

※ This material includes the comments and the reference data based on FY2018 Q1 Financial Results.

Financial Results Digest for Q1 2018



May
2018

Financial Results Highlights for Q1 2018

◆ **All Businesses achieved YoY growth in core OP with newly consolidated Central Europe business and decent progress above the targets.**

- Alcohol Beverages : YoY growth and following target in core OP driven by streamlining advertising and promotion expenses, despite revenue decrease due to sales volume of beer-type decline.
- Soft Drinks : YoY growth and above targets in core OP driven by sales increases of core brands and streamlining fixed costs, despite revenue decrease due to the transfer of LB.
- Food : YoY growth and above targets both in revenue and core OP driven by continuous favorable sales of core brands and reduction of manufacturing costs, such as material costs.
- Overseas : YoY growth and above targets both in revenue and core OP mainly due to firm results of Europe business including newly consolidated impact of Central Europe business, with following targets in Oceania and Southeast Asia businesses.

◆ **Aiming at exceeding H1 targets by strengthening beer-type sales, in addition to sustaining favorable performance of Soft Drinks, Food and Overseas Businesses.**

(JPY billion)

Summary of Statement of Profit or Loss	Q1 (3months ended March 31)			H1 forecast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Alcohol Beverages Business	180.3	- 8.0	- 4.3%	440.3	0.1	0.0%
Soft Drinks Business	72.9	- 2.2	- 2.9%	172.7	- 5.6	- 3.1%
Food Business	27.6	0.6	2.2%	55.2	0.0	0.0%
Overseas Business	159.1	71.8	82.2%	332.2	69.1	26.3%
Other Business / Adjustment	2.2	0.8	56.8%	- 2.4	- 3.0	-
Revenue	442.1	62.9	16.6%	998.0	60.6	6.5%
Alcohol Beverages Business	15.6	0.6	3.9%	47.9	1.2	2.6%
Soft Drinks Business	3.8	0.6	18.0%	16.8	0.2	1.3%
Food Business	3.3	0.2	7.7%	6.1	0.0	0.8%
Overseas Business	14.0	11.5	453.5%	35.2	14.1	66.5%
Other Business / Adjustment	- 4.9	0.4	-	- 10.4	- 0.7	-
Amortization of acquisition-related intangible assets	- 5.7	- 3.3	-	- 10.9	- 3.4	-
Corporate adjustment (IFRS adjustment)	- 2.1	- 0.9	-	- 3.0	- 1.0	-
Core operating profit	24.1	9.1	60.5%	81.7	10.4	14.6%

Note: Previous year's result of amortization of acquisition-related intangible assets in H1 forecast includes the impact of retroactive adjustment for Central Europe business (negative JPY3.2 billion).

<Sales Volume>	Q1 (3months ended March 31)			(Millions of cases) H1 forecast (announced on February 15)			<Market Total>	
		Inc./Dec.	YoY		Inc./Dec.	YoY	January - March	YoY
Beer	-	-	- 8%	43.80	- 0.91	- 2.0%		-2~-3%
Happoshu	-	-	- 4%	6.80	- 0.34	- 4.8%		approx. -6%
New Genre	-	-	- 8%	20.90	- 0.08	- 0.4%		approx. +2%
Beer-type beverages Total	-	-	- 7%	71.50	- 1.32	- 1.8%		-1~-2%

<Sales Volume by Brand>	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Super Dry Total	16.84	- 1.24	- 6.9%
Style Free Total	2.73	- 0.03	- 1.1%
Clear Asahi Total	6.82	- 0.81	- 10.6%

<Beer Container Type>	
January - March	
	YoY
Bottle	- 8.3%
Can	- 7.0%
Keg	- 8.0%

【 Market Total 】

- YoY decline of 1 to 2% in total volume due to the retail price increase since H2 last year and industrial structural factors, despite proactive new product launching by each company.

