

# Japan Business Strategy and Role of AGJ

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March 8, 2022

## Evolving business environment

## Impact on Asahi

### Recent changes

- Economic recovery from the COVID-19 pandemic
- Liquor tax reform in 2026

- Revenue returning to pre-COVID levels
- Tax reform a tailwind for beer

### Structural changes

- Generational shift
  - Middle-aged/senior groups driving consumption in beer, expected to shrink
  - Millennials becoming the main consumers
- Consumption mix shift
  - Consumption mix changing due to different preferences by generation
  - Increasingly diversified values and preferences within each generation
- Cost increase due to higher prices of raw materials and goods
- Rising awareness of sustainability

- New demand, occasions, and values previously unaddressed to expand
- Unpenetrated markets becoming the main battlefield for growth
- Growing profit pressure due to cost increase
- Sustainability becoming the cornerstone in managing the business

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

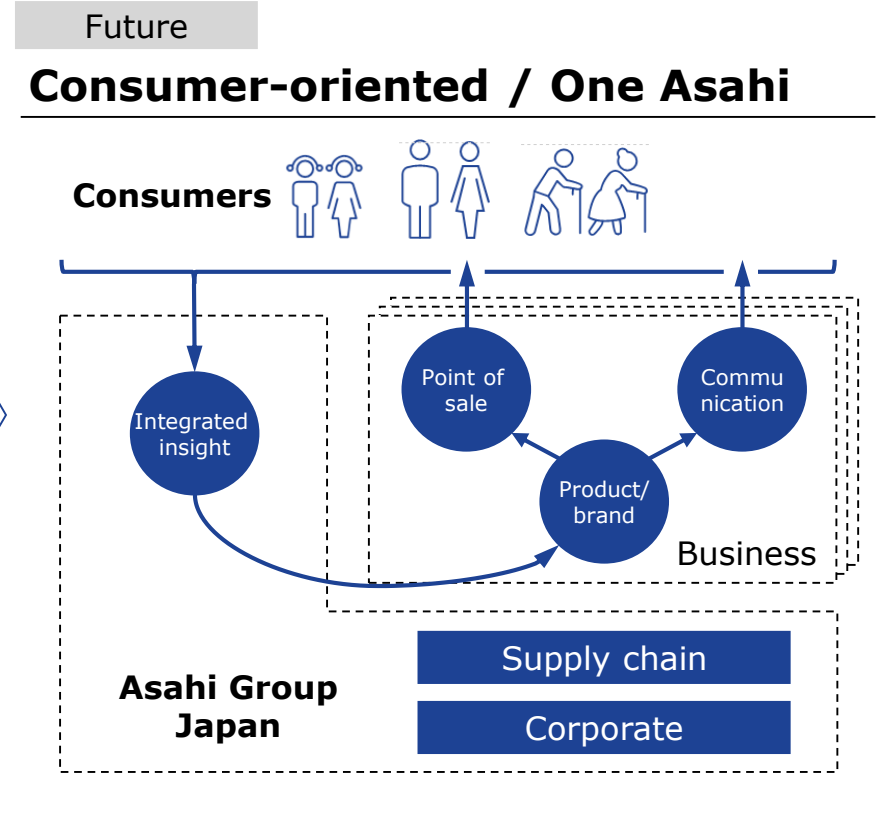
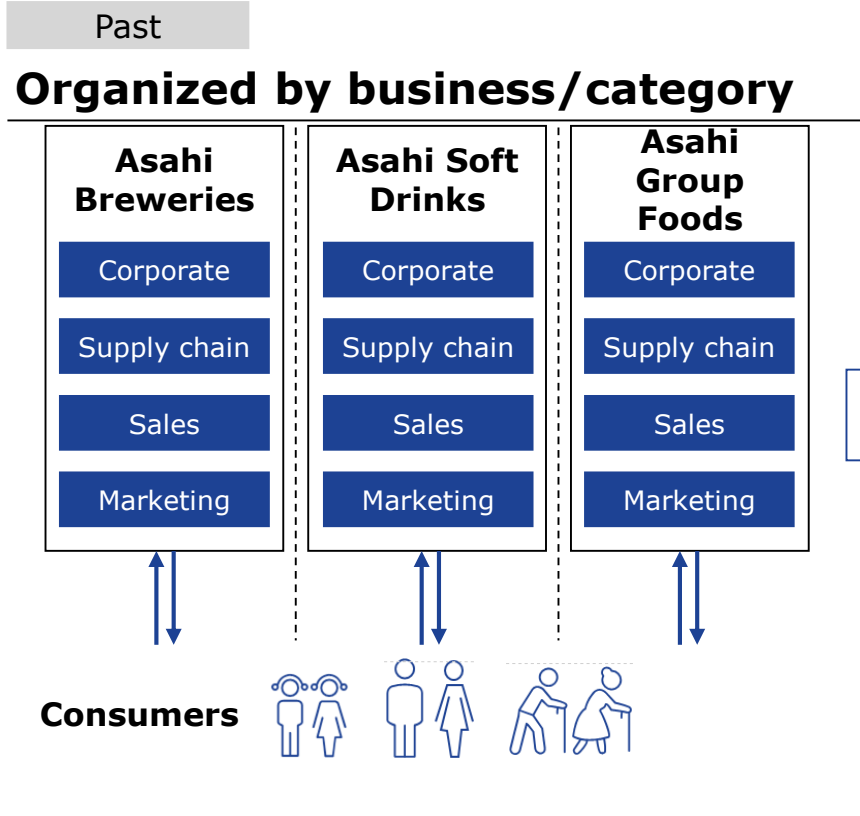


