

August 6, 2020

Asahi Group Holdings, Ltd.

Fiscal 2020 2Q Financial Results Conference Call

Date & Time: Thursday, 6th August, 2020

15:30-17:00 Japan Standard Time

Speakers: Akiyoshi Koji, President and Representative Director, CEO

Atsushi Katsuki, Senior Managing Director, CFO

◆ Overview of Financial Results for H1 2020 & Full Year Forecasts

<Financial Results Highlights (First-half Results and Full-year Forecast)>

- On this Financial Results Highlights slide, I am going to discuss revenue and core operating profit on a constant currency basis, although currency has not had a significant impact this year.
- In the first half, revenue and profit of all businesses including the Alcohol Beverages Business declined due to the impact of the COVID-19 crisis with overall revenue declining 9.5% year on year and core operating profit decreasing 40.4% year on year.
- For the full year, revenue of the Overseas Business is expected to increase thanks to the consolidation of the CUB business and the three domestic businesses are expected to recover to a certain extent. Nevertheless, we expect both total revenue and profit to decline for the full year, with total revenue forecast to fall 3.1% year on year and core operating profit forecast to decrease 30.4% year on year.

<Operating Profit and Profit for the Period>

- First-half operating profit declined 48.8% year on year, reflecting an increase in "other" expenses due to the COVID-19-related costs in addition to core operating profit decline. Regarding the full-year forecasts also, we are expecting operating profit to decline 38.4% year on year owing to costs related to reorganization of the Oceania and Europe businesses in addition to the COVID-19 -related costs.
- Profit attributable to owners of parent declined 50.9% year on year in the first half to 30.2 billion yen reflecting loss on sales of investments accounted for using the equity method and other factors, which partially offset a decrease in income tax.

- We expect full-year profit attributable to owners of parent to decline 43.7% year on year to 80.0 billion yen given the deterioration of net finance costs due to fund procurement for the acquisition of CUB, and loss on sales of investments accounted for using the equity method.

<Alcohol Beverages Business (Revenue of Beer-type/Sales Volume by Brand)>

- In the first half, the overall market for beer-type beverages is presumed to have shrunk by 9% to 10% in total, reflecting a decline in beer sales due to sluggish on-premise sales.
- The ratio of on-premise beer among our products is high, and revenue from beer-type products in the first half declined 17.3% year on year.
- For the full year, although we assume that on-premise products will recover to a certain extent and we will move to strengthen marketing of main brands for the off-trade market, we expect total revenue from beer-type beverages to decline 13.8% year on year.

<Alcohol Beverages Business (Revenue)>

- Overall revenue of the Alcohol Beverages Business declined 16.0% year on year, as revenues from beer-type beverages and categories other than RTDs decrease year on year in the first half.
- Although we will work toward recovery in the second half, we expect total full-year revenue of the Alcohol Beverages Business to decline 13.7% year on year.

<Alcohol Beverages Business (Core OP)>

- Among the factors that contributed positively or negatively to the business's core operating profit, we worked to streamline overall costs such as sales promotion expenses and "other" expenses given the impact of the COVID-19 crisis, but the impact of the decline in revenue of beer-type beverages was too significant. As a result, the core operating profit of the Alcohol Beverages Business in the first half declined 23.4% year on year.
- While we will work on further streamlining, we expect full-year core operating profit from the Alcohol Beverages Business to decline 23.9% year on year to 80.4 billion yen primarily because of a decline in revenue from beer-type beverages.

<Basic Policy for Alcohol Beverages Business>

- Issues still persist in the Alcohol Beverages Business. With regard to sales of on-premise beer products, which is our strength, continue to contract due to the COVID-19 crisis and we have not captured sufficient off-trade demand for new genre and RTD products.
- Our future policy for the Alcohol Beverages Business is to shift management resources in

an agile and dynamic manner by focusing on changes in market environments and channels to transform the business structure with the acceleration of Value-Focused Management so that we can regain robustness.