【 Sales Volume of Asahi Breweries 】

- -7% YoY decline and below target in total volume due to YoY volume decrease for all categories.
- <Beer> -8% YoY decline in total volume due to sluggish sales in on-premise market in addition to downturn in reaction to reinforced marketing activities related to 30th anniversary of *Super Dry* last year.
- <Happoshu> -4% YoY decline in total volume mainly due to sales decrease of brands other than *Style Free*, despite slight decline of *Style Free*.
- <New Genre> -8% YoY decline in total volume mainly due to sales decrease of *Clear Asahi Prime Rich* impacted by new product launching by the other competitors.
- Total results below targets due to the shortfall of Beer and New Genre, despite results of Happoshu following the target.

Alcohol Beverages Business (Revenue)

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Beer	93.1	- 7.2	- 7.2%	241.3	- 1.9	- 0.8%
Happoshu	11.5	- 0.5	- 4.4%	26.2	- 1.4	- 4.9%
New Genre	27.8	- 2.4	- 7.9%	69.4	- 0.1	- 0.1%
Beer-type beverages total	132.5	- 10.1	- 7.1%	336.9	- 3.3	- 1.0%
Whiskey and spirits	12.5	0.2	1.6%	27.2	1.0	3.6%
RTD low-alcohol beverages	9.8	1.9	24.4%	21.8	3.7	20.5%
Wine	9.7	0.7	7.4%	19.7	0.7	3.5%
Shochu	6.3	0.1	1.4%	13.2	- 0.0	- 0.2%
Other	0.0	- 0.0	- 13.2%	0.0	0.0	6.6%
Other than beer-type beverages total	38.3	2.9	8.1%	81.9	5.3	6.9%
Non-alcohol beverages	5.7	0.1	1.0%	13.9	0.0	0.1%
Other, contracted manufacture, etc.	5.1	- 0.5	- 8.7%	13.7	1.5	11.9%
Asahi Breweries Revenue	181.6	- 7.6	- 4.0%	446.4	3.5	0.8%
Other / elimination in segment	5.0	- 1.7	- 24.8%	11.0	- 3.2	- 22.8%
Corporate adjustment (IFRS adjustment)	- 6.4	1.3	-	- 17.1	- 0.1	-
Revenue total	180.3	- 8.0	- 4.3%	440.3	0.1	0.0%

【 Revenue of Other Alcohol Beverages 】

- +8.1% YoY growth in total of other than beer-type beverages, with healthy sales of RTD low-alcohol beverages (*Zeitaku Shibori*) and wine with favorable performance of ENOTECA.
- +1.0% YoY growth in revenue of Non-alcohol beverages mainly driven by strong performance of *Dry Zero* and *Style Balance*.
- Total results above targets due to the favorable performance of RTD low-alcohol beverages and non-alcohol beverages.

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Beer-type - Decrease in sales volume	-	- 3.2		-	0.3	
Change in Beer-type	-	- 0.1		-	0.4	
Other than beer-type beverages - increase in sales volume	-	0.8		-	1.6	
Cost reduction in manufacturing	-	0.4		-	0.6	
Cost increase in manufacturing	-	- 0.5		-	- 0.6	
Decrease in sales promotion expenses	21.3	1.8		50.7	0.4	
Decrease in other expenses	-	1.4		-	- 1.4	
Asahi Breweries	15.7	0.6	4.0%	47.7	1.3	2.7%
Other / elimination in segment	- 0.1	- 0.0	-	0.2	- 0.0	- 17.2%
Core Operating Profit	15.6	0.6	3.9%	47.9	1.2	2.6%

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

- +3.9% YoY growth in total due to cost reduction and efficient operation of advertising and promotion expenses, mitigating decrease in sales volume of beer-type.
- Total result following target due to sales increase of other than beer-type beverages and streamlining overall fixed costs, mitigating shortfall of beer-type sales volume.

