Asahi Group Holdings, Ltd.

2022 Financial Results Briefing Conference Call Summary

Date & time: Wednesday February 15, 2023; 15:30–17:00

Presenter: Kaoru Sakita, Director and Executive Officer, CFO

◆ Revenue / Core Operating Profit (constant currency basis) (P22)

- Total revenue in 2022 exceeded our forecast, increasing 8.0% year on year mainly due to sales volume growth driven primarily by premium beer and the recovery of the on-premise sector, as well as the effects of price revisions in each region.

- Total core operating profit grew 5.9% year on year due mainly to the boost from higher revenue and the streamlining of various costs, despite greater-than-expected cost increases for predominantly raw materials and utilities.

- Our forecasts for 2023 are shown on the right hand side of the page. We are targeting a 7.5% year-on-year increase in revenue, reflecting growth in the premium category and improvement in unit sales prices attributable to price revisions.

- For core operating profit, even though we anticipate greater cost increases than last year, centering mainly on raw material prices and labor expenses, we are targeting year-on-year growth of 1.3% on the back of revenue boosts and better cost management, among other factors.

- If we include the impact of exchange rate movements in our 2023 forecasts, we anticipate a 7.1% year-on-year rise in revenue and 0.5% growth in core operating profit. The impact of exchange rate movements in each region is provided for your reference on pages 32 and 33.

◆ Operating Profit / Profit Attributable to Owners of Parent (P23)

- Operating profit in 2022 rose 2.4% year on year due to the increase in core operating profit, despite the absence of the year-earlier gain on the sale of an old *CALPIS* plant site.

- Profit attributable to owners of the parent fell 1.3% year on year, which was more than we expected. However, adjusted profit attributable to owners of the parent, which excludes special factors such as the losses booked from the SCM restructuring, increased 7.0% year on year to 165.4 billion yen.

- For 2023, we forecast 4.6% year-on-year operating profit growth and a 3.9% increase in profit attributable to owners of the parent company, reflecting mainly a rebound from the impairment loss booked a year earlier in connection with the SCM restructuring in Japan.

- For adjusted profit attributable to owners of the parent, we forecast a 4.8% year-on-year decline to 157.5 billion yen, which mainly reflects the absence of the year-earlier gains on the sale of non-current assets, which I mentioned just a moment ago.

◆ Balance Sheet / Cash Flow Overview (P24)

- Total assets increased 282.6 billion yen from the end of the previous fiscal year to 4,830.3 billion yen, mainly due to an increase in goodwill and trademark rights resulting from the yen's depreciation.

- Interest-bearing debt decreased 98.9 billion yen from the end of the previous fiscal year to 1,497.3 billion yen as a result of cash flow generation from higher core operating profit and the sale of mainly non-operating assets, even though foreign currency-denominated debt temporarily increased due to the impact of the weaker yen.

- For 2023, we aim to generate free cash flow of 177.0 billion yen chiefly from core operating profit and reduce our net debt/EBITDA ratio to 3.38x by prioritizing debt repayments.

- Also, in 2023 we plan to raise the annual dividend by 2 yen per share from the previous fiscal year to 115 yen.

◆ Japan (P25)

- Revenue in 2022 increased 6.8% year on year thanks to growth in the sales volume of canned beer in the Alcohol Beverages Business and brisk sales of core brands in each business.

- Even though variable costs increased, core operating profit still grew 5.3% year on year due mainly to stronger sales of canned beer in the Alcohol Beverages Business and the effects of price revisions in each business.

- For 2023, we forecast revenue growth of 3.8% year on year, driven mainly by the effects of price revisions and product mix improvements in step with the growth of core brands in each business.

- For core operating profit, even though we anticipate lower profit in the Non-Alcohol Beverages Business owing to sharp cost increases, we are targeting 2.8% year-on-year growth overall on the back of higher profit in the Alcohol Beverages Business and Food Business, buoyed by the effects of price revisions and fixed cost reductions.

◆ Japan (Alcohol Beverages: Revenue / Sales Volume) (P26)

- Revenue from beer-type beverage sales increased 10.1% year on year on the recovery in on-premise demand and strong sales of canned beer, even though new genre product sales declined.

- In the categories other than beer-type beverages, revenue from RTD and non-alcohol beer-taste beverages decreased, partly due to a shift in demand brought about by the on-premise market recovery in 2022, but revenue growth in primarily the whiskey & spirits and wine categories came in higher than expected.