- By channel, we will continue providing support to customers in the on-premise channel and simultaneously improve our own efficiency in response to the decline in demand. In the off-trade market, we will further strengthen our marketing taking into account increasing health consciousness and the polarization trend in consumption.
- The graph at the bottom shows the combined market trends of beer-type beverages, RTDs, and non-alcohol beer-taste beverages over the past decade. While new genre, RTDs, and non-alcohol beer-taste beverages expanded, happoshu and beer have declined. The total volume has, however, remained almost flat over the past 10 years, indicating that there has been no extreme trend of people shifting away from alcohol.
- In anticipation of the liquor tax revisions to be implemented in October this year, we will strive to stimulate demand to reverse the trend for beer's market share and at the same time focus on nurturing differentiated new genre and RTD brands taking into consideration the expansion of diverse areas of off-trade demand.

<Initiatives for *Asahi Super Dry*>

- SCI household consumption data shows that *Asahi Super Dry* has been growing at a rate exceeding the industry average even after the emergence of the COVID-19 crisis from March onwards.
- Total sales have been declining due to decreases in on-premise demand and demand related to holidays and celebrations, but *Asahi Super Dry* is maintaining its superiority in the off-trade market. We will continue with acquisition of new users and integrated marketing, and focus on vitalization of beer products using the liquor tax revisions as additional leverage.

<Initiatives for Products Other Than Beer>

- *Asahi THE RICH*, which was launched in March, is performing strongly and the sales momentum of standard brands is recovering rapidly.
- The growth in the group of carbohydrate-free brands, demand for which is increasing amid the COVID-19 crisis, has been capturing demand in the changing market and sales expanded in the April through June period led by *Style Free*, which continues to win loyal users.
- Further, in addition to widely capturing demand for RTDs and non-alcohol beer-taste beverages, which both continue to grow, we will accelerate profit structure reforms, which are already aimed at significantly exceeding targets, to restore the robustness of the

domestic Alcohol Beverages Business.

<Soft Drinks Business (Sales Volume)>

- In the first half, sales volume of carbonated soft drinks was strong as the category captured “stay-at-home” demand, but overall sales volume of the business declined 7.1% year on year due to declines in sales volumes of coffee and lactic acid drinks.
- We expect carbonated soft drinks to continue to perform strongly in the second half, but overall sales volume of the business for the full year is expected to decline 3.5% year on year as vending machine demand continues to fall.

<Soft Drinks Business (Core OP)>

- Core operating profit of the Soft Drinks Business in the first half declined 41.5% year on year, as sales volume declined and the channel mix deteriorated.
- We are assuming a certain level of recovery in the second half, but expect full-year revenue for the business to decline 5.5% year on year and core operating profit to decline 21.8% year on year.

<Soft Drinks Business>

- This slide provides the results for carbonated soft drinks and future initiatives in the business. Please examine the details later.
- Amid the COVID-19 crisis, the Soft Drinks Business has maintained momentum above the industry average thanks to strong performance from brands like *Wilkinson* and *Mitsuya*. At the same time, in addition to continuous channel mix deterioration due to sluggish vending machine sales, we have not been able to achieve satisfying results with new value proposals that are responsive to increased consumer health consciousness.
- We will continue to accelerate profit structure reform mainly in the production and logistics sections in addition to marketing that is responsive to changes in demand and coordination with e-commerce channels to minimize negative impacts and steadily boost our resilience from the next term quarter onward.

<Food Business (Revenue/Core OP)>

- In the first half, while sales of freeze-dried foods increased due to “stay-at-home” consumption, etc., revenue declined by 4.1% year on year due to a decline in sales of products such as *Mintia* owing to falling office-related demand, and core operating profit fell 8.9% year on year due to category mix deterioration and other factors.
- Full-year revenue is also expected to be down 3.4% year on year as a certain level of decline in sales of *Mintia* is likely to continue, while core operating profit is expecting to

fall 20.4% year on year.