Basic concept behind Japan business strategy

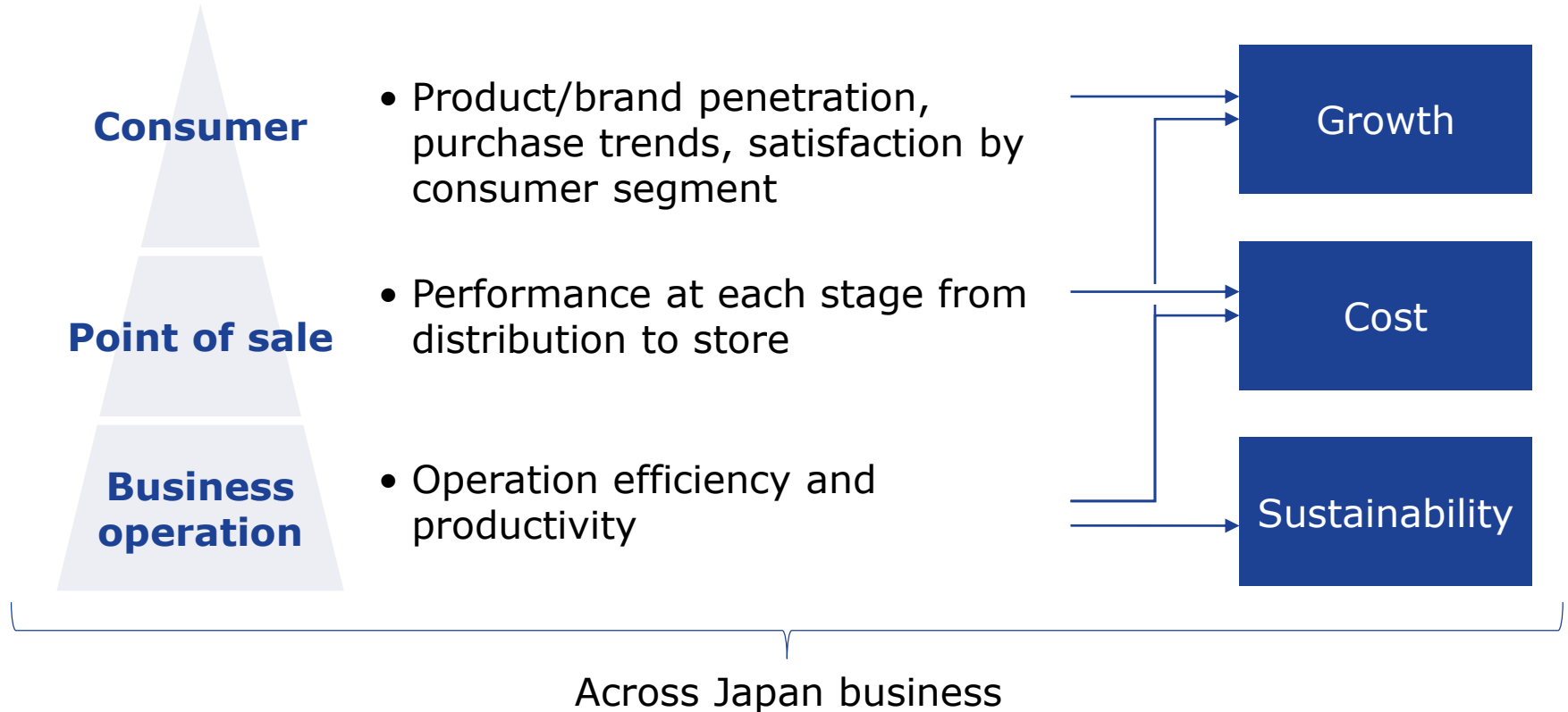
Grow and thrive harmoniously with society as **One Asahi** by proactively addressing needs and changes through a **consumer-oriented** approach