< Break down of main factors >

Beer-type decrease in sales volume -3.2 (Note: including the impact of price revision)

Cost reduction in manufacturing +0.4 (Raw materials +0.1, Mix improvement of other than beer-type +0.2, and others)

Cost increase in manufacturing -0.5 (Raw materials -0.1, Utilities -0.3, and others)

Decrease in sales promotion expenses +1.8 (Advertisement +1.0, Promotion expenses +0.8)

(Beer-type +2.8, others -1.1)

Soft Drinks Business (Sales Volume)

<Sales Volume>

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Carbonated drinks	13.01	1.13	9.5%
Fruit juice	4.54	- 0.32	- 6.6%
Coffee	9.59	- 1.18	- 11.0%
Tea	7.94	- 0.14	- 1.8%
Mineral water	4.62	0.33	7.7%
Lactic acid drinks	9.45	1.15	13.9%
Other drinks	3.89	0.19	5.0%
Sales Volume Total	53.04	1.15	2.2%

(Millions of cases)

H1 forecast (announced on February 15)			
	Inc./Dec.	YoY	
	30.69	1.37	4.7%
	9.41	- 1.16	- 11.0%
	22.28	0.00	0.0%
	18.55	- 0.65	- 3.4%
	10.98	0.42	4.0%
	21.97	1.09	5.2%
	9.66	0.69	7.6%
	123.54	1.75	1.4%

<Market Total>

January - March
YoY
+3~4%
+3~4%
-3~4%
+3~4%
+5~6%
+3~4%
-
+1~2%

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

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Mitsuya	7.83	0.21	2.8%
Wilkinson	4.17	0.64	18.3%
WONDA	9.10	- 1.08	- 10.6%
Jurokucha	4.53	- 0.12	- 2.7%
Oishii Mizu	4.62	0.33	7.7%
Calpis	7.81	0.76	10.8%

<Container Type>

Jan. - Mar.	YoY
Can	- 8.0%
PET Bottle total	7.5%
PET large size	3.4%
PET small size	10.3%
Glass Bottle	0.0%
Others	- 2.7%

<Channel Type>

Jan. - Mar.	YoY
Vending machines	- 0.2%
Over-the-counter total	3.0%
Convenience Store	- 1.1%
Supermarket	4.8%
Others	3.9%

[Market Total]

•YoY growth of approx. 2% in total volume driven by favorable weather and aggressive marketing activities centered on core brands in each beverage company.

[Asahi Soft Drinks Sales Volume]

•+2.2% 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 and tea categories.

<Core Operating Profit>

(JPY billion / Millions of cases)

	Q1 (3months ended March 31)			H1 forecast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Sales Volume Total	53.04	1.15	2.2%	123.54	1.75	1.4%
Revenue Total	72.9	- 2.2	- 2.9%	172.7	- 5.6	- 3.1%
Increase in sales volume	-	0.5		-	1.0	
Change in product & pack mix, etc.	-	0.0		-	0.1	
Cost reduction	-	1.3		-	2.2	
Cost increase	-	- 0.4		-	- 0.9	
Decrease in sales promotion expenses	-	0.0		-	- 0.7	
Other expenses	-	- 0.7		-	- 1.2	
Asahi Soft Drinks	3.7	0.7	21.2%	16.7	0.6	3.5%
LB	-	- 0.0	-	-	- 0.3	-
Other / elimination in segment	0.1	- 0.1	- 50.6%	0.1	- 0.0	- 15.3%
Core Operating Profit	3.8	0.6	18.0%	16.8	0.2	1.3%

[Factors Contributing to Growth / Decline of Asahi Soft Drinks] (JPY billion)

- +21.2% YoY growth due to manufacturing cost reduction by increasing operation capacity, in addition to sales volume increase.
- Result above target due to sales volume increase and reduction of fixed costs through factors including review of raw materials procurement.

