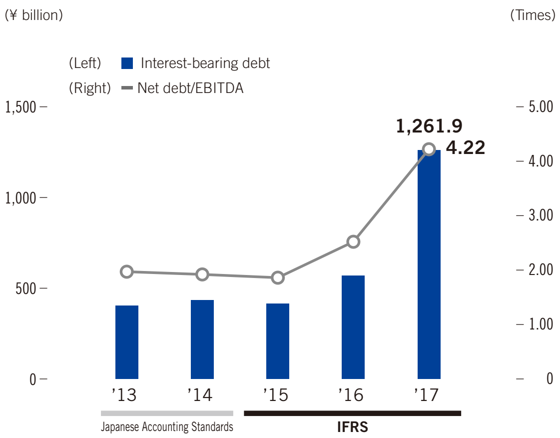
As a result of the above, cash and cash equivalents at the end of period stood at ¥58.0 billion, up ¥9.5 billion from the end of the previous year.

Liquidity and Capital Resources

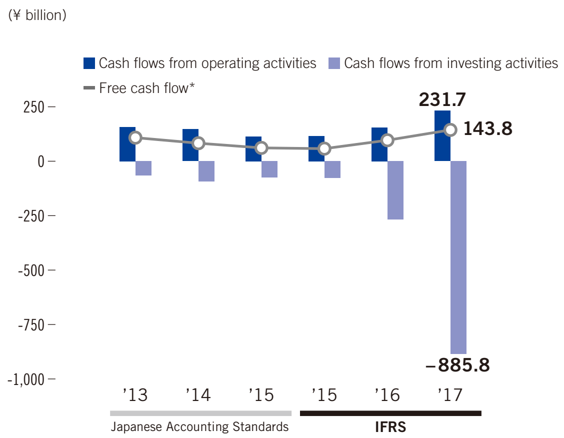
We acquire our capital resources principally through cash flows generated by operating activities, loans from financial institutions, and the issuance of bonds. As a management policy, we regard the reduction of interest-bearing debt as a priority issue. Nevertheless, we make flexible use of financial liabilities according to the need for capital resources to invest. Potential investments include capital expenditure to strengthen and streamline our business foundations and strategic investments, such as M&As. When financing needs arise, we respond with thorough consideration to identify procurement methods that will facilitate the lowest possible interest cost. We meet working capital needs, in principle, through short-term loans and the issuance of commercial paper.

In addition, the Company and its major consolidated subsidiaries have introduced a cash management system

Interest-Bearing Debt / Net Debt/EBITDA



Cash Flows



* Free cash flow = (Cash flows from operating activities + Proceeds from sales of property, plant and equipment) – Purchase of property, plant and equipment

that channels the excess funds of each Group company to the Company so that we can centrally manage these funds. This system enables us to both improve capital efficiency and minimize financing costs.

Capital Investment

Capital investment during 2017 amounted to ¥89.5 billion. In the Alcohol Beverages Business, we focused on strategic investments to upgrade existing facilities and improve profitability. In the Soft Drinks Business, we conducted investments for augmenting production capacities in order to increase the ratio of in-house production as well as investments for improving profitability through the capitalization of vending machines and the establishment of new warehouses to decrease our reliance on outside warehouses. In the Food Business, we made strategic investments to exchange production systems for expanding sales 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.

R&D Expenses

Group-wide R&D expenses in 2017 amounted to ¥11.6 billion. Expenses were related to the development of differentiated products in the Alcohol Beverages, Soft Drinks, and Food Businesses as well as the development of technologies for underpinning these products. In addition, we invested in the development of technologies to link core Group research areas, such as yeast, lactic acid bacteria, and intestinal microflora, to the future creation of innovative products that are the first of their kind and new businesses in all Group areas of operations. We are also working to accelerate research and development activities by utilizing outside technologies.

Profit Distribution Policy and Dividends

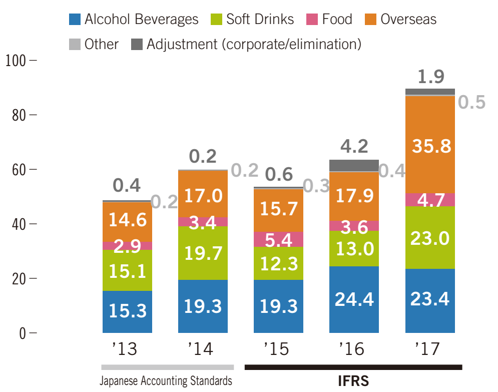
Regarding the use of free cash flow, we will give priority to improving our financial position through means such as reducing debt while also conducting M&A activities and other initiatives to reinforce foundations for growth based on Medium-Term Management Policy. Meanwhile, we aim to enhance shareholder returns through stable dividend increases by targeting a dividend payout ratio* of 30%.

