

February 15, 2021

Asahi Group Holdings, Ltd.

Fiscal 2020 Financial Results Conference Call

Date & Time: Monday, 15th February, 2021

15:30-17:00 Japan Standard Time

Speakers: Akiyoshi Koji, President and Representative Director, CEO

Atsushi Katsuki, Senior Managing Director, CFO

◆ 2020 Summary & 2021 Direction

<Executive Summary> (P1)

- I'll begin today's presentation with a summary of 2020 results. Revenue fell 3% year on year and core operating profit declined 21%, primarily reflecting the decrease in on-premise consumption of beer-type beverages resulting from the COVID-19 pandemic.
- It was a difficult year, with the pandemic having a strong negative impact on the core strengths in each of our businesses. In Japan, on-premise consumption of *Asahi Super Dry*, vending machine soft drink sales, and sales of the Food business's *Mintia* brand products all were negatively affected. Overseas, meanwhile, the pandemic caused a shrinkage of sales in the high-margin on-premise channel.
- However, we responded to such challenges by applying flexible marketing strategies and accelerating earnings structure reforms in each region. As a result, we were able to exceed our revenue and profit targets, with a particularly strong contribution from the Overseas Business. I think the results demonstrate our resilience and ability to respond to change.
- We also greatly expanded our "glocal" growth platform by completing the acquisition of the CUB business in Australia in June. We have already integrated the business with our existing business and are making steady progress with an integration project targeted at creating synergies.
- While we ended up finalizing this major acquisition in the midst of a global pandemic, by following an optimal financing plan that included our first public share offering in 31 years, and moving to boost our ability to generate cash flow, we are now in sight of a full recovery in our financial soundness.

- Based on last year's results, and factoring in a lessening of the negative impact from COVID-19 and a full-year contribution from CUB, in 2021 we are targeting a 30% rebound in core operating profit on a 13% increase in revenue.
- This year's business plan also assumes the on-premise market will rebound to a certain extent, but considering factors such as recent worse-than-expected conditions, it remains difficult to accurately forecast the pandemic's impact on each of our geographic markets.
- In this environment, we will endeavor to accurately grasp the changes in the operating environments in each of our geographical markets and provide customers with higher added-value while striving to create new value and new demand. In so doing, we will strengthen the resilience of the entire Asahi Group.
- In addition, to further strengthen our ability to respond to the changes in this age of true volatility, uncertainty, complexity and ambiguity, we have revised our Medium-Term Management Policy, and will accelerate management reforms that take into account the "new normal" of the post-COVID operating environment.

<Overview of Medium-Term Management Policy> (P2)

- Our current Medium-Term Management Policy was last revised in 2018. At that time, we established three Key Initiatives, as well as Key Performance Indicator Guidelines and Financial and Cash Flow Guidelines based on assumptions about the business environment three years into the future, as we advanced "Glocal Value Creation Management".
- However, the COVID-19 pandemic has brought about far-reaching global changes that will affect our external environment in the coming years. In addition, the CUB acquisition has increased the proportion of core operating profit earned from the Overseas Business to roughly 50% of the Group-wide total and has significantly altered our business portfolio.
- In light of these changes in our operating environment, although we have left the three Key Initiatives in our Medium-Term Management Policy in place, we have revised the specific key measures we will be implementing under them.
- To achieve the first Key Initiative of "Strengthening earnings power", we will accelerate the reform of our earnings structure in anticipation of changes in the operating environment caused by COVID-19, while continuing to squarely promote our premium strategy, and the Asahi Group Philosophy's primary strategy of enhancing high-added-value.
- The earnings structure reforms are targeted at achieving an unprecedented efficiency improvement effect of at least ¥50 billion over the next three years. This will contribute to an earnings rebound, which in turn will support reinvestment to enhance management resources that are crucial to sustainable growth and an even deeper commitment to ESG initiatives.

- As for our efforts to “Enhance management resources”, the future we envisioned 10 years from now is suddenly upon us. Anticipating dramatic changes in consumption patterns and work styles, we will respond by increasing our investment in R&D and human resources and accelerate our digital transformation.
- With regard to our efforts to “Reinforce ESG initiatives”, we are striving to create unique value by accelerating our work to address our five material issues, with particular focus on our Asahi Group Environmental Vision 2050 and Sustainable Communities initiatives.

