

Japan Business Strategy



March 19, 2024

Asahi Group Japan, Ltd.

2023 Overview
2024 Direction

Japan: Overview and Direction

	Revenue	Core OP	Core OP Margin
2023 Results	+6.3%	+9.8%	11.3%
2024 Forecasts	+2.0%	+1.9%	11.3%



* Revenue and Core Operating Profit figures are YoY
 * Excludes liquor tax

<Overview for 2023>

- Achieved better-than-expected performance thanks to appropriate pricing strategies and enhanced investment in core brands, etc.
- Expanded synergies as a “One Asahi” organization, promoted environmental, smart drinking, and other sustainability initiatives

<Direction for 2024>

- Enhance core brands that satisfy changing needs, expand new value proposition and high value-added categories
- Further strengthen management base by advancing human capital and organizational functions across Japan and accelerating sustainability

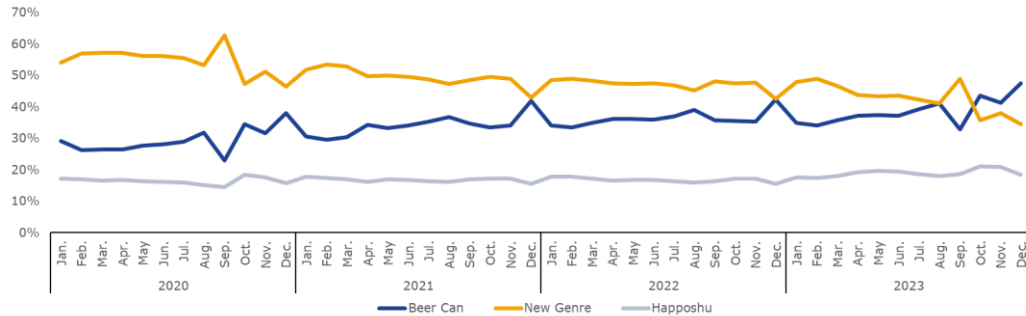


Japan (Alcohol Beverages Business): Main Topics



● Ongoing Beer Regression Analysis

Canned beer market by category



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

● Strengthening High-value Category

Asahi SHOKUSAI

Mirai no Lemon Sour



March 5: Nationwide release for all channels

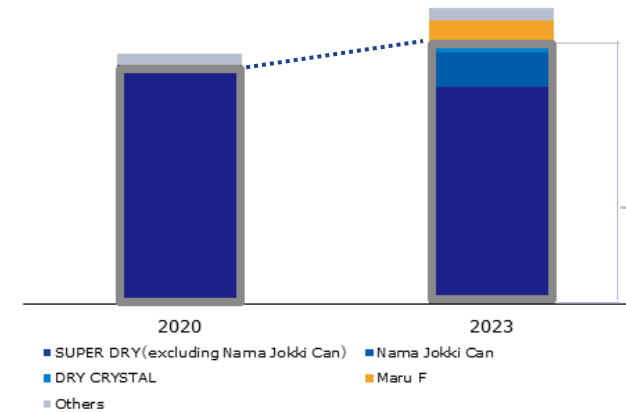
June 11: Limited volume release in Tokyo Metropolitan area and Kanto Shinetsu region

©ASAHI GROUP JAPAN. All rights reserved.

● Brand Investment Reaps Benefits

Asahi canned beer sales

2023 sales volume (vs. 2020)



Canned beer **+18%**

Super Dry [※] canned beer **+9%**

*2020 : Super Dry core product
 2023 : Super Dry core product, Nama Jokki cans, and Dry Crystal

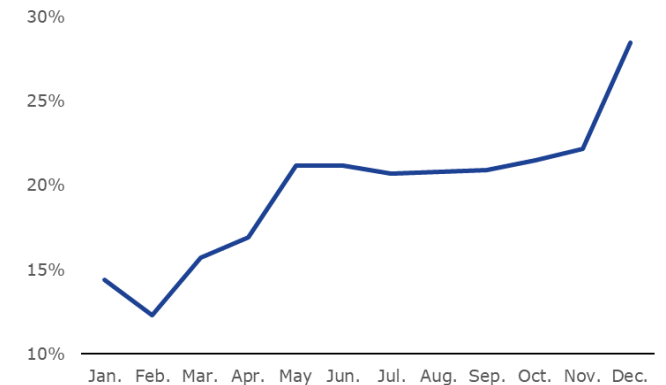
● Growing Smart Category (Smart Drinking)

Asahi ZERO



April 9: Nationwide launch

Growing awareness of Smart Drinking



Source: Asahi Breweries

Japan (Non-Alcohol Beverages, Food Business): Main Topics



● Non-Alcohol Beverages Business

2023 Topics

- Launched *Asahi Sou* green tea brand
- Strengthened health-conscious value proposition



2024 Topics

- Measures to mark *Mitsuya* and *Wilkinson* anniversaries (refreshed products, new product launches)
- Expand label-less drinks



2023 sales volume (YoY)

**Total health drinks*
+ 2%**



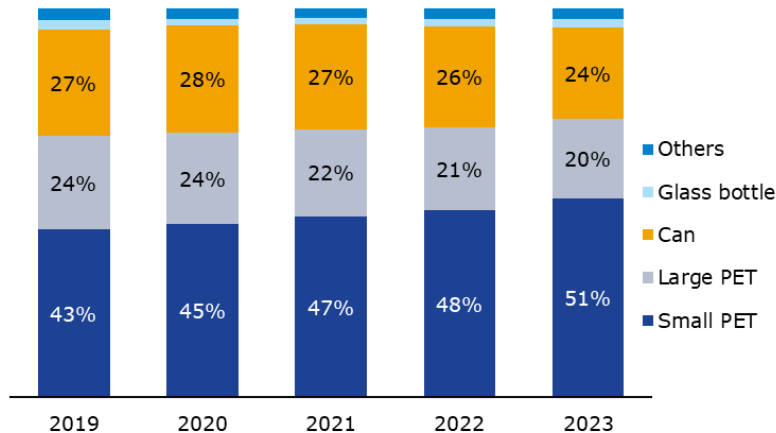
*Foods with Functional Claims and Food for Specified Health Uses such as *Calpis-derived Lactic Acid Bacteria Science Series*

