※ This material includes the comments and the reference data based on FY2018 Q3 Financial Results.

Financial Results Digest for Q3 2018

November 2018

Financial Results Highlights for Q3 2018

◆ **Q3 results exceed the target largely due to major profit growth of Overseas Business, despite profit decline of mainly Alcohol Beverages Business.**

- Alcohol Beverages : YoY decline and below targets both in revenue and core OP due to sales volume decline of beer-type, despite of YoY growth and above target of other than beer-type beverages.
- Soft Drinks : YoY decline and below targets both in revenue and core OP due to the transfer of LB. On the other hand, YoY growth and above targets both in revenue and core OP in Asahi Soft Drinks.
- Food : YoY growth and above targets both in revenue and core OP driven by continuous favorable sales of core brands and streamlining overall fixed costs.
- Overseas : YoY growth and above targets both in revenue and core OP mainly due to the steady progress of premiumization mainly in Europe business and favorable forex impacts.

◆ **Aiming at exceeding full year targets by surpassing the Overseas Business target centered on Europe business, despite Alcohol Beverages Business fall short of the target.**

(JPY billion)

Summary of Statement of Profit or Loss	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Alcohol Beverages Business	670.8	- 26.9	- 3.9%	942.6	- 15.8	- 1.6%
Soft Drinks Business	280.7	- 6.3	- 2.2%	369.7	- 4.8	- 1.3%
Food Business	83.9	1.5	1.8%	113.9	0.1	0.1%
Overseas Business	542.7	87.7	19.3%	702.3	65.3	10.3%
Other Business / Adjustment	0.6	0.7	-	11.5	10.3	-
Revenue	1,578.6	56.7	3.7%	2,140.0	55.1	2.6%
Alcohol Beverages Business	84.1	- 1.4	- 1.6%	121.0	0.5	0.4%
Soft Drinks Business	31.9	- 0.0	- 0.1%	38.9	0.6	1.5%
Food Business	9.3	0.4	4.4%	12.1	0.5	4.1%
Overseas Business	76.4	25.7	50.6%	95.6	28.6	42.6%
Other Business / Adjustment	- 12.0	1.0	-	- 19.0	- 0.7	-
Amortization of acquisition-related intangible assets	- 16.6	- 3.7	-	- 21.8	- 2.6	-
Corporate adjustment (IFRS adjustment)	- 5.1	- 1.8	-	- 6.8	- 3.2	-
Core operating profit	168.0	20.2	13.6%	220.0	23.6	12.0%

Note: Previous year's result of amortization of acquisition-related intangible assets in Q3 includes the impact of retroactive adjustment for Central Europe business (negative JPY6.4 billion).

Alcohol Beverages Business (Sales Volume of Beer-type)

<Sales Volume> (Millions of cases) <Market Total>

	Q3 (9 months ended September 30)			Full year forecast (announced on Augutst 2)			Jan. - Sep.
		Inc./Dec.	YoY		Inc./Dec.	YoY	YoY
Beer	-	-	- 6%	95.85	- 4.13	- 4.1%	-5~-6%
Happoshu	-	-	- 7%	14.35	- 0.66	- 4.4%	-8~-9%
New Genre	-	-	- 7%	41.60	- 1.38	- 3.2%	+3～4%
Beer-type beverages Total	-	-	- 7%	151.80	- 6.17	- 3.9%	-2~-3%

* New Genre market includes the sales volume of Private Label products in the other company

<Sales Volume by Brand>

	Q3 (9 months ended September 30)			Full year forecast (announced on Augutst 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Super Dry Total	65.36	- 4.97	- 7.1%	93.10	- 4.84	- 4.9%
Style Free Total	9.30	- 0.54	- 5.5%	13.10	- 0.25	- 1.9%
Clear Asahi Total	24.43	- 2.27	- 8.5%	34.70	- 1.15	- 3.2%

<Beer Container Type>

	Jan. - Sep.
	YoY
Bottle	- 10.0%
Can	- 4.3%
Keg	- 7.0%

【 Market Total 】

・YoY decline of 2 to 3% in total volume due to outflow to other categories and sluggish performance of on-premise market, despite of the addition of private label products in the other brewer in new genre category.

【 Sales Volume of Asahi Breweries 】

・-7% YoY decline and below target in total volume due to market contraction greater than expected and the negative impact of new products of the competitors.

<Beer> -6% YoY decline in total volume due to sluggish sales in on-premise market in addition to downturn in reaction to reinforced marketing activities last year, despite boosting the new demand driven by *Super Dry Shunrei Karakuchi*.