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

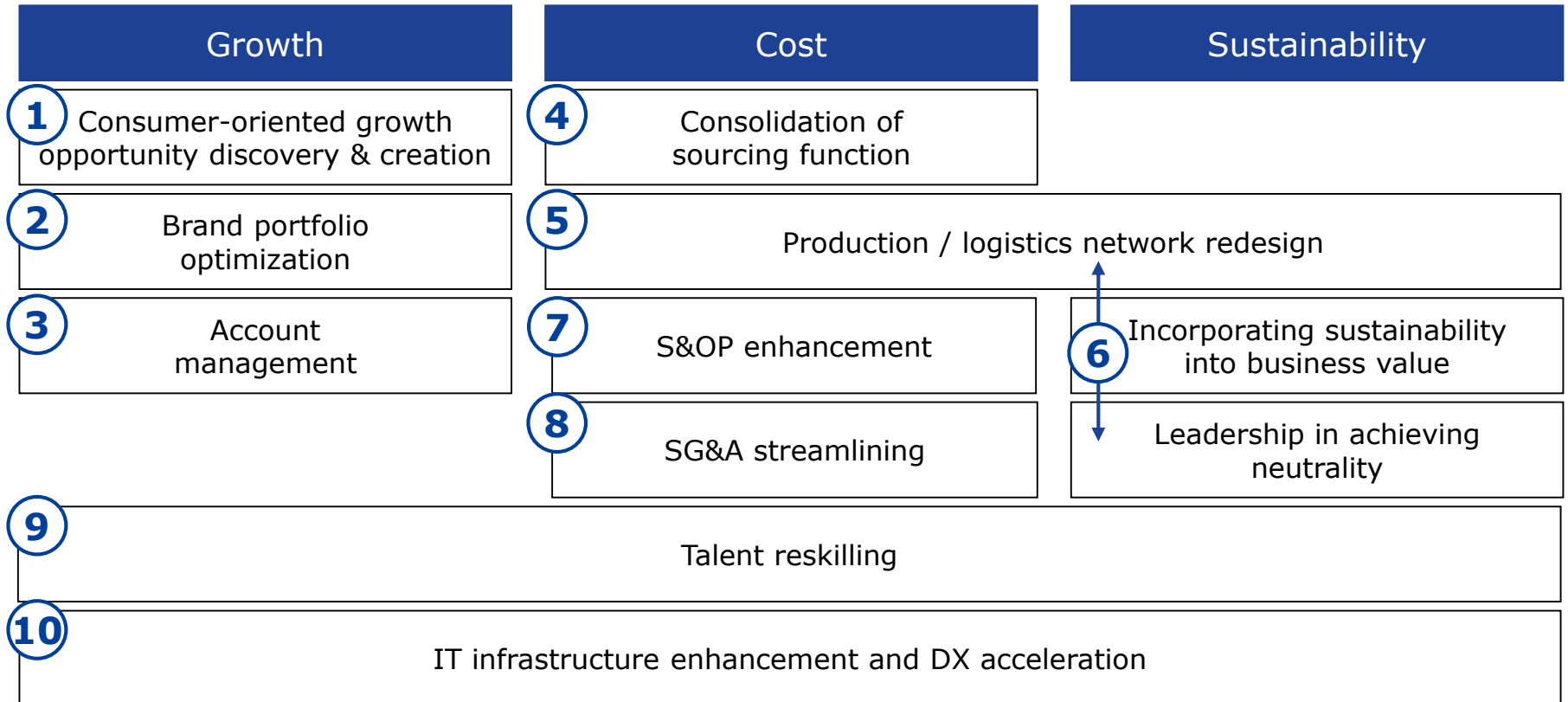
# Creating Value as "One Asahi"