2024 sales volume forecast (YoY)

**Total label-less products
+ 19%**



- Strengthening highly profitable small PET bottle drinks



● Food Business

Rising *Mintia* sales

2023 sales (YoY)

+ 23%



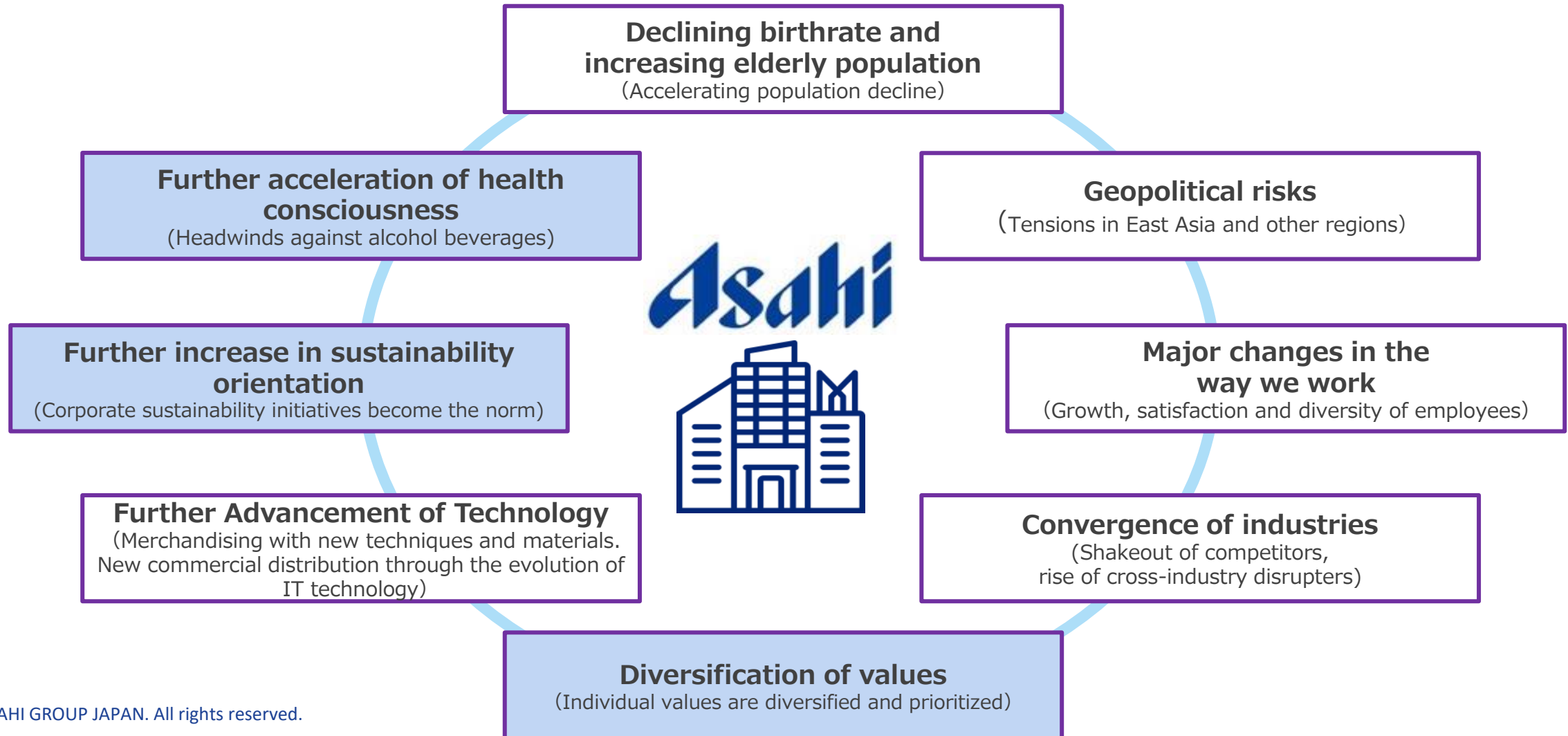
2024 sales forecast (YoY)

+ 6%

Future Strategy for the Japan Business

Surrounding Business Environment

- In a changing business environment, it is increasingly important to formulate strategies that closely reflect the evolving values of consumers



