May 14, 2021

Asahi Group Holdings, Ltd.

Fiscal 2021 Q1 Financial Results Conference Call

Date & Time: Friday, 14th May, 2021
18:00-19:00 Japan Standard Time

Speaker: Osamu Ishizaka, Head of Corporate Communications, Executive Officer

◆ Q1 2021 Financial Results Presentation

<2021 Q1 Financial Results Highlights (constant currency basis)> (P.1)

- Looking at our first-quarter results, one of the main points to note is that total revenue increased 6.6% year on year to 436.2 billion yen, as consolidation of the CUB business boosted revenue in the Overseas Business segment and Soft Drinks Business revenue also increased. These increases offset a year-on-year decline in domestic Alcohol Beverages Business revenue caused by reduced demand from the on-premise market and weaker holiday- and celebration-related demand.
- Total core operating profit increased 63% year on year to 25.9 billion yen. The increase was driven by profit growth in the Soft Drinks Business due to mix improvement and other factors, and profit growth at the Overseas Business, which achieved strong results in Australia.
- Looking at progress toward our first-half forecast shown on the right-hand side of this table, the domestic Alcohol Beverages and Europe businesses are falling short of forecasts owing to the impact from resurgences of COVID-19 infections. However, all other businesses are on track to beat their targets, and overall core operating profit is trending above forecasts.
- In the second quarter, we expect the negative impact on our domestic Alcohol Beverages and Europe businesses to be greater than initially anticipated at the start of the year. However, we expect strong performances from other businesses to offset this and enable us to achieve our overall Group targets.
- As for our full-year forecast, we aim to attain our start-of-year targets. However, considering the differences in progress being made at each business toward their respective targets, we will consider revising our forecasts for each separate segment as

necessary based on their first-half results.

<Operating Profit/Profit Attributable to Owners of Parent> (P.3)

- First-quarter operating profit roughly quadrupled year on year to 52.2 billion yen. In addition to the increase in core operating profit, this strong result also reflects a gain on sales and retirement of non-current assets due to the sale of the site of a former Calpis plant, which offset an increase in business integration expenses.
- Profit attributable to owners of parent also roughly quadrupled year on year, reaching 33.2 billion yen. The large increase in operating profit more than offset increases in financial expenses and income taxes.
- The higher-than-anticipated first-quarter core operating profit and other factors mean we're on track to exceed our first-half targets for operating profit and profit attributable to owners of parent.

<COVID-19 Impacts and Beer Sales by Region> (P.4)

- With resurging COVID-19 infections prompting the re-tightening of restrictions in Japan and Europe, sales of beer and beer-type beverages in the first quarter were significantly lower than a year earlier, with the negative impact particularly strong in January and February.
- In Australia, however, sales are running above the previous year's levels, as containment of infections has led to the relaxation of restrictions, and household consumption and on-premise demand have both rebounded, while sales of our core brands are expanding above the market average.
- Since March, sales in each region have been on a recovery trend, bouncing back from the large declines recorded in 2020. However, we expect conditions in Japan and Europe, where restrictions remain in place, to be more severe than we anticipated at the start of the year.
- At this point in time, it is difficult to make accurate forecasts for the second quarter onwards. However, we look forward to changes in the market environment as progress with vaccinations is enabling some countries to begin relaxing restrictions. We therefore expect momentum to recover in the second half of the year.

<Alcohol Beverages Business (Revenue of Beer-type Beverages/Sales Volume)> (P.5)

- As shown in the table on the right of this slide, total demand for beer-type beverages during the first quarter of the year is estimated to have fallen by between 9% and 10%, as stronger consumption in the off-premise market could not offset the declines in demand in the on-premise market and demand related to holidays and celebrations.

- In that environment, total sales of our beer-type beverages fell 17.9% year on year to 96.5 billion yen. Growing health-consciousness among Japanese consumers led to strong 7% sales growth for our *Style Free* happoshu. However, sales of *Asahi Super Dry* were weighed down by the negative impact of COVID-19 on on-premise sales, and sales of *Clear Asahi* fell amid a contraction in the new-genre market following Japan's liquor tax revisions.
- Sales are trending below our first-half forecasts, but we are doing all we can to boost sales, including strengthening marketing of our canned beers, for which demand is rebounding following Japan's liquor tax revisions.

<Alcohol Beverages Business (Revenue)> (P.6)

- Regarding revenue from the sale of non-beer alcohol beverages, which is mentioned in the lower part of this slide, overall revenue came in below forecasts. Wine sales were supported by strong demand growth in the off-premise channel, but revenue from all other categories declined owing to the contraction in on-premise channel sales and other factors.
- Nonetheless, we aim to achieve our first-half targets by strengthening brand investment focused on higher-value-added products, including the June launch of *Beery* throughout Japan.