For 2017, we paid a full-year ordinary dividend of ¥75 per share, up ¥21 from the previous year, based on our consolidated financial position and full-year results. In 2018, we plan to pay a full-year dividend of ¥90 per share, up ¥15 from 2017.

* The dividend payout ratio is calculated based on figures for profit attributable to owners of parent that exclude one-off extraordinary factors such as the impacts of business portfolio reconstruction.

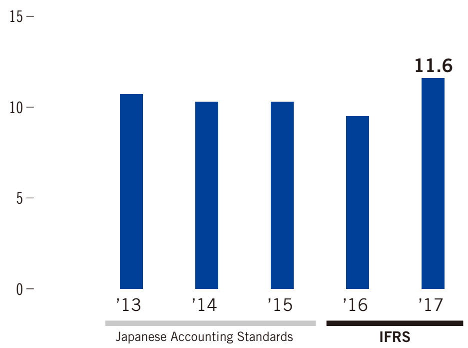
Capital Investment by Business

(¥ billion)



R&D Expenses

(¥ billion)



Promotion of Engagement through IR Activities

The Company is pursuing the fair and broad disclosure of financial information, including operating results, and non-financial information on matters such as management strategies, business challenges, risks, and governance. At the same time, we have been actively engaged in dialogue with shareholders and investors while implementing management reforms to reflect their voices.

Looking ahead, we will promote investor relations (IR) activities from a medium- to long-term perspective based on the key priorities laid out under the Medium-Term Management Policy as our Engagement Agenda (agenda for constructive dialogue) in order to continuously raise sustainable corporate value.

Major IR Activities in 2017

Activities	Frequency	Details
Financial results briefings for analysts and institutional investors	Four times	Quarterly briefing sessions (second- and fourth-quarter briefing sessions by the president and relevant officers and first- and third-quarter teleconferences by the IR and finance sections)
IR interviews for analysts and institutional investors	Aggregate of approx. 350 companies	IR interviews and teleconferences for analysts and institutional investors
Individual visits for Japanese institutional investors	Twice	President's visits to approx. 20 shareholders and investors in Japan (second and fourth quarters)
Individual visits for overseas institutional investors	Three times	President's visits to approx. 50 overseas shareholders and investors (North America, Europe, and Asia)
Briefing sessions for private investors	17 times	Briefing sessions by the president (contents made available on the Company's website) Briefing sessions by IR officers held at breweries across Japan

IR Activity-Related Awards

2014

- 2014 Awards for Excellence in Corporate Disclosure
  —Industries—
  Top company in the foods category
  (12 consecutive years from 2003 to 2014)
  (The Securities Analysts Association of Japan)
- 2014 IR Awards
  2014 IR Grand Prix
  (The Japan Investor Relations Association)

2015

- Third WICI Japan Award for Excellence in Integrated Reporting
  Best Integrated Reporting Award
- NIKKEI Annual Report Awards 2015
  Award for Excellence

2016

- 2016 Awards for Excellence in Corporate Disclosure
  —Disclosure to Individual Investors—
  Corporate excellence
  (The Securities Analysts Association of Japan)

2017

- 2017 Awards for Excellence in Corporate Disclosure
  —Industries—
  Top company in the foods category
  —Disclosure to Individual Investors—
  Corporate excellence
  (The Securities Analysts Association of Japan)
- NIKKEI Annual Report Awards 2017
  Award for Excellence

Inclusion in SRI Indexes

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.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

ETHIBEL EXCELLENCE

MS-SRI

FTSE4Good

MSCI 2017 Constituent MSCI Japan Empowering Women Index (WIN)

ECPI Sense in sustainability

FTSE Blossom Japan

Corporate Profile / Stock Information (As of December 31, 2017)

Corporate Profile

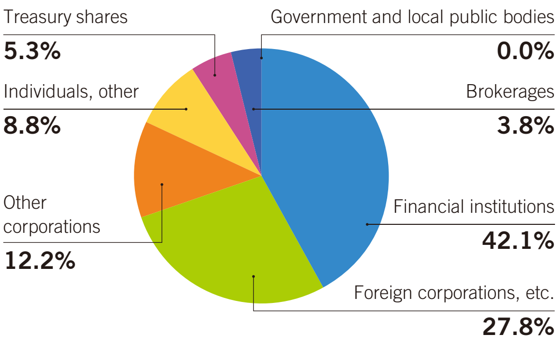
Date of establishment	September 1, 1949
Issued capital	¥182,531 million
Number of employees	274 (consolidated: 30,864)
Number of Group companies	Consolidated subsidiaries: 146 Equity-method affiliates: 19
Total number of issued shares	483,585,862
Trading unit	100 shares
Number of shareholders	98,099
Stock exchange listing	Tokyo Stock Exchange
Securities code	2502
Fiscal year-end date	December 31
Annual general meeting of shareholders	March
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited
Independent accounting auditor	KPMG AZSA LLC