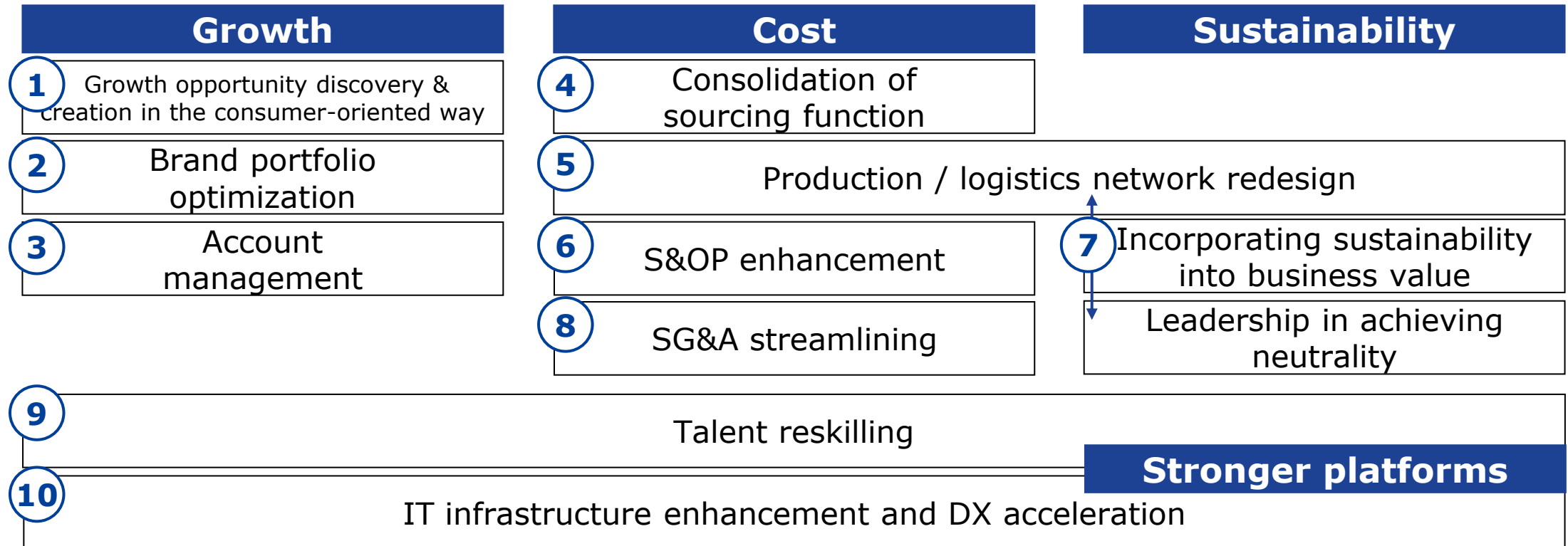
Future Strategy for the Japan Business

- Optimize corporate value by connecting the 3+1 strategic pillars and 10 priority measures

Strategic concept

Anticipate needs and change from our consumers' perspective, secure growth by creating future value as One Asahi, and prosper alongside the society we serve

Three strategic pillars and priority measures



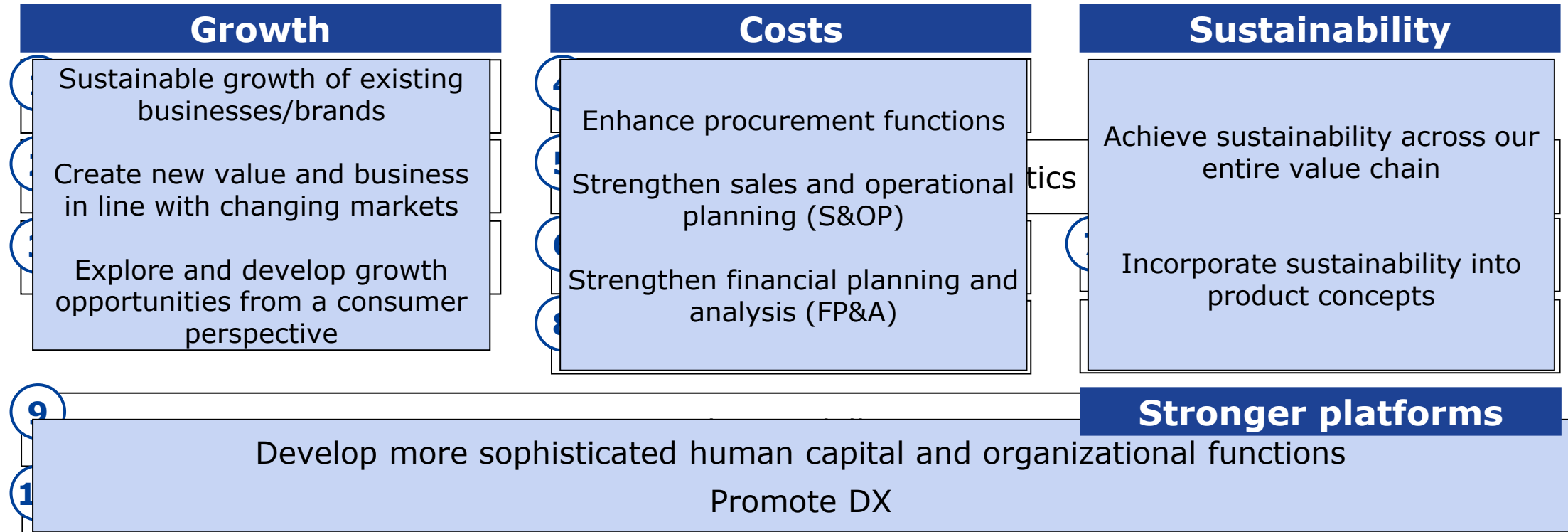
Today's Menu of Topics

- Today, I would like to explain our FY2024 initiatives, which coincide with the 3rd year and the implementation phase of our regional headquarters (RHQ) structure.

Strategic concept

Anticipate needs and change from our consumers' perspective, secure growth by creating future value as One Asahi, and prosper alongside the society we serve

Three strategic pillars and priority measures



Growth Strategy

Sustainable Existing Business/Brand Growth



- Invest profits generated from the stable growth of existing businesses and brands into the following growth areas

Core brands

Further strengthen existing core brands. Invest profits generated by stable growth into future growth areas

Smart drinking

High-value

New value, new growth

Sustainable Existing Business/Brand Growth

- Increase Investment in Nikka Whisky -



- In order to further strengthen the brand, we will increase production of the whisky and develop marketing that befits this high value-added product

Leading up to the centenary

90th Anniversary
NIKKA WHISKY

2024 90th anniversary

Increase whisky production



Global recognition

90th Anniversary
NIKKA WHISKY

Nikka Whisky's International Reputation

NIKKA WHISKY FROM THE BARREL

TOP TRENDING BRANDS		BESTSELLING BRANDS	
1	NIKKA	1	NIKKA
2	Brand A	2	Brand A
3	Brand B	3	Brand C
4	Brand C	4	Brand D
5	Brand D	5	Brand E
		6	Brand B
		7	

BRANDS REPORT
DRINKS INTERNATIONAL
2024

TOP TRENDING BRANDS		BESTSELLING BRANDS	
1	NIKKA	1	NIKKA
2	Brand F	2	Brand F
3	Brand G	3	Brand K
4	Brand H	4	Brand G
5	Brand I	5	Brand L
6	Brand J	6	Brand M

Create New Value and Business that Reflect Changing Markets (1)

- Create new value and business in line with changing markets, and conduct and manage both existing and new areas with ambidexterity

Yeast

Starting yeast production in Japan, expand the use of yeast extract and yeast cell walls



