

# Japan Business Strategy

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March 14, 2023  
Asahi Group Japan, Ltd.

Business Overview for 2022  
Concept of the plan for 2023

# Japan: Overview and Direction

(JPY billion)	2022 Results	Change	YoY	vs Forecast	2023 Forecast	Change	YoY
Revenue	1,301.7	82.3	6.8%	- 15.7	1,351.0	49.3	3.8%
Core OP	108.9	5.5	5.3%	- 2.5	112.0	3.1	2.8%

## <Overview for 2022>

- Asahi Group Japan, Ltd. Launched, commenced on efficiency improvement through supply chain restructuring, and sustainability strategy enhanced
- Price realization, mainly in Alcohol Beverages Business through growth in canned beer category, new value propositions, and price revision effects, etc.

## <Direction for 2023>

- Maximize effects of price revisions in each business and execute marketing strategy emphasizing product mix improvements
- Generate integration synergies as “One Asahi”, continue with strategic investments targeting sustainable growth

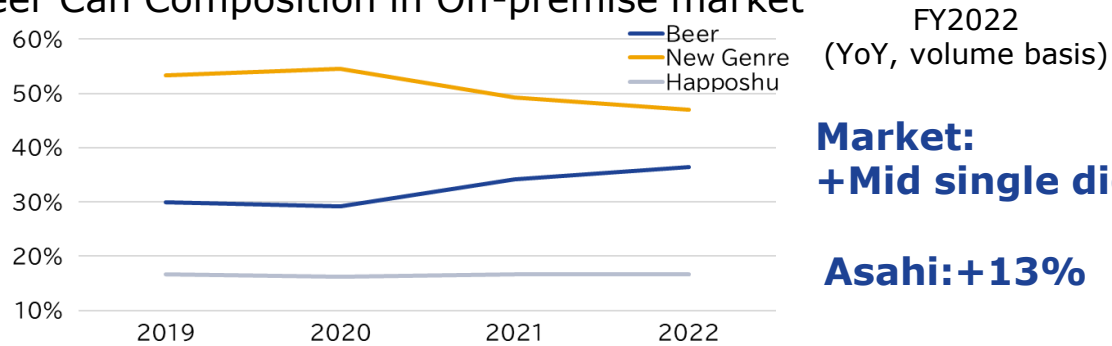


# Japan (Alcohol Beverages Business): Main Initiatives



## ● Growth in Excess of the Market in the Expanding Canned Beer Market

• Beer Can Composition in Off-premise market

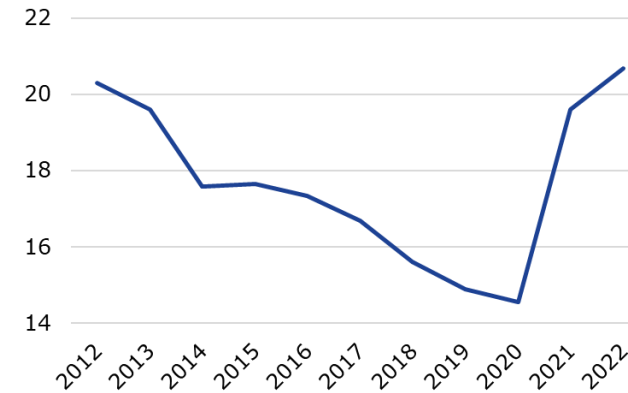


**Market:**  
**+Mid single digit**

**Asahi: +13%**

\*Source: Intage SRI+ data for composition of canned beer, happoshu and new genre product markets  
Estimated YoY sales volume for Jan 2019-Dec 2022  
Seven channels: supermarkets, convenience stores, discount liquor stores, home improvement stores, drugstores, general liquor stores, and wholesale liquor stores

• Number of *Asahi Super Dry* consumers



**As of Dec 31, 2022**  
**20.67 million people**

\* Source: Asahi Group Holdings  
\* 12-month moving average

## ● Initiatives to Strengthen Brands

<Asahi Super Dry>

- Leveraging Rugby World Cup 2023 Partnerships
- Strengthen advertising and sales promotion of Nama Jokki Can



<Asahi Nama Beer "Maru F">

- Proposition of various ways to drink
- Expansion of drinking occasions by adding SKUs

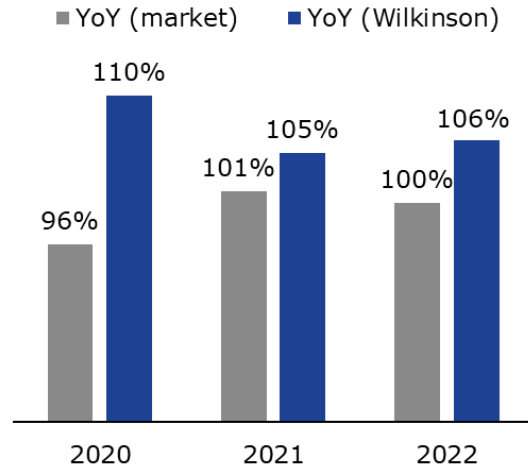


# Japan (Non-Alcohol Beverages Business): Main Initiatives



## ● Responding to Changing Consumer Needs

• Unsweetened carbonated *Wilkinson* grew faster than the market



• Expanded label-less products mainly through EC channel

**Label-less** **E-commerce channel**  
**+49%** **+25%**  
 FY2022  
 (YoY, volume basis)



## ● Strengthening New Value Propositions

• Reinforcing the growth of #sober series



• Launch a new green tea *Sou*

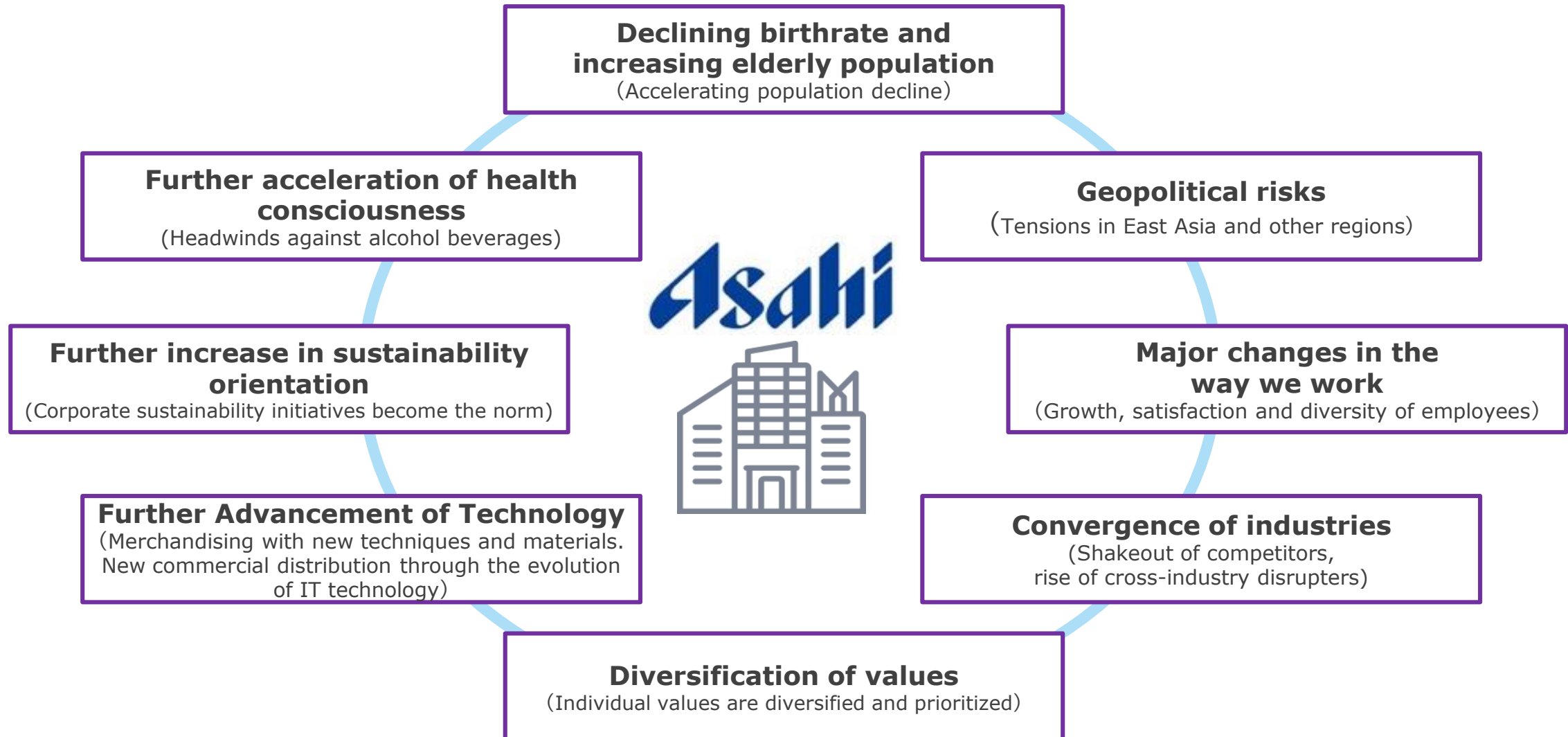
Scheduled to launch on Apr 4.

