Asahi Group Holdings, Ltd.
Q1 2024 Financial Results Briefing: Summary of Conference Call (2)

Date: Tuesday, May 14, 2024, 18:00-19:00
Presenter: Kaoru Sakita, Director EVP and Group Chief Financial Officer

◆Results Highlights (Revenue/Core Operating Profit) (P3)

- Total revenue in the three months through March 2024 rose 5.1% year on year to JPY 616.6 billion, with revenue increasing across all businesses as successful price revisions and our continued premiumization efforts led to an improvement in unit sales prices.

- Core Operating Profit expanded by 8.4% YoY to JPY 36.3 billion. While profit declined in Oceania, where the market environment deteriorated, profit from our Japan, Europe, and Other operations all increased.

- While we do not disclose specific quarterly earnings forecasts, overall Core Operating Profit is tracking above our internal plan. While Core Operating Profit fell short of plan in Oceania, the same profit measure exceeded expectations at our Japan, Europe, and Other operations.

- If we include currency impacts, revenue expanded by 10.8% YoY and Core Operating Profit rose 12.2% YoY. The foreign exchange impact on each business is detailed on pages 8 and 9, so please take a look at those later.

◆Operating Profit/Profit Attributable to Owners of Parent (P4)

- Here, we will explain operating profit and other subsequent profit measures that incorporate the foreign exchange impact. Operating profit increased by 1.7% YoY to JPY 32.6 billion , despite the negative impact of comparisons with the previous year when valuation gains were recorded on affiliated companies.

- Profit attributable to owners of the parent expanded by 19.3% YoY to JPY 23.8 billion thanks to improvements in the Finance Income and Loss and the Others components. Both operating profit and profit attributable to owners of parent progressed at a faster rate than planned.

◆Japan (P5)

- Revenue increased 3.3% YoY overall thanks to the successful impact of price revisions in each business, especially the beer and liquor categories in the Alcohol Beverages Business.

- Compared to our initial plan, revenue from the Non-Alcohol Beverages Business came in slightly lower than expected due to unseasonal weather in March and other factors. However, the Alcohol Beverages and Food businesses outstripped expectations following a temporary surge in demand for liquor and other items before prices were revised in April. This resulted in a stronger-than-planned result for overall revenue.

- Core Operating Profit increased by 10.3% YoY. Despite higher advertising and promotion expenses and other fixed costs, overall Core Operating Profit rose on the back of increased volumes and a better price mix at each operation.

- Compared to our initial plan, the Alcohol Beverages, Non-Alcohol Beverages and Foods businesses all progressed faster than expected on the back of lower-than-anticipated increases in variable costs and greater fixed cost efficiencies.

- We successfully maintained sales momentum for our pillar brands. Within the Alcohol Beverages category, demand for *Asahi Super Dry*, *Asahi Nama Beer*, and other products expanded as the recovery in beer sales associated with revised liquor taxes continued. In the Non-Alcohol Beverages category, we actively promoted *Mitsuya Cider* to mark the brand's 140th anniversary.

- We expect the competitive environment for both the Alcohol and Non-Alcohol Beverages businesses will grow increasingly severe going forward. Against that environment, we intend to use effective marketing and other measures to capture demand during the peak sales season.

◆Europe (P6)

- Total revenue increased 6.7% YoY thanks to a variety of factories including: an increase in sales volumes on the back of favorable weather in February and March, an improvement in unit sales prices generated by successful price revisions and other factors, and the impact of the newly consolidated Octopi Brewing, a contract beverage production and co-packing facility in the United States.

- Compared to our initial plan, total revenue progressed further than expected thanks primarily to the addition of a newly consolidated subsidiary that wasn't incorporated in the initial plan compiled at the beginning of the year.

- Core Operating Profit expanded 12.1% YoY. While personnel and other fixed costs increased, Core Operating Profit improved on the back of higher volumes and an improved price mix.

- Compared to our initial plan, the impact of higher revenue came in largely to plan, but overall Core Operating Profit expanded further than planned on the back of various factors including our determined efforts to secure greater variable and fixed cost efficiencies.

- The newly consolidated Octopi Brewing is a contract beverage production company, so it will fuel a certain increase in sales volumes and revenue, but its impact on Core Operating Profit will be minimal.

- Looking at consumption trends in individual markets, some markets such as Poland were negatively affected by inflation. However, favorable weather boosted performance in the Czech Republic, Romania, Italy, and other markets, resulting in a strong overall performance for our major brands. We should continue to carefully monitor the demand recovery outlook going forward. Meanwhile, we will continue to promote our premiumization strategy in each market.

- Our share of the off-premise market remains stable and we will continue to invest in brands, primarily in premium categories, in order to capture additional demand as consumer sentiment recovers going forward.

◆Oceania (P7)

- Total revenue increased by 4.0% YoY. While sales volumes for alcohol beverages declined following a deterioration in the market environment, overall revenue increased on the back of successful price revisions and new development of high value-added RTD products.

- Compared to our initial plan, the region's overall performance progressed slower than expected. On-premise alcohol beverages sold well, as did sales of non-alcohol beverages, which were boosted by the impact of brand renewals. However, off-premise alcohol beverage sales fell short of plan in the face of changing macroeconomic expectations and evolving competitive environments.

- Core Operating Profit contracted by 9.6% YoY. While the overall price mix improved on the back of price revisions and higher on-premise sales, Core Operating Profit declined on the back of lower sales volume and higher variable costs.

- Compared to our initial plan, overall progress on Core Operating Profit fell short of expectations. While the increases in variable and fixed costs were within expectations, improvements in the volume and price mix components were both slower than planned.

- Looking ahead, we do need to prepare for the risk of continued sluggish consumption and intensifying competitive environments. However, we will strive to offset these negative factors by aggressively developing high value-added products, such as extension products for our main brands and stronger RTDs, and by pursuing further structural reforms, such as stronger supply chain management.