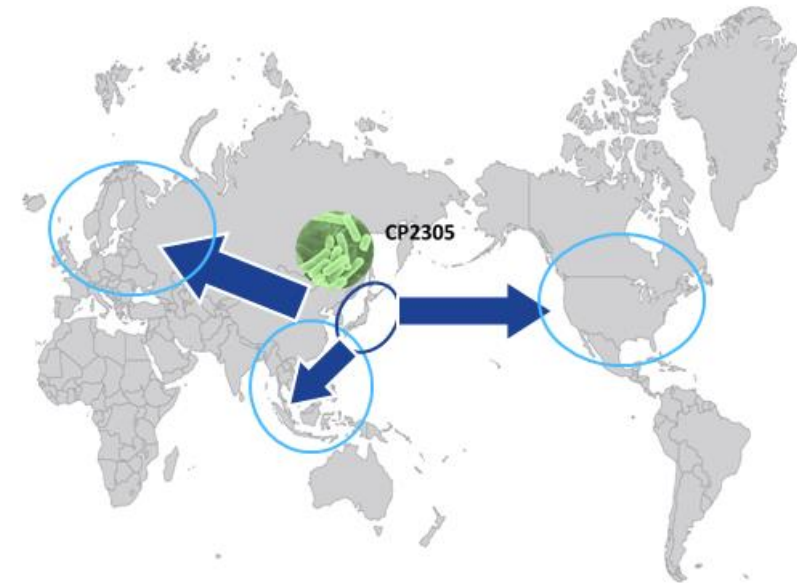
Cultivating yeast at the Asahi Breweries Ibaraki Brewery



Making commercial yeast at Asahi Group Foods Tochigi Koganei Factory

Lactic acid bacteria

Developing as a common material brand across the Group, selling as a food ingredient

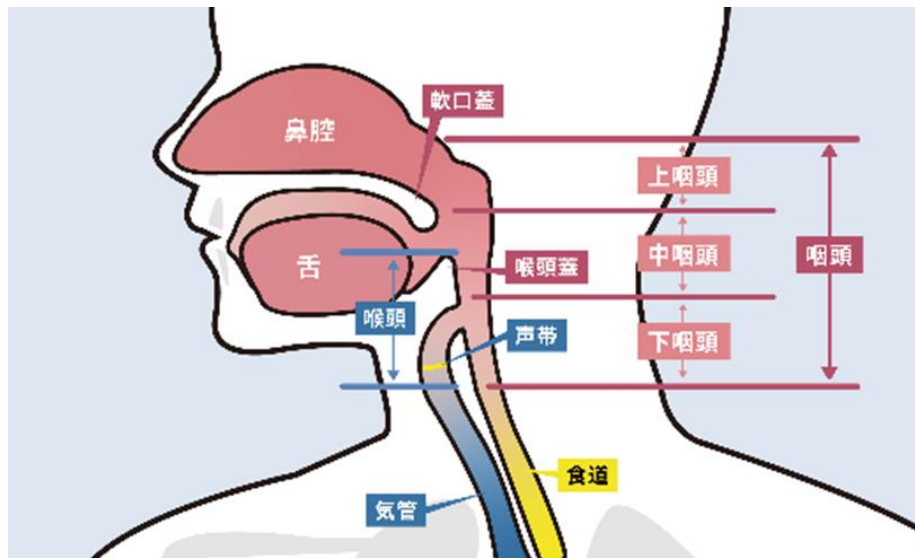


Strengthening our presence in the B2B market

Create New Value and Business that Reflect Changing Markets (2)

- Promote future-looking initiatives in the field of “AI-enhanced medical care” at our Future Creation Headquarters (FCH)

Aillis, Inc.



We are looking for potential business partners in the field of feeding and swallowing

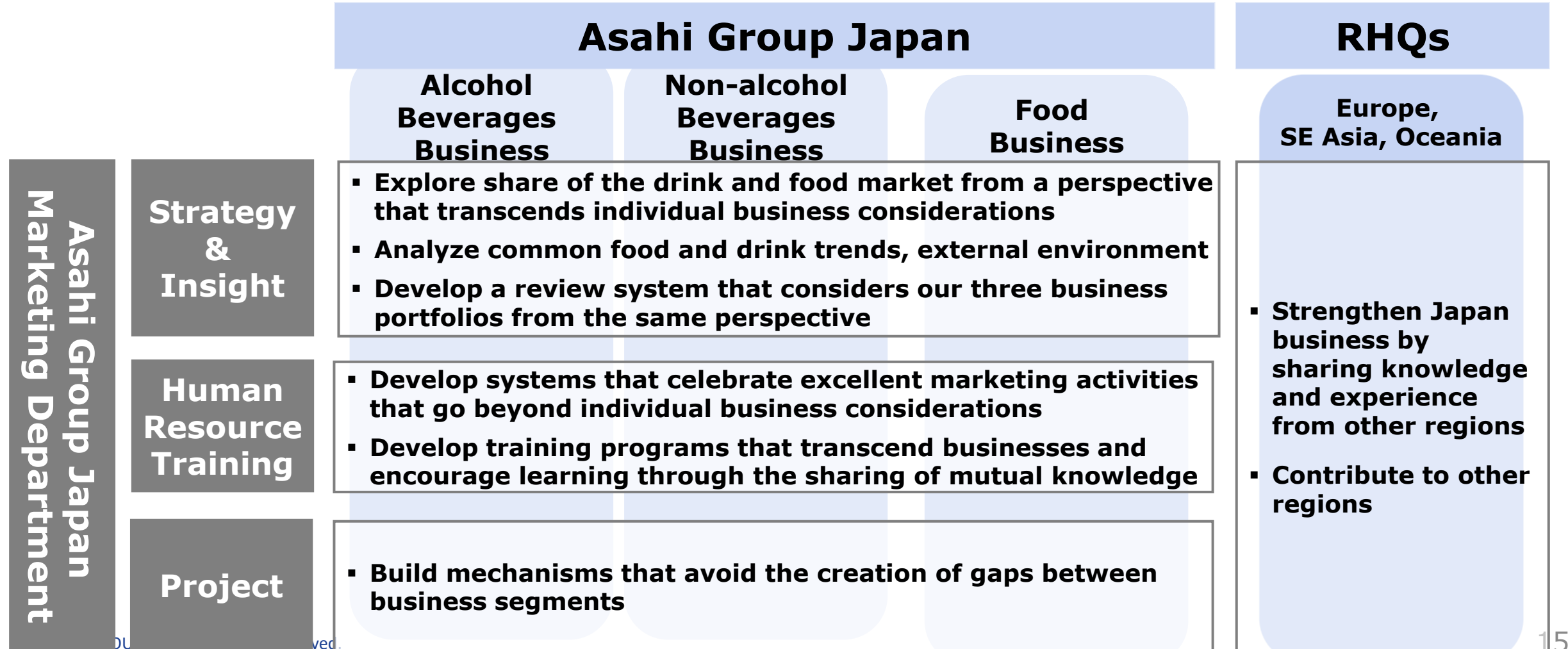
Solving issues relating to oral hygiene and care.
Building healthy bodies and maximizing lifetime value (LTV)

