Japan Business Strategy and Role of AGJ



March 8, 2022

Evolving Business Environment and Impact



Recent

Evolving business environment

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

Structural changes

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

Impact on Asahi

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

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

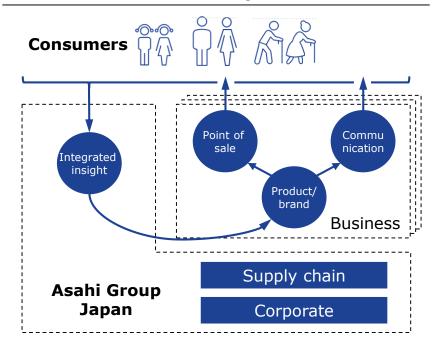
Creating Value as "One Asahi"



Past Organized by business/category Asahi **Asahi Soft Asahi** Group **Breweries Drinks** Foods Corporate Corporate Corporate Supply chain Supply chain Supply chain Sales Sales Sales Marketing Marketing Marketing **Consumers**

Future

Consumer-oriented / One Asahi



Key Results Indicator and 3 Strategic Pillars



Consumer

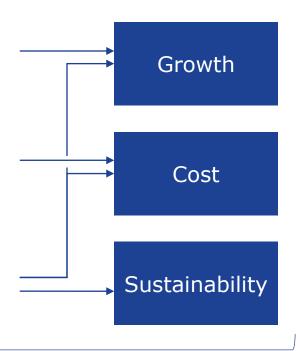
 Product/brand penetration, purchase trends, satisfaction by consumer segment