<Happoshu> -7% YoY decline in total volume mainly due to the market contraction, despite reinforcing marketing activities focused on *Style Free*.

<New Genre> -7% YoY decline in total volume mainly due to the negative impact of new products launched by the other competitors, despite relaunching *Clear Asahi Prime Rich*.

・Total results below targets due to the shortfall of all categories, despite of gradual recovery of the sales momentum.

Alcohol Beverages Business (Revenue)

<Revenue> (JPY billion)

	Q3 (9 months ended September 30)			Full year forecast (announced on August 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Beer	375.0	- 18.2	- 4.6%	533.8	- 12.2	- 2.2%
Happoshu	39.2	- 3.6	- 8.5%	54.6	- 3.3	- 5.6%
New Genre	98.3	- 7.9	- 7.4%	138.0	- 4.4	- 3.1%
Beer-type beverages total	512.5	- 29.7	- 5.5%	726.4	- 19.9	- 2.7%
Whiskey and spirits	41.6	2.0	5.0%	56.9	1.9	3.5%
RTD low-alcohol beverages	33.0	3.3	11.2%	45.2	4.6	11.4%
Wine	28.6	0.6	2.1%	41.7	0.4	1.0%
Shochu	19.5	- 0.1	- 0.7%	27.5	- 0.3	- 1.2%
Other	0.0	- 0.0	- 10.8%	0.0	- 0.0	- 6.1%
Other than beer-type beverages total	122.7	5.7	4.9%	171.4	6.6	4.0%
Non-alcohol beverages	24.8	1.0	4.3%	33.1	1.2	3.7%
Other, contracted manufacture, etc.	18.7	- 0.3	- 1.4%	23.6	- 0.5	- 2.1%
Asahi Breweries Revenue	678.8	- 23.2	- 3.3%	954.5	- 12.6	- 1.3%
Other / elimination in segment	17.4	- 3.7	- 17.4%	24.0	- 3.8	- 13.6%
Corporate adjustment (IFRS adjustment)	- 25.3	- 0.0	-	- 35.9	0.6	-
Revenue total	670.8	- 26.9	- 3.9%	942.6	- 15.8	- 1.6%

【 Revenue of Other Alcohol Beverages 】

・+4.9% YoY growth in total in other than beer-type beverages due to healthy sales of RTD low-alcohol beverages driven by newly launched *Zeitaku Shibori* and whiskey and spirits with favorable performance of *Black Nikka*.

・+4.3% YoY growth in revenue in Non-alcohol beverages mainly driven by newly launched impact of *Dry Zero Spark* in addition to strong performance of *Dry Zero*.

・Total results above targets due to the favorable performance of each category.

Alcohol Beverages Business (Core Operating Profit)

<Core Operating Profit>

(JPY billion)

	Q3 (9 months ended September 30)			Full year forecast (announced on August 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Beer-type - Decrease in sales volume	-	- 7.7		-	- 4.4	
Change in Beer-type	-	0.5		-	1.5	
Other than beer-type beverages - increase in sales volume	-	2.3		-	2.5	
Cost reduction in manufacturing	-	1.1		-	1.3	
Cost increase in manufacturing	-	- 1.1		-	- 1.0	
Decrease in sales promotion expenses	74.9	1.8		104.5	0.4	
Decrease in other expenses	-	2.0		-	0.3	
Asahi Breweries	83.8	- 1.2	- 1.4%	120.2	0.6	0.5%
Other / elimination in segment	0.3	- 0.2	- 45.4%	0.8	- 0.1	- 8.7%
Core Operating Profit	84.1	- 1.4	- 1.6%	121.0	0.5	0.4%

【 Factors of Contributing to Growth / Decline 】(JPY billion)

・-1.6% YoY decline in total due to sales volume decline in beer-type, despite of revenue growth in other than beer-type beverages and hold-down in other expenses.

・Total result below target due to volume decrease in beer-type, despite aiming at revenue growth in other than beer-type beverages and streamlining overall fixed costs.