Aillis, Inc., a startup that uses AI technology to provide diagnostic support, is driven by a mission to create open medical care that can be innovated by everyone together

Explore/Develop Growth Opportunities from a Consumer's Perspective - New Marketing Department -



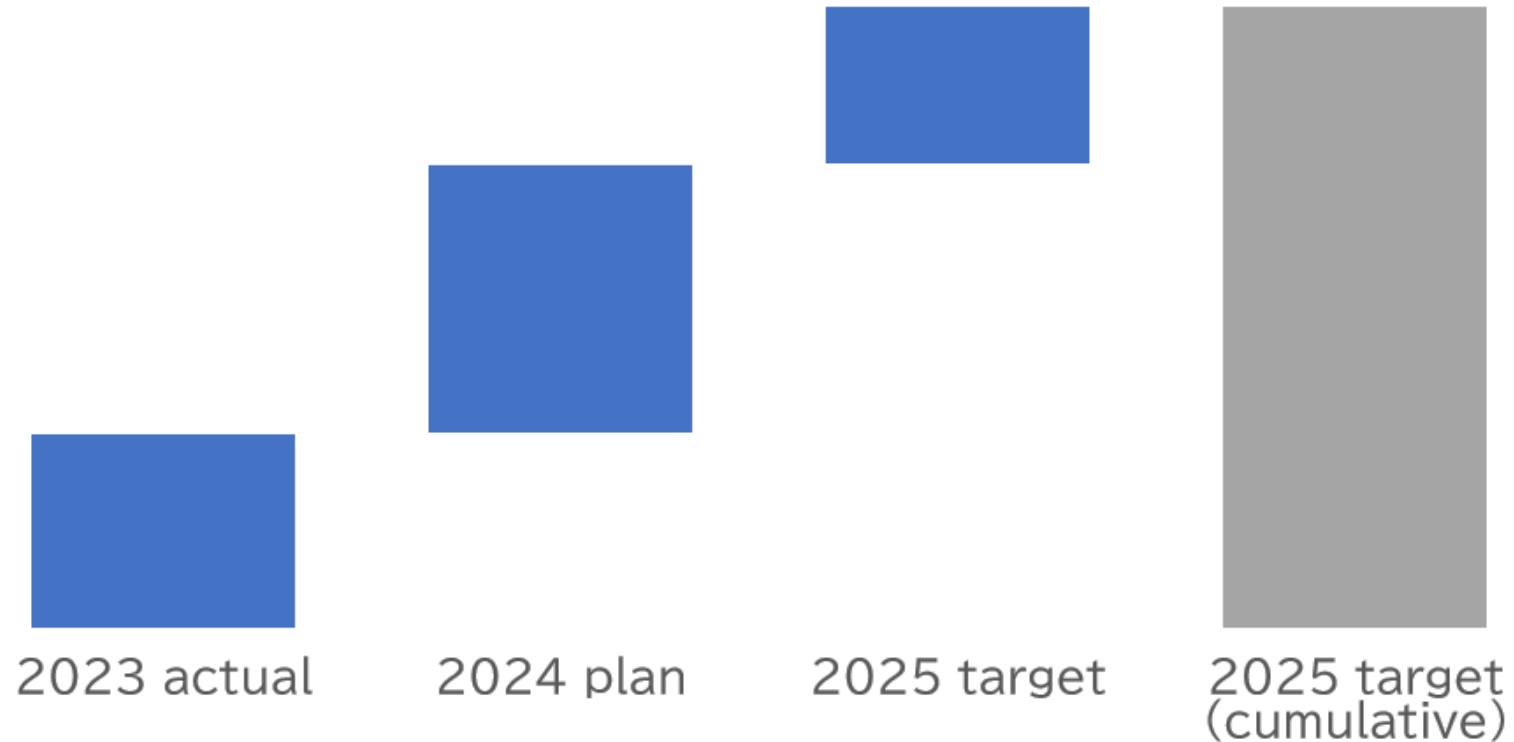
- A functional corporate department with dedicated marketing expertise will support business with a high level of specialist knowledge