Major Shareholders

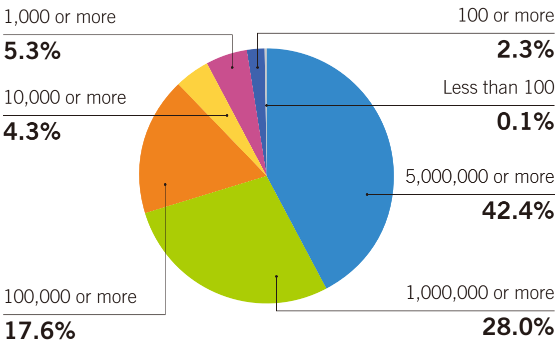
Name of shareholder	Number of shares held (in hundreds)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	379,566	8.3
Japan Trustee Services Bank, Ltd. (Trust Account)	247,881	5.4
The Dai-Ichi Life Insurance Company, Limited	163,833	3.6
Fukoku Mutual Life Insurance Company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

Notes: 1. The Company holds treasury shares numbering 25,461,700 shares. However, the Company is excluded from the above list of major shareholders.
2. Shareholding percentages are calculated based on the total number of issued shares less the number of treasury shares.

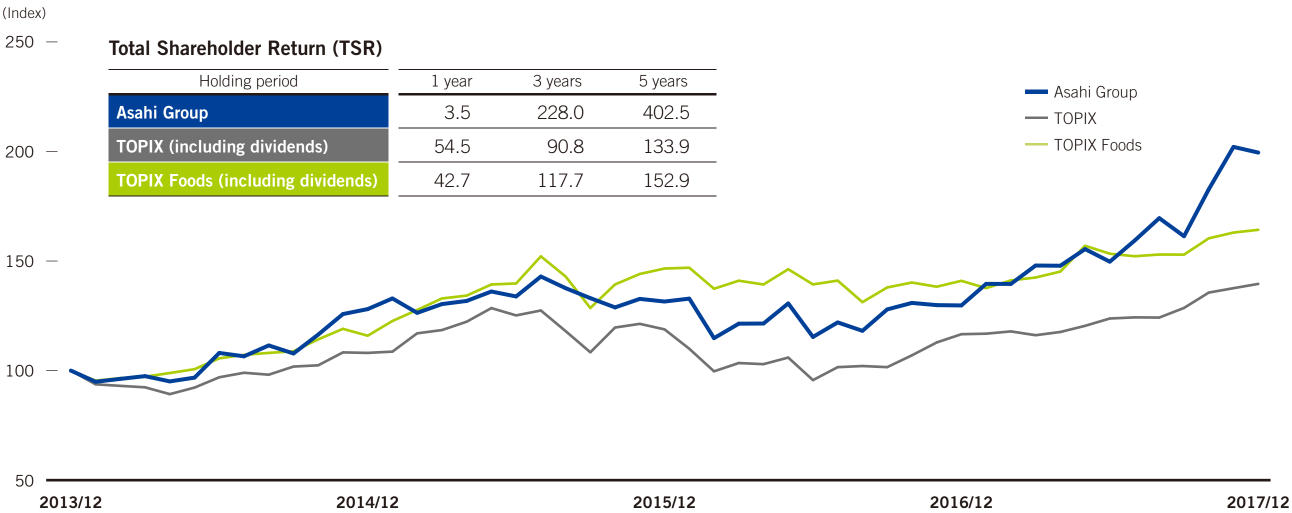
Breakdown of Shareholdings by Investor Type



Breakdown of Shareholdings by Number of Shares Held



Stock Price



Total Shareholder Return (TSR)

Holding period	1 year	3 years	5 years
Asahi Group	3.5	228.0	402.5
TOPIX (including dividends)	54.5	90.8	133.9
TOPIX Foods (including dividends)	42.7	117.7	152.9

Notes: 1. The closing price on December 30, 2013, has been indexed to 100.
2. TSR is based on investment conducted at the closing price on December 28, 2012.

Asahi

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