<Alcohol Beverages Business (Core OP)> (P.7)

- Core operating profit of the Alcohol Beverages Business fell 37.1% year on year to 8.8 billion yen. Despite our efforts to reduce variable costs and streamline fixed expenses, we were not able to fully offset the impact from lower sales of beer-type beverages, etc.
- First-quarter core operating profit was off the pace needed to achieve our first-half target, and the operating environment remains difficult, with Japan declaring a third state of emergency in early April. We will continue to meet the challenges we face through strengthening of our core brands and overall streamlining of expenses.
- With regard to sales promotion expenses, our investments are not focused solely on a short-term earnings recovery. We are also continuing to invest to strengthen our higher-value-added brands through bolstering our off-premise beer offerings in response to market trend changes caused by liquor tax revisions and efforts to develop new markets, such as a market for "very low alcohol" beverages.

<Alcohol Beverage Business (Reference: Market Trends for Canned Beer-type Beverages and Our Initiatives)> (P.8)

- As shown in this graph based on data from Intage SRI summarizing sales of canned beer at retail outlets, consumer demand has shifted from new-genre beer-type beverages to beer since last October's liquor tax revision in Japan narrowed the in-store price differential between the two product categories.

- We see this shift as an opportunity to rejuvenate the beer market in Japan and enhance the value of the *Asahi Super Dry* brand through the launch of new products, such as *Asahi Super Dry Nama Jokki Can*, and a new home-use draft beer server business.
- We first introduced *Asahi Super Dry Nama Jokki Can* at convenience stores on April 6. Customer response was better than anticipated, especially from younger beer drinkers.
- Unfortunately, we could not sustain supply of the new product, and we sincerely regret inconveniencing all of the people who were affected by this. We now are building a system for stable procurement of the required materials and plan a re-release in limited quantities on June 15.
- On May 25, we'll launch *The Drafters*, a new business that provides customers with a draft beer server for use in the comfort of their own homes. We are targeting a membership of 30,000 by the end of 2021, and the business is off to a good start, with 13,000 members already signed up as of the end of April.
- We intend to drive the rejuvenation of Japan's beer market by continuing with efforts such as this to strengthen our provision of new value.

<Soft Drinks Business (Sales Volume)> (P.9)

- Japan's soft drinks market contracted by about 6% in the first quarter of 2021, with sales via vending machines and convenience stores declining as people refrained from going out.
- In this environment, Asahi Soft Drinks saw sales volumes for its lactic acid drinks and tea drinks decline, but sales of its carbonated drinks and coffee drinks increased. As a result, Asahi Soft Drinks performed better than the overall market, with its total sales volume falling only 2.3% year on year to 51.7 million cases.
- Although first-quarter sales were behind the pace required to achieve our first-half target, we aim to attain the target by strengthening marketing of our core brands, with a focus on popular carbonated drinks.

<Soft Drinks Business (Core OP)> (P.10)

- Total core operating profit in the Soft Drinks Business was 4.5 billion yen, a 3.4 billion increase over the first quarter of 2020. This strong rebound was driven by category mix and container mix improvements and cost reductions achieved by shifting to in-house production to enhance capacity utilization.
- Improvements in mix in each category and streamlining of advertising, promotional, and

other expenses, have put the Soft Drinks Business on track to beat its first-half targets. While we expect costs to rise somewhat in the second quarter, we're aiming for first-half results that exceed first-half targets.

<Food business (Revenue/Core OP)> (P.11)

- Total revenue in the Food Business fell 4.2% year on year and core operating profit declined 10.5%. Despite expanding sales of *Ippon Manzoku Bar* and *Dear Natura* products, total revenue was stunted by the decline in sales of *Mintia* products, mainly due to reduced demand from office workers.
- First-quarter revenue was in line with the first-half forecast while core operating profit came in above forecast. We now aim to exceed our first-half targets by strengthening marketing to support a recovery in sales momentum for our *Mintia* products while further streamlining fixed expenses.