Cost Strategy

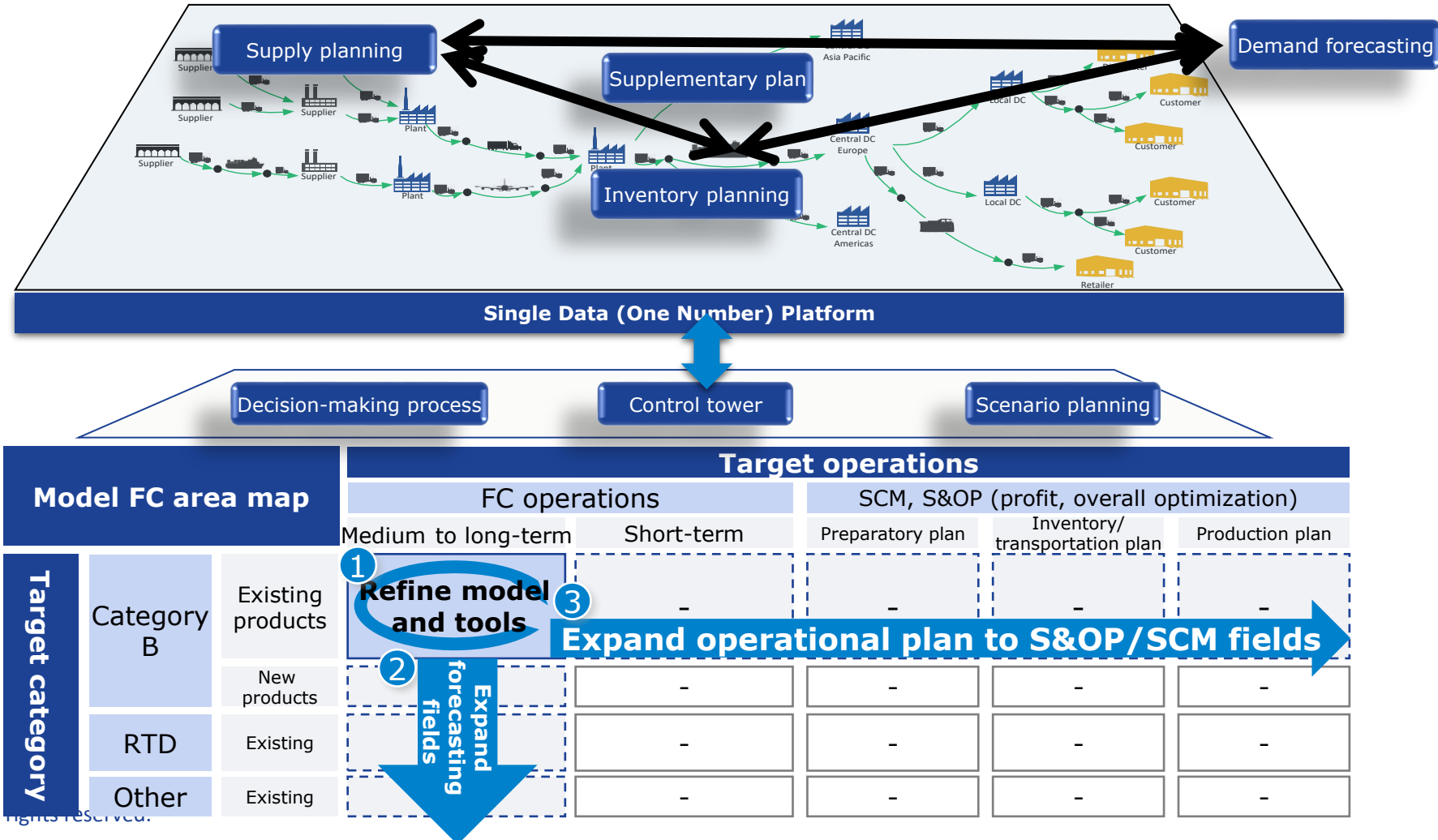
Enhance Procurement Functions

- Pursue cost reductions totaling approximately JPY 15 billion for direct and indirect materials by 2025, compared to a 2022 base year.



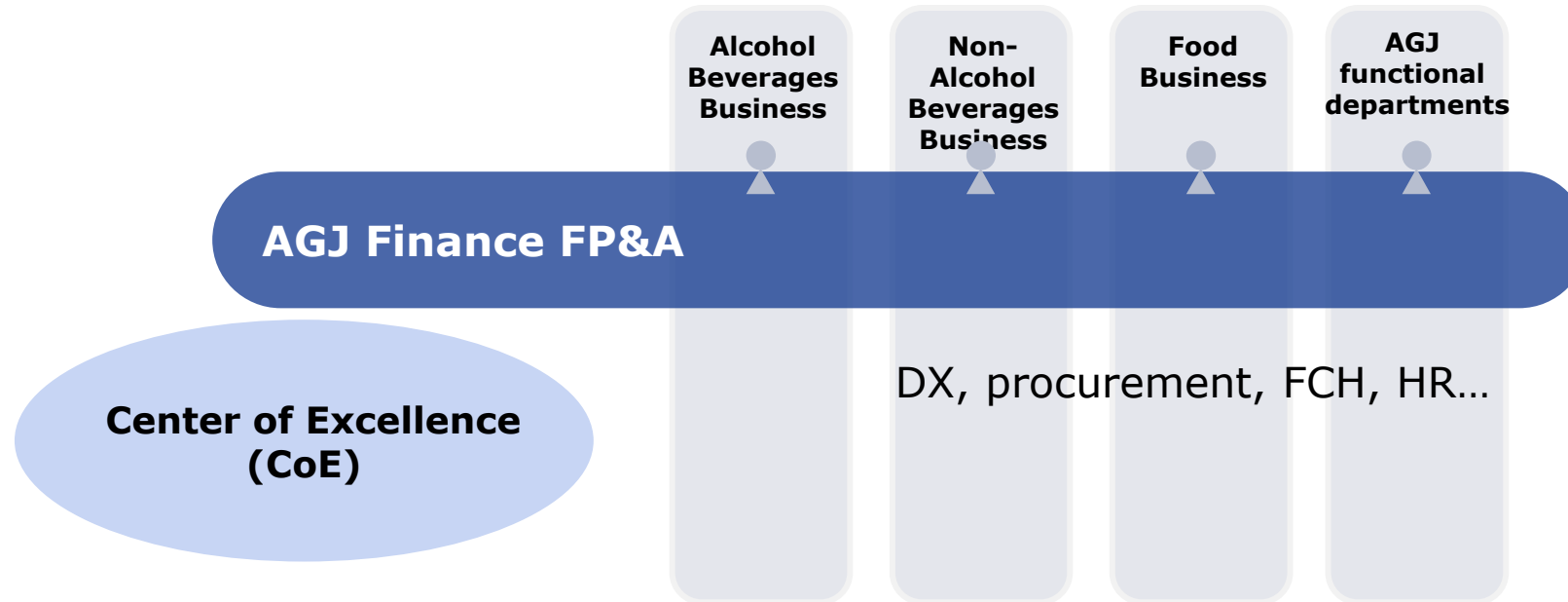
Strengthen S&OP

- Since our new model has proved effective at improving the accuracy of demand forecasting, we intend to expand the scope of its use going forward to secure greater cost efficiencies



Strengthen FP&A

- Assign finance and business partners to each operating company and function and promote FP&A networking



- We began assigning finance and business partners to deal with overall capital investment management and high-priority DX, procurement, FCH, and HR functions, and are starting to establish more solid financial governance
- Enhance financial checks of each measure, introduce a gate check system to monitor policy progress (DX), and other initiatives

Sustainability

Achieve Sustainability Across Entire Value Chain



- We aim to ensure our corporate activities are environment-conscious, people-sensitive, and sustainable well into the future