**Sales plan for 2023**  
**5 million cases**



# Future Strategy for Japan Business

We anticipate the following points to keep an eye on in the medium-term changes surrounding our business. Recognizing changes in the environment as opportunities, we will promote our growth strategy by continuously monitoring it.



# Asahi Group and AGJ Management Policy



Basic concept behind Asahi Group long-term strategy

Contribute to sustainable society and respond to changing conceptions of wellbeing through delivering great taste and fun



Basic concept behind Japan business strategy

Grow and thrive harmoniously with society as **One Asahi** by proactively addressing needs and changes through a **consumer-oriented** approach

1. Discover and create opportunities by addressing new needs and occasion through understanding the market with a consumer-oriented approach
2. Deliver experience and emotional value together with taste, quality and functionality
3. Pursue Asahi's uniqueness in addition to scale
4. World-class standards in efficiency and cost competitiveness
5. Speed and agility to proactively address consumer and market needs
6. Sustainability through coexisting with society while creating value
7. Eliminate silos and boundaries between companies as One Asahi

## 3 Strategic Pillars

Growth

Cost

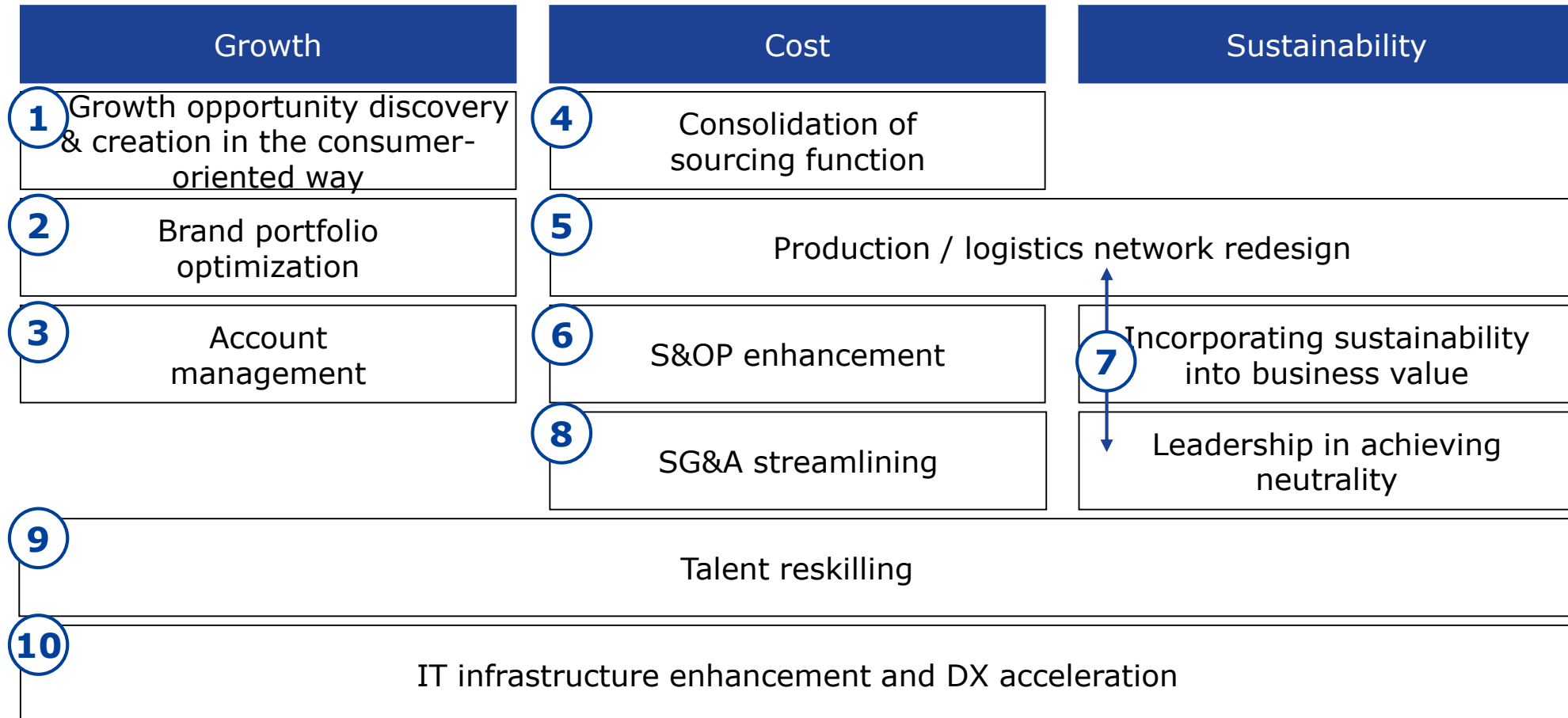
Sustainability



# Future Strategy for Japan Business

Maximize corporate value by interrelating priority measures that support the 3 strategic pillars.

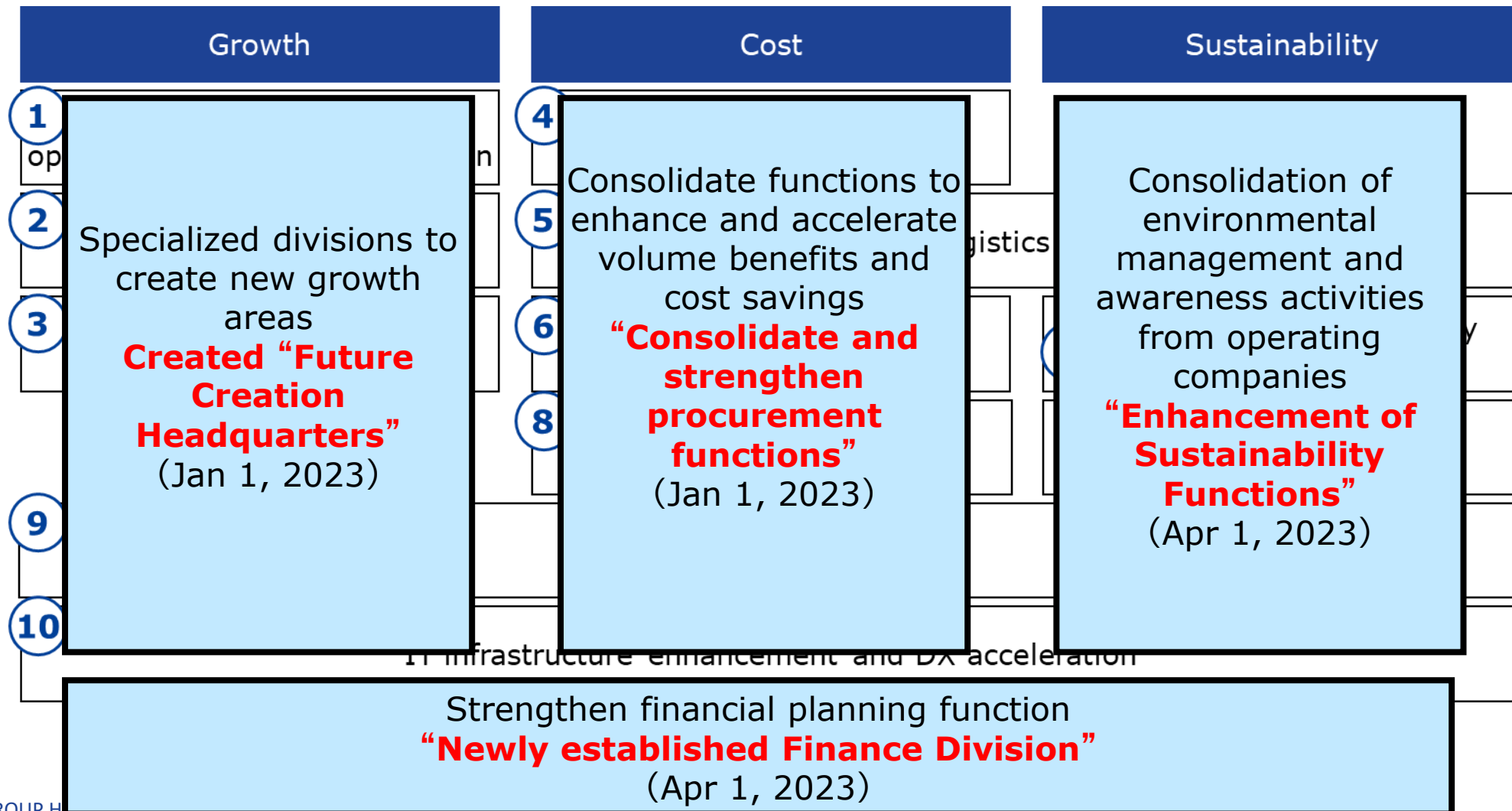
## Priority Initiatives to Drive 3 Strategic Pillars



# Overall Picture of Enhancements to Implement the Strategy

Strengthen the three pillars that support the strategy:

"growth," "cost," and "sustainability" to enhance the execution of the strategy.



Growth

# Brand Portfolio Optimization

Maximize corporate value by forming a brand portfolio that focuses on "new growth areas from the consumer's perspective" in addition to promoting "Smart Drinking" and "Super Premium" while leveraging the superiority of our core brands from the consumer's perspective.