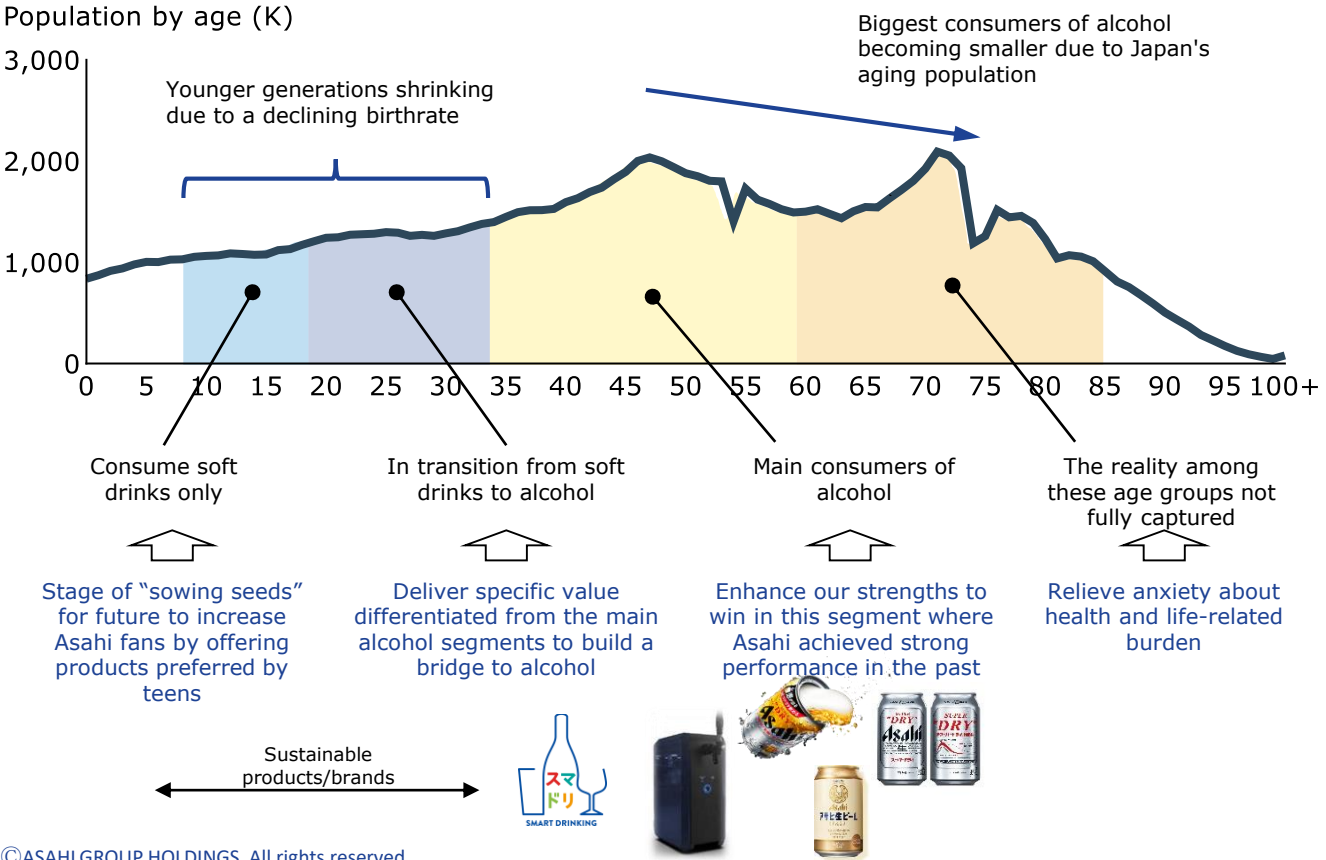
# Key Results Indicator and 3 Strategic Pillars



# Priority Initiatives to Drive 3 Strategic Pillars



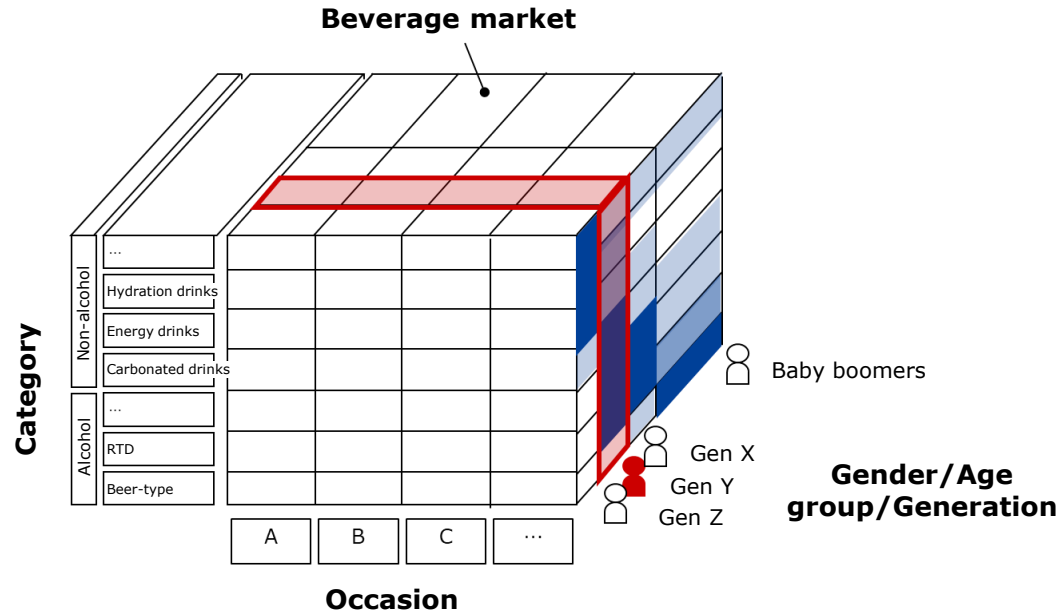
# Consumer-oriented Opportunity Discovery



- Establish a consumer-oriented insight integration function in AGJ
- Identify preference, value and occasion by consumer to understand underlying needs
- Optimize products and brands

# Brand Portfolio Optimization

## Shift focus from category to consumer



- Understand the market with through the lens of the consumer (gender, age group, generation) rather than category

## Brand development and expansion

- Generate consumer insights to understand specific preference/ value and occasion by gender, age group, and generation
- Win in growing markets, including new markets and category creation



## Account dashboard and profit visualization

- Visualize financial/operational KPIs at the organization, category and account level
- Start with Asahi Breweries, expand to other businesses and then integrate