<Overseas Business (Revenue)> (P.12)

- On the consolidated financial results summary basis shown in the top table, total revenue in the Overseas Business expanded 55.6% year on year to 212.3 billion yen. This result reflects the strong performance of our Oceania business, which includes the impact from consolidation of the CUB business, and a positive forex impact of 20.5 billion yen.
- However, I will present the results by region based on the lower table, which uses a constant currency basis that excludes forex impact.
- First, after excluding the 4.6 billion yen positive forex impact, revenue from the Europe business is down 16.5% year on year. I'll provide more details on that later.
- Next is the Oceania business. Even after excluding the 15.9 billion yen positive forex impact, revenue is still up 175.1% year on year. Again, I'll present more details on this later.
- The Southeast Asia business achieved 6.6% growth in revenue, mainly due to strong exports of lactic acid bacteria drinks.
- As noted at the start of this presentation, first-quarter results in Europe were below targets owing to restrictions to control the renewed spread of COVID-19. Meanwhile, Australia, which has been able to relax its COVID-19-related restrictions, is ahead of targets, as is the Overseas Business overall.
- Nonetheless, considering the large divergence from our start-of-year expectations for the Europe and Oceania businesses, we have decided to withdraw the first-half forecasts for each region and revise the full-year forecasts based on first-half results.
- While maintaining the strong momentum in Oceania, we will strive for a recovery in Europe, which was more negatively impacted than had been anticipated. Overall, we aim to beat

our initial targets for the Overseas Business as a whole.

<Overseas Business (Core OP)> (P.13)

- On the consolidated financial results summary basis shown in the top table, Overseas Business total core operating profit in the first quarter was 25.2 billion yen, up 16.4 billion yen year on year. As was the case with revenue, core operating profit was down in Europe but up in Oceania, thanks in part to the consolidation of the CUB business. The strong increase also reflects a 3.0 billion yen positive forex impact.
- As I did with revenue, I will present each region's core operating profit based on the constant currency basis shown in the lower table.
- While core operating profit at the Europe business fell 7.1 billion yen year on year, the Oceania Business achieved an 18.9 billion yen increase even after excluding a 3.0 billion yen positive forex impact.
- The Southeast Asia business achieved a 0.2 billion yen increase in core operating profit through mix improvements, including a sales recovery from a rebound in "traditional trade" in Malaysia and increased revenue, which more than offset higher logistics-related expenses and other costs.
- As was the case with revenue, Overseas Business first-quarter total core operating profit came in above first-half targets as the strong result in Oceania and the impact from a weaker yen offset below-target profit in Europe.

<Overview of Europe Business Results> (P.14)

- The sales volume trends in key European countries are shown on the next page. Overall, European sales volume declined 9% year on year in the first quarter, reflecting the impact on on-premise demand in particular from the lockdowns imposed in many countries since 2020.
- Net sales excluding liquor taxes decreased 14% year on year owing mainly to channel mix deterioration caused by lower sales to the on-premise market, which outweighed the positive impact from the off-premise market's continued shift to premium beers.
- Core operating profit fell 94% year on year as efforts to control costs in all areas were not enough to offset the negative impact from lower sales volumes, mix deterioration, and the high fixed-cost ratio typical in the annual January through March off-season.
- Looking at volumes by sales channel, sales to the off-premise channel were up in the mid-single digit range, largely thanks to strong sales volume, particularly for premium beers. However, the decrease in sales to the on-premise channel was between 65% and 70% owing to COVID-19-related restrictions including temporary closures of eating and drinking establishments.

- Although the situation is difficult, with performance below the levels anticipated at the start of the year, we had factored in a certain amount of negative risk over the course of the full year and restrictions are also being relaxed in many countries, including the resumption from April of outdoor service at eating and drinking establishments in the UK.
- At this point in time, we still aim to achieve our full-year targets by continuing to invest in our brands for the off-premise market while capturing the largest possible share of demand in the on-premise market as it recovers following the lifting of restrictions and continuing our efforts to streamline all costs.

<Overview of Oceania Business Results> (P.16)

- Oceania Business sales of alcohol beverages excluding liquor taxes in the first quarter were more than five times higher than in the first quarter of 2020, driven by strong sales in the beer and RTD categories as well as the consolidation of the CUB business.
- Sales of non-alcohol beverages increased 5% year on year, with the growth driven by the sugar-free cola *Pepsi Max* and other carbonated drinks.
- Core operating profit was up approximately 10 times year on year, reflecting the increase in sales and integration synergies generated by the CUB consolidation.
- The lower table in this slide shows the growth in sales volume by sales channel. The year-on-year comparisons include the previous-year results for CUB. The off-premise channel saw mid single-digit growth in sales volume, driven by strong sales of core brands *Great Northern* and *Asahi Super Dry*.
- In the on-premise channel, however, sales volume fell by a high single-digit percentage year on year. Although restrictions on the operations of eating and drinking establishments were gradually eased, continued restrictions on customer numbers affected sales volumes.
- While concerns about further COVID-19 outbreaks remain, we aim to exceed targets by strengthening marketing with focus on strong-performing core brands and creating synergies between the topline and cost-related areas.