## Core Brands

Creating new lifestyle value while maintaining the superiority of the brand






## Smart Drinking

"One Asahi" and industry-wide promotion of smart drinking






## New Growth Areas

New growth area for consumer-driven products  
Brand development utilizing functional ingredients

Yeast

Lactic acid bacteria






乳酸菌

## Super Premium

GO to Market Design and International Expansion

### NIKKA WHISKY



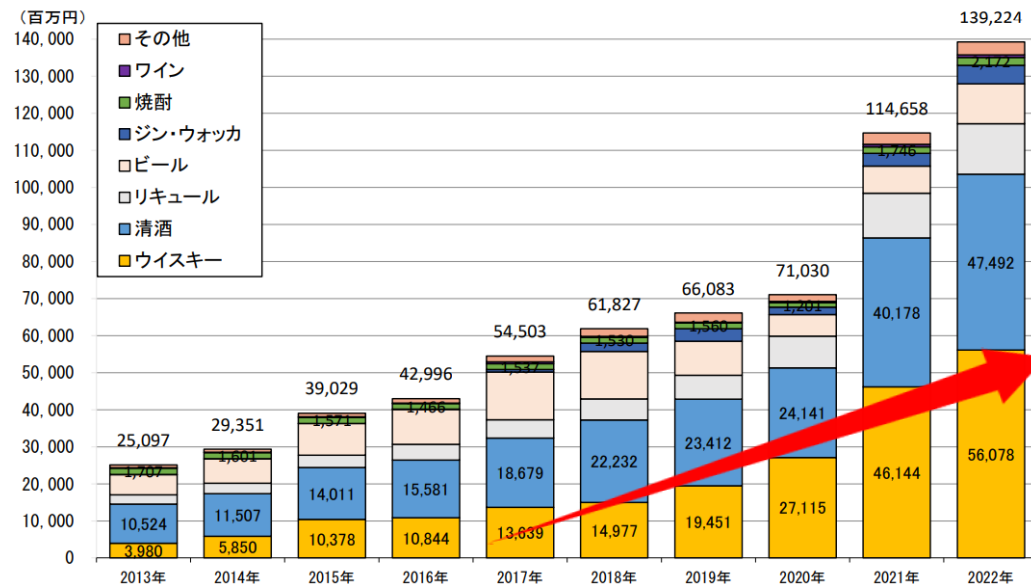
For All Wine Lovers

## NIKKA WHISKY



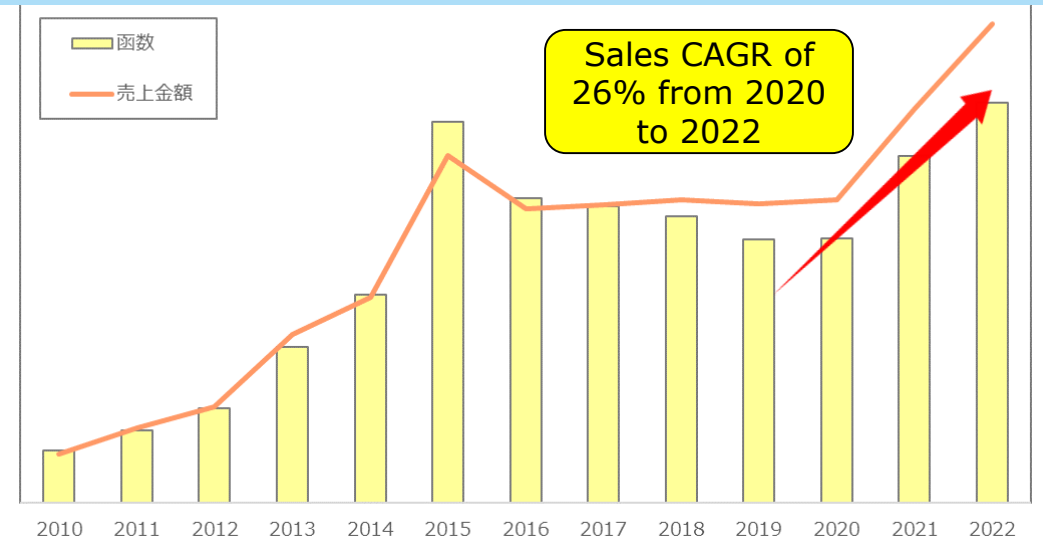
- ✓ The whiskey market continues to boom worldwide, and Japanese whiskey is highly regarded both domestically and internationally.
- ✓ Whiskey exports from Japan in 2022 totaled 56.1 billion yen (46.1 billion yen in 2021); the Japanese government's target for 2025 is 68 billion yen.
- ✓ Strengthen the NIKKA brand, a Japanese whisky, and expand the Super Premium strategy to the world
- ✓ From 2023, the overseas business will be transferred to Nikka (Global Marketing & Sales Department was newly established) to focus on rapidly growing overseas markets.

Export Trends of Japanese Alcohol Beverages



Nikka Whisky Export Trends

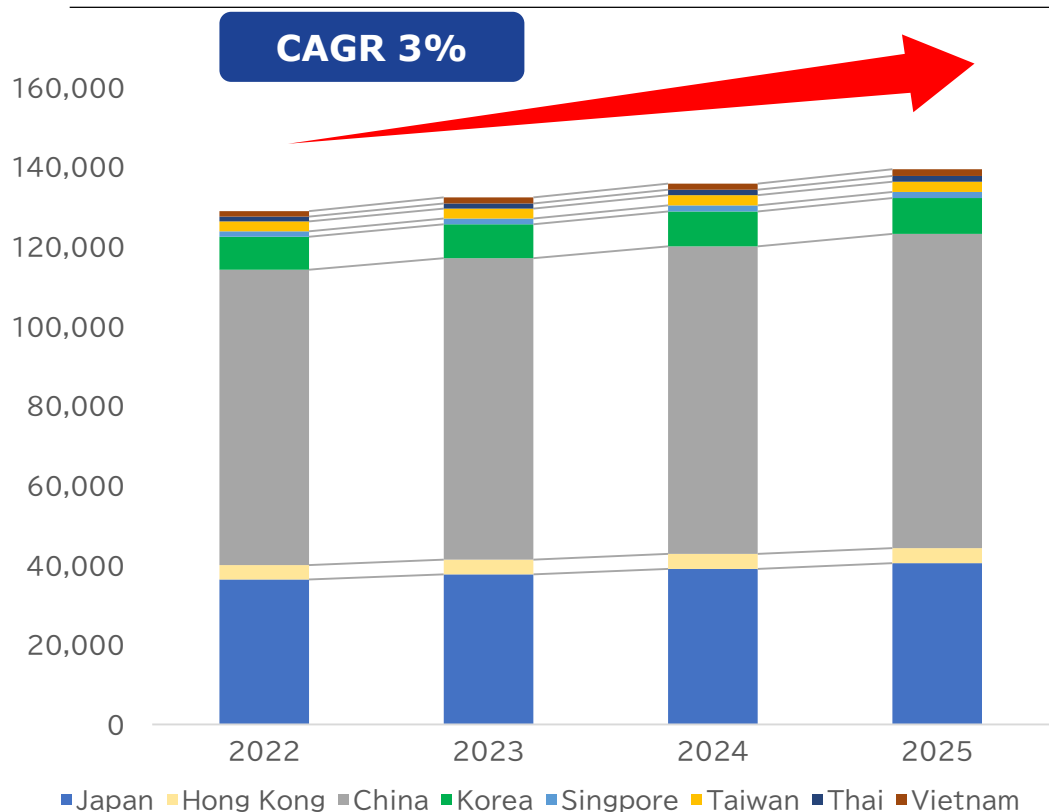
From 2016~2020, the volume of shipments was curbed in order to prioritize the storage of raw whisky; from 2021, growth resumed.





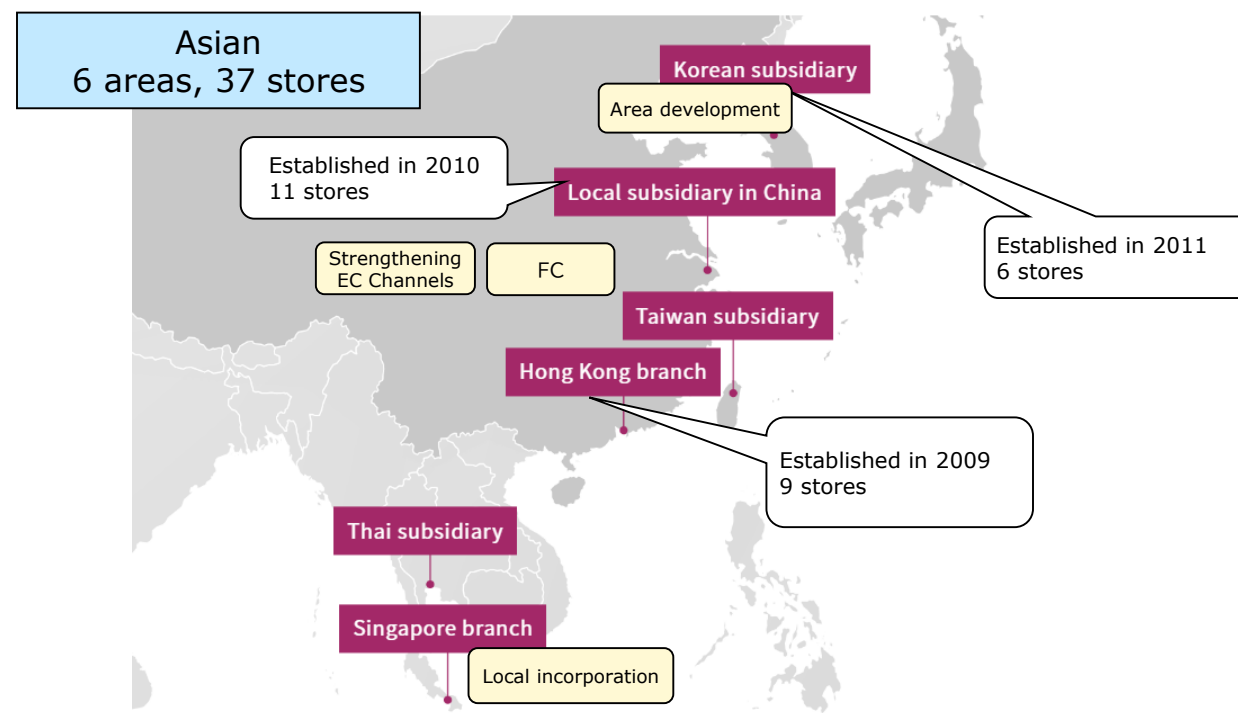
- ✓ The Asian wine market is expected to expand steadily from 2023-2025.
- ✓ In addition to sustained growth in Japan, we will accelerate growth in Asia and "continue to evolve into a strong Enoteca" by strengthening our brand power and leveraging our multi-country and multi-channel strengths.