< Break down of main factors >

Beer-type decrease in sales volume -7.7 (Note: including the impact of price revision)

Cost reduction in manufacturing +1.1 (Mix improvement of other than beer-type +0.5, Raw materials +0.4, and others)

Cost increase in manufacturing -1.1 (Utilities -0.5, Raw materials -0.2, and others)

Decrease in sales promotion expenses +1.8 (Advertisement -1.5, Promotion expenses +3.3)

(Beer-type +2.2, others -0.4)

Soft Drinks Business (Sales Volume)

<Sales Volume> (Millions of cases) <Market Total>

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY	Jan. - Sep. YoY
Carbonated drinks	52.91	4.08	8.4%	66.33	4.26	6.9%	+1～2%
Fruit juice	15.49	- 0.92	- 5.6%	19.55	- 2.88	- 12.8%	-1~0%
Coffee	30.54	- 2.06	- 6.3%	43.80	- 0.37	- 0.8%	-1~-2%
Tea	31.24	0.13	0.4%	40.75	0.55	1.4%	+2～3%
Mineral water	18.87	0.53	2.9%	24.80	1.34	5.7%	+3～4%
Lactic acid drinks	38.55	3.61	10.3%	48.46	4.09	9.2%	+7～8%
Other drinks	15.45	0.87	6.0%	19.82	0.53	2.7%	-
Sales Volume Total	203.05	6.24	3.2%	263.50	7.52	2.9%	around +2%

<Sales Volume by Core Brands> (Millions of cases)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY
Mitsuya	31.99	1.88	6.2%
Wilkinson	16.72	1.58	10.4%
WONDA	29.13	- 1.54	- 5.0%
Jurokucha	18.26	0.40	2.2%
Oishii Mizu	18.87	0.54	2.9%
Calpis	33.42	3.03	10.0%

<Container Type>

Jan. - Sep.	YoY
Can	- 4.6%
PET Bottle total	7.0%
PET large size	2.8%
PET small size	9.7%
Glass Bottle	- 0.4%
Others	- 2.0%

<Channel Type>

Jan. - Sep.	YoY
Vending machines	4.0%
Over-the-counter total	3.0%
Convenience Store	1.5%
Supermarket	4.3%
Others	1.3%

【 Market Total 】

・YoY growth of approx. 2% in total volume driven by hot weather and aggressive marketing activities centered on core brands in each beverage company, despite of several natural disasters and logistics disruption.

【 Asahi Soft Drinks Sales Volume 】

・+3.2% YoY growth in total driven by favorable results of core brands including *Mitsuya*, *Wilkinson* and *Calpis*.

・Total result above target due to strong performance from carbonated and lactic acid drinks, mitigating shortfall in coffee category

Soft Drinks Business (Core Operating Profit)

<Core Operating Profit>

(JPY billion / Millions of cases)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Sales Volume Total	203.05	6.24	3.2%	263.50	7.52	2.9%
Revenue Total	280.7	- 6.3	- 2.2%	369.7	- 4.8	- 1.3%
Increase in sales volume	-	2.8		-	3.3	
Change in product & pack mix, etc.	-	0.1		-	0.2	
Cost reduction	-	3.0		-	3.7	
Cost increase	-	- 1.3		-	- 1.6	
Increase in sales promotion expenses	-	- 1.9		-	- 1.8	
Other expenses	-	- 1.9		-	- 2.1	
Asahi Soft Drinks	31.7	0.8	2.7%	38.7	1.7	4.5%
LB	-	- 0.8	-	-	- 0.9	-
Other / elimination in segment	0.2	- 0.0	- 16.3%	0.2	- 0.2	- 49.9%
Core Operating Profit	31.9	- 0.0	- 0.1%	38.9	0.6	1.5%

【 Factors Contributing to Growth / Decline of Asahi Soft Drinks 】(JPY billion)

- +2.7% YoY growth due to manufacturing cost reduction by increasing operation capacity, in addition to sales volume increase.
- Result above target driven by sales volume increase and reduction of manufacturing costs, mitigating increase in sales promotion expenses.

< Break down of main factors >

Cost reduction +3.0 (Raw materials +1.1, Packages +0.4, Increase of operation capacity / in-house production +1.5)
Cost increase -1.3 (Raw materials -0.6, Packages -0.7)
Advertisement & Sales promotion expenses -1.9 (Advertisement +1.1, Promotion expenses -3.0)

Food Business (Revenue / Core Operating Profit)

<Revenue>

(JPY billion)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Asahi Group Foods	92.9	1.9	2.0%	126.3	0.2	0.2%
Other / elimination	- 0.0	0.0	-	-	0.0	-
Corporate adjustment (IFRS adjustment)	- 9.0	- 0.4	-	- 12.4	- 0.1	-
Revenue Total	83.9	1.5	1.8%	113.9	0.1	0.1%

<Core Operating Profit>

(JPY billion)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Asahi Group Foods	9.1	0.5	5.7%	11.7	0.5	4.9%
Other / elimination	0.2	- 0.1	- 28.1%	0.4	- 0.1	- 14.8%
Core Operating Profit	9.3	0.4	4.4%	12.1	0.5	4.1%

【 Revenue 】

・+1.8% YoY growth driven by favorable performances of core brands including *MINTIA* and *Dear Natura*.