<KPI Guidelines> (P3)

- Our business performance progressed in line with key performance indicators in the Guidelines, such as EPS and ROE, until 2019. Operating performance deteriorated significantly in 2020 and fell short of targets, however, due to the impact of the COVID-19 pandemic.
- Given the current conditions, we have withdrawn the existing Key Performance Indicator Guidelines and will establish new guidelines in 2022, when we expect the impact from the COVID-19 crisis to be winding down.
- As for earnings in 2022, while we assume the operating environment will not fully return to pre-COVID-19 conditions, we are targeting a rebound to 2019 profit levels even when excluding the positive impact of the CUB acquisition.
- When including the impact of the CUB consolidation, we are targeting record-high net profit in 2021, but we think it will take two years to return earnings to pre-COVID-19 levels on an organic basis.

<Financial & Cash Flow Guidelines> (P4)

- We have also updated our Financial and Cash Flow Guidelines, taking into consideration both the negative impact from COVID-19 and our ability to generate greater cash flow thanks to the CUB acquisition and other measures.
- From 2021 onward, we are targeting annual average free cash flow of at least ¥200 billion, up from the previous target of at least ¥170 billion. We will prioritize the earmarking of cash toward debt reduction to increase our capacity for growth investment.
- Taking into consideration the impact from COVID-19, we now aim to lower net debt to about three times EBITDA by 2024.
- Lastly, we will strive to stably increase dividends based on a target payout ratio of 35%, while also maintaining our policy of raising the ratio to 40% in the future.

<Efficiency Improvement Plan in Profit Structure Reforms> (P5)

- This slide presents our plan to improve the efficiency of our earnings structure reforms

over the next three years.

- Last year, we responded to the impact from COVID-19 with efficiency improvements that amounted to about ¥42 billion, significantly higher than initially planned.
- Over the next three years, we will undertake measures to improve efficiencies that we expect will boost earnings by at least ¥50 billion. These measures will include not only continued implementation of existing initiatives but also new fundamental reforms. Also, as I mentioned earlier, these measures will not focus merely on a recovery in our business performance but also on reinvesting to achieve sustainable growth.

<Sustainability Strategy Overview> (P6)

- Last year, in addition to formulating our sustainability principles and sustainability vision, we revised our material issues in line with the Asahi Group Philosophy and set concrete KPIs to guide an even stronger effort in this area.
- We also revamped our sustainability promotion system and established the Global Sustainability Committee, which is headed by the Group CEO.
- The top executives from each of the regions in which we have operations, such as Europe and Australia, also are participating, enabling us to share best practices and expand our promotion of sustainability on a Group-wide and global basis.
- Regarding material issues, we have designated two themes to be prioritized on a global basis. The first is “the environment” and the second is “communities”. For more information on our initiatives related to these two themes, please refer to the reference information from next page onward.
- In particular, I would like to point out that we are accelerating our efforts to achieve the goals of our Asahi Carbon Zero project, which has a longer-term target of zero net carbon emissions by 2050. Specifically, we have raised the Scope 1 and Scope 2 targets to be achieved by 2030 from a 30% reduction in CO2 emissions to a 50% reduction. We are also accelerating our efforts to achieve more ambitious targets through efforts including receiving SBT1.5°C certification and participation in the RE100 Initiative.
- In addition, we will continue to create value that is unique to the Asahi Group by supporting the development of sustainable communities and thereby help “bring more fun

to life”, and by communicating the principles of “responsible drinking” through our smart drinking declaration and other actions.

<Conclusion>

- Although COVID-19 has created a very difficult business environment, we are implementing an action plan targeted at achieving an earnings rebound in the near term while also putting in place measures in preparation for possible future deterioration in our operating environment. We think such actions raise the likelihood that we will achieve the goals of business plan.
- Meanwhile, the Board of Directors continues to analyze megatrends expected to shape our environment a decade from now and to discuss an ideal vision for the Asahi Group that will continue creating unique value in the years ahead. We will continue to practice bold and proactive management that emphasizes the enhancement of our ability to foresee changes in our operating environment.