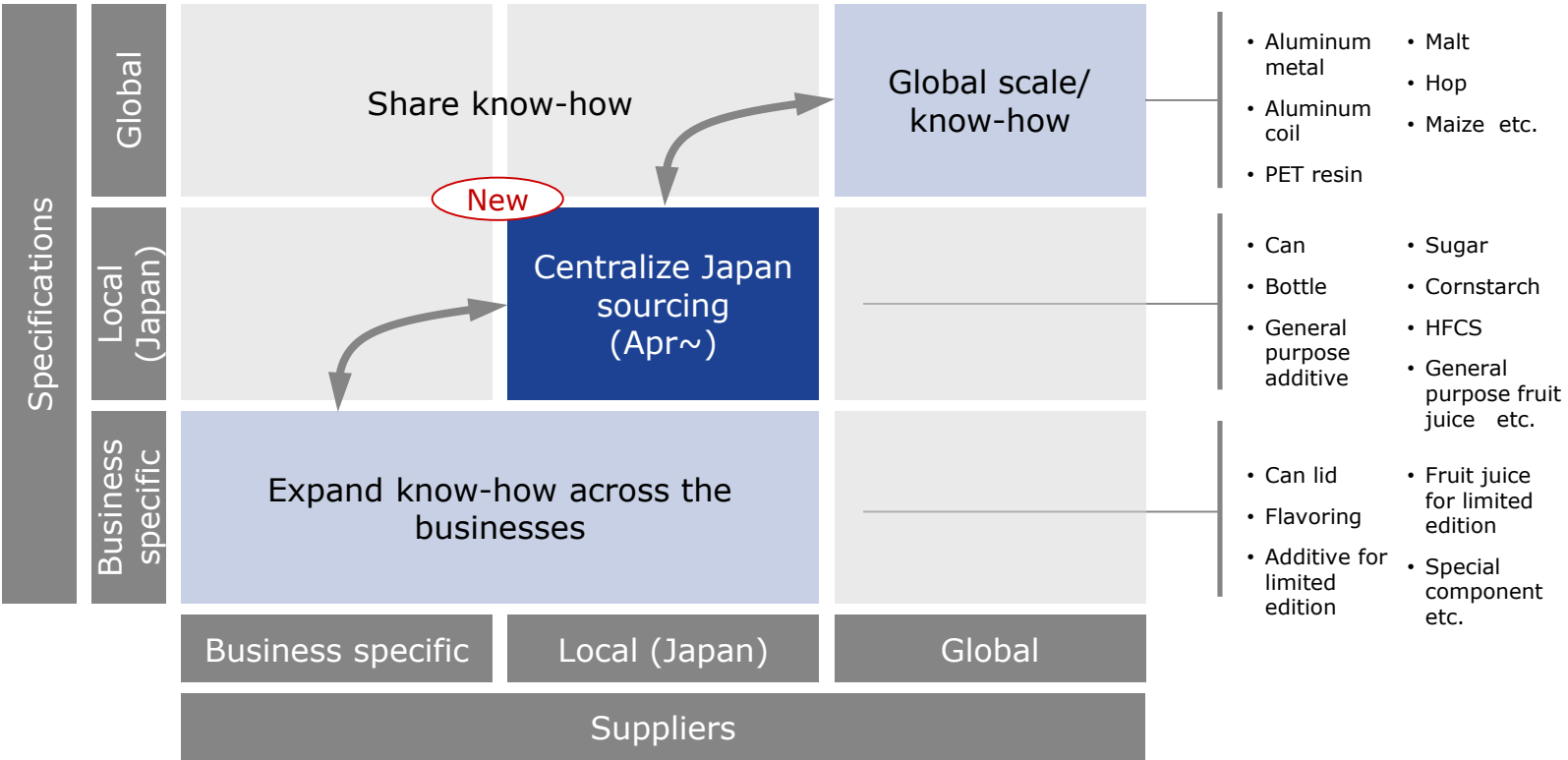
## Data-driven sales activities

- Develop solid data at each level such as corporate head, branch manager and sales rep
- Drive data-driven sales activities