## Wine Markets in Asia

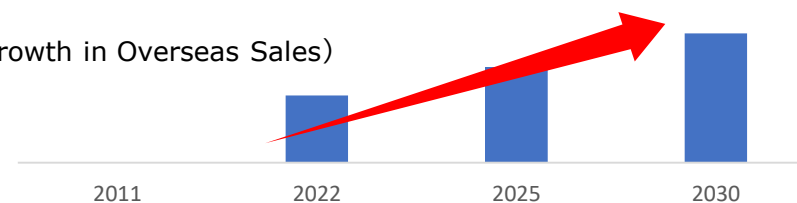


Source: IWSR Unit: 1,000 c/s (9L equivalent) \*Steel + Sparkling total

## Growth Leveraging Multi-country and Multi-channel Strengths

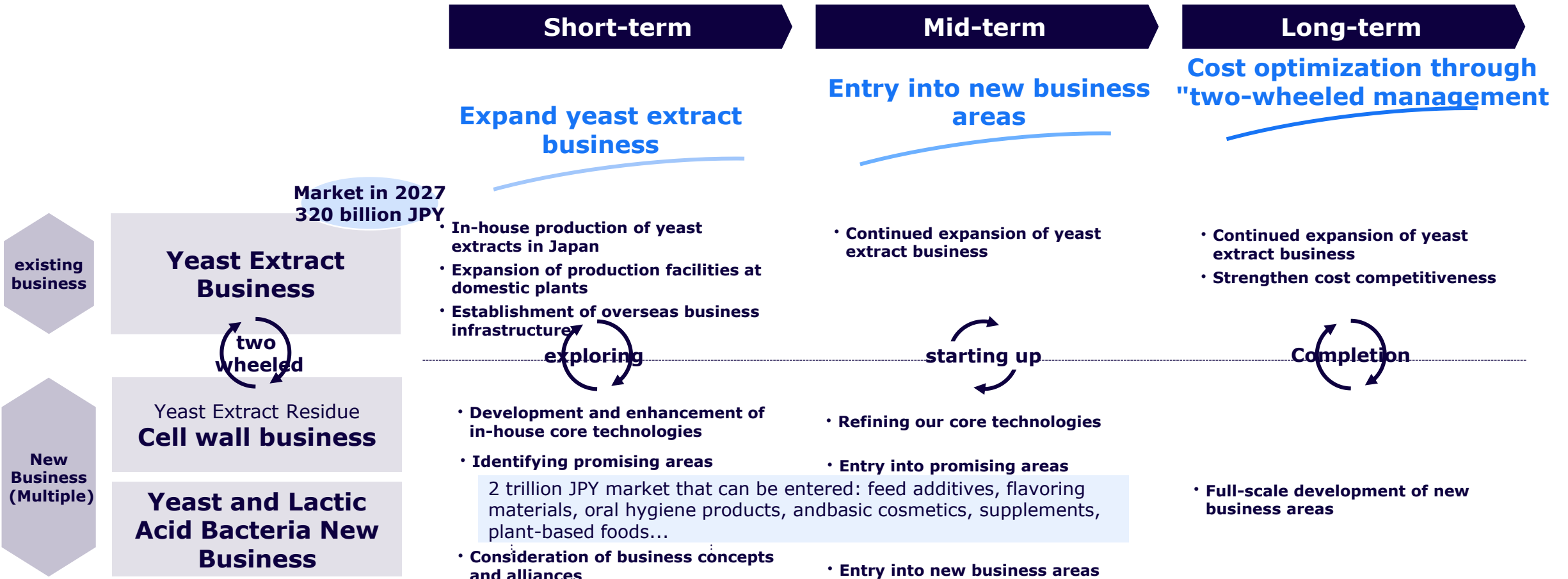


(Growth in Overseas Sales)



# New Growth Areas -Yeast-

- ✓ In the short term, we plan to increase manufacturing capacity by bringing yeast extract production in-house in Japan, followed by the establishment of an overseas business base.
- ✓ In the medium term, we will enter new business areas. In the long term, we will optimize costs and strengthen our competitive advantage through "two-wheeled management" of "existing" and "new" businesses.



# New Growth Areas

## -L-92 (Immune Function Material) Across the Group-

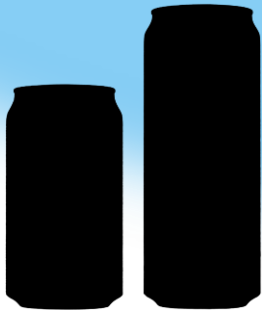


- ✓ Notification of functional foods in the immunological field by three Group companies has been accepted, and plans are underway to market products using L-92 Lactobacillus, which helps maintain immune function in healthy people. Starting with Asahi Soft Drinks Co., Ltd., the plan is to expand to Asahi Group Foods, Ltd. and Asahi Breweries, Ltd.

Asahi Group Japan



Asahi Breweries



Asahi Soft Drinks



Plans to renew

Renewal launch scheduled  
In Jun 2023.

Asahi Group Foods

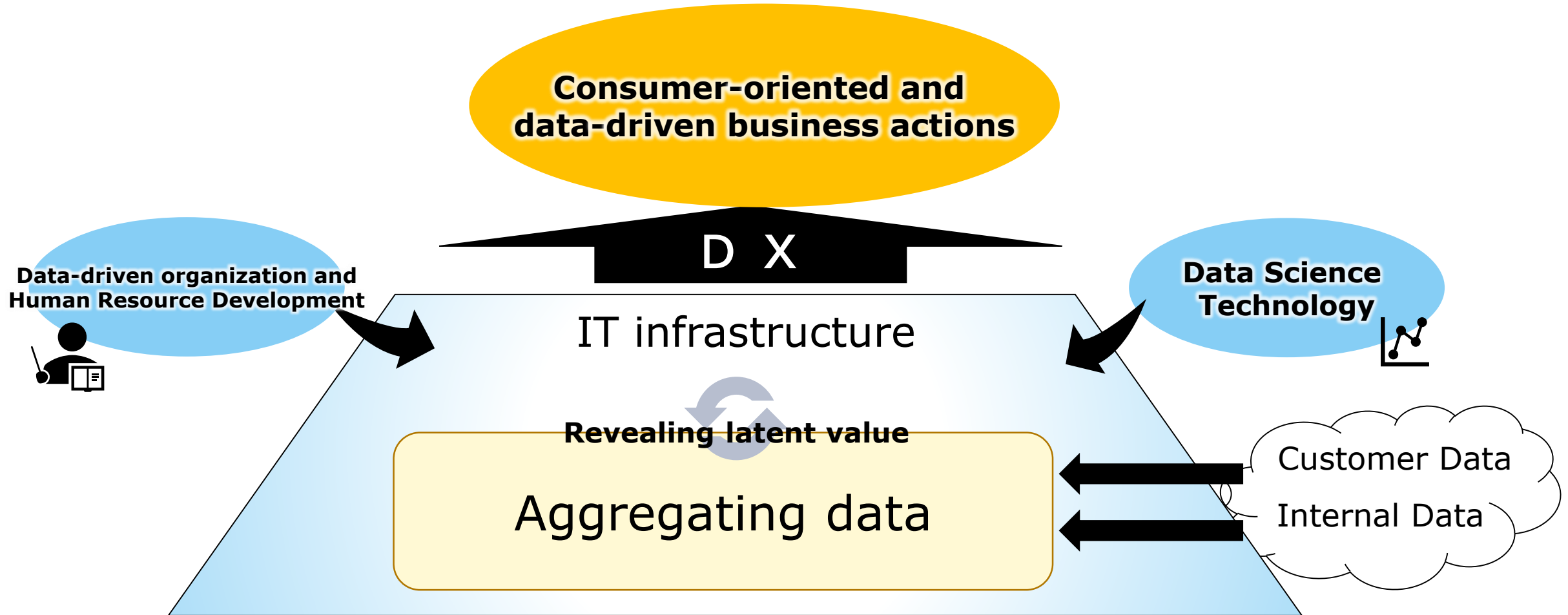


Scheduled to go on sale after Aug 2023  
(general retail and in-house mail order)





- ✓ Strengthening IT infrastructure" to aggregate customer and other data to reveal latent value.
- ✓ Furthermore, we will promote consumer-oriented and data-driven business actions (digital transformation) by "developing data-driven organizations and human resources" and "introducing data science technologies" to effectively utilize this foundation.



