Asahi Group Holdings, Ltd.
Q2 2023 Financial Results Briefing Conference Call Summary (2)

Date & time: Thursday August 10, 2023; 15:30–17:00
Presenter: Kaoru Sakita, Director EVP and CFO

◆Revenue / Core Operating Profit (constant currency basis) (P14)

- Total revenue in the first half rose 5.8% year on year, as revenue increased in all businesses, mainly due to the effects of price revisions and other improvements in unit prices in each region.

- Total Core Operating Profit rose 9.0% year on year, mainly due to increased revenue and enhanced cost management, despite impact of substantial cost increases.

- Although we haven't disclosed the first-half business performance forecasts, while revenue remained almost in line with the plan, Core Operating Profit exceeded the plan in total due to higher unit prices and various cost efficiencies, including transfers to the second half of the year.

- With regard to the annual forecast shown on the right, in light of first-half progress in each region and other factors, total revenue is expected to be JPY 37.2 billion below the initial forecast. The forecast is now revised for a 6.0% year-on-year increase.

- As for the Core Operating Profit, we have revised upward to the increase of 3.2% year on year, which is JPY 4.6 billion higher than the initial forecast in total, mainly based on the strong progress in the Alcohol Beverage Business in Japan.

- With regard to the annual forecast including the impact of exchange rate movements, we have revised our revenue to increase 7.1% year on year and our Core Operating Profit to increase 4.2% year on year, taking into account the depreciation of JPY. The foreign exchange effects for each region are provided for your reference on pages 24 and 25. Please confirm later.

◆Operating Profit / Profit Attributable to Owners of Parent (P15)

- Operating profit for the first half rose 18.0% year on year to JPY 96.1 billion , mainly due to the absence of impairment losses associated with SCM restructuring in Japan recorded in the previous year.

- Profit attributable to owners of the parent rose 15.4% year on year to JPY 65.8 billion, mainly due to the increase in operating profit. Adjusted profit attributable to owners of parent, which excludes impairment losses, increased 0.1% year on year to JPY 66.4 billion.

- We revised up our annual forecast for both operating profit and profit attributable to owners of parent due to their progress exceeding our plan.

◆BS and CF Overview (P16)

- As for the full-year balance sheet forecast, total assets are now expected to be JPY 5.0 trillion, JPY 120.0 billion higher than the initial forecast, due to increases in goodwill and trademark rights as a result of JPY depreciation.

- As for full-year cash flow targets, although we've revised our performance forecast upward, we also assume that there will be a certain degree of inflation impact on working capital and capital expenditures, and we're aiming for free cash flow of JPY 177.0 billion, in line with our initial forecast.

- Net debt/EBITDA is expected to be approximately 3.38 times as planned for the year, as free cash flow will continue to be used as a priority for debt repayment.

- We've also left the initial annual dividend forecast unchanged at JPY 115 per share, an increase of JPY 2n from the previous year.

◆Japan (P17)

- Total first-half revenue increased 3.7% year on year, mainly due to the effects of price revisions in each business in addition to a recovery in the on-premise market in the Alcohol Beverages Business.

- Total Core Operating Profit rose 23.7% year on year as profit growth in the Alcohol Beverages Business and Non-Alcohol Beverages Business offset a decrease in profit in the Food Business mainly due to raw material cost increases.

- Although revenue was almost in line with the plan, total Core Operating Profit was higher than expected and exceeded the plan, mainly in the Alcohol Beverages Business and Non-Alcohol Beverages Business.

- As for the annual forecast, we have revised downward our revenue forecast to a 2.8% increase, mainly due to the review of sales volume of Non-Alcohol Beverages Business.

- As for the Core Operating Profit, we have revised upward 9.3% year on year in total, taking into account the effects of price revisions in the Alcohol Beverages Business to be implemented in October as well as the efficiency of various costs.

◆Japan (Alcohol Beverages: Revenue / Sales Volume) (P18)

- In the first half, total beer-type beverage revenue increased 1.8% year on year due to a recovery in on-premise sales and the effects of price revisions, despite a decline in *happoshu* and new genre sales.

- We've revised the total full-year revenue forecast downward to a 0.5% year-on-year increase due to the review of sales volume despite the additions of the effects of price revisions starting in October.

- In the categories other than beer-type beverages, revenue exceeded the plan due to an increase in revenue of whiskey, spirits, wine, and *shochu* due to the recovery in the on-premise market, and the annual forecast was revised upward respectively.

◆Japan (Alcohol Beverages: Breakdown of Changes in Profit) (P19)

- In the first half, despite cost increases in variable costs and other expenses, the profit rose 34.8% year on year, which exceeded our plan, due to the effect of increased revenue and the efficiency of advertisement and sales promotion expenses including partial transfer to the second half.

- In the annual forecast, we will increase our investment in advertising and promotion through the launch of new products in addition to enhancing our core brands. However, due to the additional effects of price revisions and the reduction of various costs, including variable costs, we have upwardly revised our forecast to 17.4% year on year.

◆Japan (Non-Alcohol Beverages: Sales Volume/Revenue) (P20)

- In the first half, sales volume of mineral water and tea drinks increased, but sales of lactic acid and coffee drinks decreased by 1.1% year on year, which is on par with the market.

- Revenue increased 1.7% year on year due to the effects of price revisions and other factors, but progress was lower than planned due to a greater-than-expected volume decrease.

- In the annual forecast, sales volume was revised downward based on the progress made in the first half, and as a result, total revenue was revised downward to 2.2% year on year.

- Excluding the impact of the retooling of the vending machine business with DyDo DRINCO, INC., with which we launched a business alliance this fiscal year, revenue increased 6.4% in the first half and 7.2% in the second half.

◆Japan (Non-Alcohol Beverages: Breakdown of Changes in Profit) (P21)

- In the first half, despite substantial cost increases in variable costs such as sugar, coffee, and PET plastic, profit rose 5.1% year on year, which exceeded our plan, due to the efficiency of various costs including advertisement and sales promotion expenses in addition to the effect of increased revenue.

- While we continue to work to generate the effects of price revisions and improve the efficiency of various costs, we are maintaining our initial annual forecast of a 7.0% year on year decline in profit, taking into account the negative impact of a downward revision in sales volume.

◆Europe (P22)

- In the first half, total sales volume decreased by 3.8% mainly due to the impact of inflation, but revenue increased by 9.5% year on year mainly due to the effects of price revisions and the strengthening of the premium category.

- Core Operating Profit increased 7.0% year on year, as substantial variable cost increases were offset mainly by increased sales and reducing various costs.

- In relation to the plan, revenue was lower than the plan due to volume reductions, but Core Operating Profit was in line with the plan due to partial control of cost increases such as energy.

- As for the annual forecast, based on the progress made in the first half, revenue was revised downward to an increase of 11.1% year on year, but Core Operating Profit remained unchanged at the increase of 0.8% year on year from the initial forecast by covering the increase in revenue effect and strengthening of cost management.

◆Oceania (P23)

- In the first half, total beer-type beverage revenue increased 6.5% year on year due to effects of price revisions, as well as growth in contemporary and craft beer.

- Core Operating Profit decreased by 1.9% year on year due to increased raw materials costs and logistics expenses, despite increased sales and the streamlining of fixed costs, and other such efforts.

- As for the plan, both revenue and Core Operating Profit were largely in line with the plan.

- Based on the sales situation in the first half, we have revised our plans for each category and brand, and we have revised up our annual forecast to increase sales revenue by 8.2% year on year. However, we have maintained our forecast for the first half, with an increase in Core Operating Profit of 1.7% year on year.