Specific examples

Environment

Purchase raw materials with low CO₂ emissions

Switch fuel and electric power used in factories to renewable energy

Work with other firms to promote a modal shift and reduce long-distance truck transportation

Capture and utilize CO₂ generated in the distribution process

Conduct activities to encourage the recycling of containers after eating and drinking

Human rights

Buy agricultural products produced in an environment that upholds human rights

Create working environments where factory workers feel safe and secure

Improve situation of long working hours due to driver shortages

Deal with business partners that heed human rights in their management practices

Do business with restaurants that respect the human rights of foreign workers

Achieve Sustainability Across Entire Value Chain



- Some Example Activities -

- Promoting various measures to achieve sustainability across our entire value chain

Procurement



Briefing on environmental initiatives:
 Attended by approx. 100 people from 50 major Asahi Group raw materials and other materials suppliers

Sale



Production

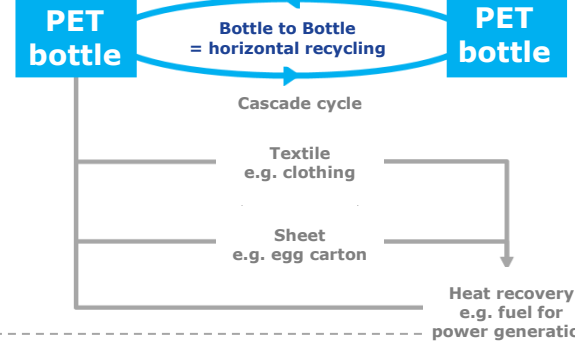


Hakata brewery



Nikka Moji factory

Consumption



Logistics



Achieve Sustainability Across Entire Value Chain

- 2024 Logistics Issues -

- We aim to realize sustainable distribution by promoting “white logistics” that are designed to alleviate the shortage of truck drivers

Classification		Future initiatives
Delivery to wholesalers		✓Promote white logistics/level out workloads (suppress sales waves) ✓Improve operational efficiency
Transport	Short distance (up to 300km)	
	Medium/long distance (300km-700km)	
	Ultra long distance (700km+)	✓Consider alongside modal shift (cooperate with Japan Railways)
Strengthen vehicle collaboration		✓Strengthen external sales through Asahi Logistics, strengthen cooperation with consumers, supply vehicles, etc.



*We introduced a dynamic management system to help quantify the current system. Going forward, we will determine some KPIs and implement various initiatives

Incorporate Sustainability into Product Concepts



- Asahi Group firms practice sustainability through their products and marketing activities

Asahi Breweries



Approx. 77%
reduction in paper
footprint
(350ml can six pack)

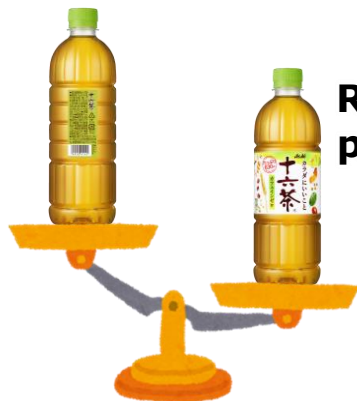
Asahi Group Foods



Approx. 11%
reduction in plastic
usage
(Mintia regular series)

Asahi Soft Drinks

Simple eco label



Regular product

Approx. 33%
reduction in plastic
usage



Approx. 78%
reduction in plastic
usage
(Switched from containers
to refill pouches)

Stronger Platforms

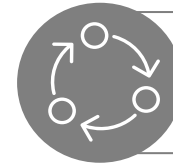
More Sophisticated Human Capital, Organizational Functions

- Promote more sophisticated human capital, and return more value to employees by reforming our human resources systems