## Win-win relationship

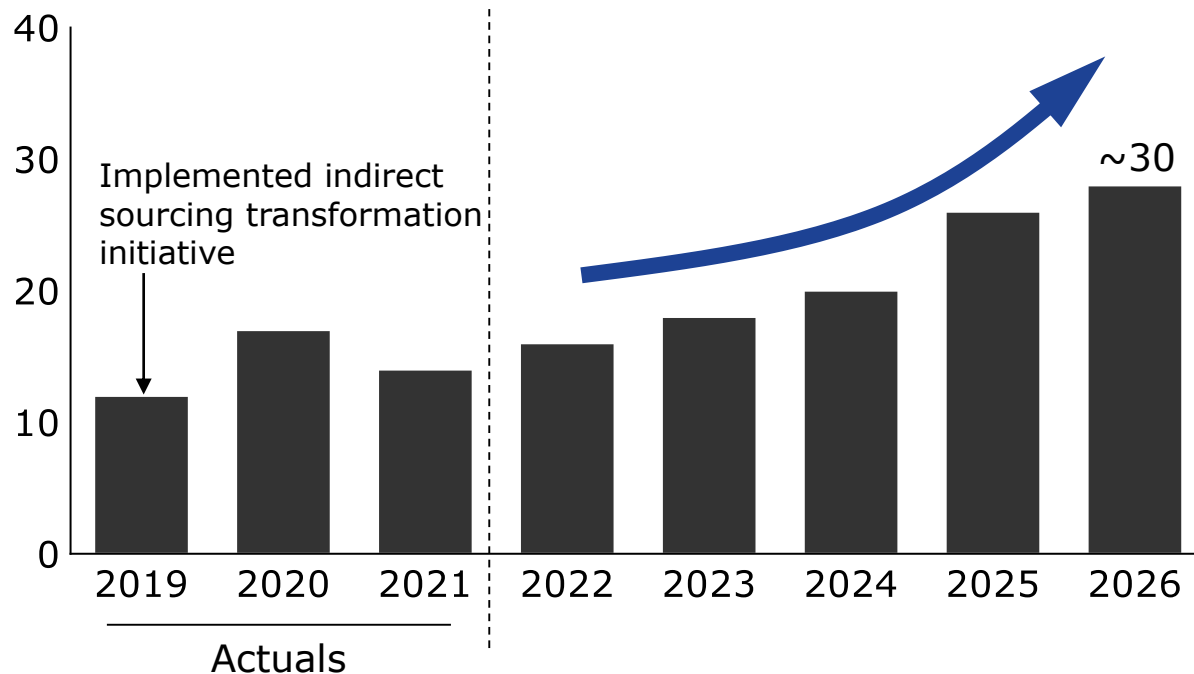
- Data-driven joint business planning with key accounts
  - Optimize shelf allocation
  - Joint promotion
  - Maximize profit for both key accounts and Asahi

# Consolidation of Direct Material Sourcing Function



# Consolidation of Indirect Material Sourcing Function

Indirect materials cost avoidance (JPY 100M)



- Started to expand centralized sourcing of indirect materials from 2022
- Further expanded scope to 90%
- Improved cost reduction capability with additional resources for indirect sourcing and early involvement with suppliers

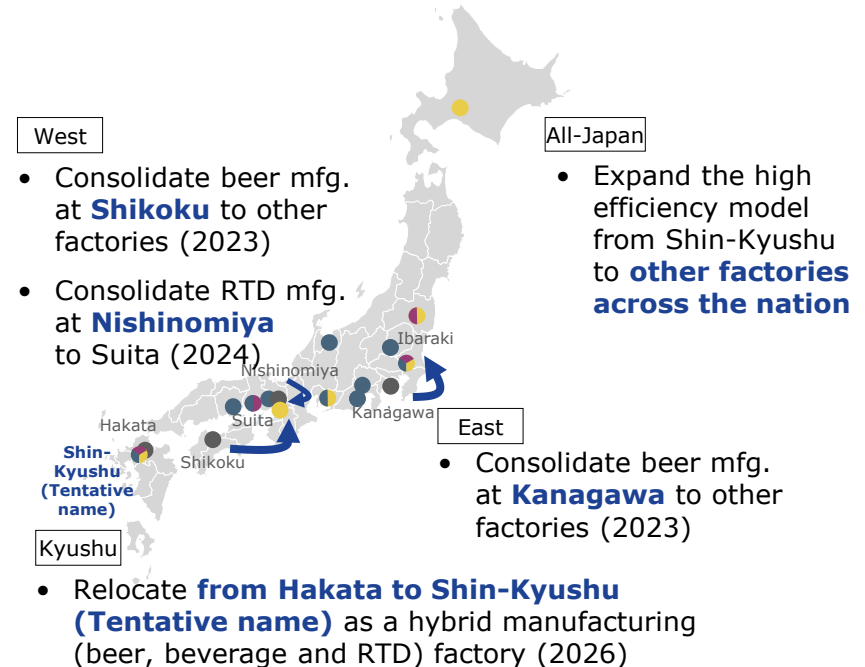
# Production/Logistics Network Redesign

## Japan SCM Point of Arrival

- **Increase profitability** through capacity optimization
  - Optimize production capacity based on the anticipated mid-term market trends
  - Reinvent the production/logistics footprint to address 2024 issues in the logistics industry
- **Achieve growth in the key segments and businesses** by adapting to structural changes in the market
  - Transform into more effective network to enable wider range of liquor and product manufacturing
- **Establish leading position as an ESG front-runner**
  - Expand the high efficiency model for new factories across the entire Asahi Group to drive our ESG performance