・Result above target due to launching extension products of core brands and reinforcing marketing activities in value-added products.

【 Core Operating Profit 】

・+4.4% YoY growth due to revenue increase of core brands and improving profitability through business portfolio restructuring.

・Result above target due to the factors including revenue increase and reduction of manufacturing costs.

Overseas Business (Revenue)

<Revenue>

(JPY billion)

	Q3 (9 months ended September 30)			Full year forecast (announced on August 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	364.0	93.4	34.5%	449.5	75.9	20.3%
Oceania business	120.3	4.3	3.8%	177.2	4.0	2.3%
Southeast Asia business	36.6	- 4.5	- 10.9%	47.9	- 7.5	- 13.5%
China business	8.4	- 5.0	- 37.5%	9.5	- 6.9	- 42.0%
Other / elimination in segment	13.5	- 0.6	- 4.0%	18.2	- 0.2	- 1.1%
Revenue	542.7	87.7	19.3%	702.3	65.3	10.3%

<Revenue (excluding foreign exchange impacts associated with conversion of local currencies into JPY)>

	Q3 (9 months ended September 30)			Full year forecast (announced on August 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	349.8	79.3	29.3%	449.3	75.7	20.3%
Oceania business	124.1	8.2	7.1%	183.6	10.4	6.0%
Southeast Asia business	34.7	- 6.3	- 15.3%	46.7	- 8.7	- 15.7%
China business	8.2	- 5.3	- 39.2%	9.3	- 7.1	- 43.3%
Other / elimination in segment	13.3	- 0.7	- 4.9%	18.4	0.0	0.1%
Revenue	530.2	75.2	16.5%	707.4	70.4	11.0%

【 **Revenue** (excluding forex impacts associated with conversion of local currencies into JPY) 】

Note: See P.10 for details of Europe business

・Oceania: +7.1% YoY growth driven by newly added impact of *Peroni* in Alcohol beverages, despite of revenue decline in Non-alcohol beverages. (Non-alcohol beverages -1%, Alcohol beverages +19%)

・Southeast Asia: -15.3% YoY decline due to the impact of deconsolidation of Indonesia business, despite of favorable performance of Asahi brands in Malaysia and Myanmar.

・China: -39.2% YoY decline due to the impact of deconsolidation of Yantai Beer, despite of favorable sales performance of *Asahi Super Dry*.

・Results above targets due to excess achievements in Europe business with following targets in Oceania and Southeast Asia businesses.

Overseas Business (Core Operating Profit)

<Core Operating Profit>

(JPY billion)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Europe business	66.7	23.8	55.4%	76.5	25.5	49.9%
Oceania business	6.3	1.1	22.1%	15.2	1.1	8.0%
Southeast Asia business	1.6	1.0	142.2%	2.1	1.3	162.5%
China business	0.7	- 0.3	- 29.1%	0.5	- 0.5	- 50.8%
Other / elimination in segment	1.1	0.1	10.0%	1.3	1.1	511.4%
Core Operating Profit	76.4	25.7	50.6%	95.6	28.6	42.6%

<Core Operating Profit (excluding foreign exchange impacts associated with conversion of local currencies into JPY)>

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Europe business	64.1	21.2	49.5%	76.6	25.5	50.0%
Oceania business	6.5	1.3	26.0%	15.7	1.7	12.0%
Southeast Asia business	1.5	0.8	125.0%	2.1	1.2	152.7%
China business	0.7	- 0.3	- 30.9%	0.4	- 0.5	- 51.9%
Other / elimination in segment	1.1	0.1	8.9%	1.3	1.1	519.3%
Core Operating Proft	73.9	23.2	45.7%	96.1	29.0	43.3%

【 Core Operating Profit (excluding forex impacts associated with conversion of local currencies into JPY) **】**

Note: See P.10 for details of Europe business

- Oceania: +26.0% YoY growth due to streamlining operations through such means as system integration, in addition to revenue increase in Alcohol beverages.
- Southeast Asia: +125.0% YoY growth mainly due to the impact of deconsolidation of Indonesia business and reduction of overall fixed costs.
- China: -30.9% YoY decline due to the impact of deconsolidation of Yantai Beer, despite improving product mix and reducing manufacturing costs.
- Results above targets due to excess achievement in Europe business with following targets in Oceania and Southeast Asia businesses.