# Strengthening Functions to Support Growth -Future Creation Headquarters-

## Awareness of the Issues

### Immediate response to inconvenient truths and increasing uncertainty

- Declining drinking population, diverse local conditions/changes, big/fast/fine changes in lifestyle
- Changes in business partners' conditions, intensified competition across industries and business categories, etc.

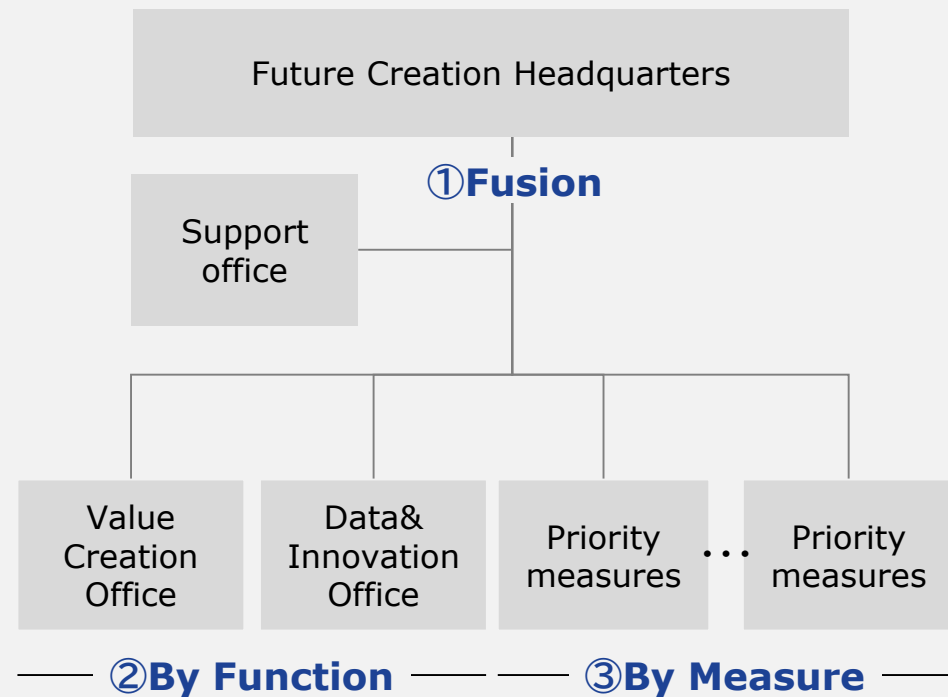
## Response Policy

### Establishment of new value creation function under AGJ (Separation of execution and future creation)

- Resolving medium- to long-term cross-business issues, driving the creation of new value and new businesses
- Establish a mechanism that enables the discovery of business opportunities from the consumer's perspective and the mobilization of the assets of each company.

## Structure and Functions

Establishment of new organization



### ① Fusion

- Flexible involvement of human resources from within and outside the group
- Amoeba-type organization by combining wisdom

### ② By Function

- FCH management/strategy formulation, design of mechanisms such as surveys and experiments, securing resources and building systems
- Creation of new businesses that are not bound by existing domains, and construction of incubation functions
- Structuring/implementation of data utilization from the consumer's point of view

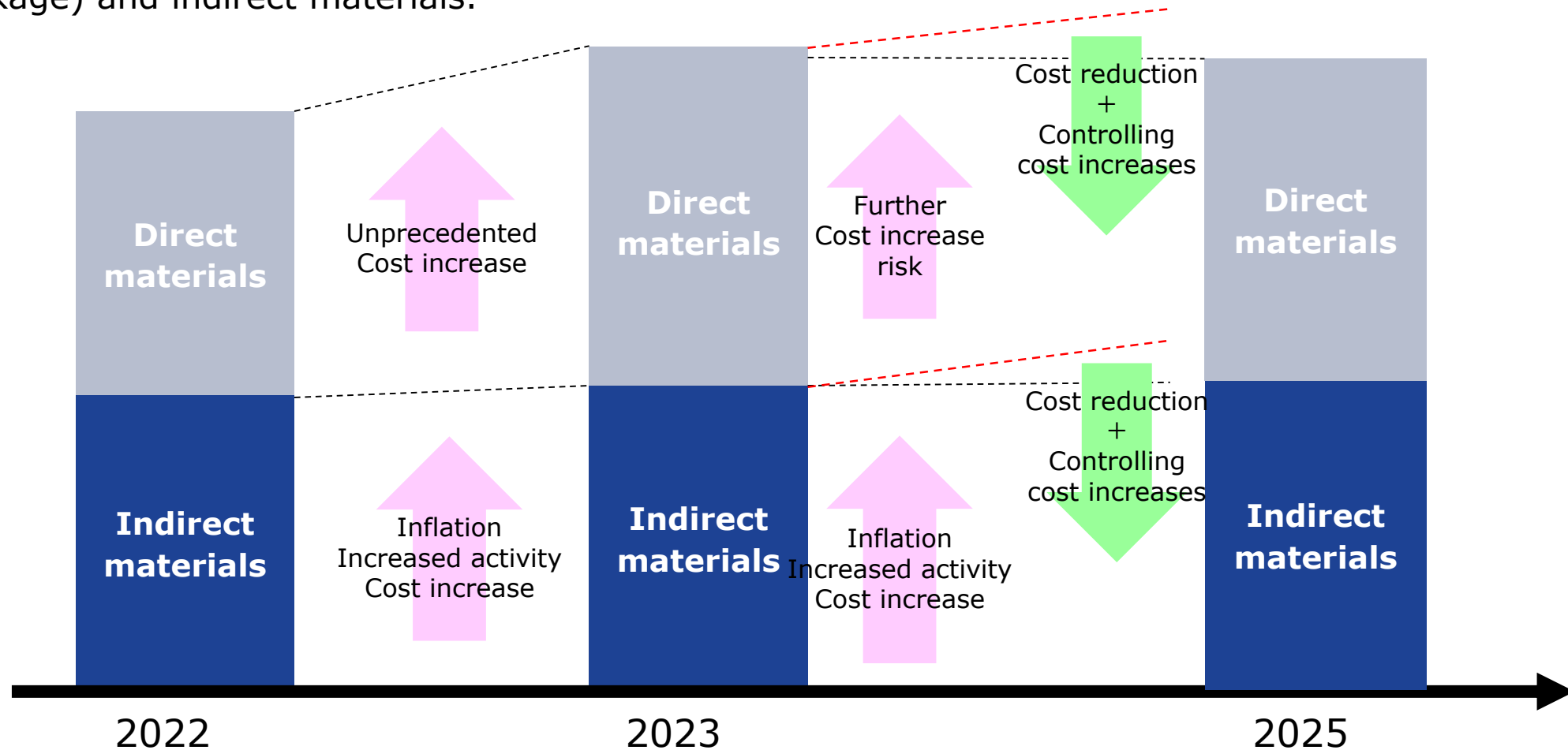
### ③ By Measure

- Primary target area: Cross-group projects
- Create new business for each company, deepen customer relationships, and strengthen marketing measures

Cost

# Consolidation of Sourcing Function -Aim of Functional Enhancement-

- Aiming to reduce costs by 15 billion yen in 2025 compared to 2022, despite headwinds such as raw material market conditions, energy price hikes, and yen depreciation.
- Strengthen management to optimize total procurement costs for direct materials (raw materials and package) and indirect materials.



# Consolidation of Sourcing Function -Procurement Reforms to Respond to Environmental Changes-

- The internal and external procurement environment surrounding the Japanese business has changed significantly, and the procurement function needs to be reformed in response to these changes.
- A wide range of procurement issues have emerged, not to mention costs, and we will comprehensively strengthen the competitiveness of our procurement function by resolving these issues.