< Break down of main factors >

Cost reduction +1.3 (Raw materials +0.3, Packages +0.3, Increase of operation capacity / in-house production +0.7)

Cost increase -0.4 (Raw materials -0.2, Packages -0.2)

Advertisement & Sales promotion expenses 0.0 (Advertisement +0.8, Promotion expenses -0.8)

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Asahi Group Foods	30.1	0.7	2.3%	61.0	0.0	0.0%
Other / elimination	- 0.0	0.0	-	-	0.0	-
Corporate adjustment (IFRS adjustment)	- 2.6	- 0.1	-	- 5.8	- 0.0	-
Revenue Total	27.6	0.6	2.2%	55.2	0.0	0.0%

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Asahi Group Foods	3.1	0.3	9.5%	6.0	0.2	3.1%
Other / elimination	0.1	- 0.0	- 21.4%	0.1	- 0.1	- 48.5%
Core Operating Profit	3.3	0.2	7.7%	6.1	0.0	0.8%

【 Revenue 】

- +2.2% YoY growth driven by favorable results of core brands including *MINTIA* and *Dear Natura*.
- Results above targets due to firm results of core brands through initiatives including renewal and new extension product launching.

【 Core Operating Profit 】

- +7.7% YoY growth due to revenue increase of core brands and streamlining manufacturing costs.
- Result above target due to the factors including revenue increase and reduction of overall fixed costs.

Overseas Business (Revenue)

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	92.5	68.0	278.1%	209.3	66.6	46.7%
Oceania business	44.1	2.7	6.5%	84.9	8.9	11.7%
Southeast Asia business	13.8	0.8	6.4%	25.1	- 1.6	- 6.1%
China business	4.4	0.4	10.3%	3.3	- 5.3	- 61.5%
Other / elimination in segment	4.3	- 0.2	- 3.4%	9.5	0.4	4.8%
Revenue	159.1	71.8	82.2%	332.2	69.1	26.3%

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

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	89.8	65.4	267.3%	199.6	56.9	39.9%
Oceania business	44.7	3.2	7.7%	83.7	7.7	10.2%
Southeast Asia business	13.2	0.2	1.8%	24.9	- 1.9	- 7.0%
China business	4.2	0.3	7.2%	3.3	- 5.3	- 61.5%
Other / elimination in segment	4.3	△ 0.2	- 4.1%	9.8	0.7	7.4%
Revenue	156.2	68.9	78.9%	321.3	58.2	22.1%

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

Note: See P.10 for details of Europe business

- Oceania: +7.7% YoY growth driven by newly added impact of *Peroni* in Alcohol beverages with unchanged in Non-alcohol beverages. (Non-alcohol beverages +0%, Alcohol beverages +23%)
- Southeast Asia: +1.8% YoY growth due to favorable performance of Asahi brands in Malaysia and Myanmar.
- China: +7.2% YoY growth due to favorable sales results of *Asahi Super Dry* both in China and export for Oceania.
- Results above targets due to excess achievements in Europe business with following targets in other than Europe businesses.

Overseas Business (Core Operating Profit)

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	10.3	11.0	-	29.7	13.7	85.9%
Oceania business	2.7	- 0.0	- 1.1%	4.0	0.4	9.9%
Southeast Asia business	0.4	0.3	545.2%	0.9	0.5	120.4%
China business	0.3	0.0	4.4%	0.1	- 0.5	- 87.8%
Other / elimination in segment	0.4	0.1	57.4%	0.5	0.0	5.9%
Core Operating Profit	14.0	11.5	453.5%	35.2	14.1	66.5%

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

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	10.1	10.8	-	28.3	12.3	77.3%
Oceania business	2.7	0.0	0.0%	4.0	0.3	8.4%
Southeast Asia business	0.3	0.3	462.4%	0.9	0.5	117.1%
China business	0.2	0.0	1.4%	0.1	- 0.5	- 87.8%
Other / elimination in segment	0.4	0.1	58.6%	0.5	0.0	8.6%
Core Operating Profit	13.8	11.2	443.8%	33.8	12.6	59.7%

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

Note: See P.10 for details of Europe business

- Oceania: Almost unchanged due to streamlining advertisement and promotion expenses, mitigating increase of logistics and warehouse expenses associated with sales volume increase.
- Southeast Asia: +462.4% YoY growth mainly due to revenue increase and reduction of overall fixed costs.
- China: +1.4% YoY growth driven by revenue increase and reduction of manufacturing fixed costs.
- Results above targets due to excess achievement in Europe business with following targets in other than Europe businesses.