<Food Business>

- This slide explains the future initiatives for the “new normal” etc. in the Food Business.
- The tendency to refrain from outings is expected to continue meaning a quick recovery in the second half would be difficult, but we will work on unearthing new demand such as by promoting *Mintia* to “freshen up while wearing a mask” or to “freshen up while working from home”.
- We are aiming for a recovery from the next quarter onwards by bolstering investment in *Dear-Natura* and freeze-dried food taking into account the increase in health-related demand and “stay-at-home” consumption..

<Overseas Business (Core OP)>

- Total core operating profit in the Overseas Business fell 38.8% in the first half on a constant currency basis.
- To provide a breakdown, total profit in the Europe business decreased 29.2% year on year as sales decreased due to the lockdown in various countries and channel mix deterioration.
- Although the CUB business has been a consolidated subsidiary since June, profit in the Oceania business declined 43.8% year on year as on-premise sales of alcohol beverages declined and product mix deteriorated in existing businesses.
- Profit in the Southeast Asia business also declined 75.1% year on year due to falling revenue from stagnating consumption and rising raw material prices.
- Profits at Asahi International fell 93.2% year on year partly due to the impact of a decline in revenue from the UK, where on-premise products have a higher share.
- As for the full-year forecast, though we are expecting a recovery in demand due to the relaxation of regulations in various countries, total profit is expected to be down 18.3% year on year.
- To provide a breakdown, in the Europe business, although we are expecting a recovery in sales and will continue with our review of all fixed costs, full-year profits are expected to decline 27.1% year on year.
- In the Oceania business, although the negative impact of decreased on-premise sales in the existing alcohol beverages business will continue, we will aim for a 55.8% increase in profit year on year on the back of the consolidation of the CUB business.
- Although we will work on improving the product mix in the Southeast Asia business by introducing value-added and health-focused products, profits are expected to fall 39.1% year on year due to a decrease in revenue and other factors.
- Although Asahi International is expecting a recovery in demand in countries such as the

UK, where bars and restaurants started reopening from July, profits are expected to fall 61.0% year on year.

<Oceania Business (Revenue and Core OP)>

- We have provided a breakdown for existing business and the CUB business in our Oceania business, and year on year results comparisons are provided as estimated figures for the CUB business in the table at the bottom for your reference.

<Europe Business>

- This slide shows results and forecasts for the Europe Business on a Euro basis and the next slide shows the monthly sales trends of the main European countries.
- In Europe a steady recovery trend is emerging with core premium brands and non-alcohol beer-taste beverages growing in the off-trade market, although this falls short of entirely offsetting the decline in on-premise products.
- In the second half, we are aiming to achieve an early recovery and boost our resilience by promoting recovery measures in the on-premise market and promoting premiumization in the off-trade market.

<Reorganization of Europe Business>

- In January 2020, we reorganized the Europe Business, dividing its various roles between the Europe Business and Asahi International, Ltd. We carried out a further developmental review and decided to establish Asahi Europe and International by integrating the two companies in November.
- The move facilitates swift decision-making processes in the Europe Business and the building of an integrated operational structure and we will accelerate the growth of premium brands and further generation of cost synergies through functional integration.
- Although we are facing the extremely harsh environment created by the COVID-19 crisis, we will establish an optimal governance structure to bring about a powerful recovery of the entire Overseas Business, which is our growth engine.

<Financing Plan>

- We announced a partial revision of the plan in June, but we have not changed the policy of aiming to procure 300 billion yen in equity credit attributes, through a combination of a public offering and subordinated bonds to facilitate the maintenance of current credit ratings and a swift return to financial soundness.
- However, in light of the changes in stock markets and the fund procurement environment, we plan to raise the upper limit of the planned fund procurement from subordinated bonds

from 200 billion yen to 300 billion yen, and have set up a subordinated commitment syndicated loan facility in case we cannot carry out a public offering as planned.

- Going forward, we plan to implement the financing plan with appropriate timing and balance to both minimize dilution and secure financial soundness. We would appreciate your understanding and cooperation.
- The remaining slides are about the formulation of our sustainability policy, which is more firmly embedded in business strategy, renovation of material issues and our global social support activities. Please refer to these slides at your leisure.