## Internal and External Environment

- Diversification of consumer needs
  - Development of new value-added products
- Risk of increased procurement costs
  - Market conditions, FX, energy
- Risk of stable procurement
  - Climate change, business restructuring
- Geopolitical risks
  - Rapid environmental change
- Sustainability agenda
  - Human rights violations by suppliers
- Risks specific to Japan business
- •••

Conventional areas

Strengthening Efforts

Enhancement of functions in response to environmental changes

## Direction of Procurement Reform

- Ongoing cost containment and other controls
  - Cost planning, development purchasing, specification changes•••
  - New initiatives such as industry and supplier collaboration
- **Procurement of new raw materials for new value-added products**
- **Advancement of risk management**
  - **Stable procurement for each process in the supply chain**
  - **Cost stabilization through hedge management**
- **Reinforcement of sustainability agenda initiatives**
  - **Environment, Human Rights, Agricultural Products**

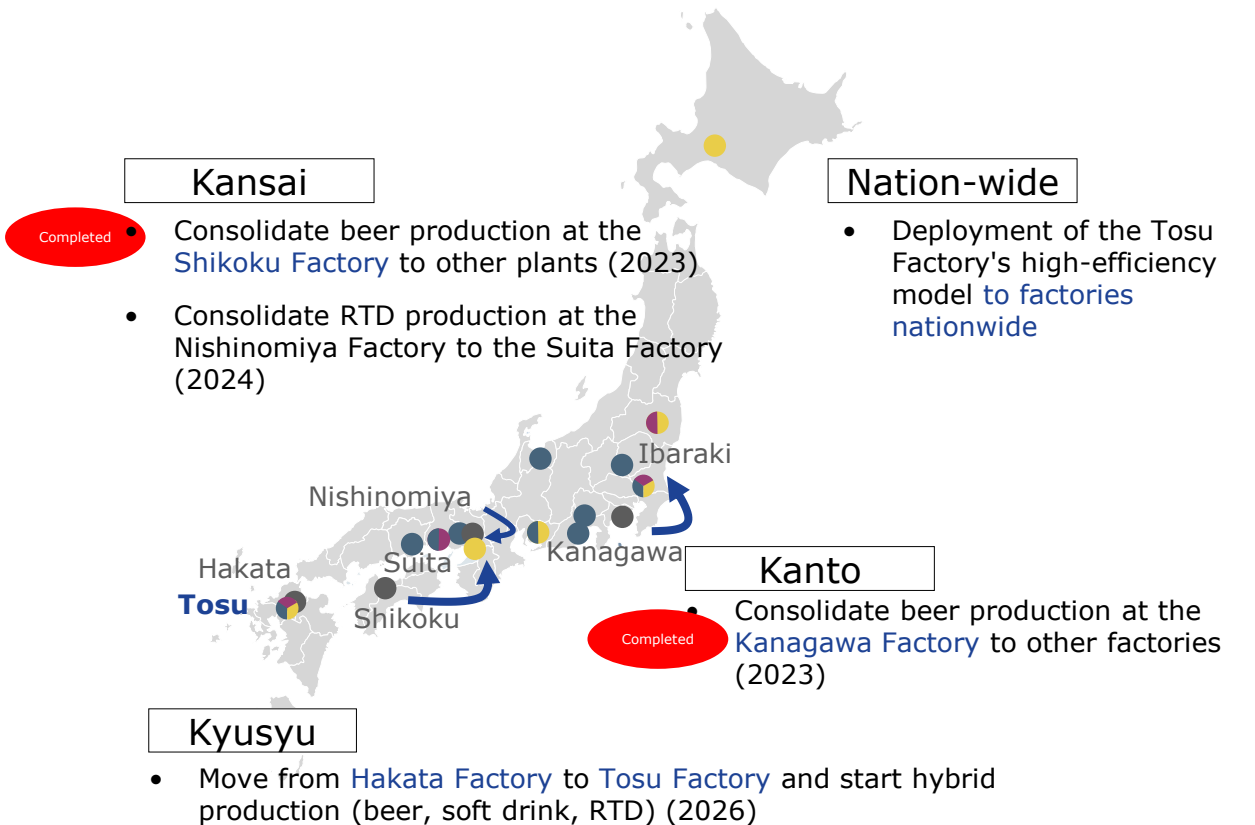
“One Asahi” procurement system in Japan  
Strengthening the Group's mobility

# Production / Logistics Network Redesign

SCM reorganization is progressing as planned. Accelerating efforts to improve cost competitiveness and achieve carbon negatives at Tosu Factory.

## Implement nationwide supply chain transformation, starting with Kansai, Kanto, and Kyushu areas

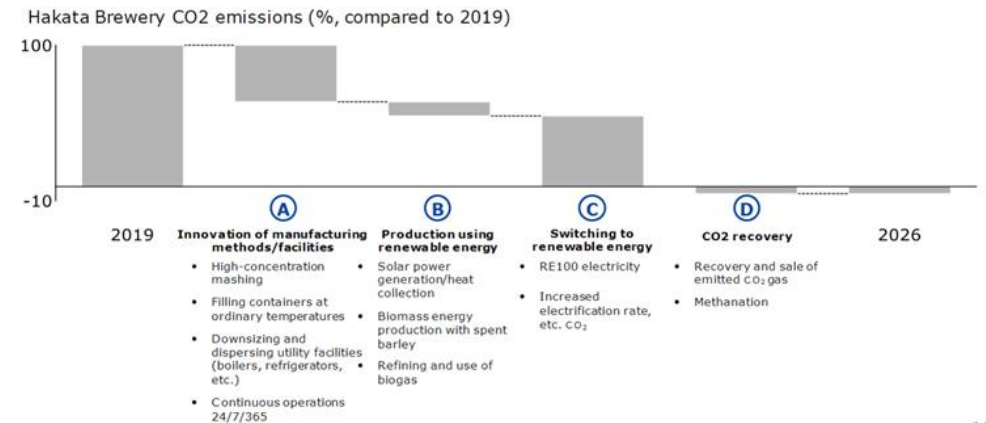
● Beer production sites ● Soft drink production sites ● RTD production sites



## Improvement of cost competitiveness

Cost reduction of about 3 billion yen in 2026 (compared to 2021)

## Achieve carbon negatives at the Tosu factory



- Aiming to improve the accuracy of demand forecasting, we are working on the construction of a sales forecasting model, which will be first implemented at Asahi Breweries from October 2022.
- The system and knowledge will be deployed within the Group, including Asahi Soft Drinks, starting this year.

## Building a sales forecasting model

- Calculate predictions from a variety of inputs. Repeat validation and develop models that contribute to actual operations.
- Streamline the development of tools by diverting databases from existing infrastructure environments.
- Reduce man-hours, standardize operations, and de-personalize forecasting operations while ensuring a certain degree of forecasting accuracy.

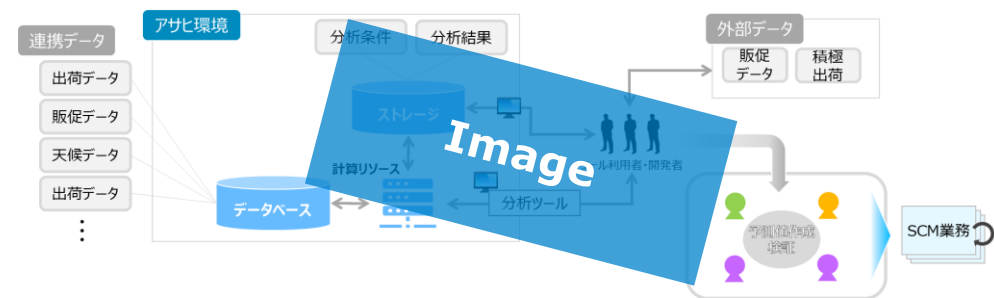
### <Development of forecasting models>

Select appropriate inputs and build predictive models

インプット情報			
大分類	中分類	具体例	意味合い
時系列効果	トレンド	時系列トレンド	ベース売上のトレンド
	曜日効果	曜日フラグ、月フラグ、曜日フラグ、年末年始フラグ、忘年会フラグ	曜日、月の特別な動きを学習
天候	天候影響	平均気温、降水量	気温や降水による影響を学習
	緊急事態・まん防	緊急事態、まん延防止	発令による影響を学習
社会変化	コロナ	コロナ後の曜日、月の特別な動きを学習	コロナ後の曜日、月の特別な動きを学習
		人流指標	人流との関連性を学習
		交際指標	世帯の消費との関連性を学習
	Go To Eat	内食・中食比率	内食・中食比率との関連性を学習
		居酒屋比率	居酒屋比率との関連性を学習
	増税・値上げ	酒税法フラグ、消費増税フラグ	税制改正や値上げ前後の挙動を学習

