

Asahi Group Holdings, Ltd.



FY2019 Q3 Consolidated Financial Results (IFRS)

NOTE:

All information has been prepared in accordance with International Financial Reporting Standards (IFRS). Amounts shown in this accounting report and in the attached materials have been rounded down to omit fractions less than one million yen. This document is a partial English translation of the Japanese Financial Statement which was filed at Stock Exchanges in Japan on November 5, 2019. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2019 Q3)**

November 5, 2019

Asahi Group Holdings, Ltd.

Code number: 2502
Shares Listed: First Section of each of Tokyo Stock Exchanges
Head Office: Tokyo
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US GAAP: Not applicable

1. Overview of performance (From January 1, 2019 to September 30, 2019)

(figures are rounded down to the million)

(1) Business performance

(percentage figures represent the change from the previous year)

	Revenue		Core Operating Profit		Operating Profit		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2019 Q3 ended September 30, 2019	1,550,534	-1.8	162,801	-3.1	159,844	-3.5	112,880	-3.2
Fiscal 2018 Q3 ended September 30, 2018	1,578,641	3.7	168,045	13.6	165,709	17.6	116,614	24.2

	Profit attributable to owners of parent		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2019 Q3 ended September 30, 2019	112,861	-3.1	5,262	-94.3
Fiscal 2018 Q3 ended September 30, 2018	116,502	24.2	91,569	-59.9

	Basic earnings per share	Diluted earnings per share
	(yen)	(yen)
Fiscal 2019 Q3 ended September 30, 2019	246.38	246.36
Fiscal 2018 Q3 ended September 30, 2018	254.32	254.31

(Reference) Profit before tax : FY2019 Q3 ended September 30, 2019 157,615 millions of yen -2.7% FY2018 Q3 ended September 30, 2018 162,047 millions of yen 20.7%

*Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue - (COGS + general administrative cost)

*Core operating profit is not the index defined in IFRS. We think this index is useful for financial statements users so that we disclose it spontaneously.

(2) Financial Condition

	Total assets	Total Equity	Equity attributable to owners of parent	Equity ratio attributable to owners of parent
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Fiscal 2019 Q3 ended September 30, 2019	2,935,011	1,103,895	1,101,070	37.5
Fiscal 2018 ended December 31, 2018	3,079,315	1,149,647	1,146,420	37.2

2. Dividends

	Cash dividend per share				
	Q1	Q2	Q3	Year-end	Total annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2018 ended December 31, 2018	-	45.00	-	54.00	99.00
Fiscal 2019 ended December 31, 2019	-	52.00	-		
Fiscal 2019 ending December 31, 2019 (forecast)				48.00	100.00

Note: Changes to the latest dividend forecast announced: Yes

3. Forecast for Fiscal 2019 (January 1, 2019 to December 31, 2019)

	Revenue		Core Operating Profit		Operating Profit		Profit	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2019 ending December 31, 2019	2,087,000	-1.6	212,000	-4.2	202,000	-4.6	142,000	-5.9

	Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	(%)	(yen)
Fiscal 2019 ending December 31, 2019	142,000	-6.0	309.99

Note: Changes to the latest consolidated results forecast announced: Yes

(Reference) Profit before tax : FY2019 ending December 31, 2019 forecast 198,600 millions of yen -4.2%

Notes

(1) Changes in status of material subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

New: - company (-), Excluded: - company (-)

(2) Changes in accounting policies, or changes in accounting estimates

(1) Changes in accounting policies required by IFRS: Yes (Refer to P.8 (4) Notes to the Condensed Consolidated Financial Statements)

(2) Changes in accounting policies other than item (1) above: No

(3) Changes in accounting estimates: No

(3) Number of shares (common stock):

(1) Issued share at period-end (including treasury shares):

Q3 ended September 30, 2019 483,585,862 shares

Year ended December 31, 2018 483,585,862 shares

(2) Treasury shares at period-end:

Q3 ended September 30, 2019 25,507,356 shares

Year ended December 31, 2018 25,506,181 shares

(3) Average number of outstanding shares during the period:

Q3 ended September 30, 2019 458,078,289 shares

Q3 ended September 30, 2018 458,090,937 shares

(Note) The treasury shares which are excluded from calculations of the number of treasury shares at the end of the fiscal period and the average number of shares during the period under review include the Company's shares held by Japan Trustee Services Bank, Ltd. as trust property of the performance-lined stock compensation system for the Directors.

(Q3 ended September 30, 2019: 35,742 shares, Year ended December 31, 2018: 38,700 shares, Q3 ended September 30, 2018: 38,700 shares)

*** This Consolidated Financial Results for the Quarter is not subject to quarterly review procedures.**

*** Forward-looking statements and other special instructions**

The forward-looking statements that reflect Asahi's forecasts for consolidated and unconsolidated results in this document are based on information available at the time of the release of these materials and reasonable assumptions made by Asahi.

Certain risks and uncertainties could cause the results of Asahi to differ materially from any projections presented herein.

