

Asahi Group Holdings, Ltd.
Q3 2022 Financial Results Briefing – Key Points

Date & time: Thursday November 10, 2022; 16:00–17:00

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

Revenue and Core Operating Profit (P1)

- Total revenue for the nine months ended September 30 rose 10.3% year on year to 1,849.9 billion yen. This was due to an increase in sales volume and improvements in channel mix and unit sales prices in each region, as well as a boost from anticipatory demand ahead of the price revisions in Japan in October.
- Total core operating profit increased 9.7% year on year to 176.9 billion yen. The increase owes mainly to sharp profit growth in the July–September period in Japan and Oceania, despite profit declining in Europe primarily as a result of higher costs driven by soaring prices of raw materials.
- We have not disclosed quarterly earnings forecasts, but core operating profit for the Non-Alcohol Beverages Business in Japan in particular fell short of our target due to higher-than-expected cost increases, but overall it is more or less in line with plan.
- When adding on the impact of exchange rate movements, revenue was up 14.2% year on year and core operating profit 14.6% year on year.

Operating Profit and Profit Attributable to Owners of Parent (P2)

- Operating profit declined 5.1% year on year to 163.6 billion yen, mainly reflecting the dropout of the year-earlier gain on the sale of non-current assets and the booking of an impairment loss incurred from the SCM reorganization in Japan that we announced in February.
- Profit attributable to owners of the parent company fell 8.1% year on year due chiefly to the decrease in operating profit, but adjusted profit

attributable to owners of the parent company increased 0.1% year on year to 124.8 billion yen after excluding the impairment loss and other factors. Both are in line with plan.

Improvement in Unit Sales Price and Variable Cost Increases (P3)

- First of all, the unit sales price for beer-type beverages in the three major regions for the nine-month period through September continued to increase.
- In Japan, it rose 1.3% year on year, driven mainly by an improvement in the category mix due to strong growth in canned beer sales.
- In Europe and Oceania, the unit sales price jumped 11.6% and 4.8% year on year, respectively. These results reflect an improvement in the channel mix on the back of a recovering on-premise market, along with a boost from price revisions.
- Cost increases for the nine months through September, which are shown at the bottom of the page, came to approximately 55 billion yen overall because raw material and energy prices continued to surge higher.
- As for our full-year forecast of cost increases, we do not expect any major divergence from the 80 billion yen forecast that we disclosed at interim results, even though mainly higher energy prices in Europe could have a somewhat bigger impact.
- And regarding cost increases next year, even though the prices of some commodities are falling, the price of natural gas and other energy sources remain at elevated levels, so at this point in time, it is still quite difficult to accurately estimate costs.
- That said, our basic policy is to cope with higher costs stemming from price volatility by leveraging cost pass-alongs and more stringent cost management, and we will set our sights on achieving steady Group-wide profit growth by practicing a style of management that can quickly respond to any kind of changes in the operating environment.

Japan (P4)

- Total revenue for the first nine months increased 11.0% year on year on the back of an on-premise channel recovery and brisk sales of canned beer mainly in the Alcohol Beverages Business, along with a boost from temporary demand ahead of price revisions.
- Total core operating profit increased 17.4% year on year on profit growth in the Alcohol Beverages Business, which offset profit declines in the Non-Alcohol Beverages Business and Food Business caused by higher variable costs.
- Core operating profit overall is slightly behind plan. The Alcohol Beverages Business was on target, but the Non-Alcohol Beverages Business fell short of our estimate.
- The Non-Alcohol Beverages Business will probably struggle to reach its full-year target, but we think the shortfall can be covered as much as possible by the Alcohol Beverages Business. Thus, for Japan overall, we hope to turn results around.

Japan (Alcohol Beverages Business: Revenue/Sales Volume) (P5)

- First, at the bottom-right of the page you can see year-on-year sales volume for the overall beer-type beverages market in the nine months through September. New genre products contracted roughly 4% despite a boost from anticipatory demand ahead of price revisions. However, the total for beer-type beverages increased by some 9% year on year owing to considerable sales volume growth due to the recovery in on-premise demand.
- In this market, sales of our new genre products also declined, but total revenue for beer-type beverages still increased 19.2% year on year by virtue of the recovery in on-premise demand and strong sales of canned beer that outperformed the industry average.
- Total sales volume fell short of plan mainly because the recovery in the on-premise beer market was weaker than expected, even though happoshu

exceeded our forecast.

- While anticipatory demand ahead of price revisions was greater than expected in the overall market, we managed to capture demand in excess of the market average, with *Super Dry* can sales volume jumping 56% year on year in the month of September.
- Sales contracted in October in the absence of anticipatory demand, but at this point in time, there are no signs of a shift between categories or any other major changes in market trends.
- With a view to the liquor tax revisions slated for October next year, we will continue to maintain and galvanize sales momentum by continuously investing in the invigoration of the beer category. For example, we will grow and expand the *Nama Jokki Can* and run consumer campaigns around the Rugby Union World Cup.
- As for non-beer-type alcohol beverage categories, revenue for RTD low-alcohol beverages dipped slightly year on year due to the impact of market stagnation, among other factors, but increased year on year for whiskey and spirits, wine, and non-alcohol beer-taste beverages. Revenue from whiskey and spirits and RTD low-alcohol beverages are tracking ahead of plan.

