# Asahi Group Holdings, Ltd.
# Q2 2023 Financial Results Briefing Conference Call Summary (1)

Date & time: Thursday August 10, 2023; 15:30–17:00
Presenter: Atsushi Katsuki, President and CEO, Representative Director

**◆Executive Summary** (P1)

- For the first half overview, as explained just now, we achieved profit growth that exceeded the plan, mainly in Japan, by reversing the significant cost increases with the effects of higher revenue and strengthened cost management.

- While maintaining and expanding our competitive advantage in each region, we have been able to achieve higher unit sales prices in all regions by promoting appropriate pricing strategy and expanding premium categories.

- From the second half onward, it will be necessary to monitor inflation-associated impacts on demand. However, we will continue to achieve the revised full-year forecast, mainly for the Alcohol Beverages Business in Japan, and continue to invest for sustainable growth in the next fiscal year and beyond.

- In addition, as I will explain later, we established Asahi Global Procurement to consolidate our procurement functions globally, and will accelerate efforts to further upgrade our procurement functions and strengthen Group governance.

**◆Improvement in Unit Sales Price/ Variable Cost Increases** (P2)

- First, as for the first half results of unit sales prices described in the top row, we have been able to steadily increase unit sales prices from the first quarter onward, with 9.0% in Japan, 16.5% in Europe, and 2.9% in Australia, contributing significantly to top-line growth in the three major regions.

- Although the effect of price revisions was the biggest driver of improvement in unit prices, global brands have also made steady progress in their premium strategy, with "*Asahi Super Dry*" in particular growing at more than 20% year on year globally, excluding its home market.

- With global inflation progressing, future consumption trends are not optimistic, but at present this has not led to a major decline in consumer sentiment. We intend to promote appropriate pricing strategy and premium strategy in each region in the second half and beyond.

- The bottom row summarizes the status of cost increases.

- In the first half, we achieved a total of just below JPY 55.0 billion, mainly in raw materials and energy. Although there were strong and weak results in each region, the Group as a whole was slightly lower than the expected level.

- For the full-year forecast, it is unchanged at around JPY 100.0 billion due to the large volume of raw materials already hedged and the need to prepare for additional price hike requests from suppliers, and fluctuations in the energy market in the winter, although there are signs of softening in some market conditions.

- If it is possible to restrain the amount from the forecast, we will flexibly redistribute the funds, not only to increase profits, but also to improve competitive advantage and invest in core strategies.

**◆Japan: Overview and Direction** (P3)

- For the first half overview, in response to significant cost increases, we achieved higher-than-planned profit growth through appropriate pricing strategy, such as additional price increases for Non-Alcohol Beverages Business in May, and strengthened cost management, such as a review of advertising and promotional investments, following the price revision since last year.

- As a result, the full-year forecast has been revised upward. In the case of Alcohol Beverages Business, we will revise the prices of kegs and bottles of beer in October. We will continue to see environmental changes, such as liquor tax revisions, as an opportunity to invest in growth categories and strengthen our new value propositions.

- As "One Asahi," we will speed up and strengthen our efforts to establish a strong profit base, including the creation of top-line synergies and cost structural reforms that transcend the boundaries of the Alcohol Beverages, Non-Alcohol Beverages, and Food Businesses, as well as the enhancement of human capital and organizational functions.

**◆Japan (Alcohol Beverages Business): Main Initiatives** (P4)

- As the graph on the left in the upper row shows, the return to beer trend has continued since the liquor tax revision in October 2020, even as the price revision has been steadily penetrating. In light of the liquor tax revision in October this year, we expect this trend to continue.

- In the first half, we were negatively affected by temporary volume due to the renewal of beer brands and the launch of new products of competitors, but we were able to maintain key brand indicators of "*Asahi Super Dry*", such as recallability and discrimination.

- We have also strengthened our new value proposition, such as the launch of "*Asahi Shokusai*," which utilizes the Jokki Can. Although the price is about JPY 10 higher than that of the competing premium beer, we have received a high level of appreciation for the aroma and flavor of the beer, and we have achieved a high level of intention to repeat purchase the beer, which is a good start.

- In the future, we will strengthen information dissemination through the use of being a Worldwide Partner in the Rugby World Cup and introduce new beer products to further drive the return of demand to beer following the liquor tax revision.

**◆Japan (Non-Alcohol Beverages Business): Main Initiatives** (P5)

- "*Asahi Sou*," a tea released in April, has been performing well, but progress on core brands such as lactic acid drinks and coffee have fallen short of the plan.