4. Consolidated Financial Statements (Unaudited)

(1) Consolidated Statement of Financial Position (As of December 31, 2018 and September 30, 2019)

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
(Assets)		
Current assets		
Cash and cash equivalents	57,317	36,081
Trade and other receivables	427,279	377,253
Inventories	160,319	176,363
Income tax receivables	37,308	5,117
Other financial assets	7,025	9,746
Other current assets	25,324	32,310
Total current assets	<u>714,576</u>	<u>636,872</u>
Non-current assets		
Property, plant and equipment	689,985	703,453
Goodwill and intangible assets	1,428,543	1,342,017
Investments accounted for using equity method	8,668	8,401
Other financial assets	184,533	181,685
Deferred tax assets	16,300	17,659
Net defined benefit assets	19,282	18,255
Other non-current assets	17,424	26,665
Total non-current assets	<u>2,364,738</u>	<u>2,298,138</u>
Total assets	<u>3,079,315</u>	<u>2,935,011</u>
(Liabilities and Equity)		
(Liabilities)		
Current liabilities		
Trade and other payables	416,842	384,090
Bonds and borrowings	262,620	389,603
Income tax payables	39,624	27,108
Allowance	17,655	12,839
Other financial liabilities	62,027	39,050
Other current liabilities	140,821	138,708
Total current liabilities	<u>939,591</u>	<u>991,400</u>
Non-current liabilities		
Bonds and borrowings	764,768	580,812
Net defined benefit liabilities	25,517	25,625
Deferred tax liabilities	137,277	127,384
Other financial liabilities	59,776	103,418
Other non-current liabilities	2,736	2,475
Total non-current liabilities	<u>990,076</u>	<u>839,715</u>
Total liabilities	<u>1,929,668</u>	<u>1,831,115</u>
(Equity)		
Issued capital	182,531	182,531
Share premium	119,128	119,158
Retained earnings	821,120	886,426
Treasury shares	-76,997	-77,008
Other components of equity	100,637	-10,036
Total equity attributable to owners of parent	<u>1,146,420</u>	<u>1,101,070</u>
Non-controlling interests	3,227	2,825
Total equity	<u>1,149,647</u>	<u>1,103,895</u>
Total liabilities and equity	<u>3,079,315</u>	<u>2,935,011</u>

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

(From January 1 to September 30, 2018 and 2019)

<Consolidated Income Statements>

(Millions of yen)

	Previous year (From January 1 to September 30)	Current year (From January 1 to September 30)
Revenue	1,578,641	1,550,534
Cost of sales	-963,621	-951,602
Gross Profit	615,020	598,931
Selling, general and administrative expenses	-446,975	-436,130
Other operating income	3,008	3,041
Other operating expense	-5,344	-5,998
Operating Profit	165,709	159,844
Finance income	4,234	9,520
Finance costs	-7,646	-12,491
Share of profit (loss) of entities accounted for using equity method	651	741
Gain (loss) on sales of investments accounted for using equity method	-901	-
Profit before tax	162,047	157,615
Income tax expense	-45,432	-44,734
Profit for the period	116,614	112,880
Attributable to:		
Owners of parent	116,502	112,861
Non-controlling interests	111	18
Total	116,614	112,880
Basic earnings per share (JPY)	254.32	246.38
Diluted earnings per share (JPY)	254.31	246.36

<Consolidated Statement of Comprehensive Income>

(Millions of yen)

	Previous year (From January 1 to September 30)	Current year (From January 1 to September 30)
Profit for the period	116,614	112,880
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial instruments measured at fair value through other comprehensive income	1,121	-381
Items that might be reclassified to profit or loss		
Cash flow hedges	1,453	2,849
Hedging cost	-165	255
Translation difference on foreign operations	-29,953	-110,001
Share of other comprehensive income of entities accounted for using equity method	2,499	-340
Total other comprehensive income	-25,044	-107,618
Total comprehensive income	91,569	5,262
Total comprehensive income attributable to:		
Owners of parent	90,734	5,497
Non-controlling interests	835	-234

(3) Condensed Consolidated Statement of Changes in Equity

Fiscal 2018 (January 1 to September 30, 2018)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2018	182,531	119,051	713,146	-76,747	71,386	—	-624
Cumulative effects of changes in accounting policies							
Restated Balance as of January 1, 2018	182,531	119,051	713,146	-76,747	71,386	—	-624
Comprehensive income							
Profit for the period			116,502				
Other comprehensive income					1,121		1,334
Total comprehensive income	—	—	116,502	—	1,121	—	1,334
Transfer to non-financial assets							-28
Transactions with owners							
Dividends			-41,229				
Purchase of treasury shares				-244			
Disposal of treasury shares		0		0			
Changes through sales of consolidated subsidiaries							
Change in the scope of consolidation							
Share-based payment transaction		63					
Transfer from other components of equity to retained earnings			1,458		-1,458		
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	64	-39,770	-244	-1,458	—	—
Total transactions with owners	—	64	-39,770	-244	-1,458	—	—
Balance as of September 30, 2018	182,531	119,115	789,879	-76,991	71,048	—	682