Europe Business (Revenue / Core Operating Profit)

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Western Europe	29.0	4.6	18.7%	68.1	7.1	11.7%
Central Europe (consolidated since Apr. 2017)	63.4	63.4	-	141.2	59.5	72.9%
Europe business	92.5	68.0	278.1%	209.3	66.6	46.7%

<Core Operating Profit>

	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Gross Core Operating Profit	2.2	0.3	16.2%	7.8	0.2	3.3%
Once off Cost	- 0.0	0.4	-	- 0.1	0.7	-
Western Europe	2.1	0.7	47.0%	7.7	1.0	14.8%
Gross Core Operating Profit	8.5	8.5	-	22.7	7.2	46.8%
Once off Cost	- 0.3	1.9	-	- 0.7	5.5	-
Central Europe	8.2	10.4	-	21.9	12.7	137.7%
Europe business	10.3	11.0	-	29.7	13.7	85.9%
Western Europe	- 1.2	- 0.1	-	- 2.3	- 0.6	-
Central Europe	- 3.4	- 3.4	-	- 6.4	- 3.1	-
Amortization of intangible assets	- 4.6	- 3.5	-	- 8.7	- 3.7	-

[Revenue (excluding foreign exchange impacts associated with conversion of local currencies into JPY)]

- +278.1% YoY growth driven by revenue increase mainly in core brands in each country, in addition to the impact of newly consolidated Central Europe business.
- Result above target due to excess achievement of Central Europe with following targets in Western Europe. (forex impact : positive JPY9.7 billion)

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

- YoY growth of JPY11.0 billion due to consistent mix improvement in Western Europe, in addition to the impact of newly consolidation and decline of one-off costs in Central Europe.
- Results above targets both in Western and Central Europe, due to mix improvement and streamlining costs expenses. (forex impact : positive JPY1.4 billion)

Operating Profit/Profit attributable to owners of parent

(JPY billion)

Summary of Statement of Profit of Loss	Q1 (3months ended March 31)			H1 foercast (announced on February 15)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Revenue	442.1	62.9	16.6%	998.0	60.6	6.5%
Core operating profit	24.1	9.1	60.5%	81.7	10.4	14.6%
Adjustment item	0.7	2.1	-	- 6.1	- 2.3	-
Gain (loss) on sales and retirement of non current assets	- 0.4	- 0.5	-	- 2.7	- 2.0	-
Gain (loss) on revaluation of subsidiaries and affiliates	1.4	1.4	-	-	-	-
Business integration expenses	- 0.2	0.2	-	-	1.8	-
Others	- 0.1	0.9	-	- 3.4	- 2.1	-
Operating profit	24.8	11.2	81.8%	75.6	8.1	12.0%
Financing income or loss	- 1.3	- 0.6	-	- 1.7	- 0.6	-
Share of profit (loss) of entities accounted for using equity method	0.2	5.6	-	0.3	4.1	-
Gain on sales of investments accounted for using equity method	- 0.9	- 0.9	-	-	-	-
Others	- 0.7	0.9	-	3.5	5.7	-
Profit before tax	22.1	16.2	274.7%	77.7	17.2	28.5%
Income tax expense	- 7.6	- 4.4	-	- 22.7	- 2.9	-
Profit for the period	14.5	11.8	433.8%	55.0	14.3	35.3%
Profit attributable to owners of parent	14.8	12.0	430.3%	55.0	14.3	35.1%
Profit attributable to non-controlling interests	- 0.3	- 0.2	-	-	0.1	-

【 Operating Profit 】

- +81.8% YoY growth driven by core OP increase, in addition to gain on fair market valuation associated with deconsolidation of Yantai Beer Tsingtao Asahi Co., Ltd..

【 Profit attributable to owners of parent 】

- +430.3% YoY growth driven by recovery of share of profit of entities accounted for using equity method due to sales of shares of Tsingtao brewery and Tingyi-Asahi Beverages, despite increase of income tax expense.
- Results above target mainly due to excess achievement of OP.

Asahi

その感動を、わかちあう。

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