- Although the business environment continues to be difficult amid significant cost increases, we will aim to achieve our annual plan and strengthen our marketing activities, including our new value propositions, to restore sales momentum in the next fiscal year and beyond, including the development of high-value-added products and products with improved containers.

**◆Europe** (P6, P7)

- For the first half overview, sales volume decreased while significant cost increases continued, but as I explained earlier, the unit sales prices increased significantly, and the premium strategy, including price responses, has steadily progressed.

- Trends by category are shown in the upper section of the next page. In addition to significant unit price improvements in the premium category, the rate of increase in the mainstream unit price has been higher than last year.

- Furthermore, as we take the lead in such price revisions, we have been able to maintain and expand the fundamental strength of our overall Europe business, including the recent steady expansion in our share of the off-premise market in five countries, including the Czech Republic, Poland and Romania.

- In Europe, where inflation is particularly high, it is necessary to keep a close eye on changes in consumption trends. However, we intend to continue to promote a premium strategy based on Profitable Revenue Growth Management in European countries, which will lead to sustainable growth in the next fiscal year and beyond.

**◆Oceania** (P8, P9)

- For the first half overview, we continued to achieve strong top-line growth by improving our competitive advantage with our core brands and by promoting a multi-beverage strategy that mutually utilizes a sales network for alcohol and non-alcohol beverages.

- More specifically, as you can see on the next page, sales of the core brand "*Great Northern*" continued to outpace the overall market, growing at 5% year on year. Meanwhile, we are actively developing high-end products such as craft beer and RTD.

- In the multi-beverage strategy, sales of "*Asahi Super Dry*" and "*Peroni Nastro Azzurro*" increased 13% year on year, mainly due to the expansion of cross-selling of alcohol and non-alcohol beverages.

- In Oceania, it is necessary to prepare for the risk of a slowdown in the beer and beverage markets as a whole in response to the recent deterioration in the macro environment. However, in addition to the upgrading of Revenue Growth Management, we plan to strengthen our profit base, which will not be affected by environmental changes, through new profit structure reforms that we have initiated as the next phase of creating integration synergy.

**◆Expansion of Global Brands** (P10)

- As I mentioned at the beginning of this conference call, "*Asahi Super Dry*" sales volume outside Japan increased 24% year on year, driven by strong growth in top-selling countries such as China, Australia, and the United Kingdom.

- As for topics, in Korea, where we were struggling until now, we released a limited number of "*Nama Jokki Can*" in May, but it became a big topic of conversation through SNS, etc., and like in Japan, it sold out immediately after the release, which gave momentum to full-scale development in the future.

- Sales of "*Peroni Nastro Azzurro*" also increased 3% year on year outside the home market on the back of growth mainly in Europe, Asia, and Australia, and the expansion of the non-alcohol "*Peroni Nastro Azzurro 0.0%*".

- In addition to strengthening marketing through sponsorship of global sporting events such as the Rugby World Cup to be held from September, we are also expanding our market presence through the development of non-alcohol beer-taste beverages and other extension products.

**◆Establishment of Asahi Global Procurement** (P11)

- As described, in order to enhance the procurement functions of the Group as a whole, Asahi Global Procurement, a new company that consolidates the category management and sourcing functions that have been performed by each region, has been established in Singapore and will commence operations in January 2024.

- By integrating the Group's diverse capabilities, the Group will be able to gather cutting-edge cases, information, and knowhow to procure high-quality materials and services on a sustainable and stable basis.

- By 2028, the new company will increase the ratio of direct negotiations and management to procurement expenditure of the entire Group to more than 50%. The ratio of management by the procurement function of the entire Group, including the new company, will also be increased from about 60% to more than 90%.

- In this way, the entire Group aims to generate a financial impact of more than USD 100 million per year, including cost reductions and reductions in future cost increases, over a period of about 5 years from 2024.

- We will also strengthen cooperation with suppliers to address sustainability issues, such as the procurement of sustainable agricultural raw materials and containers and packaging. In addition, we plan to enhance risk management, including procurement risk, to improve not only financial value but also non-financial value.

- We view this initiative as a major step in the evolution of Group governance as set forth in strategic foundation strengthening of the Medium- to Long-term Management Policy, and will continue to further strengthen the management foundation that supports our long-term strategy.

**◆Final note**

- In the first half, we revised up our full-year forecast due to progress in Core Operating Profit exceeding our plan. This year, however, we need to prepare for risks such as falling demand due to inflation in addition to commodity and energy market conditions, and we plan to increase investment in response to such risks.

- In order to achieve sustainable growth in the next fiscal year and beyond, we will work to strengthen our core strategies and strategic foundations as set forth in the "Medium- to Long-term Management Policy," including the evolution of Group governance. We look forward to your continued support.