Europe Business (Revenue / Core Operating Profit)

<Revenue> (JPY billion)

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Western Europe	112.8	12.0	11.9%	145.3	10.2	7.6%
Central Europe (consolidated since Apr. 2017)	251.2	81.4	47.9%	304.2	65.7	27.5%
Europe business	364.0	93.4	34.5%	449.5	75.9	20.3%

<Core Operating Profit>

	Q3 (9 months ended September 30)	Inc./Dec.	YoY	Full year forecast (announced on August 2)	Inc./Dec.	YoY
Gross Core Operating Profit	17.8	2.2	14.4%	21.4	1.8	9.4%
Once off Cost	- 0.1	1.5	-	- 0.1	1.7	-
Western Europe	17.7	3.7	26.7%	21.3	3.6	20.0%
Gross Core Operating Profit	49.9	14.0	38.9%	56.6	11.4	25.3%
Once off Cost	- 0.9	6.1	-	- 1.3	10.5	-
Central Europe	49.0	20.1	69.3%	55.3	21.9	65.8%
Europe business	66.7	23.8	55.4%	76.5	25.5	49.9%
Western Europe	- 3.4	- 0.8	-	- 4.5	- 0.1	-
Central Europe	- 9.9	- 3.5	-	- 13.0	- 3.3	-
Amortization of intangible assets	- 13.4	- 4.3	-	- 17.5	- 3.4	-

【 **Revenue** (excluding foreign exchange impacts associated with conversion of local currencies into JPY) 】

- +34.5% YoY growth driven by revenue increase mainly in core brands in each country, in addition to the 3 months impact of newly consolidated Central Europe business (Jan. – Mar.).
- Result above target due to excess achievement both in Western and Central Europe with favorable forex impacts. (forex impact : positive JPY8.0 billion)

【 **Core Operating Profit** (excluding foreign exchange impacts associated with conversion of local currencies into JPY) 】

- +55.4% YoY growth due to revenue increase and product mix improvement both in Western and Central Europe, in addition to the impact of newly consolidation of Central Europe.
- Result above target both in Western and Central Europe, despite of investment increase for reinforcing brand equities in Central Europe. (forex impact : positive JPY1.2 billion)

Operating Profit/Profit attributable to owners of parent

(JPY billion)

Summary of Statement of Profit of Loss	Q3 (9 months ended September 30)			Full year forecast (announced on August 2)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Revenue	1,578.6	56.7	3.7%	2,140.0	55.1	2.6%
Core operating profit	168.0	20.2	13.6%	220.0	23.6	12.0%
Adjustment item	- 2.3	4.7		- 16.0	- 2.8	
Loss (gain) on sales and retirement of non current assets	- 1.4	0.8		- 4.8	0.7	
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	-		-	- 9.6	
Gain (loss) on revaluation of subsidiaries and affiliates	1.4	1.4		1.4	1.4	
Business integration expeses	- 1.5	1.7		- 0.7	3.3	
Impairment loss	-	-		-	10.1	
Others	- 0.9	0.7		- 11.9	- 8.8	
Operating profit	165.7	24.8	17.6%	204.0	20.8	11.4%
Financing income or loss	- 2.3	0.2		- 3.4	0.4	
Share of profit (loss) of entities accounted for using equity method	0.7	2.1		0.8	- 0.3	
Loss (gain) on sales of investments accounted for using equity method	- 0.9	- 0.9		- 0.9	- 18.8	
Others	- 1.1	1.6		2.5	3.9	
Profit before tax	162.0	27.8	20.7%	203.0	6.0	3.1%
Income tax expense	- 45.4	- 5.0		- 60.7	- 2.6	
Profit	116.6	22.7	24.2%	142.3	3.5	2.5%
Profit attributable to owners of parent	116.5	22.7	24.2%	142.0	1.0	0.7%
Profit attributable to non-controlling interests	0.1	0.0	33.0%	0.3	2.5	-

【 Operating Profit 】

・+17.6% YoY growth driven by core OP increase, in addition to gain on fair market valuation associated with deconsolidation of Yantai Beer and decrease in business integration expenses.

【 Profit attributable to owners of parent 】

・+24.2% YoY growth driven by the recovery of share of profit of entities accounted for using equity method due to sales of shares of Tsingtao brewery and others.

・Results above target mainly due to excess achievement of OP.

その感動を、わかちあう。