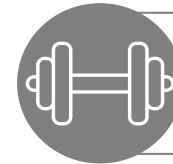


**Job-based
human resource
system**

AGJ transfers



**Evolve
our institutional platforms**



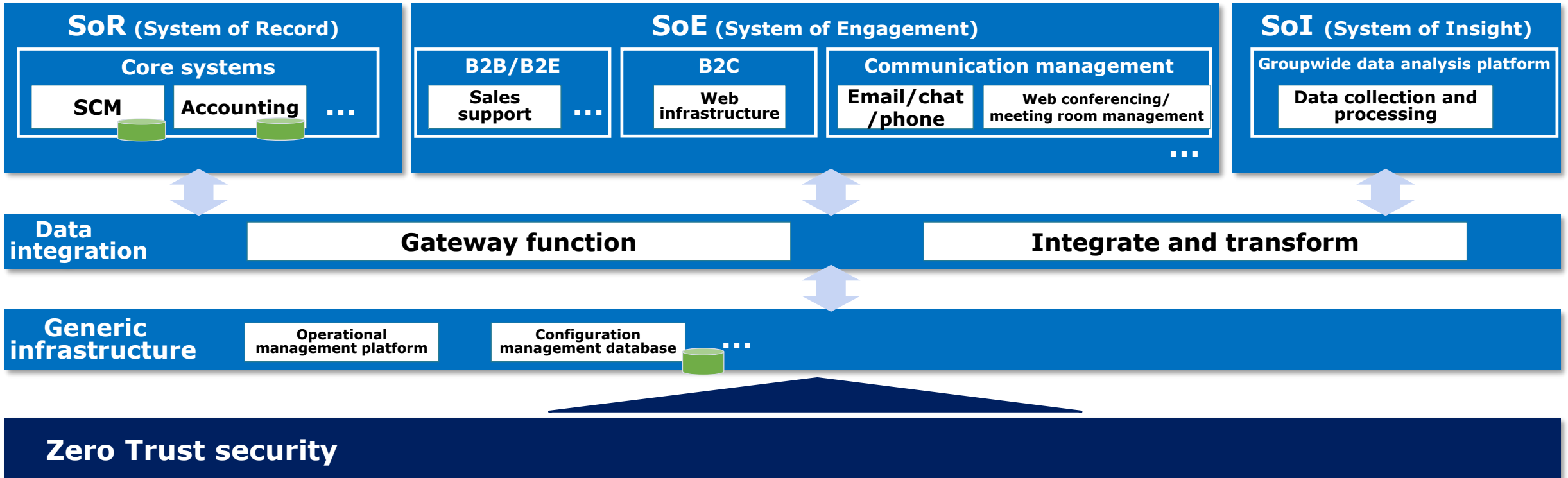
**Enhance
professional development**



**Improve
employee engagement**

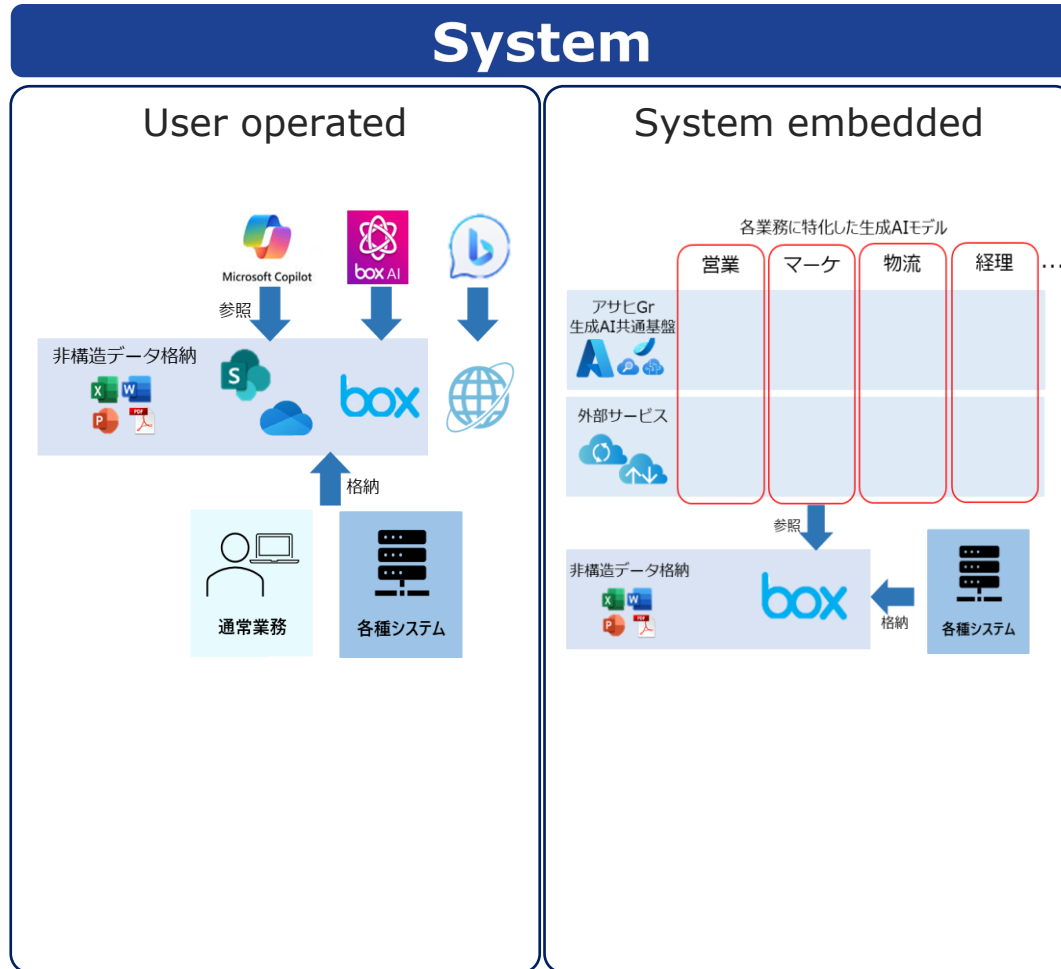
Promote DX - Upgrading critical systems -

- Building system infrastructure that can respond quickly and flexibly to environmental changes and business requirements



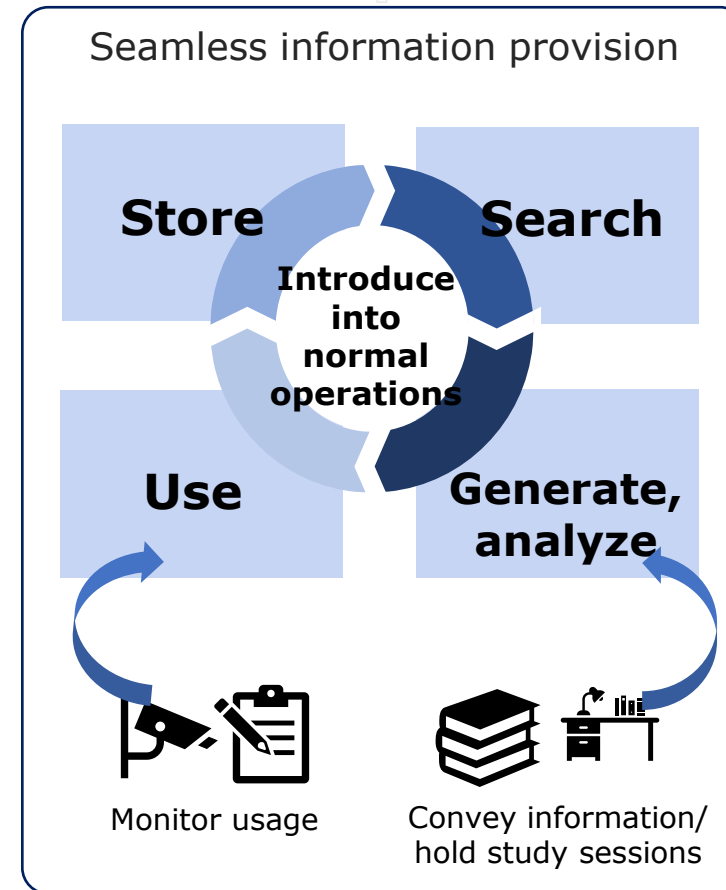
Promote DX - Utilizing AI -

- Incorporate generative AI into our business systems, create an environment that facilitates autonomous operational changes



×

Incorporate into normal operations





Information in this material is not intended to solicit the sale or purchase of shares in Asahi Group Holdings. The views, estimates and other information included in this document are based on the company's judgment at the time of publication, and no guarantees are provided regarding the accuracy of such information. This information is subject to change without notice. The company and its officers and representatives accept no responsibility or liability for any damage or inconvenience that may be caused by or in conjunction with any part of these materials.