Japan (Alcohol Beverages Business: Core Operating Profit) (P6)

- Core operating profit in the Alcohol Beverages Business increased 34.9% year on year. The main contributing factor was the boost to revenue mainly from beer sales, which outweighed higher variable costs, such as for raw materials and aluminum, and increased spending on advertising and sales promotions for core brands.
- Even though the change in sales, category, and container mix came in below plan, core operating profit overall is on track mainly because we kept a lid on variable cost increases and streamlined advertisement and sales promotion expenses and other expenses.

- As for our outlook for the October–December quarter, even though we anticipate some pullback from anticipatory demand, we will continue to invest mainly in the beer category, but we will still aim to meet our full-year target by endeavoring to further streamline other costs.

Japan (Non-Alcohol Beverages Business: Sales Volume) (P7)

- As you can see in the bottom-right of the page, the non-alcohol beverages market overall in the nine months from January to September expanded roughly 4% year on year on the back of a recovery in sales following the COVID-19 pandemic and a rebound from unseasonable weather in the peak season last year.
- In this environment, total sales volume at Asahi Soft Drinks rose 4.9% year on year to 199.46 million cases. This mainly reflects increased sales of primarily carbonated drinks, lactic acid drinks, and tea owing to the benefits of revamping core brands and launching new products, even though sales of coffee declined.
- Also, even though revenue increased 2.5% year on year, overall it fell short of plan because of a greater-than-expected deterioration in the unit sales price mix caused by weak coffee sales.
- In the Non-Alcohol Beverages Business as well, we saw some anticipatory demand materialize ahead of price revisions, but shipments have already returned to normal levels and at this point in time we see no signs of any major changes in trends after prices were revised.
- Even though the competitive environment is growing increasingly fierce, our policy going forward will be to step up marketing investments mainly in our core brands where we can leverage our strengths.

Japan (Non-Alcohol Beverages Business: Core Operating Profit) (P8)

- Total core operating profit in the Non-Alcohol Beverages Business fell 13.1% year on year. The main contributing factor was the considerable impact of higher variable costs for sugar and other raw materials, despite sales growth in this business and our best efforts to keep costs down through

improvements in capacity utilization and the streamlining of other expenses.

- Total core operating profit fell short of plan mainly because the boost from sales growth was below target and variable cost increases were higher than expected, even though we took steps to streamline additional advertisement and sales promotion expenses.
- We will continue to target a recovery in core operating profit as much as possible by turning sales volume around, improving unit sales prices, and further bolstering efforts to streamline general fixed costs, including expenses related to the vending machine business.

Europe (P9)

- Total revenue for the nine months through September increased 13.7% year on year thanks to a 2.7% year-on-year growth in sales volume centering on the premium category and global brands, channel mix improvement driven by a recovery in the on-premise market, and a boost from the effects of price revisions, etc.
- Core operating profit declined 2.9% year on year because we were unable to absorb increased marketing expenses associated with the resumption of economic activity and brand-building investments, although we did manage to offset higher variable costs through sales volume growth and the impact of price revisions.
- Revenue came in slightly below plan, but core operating profit is more or less on target due mainly to efforts aimed at improving the efficiency of general fixed costs.
- As shown at the bottom of the page, we have continued to maintain and expand the strength of our business fundamentals in Europe overall, as indicated mainly by improvement in the channel mix owing to the on-premise market recovery and unit sales price improvement driven primarily by price revisions, as well as a growing share of the off-premise market in the six major countries, including the Czech Republic, Romania, and Italy.

- If the impact of soaring energy prices are greater than expected, full-year core operating profit could fall slightly short of plan, but I have confidence in the countermeasures and growth strategies of local management to astutely respond to changes in the operating environment.
- Changes in consumer sentiment brought about by inflation will also bear watching, our policy will be to press ahead with strategies for growth from a medium- to long-term perspective by continuing to unwaveringly invest in our premium strategy in anticipation of a recovery in the macro environment.

Oceania (P10)

- Total revenue for the January–September period for both the Alcohol Beverages Business and Non-Alcohol Beverages Business grew 5.3% year on year.
- The middle of the table shows a breakdown. Total net sales excluding liquor tax increased 6.8% year on year for alcohol and non-alcohol beverages as a result of not only growth in sales volume centering on core brands, but also channel mix improvement driven by a recovery in the on-premise market and a boost from the effects of price revisions.
- Even though variable costs continued to climb higher, core operating profit still rose 9.7% year on year by virtue of mainly higher sales and the streamlining of fixed costs, including sales promotion expenses.
- Both revenue and core operating profit are currently in line with plan, and we have our sights set on achieving our full-year targets primarily by maximizing sales of mainly core brands in the upcoming peak season and by further strengthening cost management.
- The table at the bottom of the page shows sales in the Australian Alcohol Beverages Business. In addition to mainly *Great Northern*, sales of *Super Dry* and other imported premium beers were brisk, but sales in the off-premise channel still declined in the low single digits range chiefly because of a negative impact associated with the recovery of the on-premise channel.

- In the on-premise channel, sales rebounded in the July–September period in the absence of the year-earlier lockdown, thereby driving a 120% year-on-year recovery and underpinning a year-on-year increase of around 20% for the nine months through September.
- As a result, the unit sales price for beer-type beverages rose from 2.8% to 4.8% year on year in the first half due to a sharp improvement in the channel mix and the impact of price revisions.
- As for consumption trends, at this juncture we see no indications of sales volume declines, trading down, or any other structural changes in the market, so going forward, even in this tough operating environment, we plan to drive the Group’s earnings recovery with appropriate revenue management and even better cost efficiency.