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2018	-1,179	141,010	210,592	-3,440	1,145,135	7,612	1,152,748
Cumulative effects of changes in accounting policies			—		—		—
Restated Balance as of January 1, 2018	-1,179	141,010	210,592	-3,440	1,145,135	7,612	1,152,748
Comprehensive income							
Profit for the period			—		116,502	111	116,614
Other comprehensive income	-165	-31,498	-29,208	3,440	-25,768	723	-25,044
Total comprehensive income	-165	-31,498	-29,208	3,440	90,734	835	91,569
Transfer to non-financial assets			-28		-28		-28
Transactions with owners							
Dividends			—		-41,229	-665	-41,894
Purchase of treasury shares			—		-244		-244
Disposal of treasury shares			—		0		0
Changes through sales of consolidated subsidiaries			—		—	-1,711	-1,711
Change in the scope of consolidation			—		—	-2,703	-2,703
Share-based payment transaction			—		63		63
Transfer from other components of equity to retained earnings			-1,458		—		—
Other increase (decrease)			—		—	25	25
Total contributions by owners and distribution to owners	—	—	-1,458	—	-41,409	-5,056	-46,465
Total transactions with owners	—	—	-1,458	—	-41,409	-5,056	-46,465
Balance as of September 30, 2018	-1,345	109,511	179,897	—	1,194,431	3,391	1,197,823

(3) Condensed Consolidated Statement of Changes in Equity

Fiscal 2019 (January 1 to September 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2019	182,531	119,128	821,120	-76,997	53,015	—	-641
Cumulative effects of changes in accounting policies			-1,993				
Restated Balance as of January 1, 2019	182,531	119,128	819,126	-76,997	53,015	—	-641
Comprehensive income							
Profit for the period			112,861				
Other comprehensive income					-381		2,836
Total comprehensive income	—	—	112,861	—	-381	—	2,836
Transfer to non-financial assets							-315
Transactions with owners							
Dividends			-48,556				
Purchase of treasury shares				-20			
Disposal of treasury shares		5		9			
Changes through sales of consolidated subsidiaries							
Changes in the scope of consolidation							
Share-based payment transaction		24					
Transfer from other components of equity to retained earnings			2,995		-2,995		
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	29	-45,561	-11	-2,995	—	—
Total transactions with owners	—	29	-45,561	-11	-2,995	—	—
Balance as of September 30, 2019	182,531	119,158	886,426	-77,008	49,638	—	1,879

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2019	-1,839	50,103	100,637	—	1,146,420	3,227	1,149,647
Cumulative effects of changes in accounting policies			—		-1,993		-1,993
Restated Balance as of January 1, 2019	-1,839	50,103	100,637	—	1,144,426	3,227	1,147,653
Comprehensive income							
Profit for the period			—		112,861	18	112,880
Other comprehensive income	255	-110,074	-107,364		-107,364	-253	-107,618
Total comprehensive income	255	-110,074	-107,364	—	5,497	-234	5,262
Transfer to non-financial assets			-315		-315		-315
Transactions with owners							
Dividends			—		-48,556	-167	-48,723
Purchase of treasury shares			—		-20		-20
Disposal of treasury shares			—		15		15
Changes through sales of consolidated subsidiaries			—		—		—
Changes in the scope of consolidation			—		—		—
Share-based payment transaction			—		24		24
Transfer from other components of equity to retained earnings			-2,995		—		—
Other increase (decrease)			—		—		—
Total contributions by owners and distribution to owners	—	—	-2,995	—	-48,537	-167	-48,704
Total transactions with owners	—	—	-2,995	—	-48,537	-167	-48,704
Balance as of September 30, 2019	-1,583	-59,970	-10,036	—	1,101,070	2,825	1,103,895

(4) Notes to the Condensed Consolidated Financial Statements

(Changes in Accounting Policies)

Asahi Group has adopted IFRS 16 "Leases" (hereinafter, the "Standard") since FY2019 Q1.

(1) Leases as Lessee

Under the Standard, in principle, a single accounting model will be used to treat lessee's leases on balance, and the lessee will recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make a lease payment.

Asahi Group record a right-of-use asset in Property, plant and equipment and lease liability in Other financial liabilities in Condensed Consolidated Statement of Financial Position

The Group will not restate comparative figures but recognizes the cumulative impact of the application of the Standard as an adjustment to the beginning balance of retained earnings on January 1, 2019.

In addition, the Group plans to apply a practical expedient to grandfather the definition of a lease on transition.

This means that the Standard will be applied to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 17 "Leases" and IFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease."

(2) Leases as Lessor

Regarding the leases which Asahi Group is the lessor, excluding subleases, we do not need to adjust at the time of transition to the Standard.

Asahi Group has processed accounting based on the Standard since application start date.

(3) The impact to the Condensed Consolidated Financial Statements

Due to the application of the Standard, total assets increased 41,841 million yen and total liabilities increased 44,337 million yen, respectively.

The impact on profit for the period and cash flows during this period are immaterial.

(Notes Regarding Going Concern Assumptions)

None