## Start SC transformation in West, East and Kyushu and expand across the nation

● Beer mfg. site ● Beverage mfg. site ● RTD mfg. site



**Consumer-oriented value proposition, Win-win relationship with channels**

## Roles and expectations of operations management

Nimbleness  
Endurance  
Prioritization



Nimble  
product  
development

Volume and  
profit growth

## Enhancement of demand and supply planning processes



Demand planning



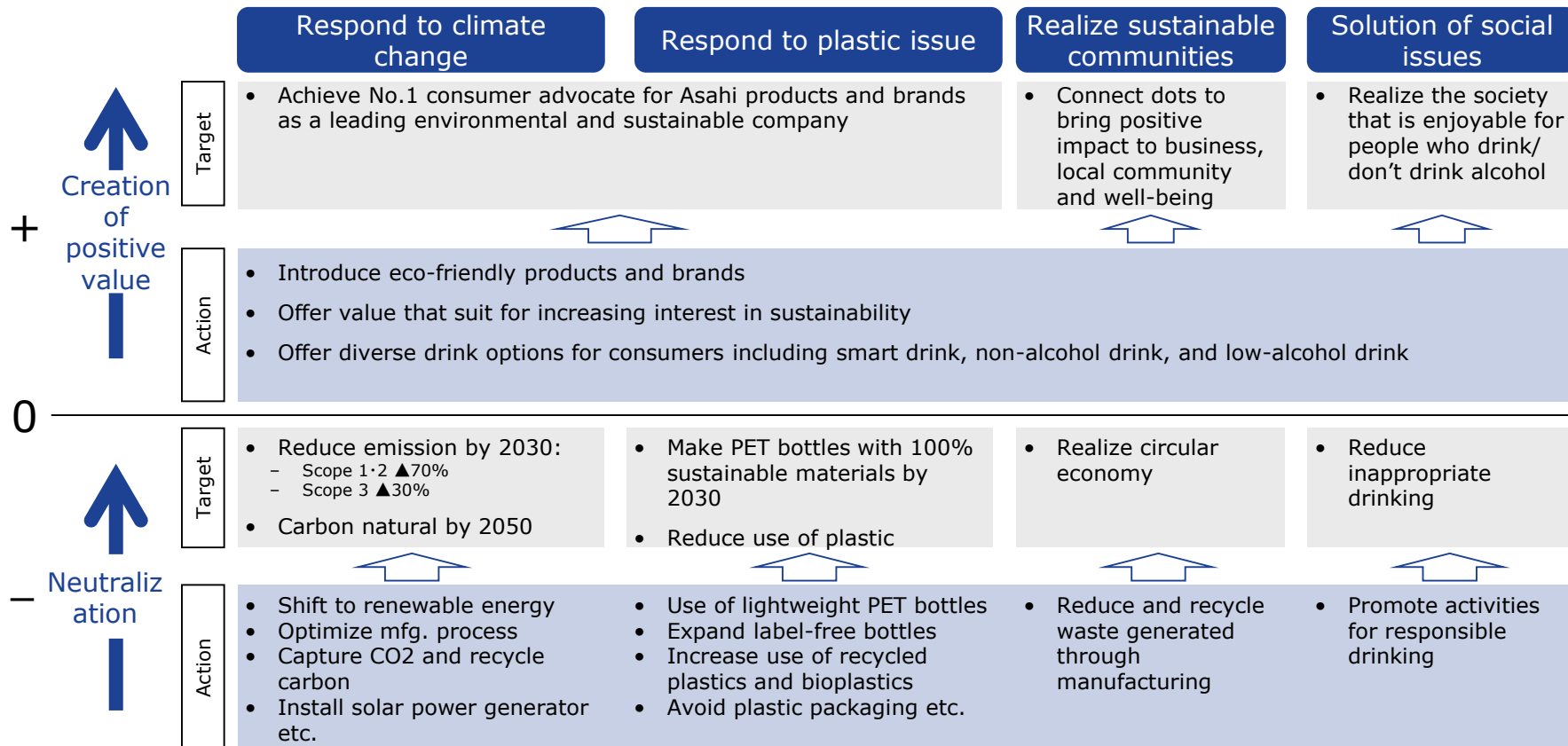
S&OP Process

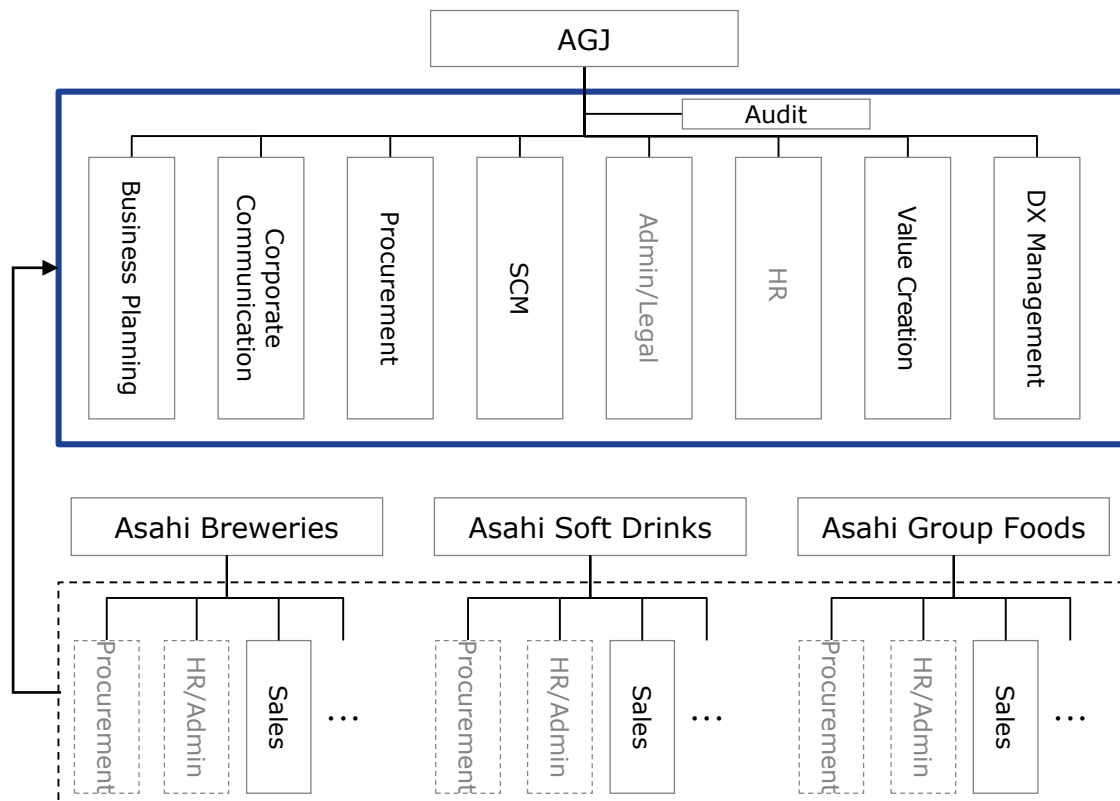


Supply planning

Streamline processes across Japan business to maximize profitability & capital efficiency  
Product level profitability a key ingredient

# Sustainability Beyond Neutralization





## Reinvent the structure

- Consolidate back-office and other functions into AGJ that can be centrally managed
- Functions that need to be managed by each company remain as is



**AGJ to lead to optimization of the consolidated functions**

# 9 10 IT Infrastructure Enhancement, DX Acceleration and Talent Reskilling



**Develop group-wide database as foundation of consumer insights**

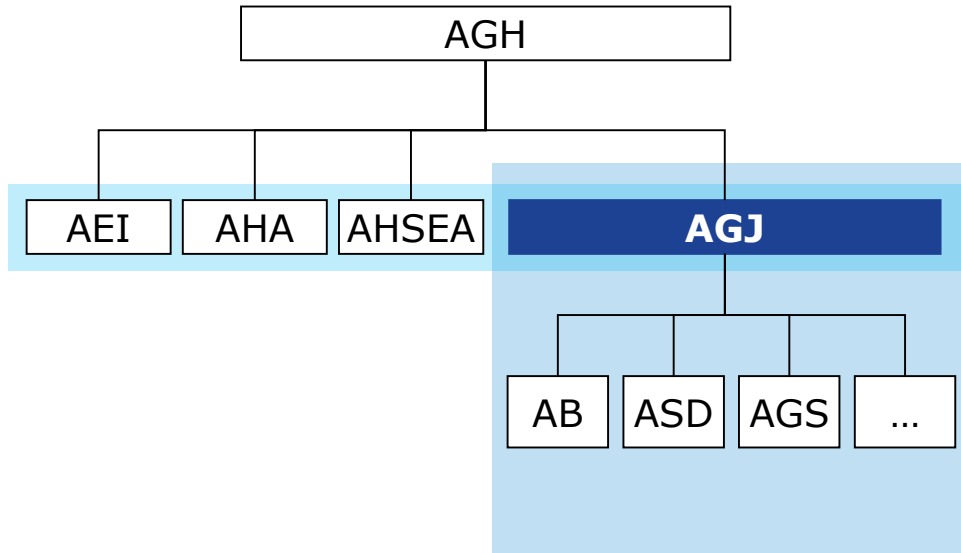
## **Digitalizing operations**

Sales Force Automation (SFA)	Product Lifecycle Management (PLM)	IoT	Other
Visualize and share sales activities, to disseminate know-how and increase efficiency	Streamline project management across all stages of product development lifecycle, to optimize efficiency and effectiveness	Smart factory to optimize efficiency in production and logistics	Standardize workflows through ServiceNow  Integrated talent management system across businesses, etc.

## **Talent reskilling**

Develop talent that can make decisions and act based on leveraging data.  
Reskill talent so this becomes a part of their core capability





## AGJ's role

- Pursue optimization as One Asahi
- Drive efficiency through consolidation of common functions
- Drive growth, cost, and sustainability initiatives that are better led centrally
- Support and accelerate initiatives driven by each business
- Share best practices across regions



**AGJ to equip itself with the functions necessary to fulfill its role, while closely cooperating with each business and other regions**



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