### <Development of forecasting tools>

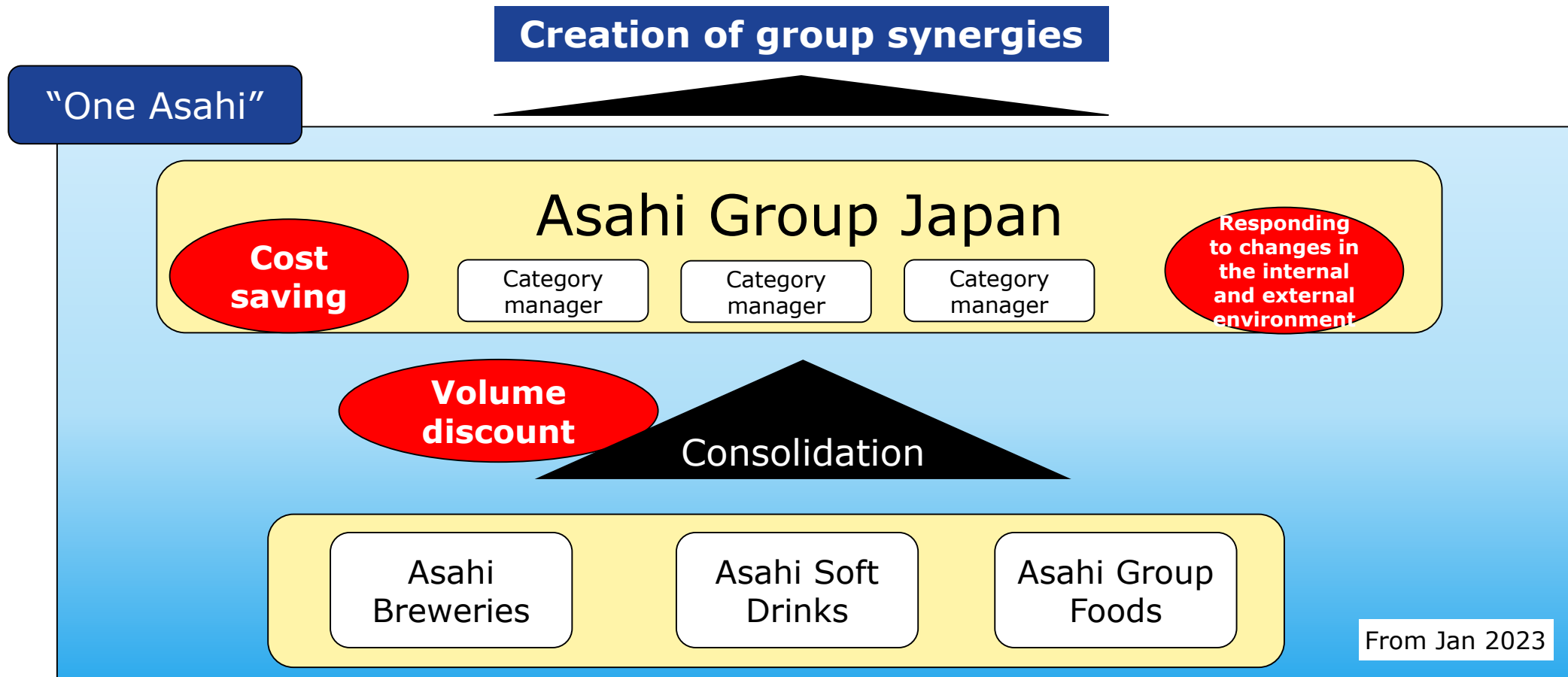
Efficient development by diverting and modifying existing mechanisms



# Strengthening Functions to Support Growth -Procurement-

## Create group synergies by strengthening "One Asahi" initiatives

1. Create cost synergies through "volume discounting" by consolidating procurement functions and "cost saving" by strengthening category managers
2. Responding to changes in the business environment with "One Asahi"

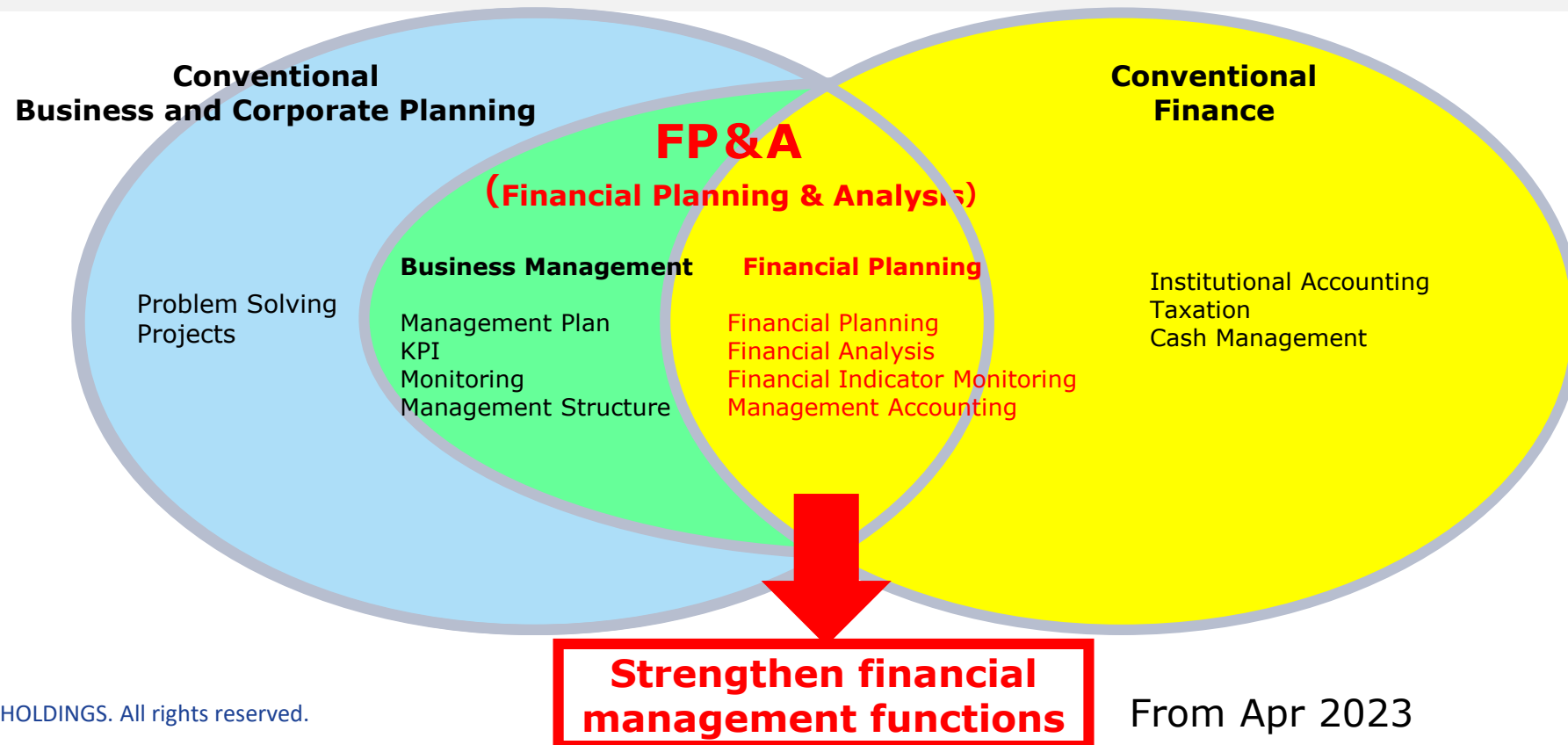




# Strengthening Functions to Support Growth -Finance-

## Strengthening our approach from a financial perspective to increase corporate value and achieve our plans

1. Strengthen verification of strategies and measures from a financial perspective to ensure appropriate reallocation of management resources for sustainable improvement of corporate value.
2. Strengthen quantitative and financial monitoring to ensure rapid PDCA cycle in developing new measures.
3. Upgrading of mechanisms and management accounting systems to carry out the above initiatives, and development of FP&A human resources



# Sustainability

# Sustainability Initiatives for Japan Business Linked to Group Strategies

Execute specific actions in the Japan business in conjunction with the Group's sustainability strategy and the new Environmental Vision 2050.

## Asahi Group Sustainability Strategy



### Revised Environmental Vision 2050

**Sustainability: Updates of Environment Vision 2050**

Asahi Group Environmental Vision 2050

We, the Asahi Group, have been enjoying the gifts of nature to create its products and services for over 100 years. We are concerned that the worsening global environmental issues threaten not only the sustainability of our business but also the survival of the human beings if we do not act accordingly. As we would be unable to continue our business without these gifts of nature, we are determined to achieve Planet Positive, which will reduce the burden on the environment from our business to zero, and maximize value to the global environment through circularity.

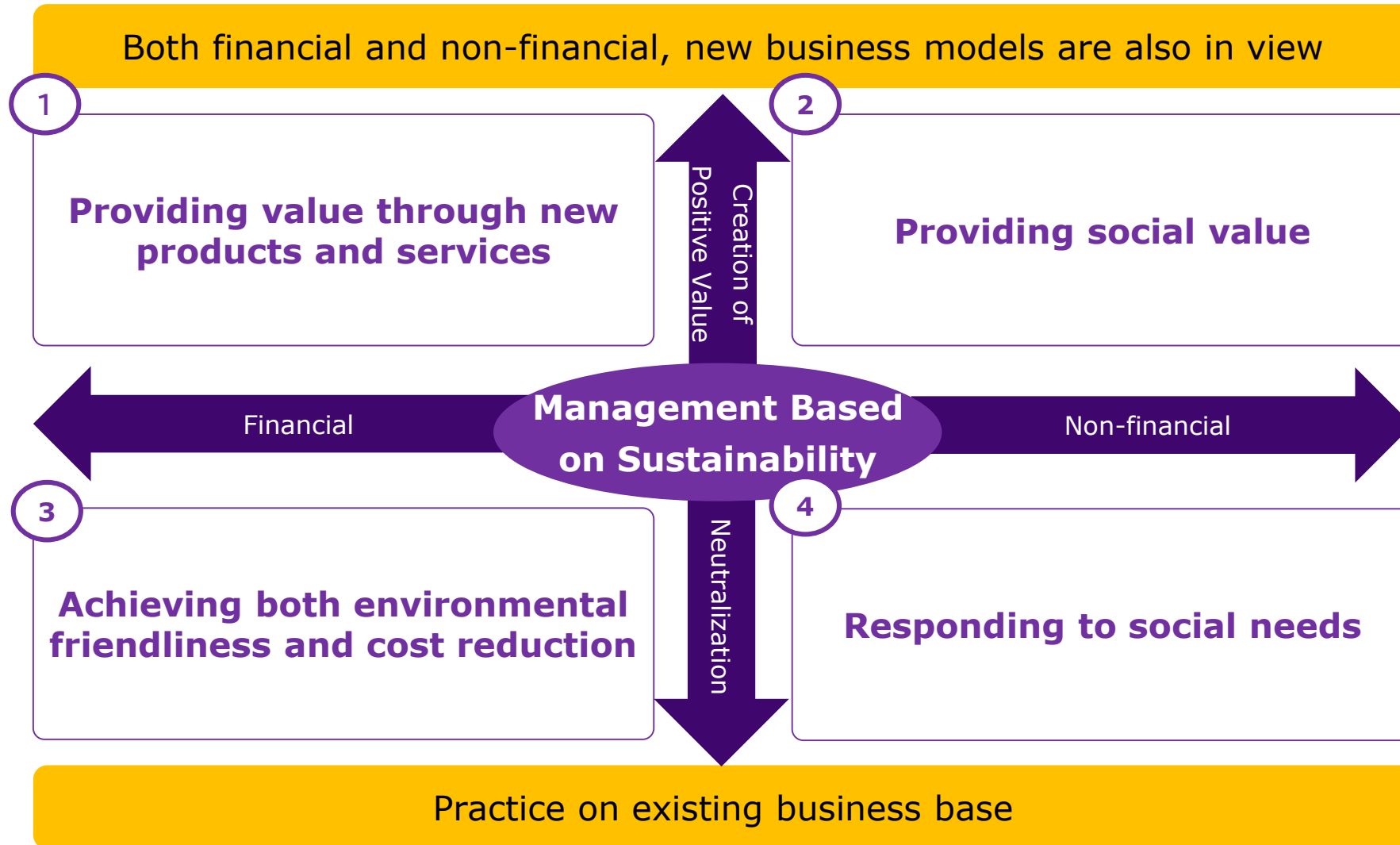
**What we would like the world to be like in 2050**