- For 2023, we forecast a 3.1% year-on-year increase in revenue from beer-type beverages driven by growth in beer sales and the effects of price revisions in all categories, which should offset a year-on-year decline in happoshu and new genre product sales. Also, in the categories other than beer-type beverages, we are targeting higher revenue in mainly the non-alcohol beer-taste beverage category.

◆ Japan (Alcohol Beverages: Breakdown of Changes in Profit) (P27)

- Factors behind the change in core operating profit in 2022 were higher revenue which included price revisions, and various cost-cutting measures, which outweighed variable cost increases and increased spending on advertising and sales promotions for core brands. As a result, core operating profit exceeded our forecast, increasing 11.9% year on year.

- For 2023, we are targeting profit growth of 8.6% year on year, driven by the effects of price revisions and efforts aimed at lowering fixed costs, which we think will outweigh even higher variable cost increases than last year, including the impacts of the yen's depreciation.

◆ Japan (Non-Alcohol Beverages: Sales Volume / Revenue) (P28)

- Sales volume in 2022 increased 2.9% year on year mainly on the back of strong sales of carbonated soft drinks and lactic acid bacteria drinks, but revenue only rose 2.7% year on year because unit sales prices deteriorated on weaker sales of coffee.

- For 2023, we are aiming for 6.3% year-on-year revenue growth through the effects price revisions and generating higher sales volumes mainly for carbonated soft drinks and tea by revamping our core brands and launching new products.

◆ Japan (Non-Alcohol Beverages: Breakdown of Changes in Profit) (P29)

- Factors behind the change in core operating profit in 2022 were rising costs for sugar and other raw materials, as well as a weaker-than-expected product mix improvement, even though profit benefited from higher revenue and various cost efficiency measures. As a result, core operating profit fell short of our forecast, decreasing 9.2% year on year.

- For 2023, even though we expect boosts from higher revenue, including price revisions, and plan to streamline various costs, we look for a year-on-year decline of 7.0% reflecting considerable variable cost increases and our plans to ramp up brand investments mainly in new products.

- Please note that our forecasts for 2023 have been recalculated based on a new scheme after our business alliance concerning a vending machine business with DyDo Drinco commenced in January of this year.

- To be more specific, there will be no impact on sales volumes, but our revenue forecast factors in a decline of roughly 17.0 billion yen. For core operating profit too, there will be no impact on the total, but please note that figures under "Change in sales, category and container mix" and "Other expenses" include the impact of this recalculation.

◆ Europe (P30)

- Revenue in 2022 increased 13.5% year on year, owing mainly to channel mix improvement in connection with a recovery in the on-premise sector, as well as growth in the premium category and improvement in unit sales prices attributable to price revisions.

- Core operating profit was weaker than expected, dipping 6.3% year on year. This was mostly attributable to cost pass-alongs by suppliers in response to the rising cost of raw materials and energy, despite higher revenue and our best efforts to bolster cost management.

- For 2023, we are targeting year-on-year revenue growth of 16.0% from the effects of price revisions and efforts to further strengthen the premium strategy, even though we anticipate a 1.9% year-on-year decrease in sales volume when taking into account some negative market impacts in Romania and elsewhere.

- For core operating profit, even though we anticipate increases in variable costs for raw materials and logistics, as well as higher fixed costs like personnel and marketing, we are targeting year-on-year growth of 0.8% through unit price improvement effects and better cost management, among other factors.

◆ Oceania (P31)

- Revenue in 2022 grew 5.6% year on year, owing mainly to an increase in sales volume centering on core brands, and as well as channel mix improvement and unit sales price improvements through price revisions.

- Even though Oceania was impacted by rising costs for raw materials and logistics, core operating profit still surged 16.7% year on year due to higher revenue and the streamlining of fixed costs, including integration synergy effects.

- For revenue in 2023, we are targeting an 8.0% year-on-year increase, driven primarily by sales rebounding from the impact of an increase in COVID-19 infections in January and February of last year and stronger sales in the premium category and non-alcohol beer.

- For core operating profit, we are aiming for a 1.7% year-on-year increase, supported by higher revenue from product mix improvements and the streamlining of costs in production and distribution, even though we expect to see higher variable cost increases than last year because of the impact of exchange rate movements.