**Planet Positive**

Climate Change	Packaging	Agricultural Raw Materials	Water Resources
<b>Beyond Carbon Neutral</b>	<b>A Society Free of Packaging Waste</b>	<b>Sustainable Agricultural Raw Materials</b>	<b>Healthy Watersheds for People and Nature</b>
A world towards a carbon-free society, where carbon emissions are reduced in society as a whole, beyond the boundaries of business, and biodiversity is preserved	A world where the use of resources to make packaging is minimized, used packaging is recycled, and especially, marine biodiversity is preserved	A world where farming is carried out while considering the environment, respecting human rights and realizing regional revitalization, and there is a balance between stable production and preservation of the ecosystem	A world where the appropriate quality and quantity of water and the function of the soil are preserved for maintaining health, living environment and biodiversity, and resilience against natural disasters is enhanced

# Management Based on Sustainability

Sustainability management based on "financial and non-financial" and "positive value creation and neutralization"



# Examples of Initiatives

## - (1) Providing Value Through New Products and Services

Developing new markets and providing value through products

### ❖ Asahi YOU. US Sustainable products

地球に優しい  
森のタンブラー



「森のタンブラー」は、アサヒビールとパナソニックが共同開発したエコカップ。使い捨てプラスチック削減&SDGsへの貢献のために植物繊維を活用した世界初のエコカップです。

### ❖ Asahi Breweries Local products



### ❖ Asahi Soft Drinks Health-value products



### ❖ Asahi Group Foods Health-value products



# Examples of Initiatives

## - (2) Providing Social Value

Providing social value through social contribution activities

### ❖ Asahi Group Japan Asahi Forest



### ❖ Asahi Breweries

Volunteer activities around the offices



### ❖ Asahi Soft Drinks

Vending machines with disaster preparedness and security cameras



### ❖ Asahi Group Foods

Supporting food banks



# Examples of Initiatives

## - (3) Achieving Both Environmental Friendliness and Cost Reduction

Achieve both environmental friendliness and cost savings through reduced use of raw materials and energy along the value chain.

### ❖ Asahi Logistics

Joint distribution of food and alcohol beverages



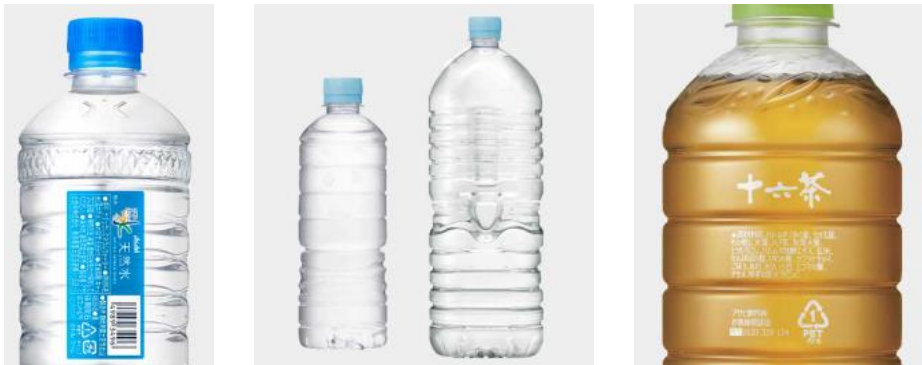
### ❖ Asahi Breweries

Lightweight container



### ❖ Asahi Soft Drinks

Simple labels and label-less products



### ❖ Asahi Group Foods

Development of reduced plastic container



# Examples of Initiatives

## - (4) Responding to Social Needs

Company-wide efforts to fulfill our social responsibilities.

### ❖ Company-wide efforts

Use of renewable energy  
- Respond to climate change



### ❖ Asahi Breweries

Promoting responsible drinking



### ❖ Company-wide efforts

Investigation of human rights risks  
in production and logistics]



### ❖ Asahi Group Foods

Use of RSPO certified palm oil



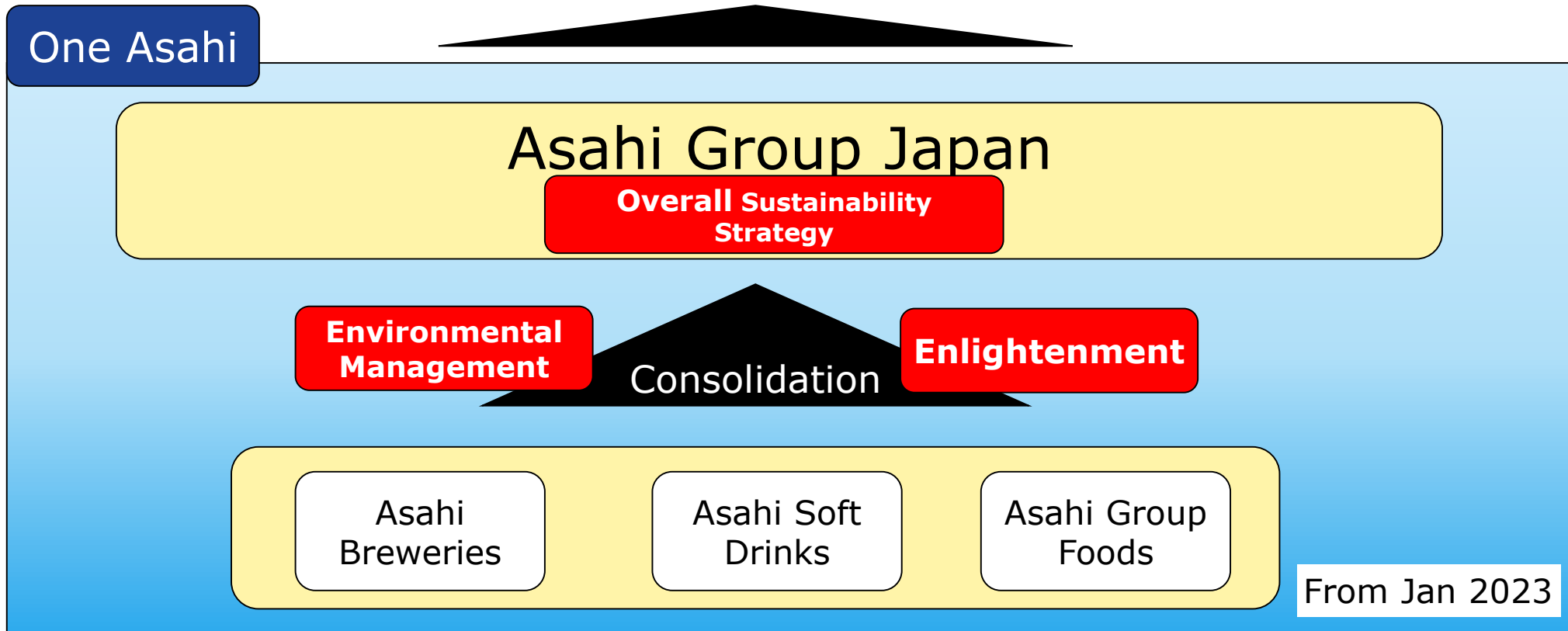


# Strengthening Functions to Support Growth -Sustainability-

## Implementation of Group-wide Sustainability Management

1. Strengthen strategic functions for overall sustainability activities and promote group-wide sustainability management
2. Consolidation of "environmental management" and "enlightenment" functions to strengthen consistent group activities and information dissemination.

## Sustainability Management as a Group





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