Point of sale

 Performance at each stage from distribution to store

Business operation

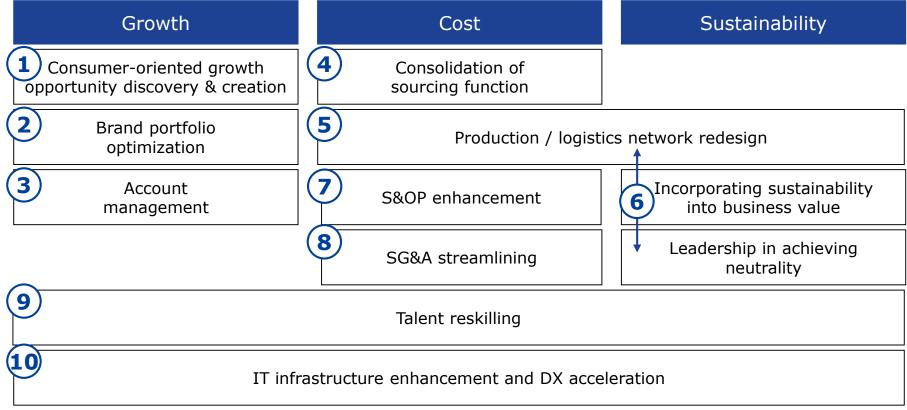
Operation efficiency and productivity



Across Japan business

Priority Initiatives to Drive 3 Strategic Pillars

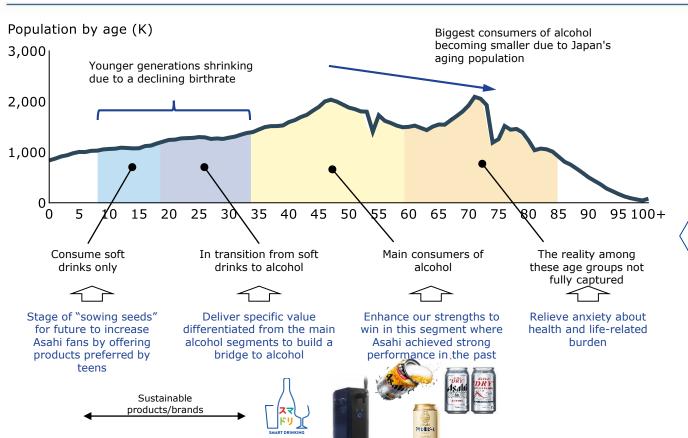






Consumer-oriented Opportunity Discovery





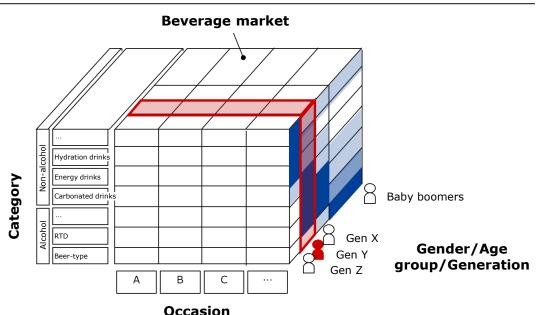
- Establish a consumer-oriented insight integration function in AG1
- Identify preference, value and occasion by consumer to understand underlying needs
- Optimize products and brands



Brand Portfolio Optimization



Shift focus from category to consumer



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

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



Account Management



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

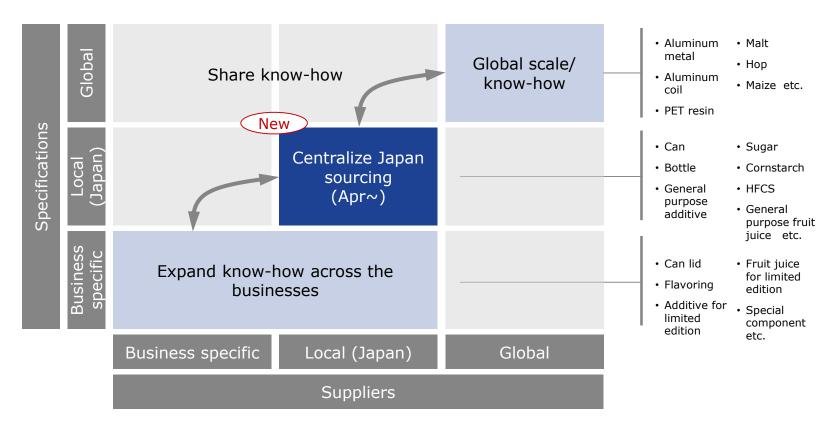
Win-win relationship

- 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



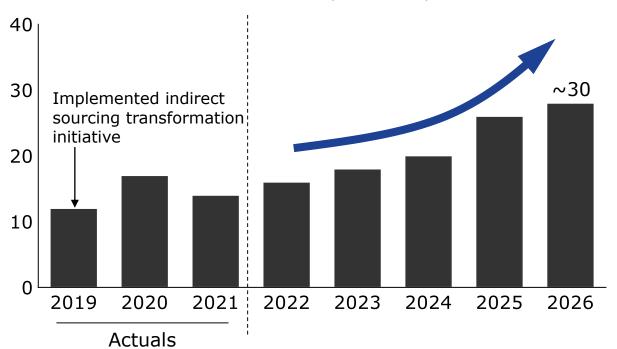




Consolidation of Indirect Material Sourcing Function



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



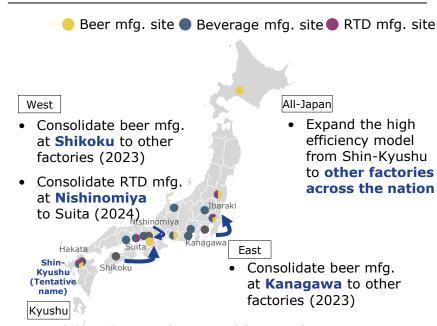
Production/Logistics Network Redesign



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 frontrunner
 - 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



Relocate from Hakata to Shin-Kyushu
 (Tentative name) as a hybrid manufacturing
 (beer, beverage and RTD) factory (2026)



S&OP(Sales and Operations Planning) Enhancement



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



Respond to climate change

Respond to plastic issue

Realize sustainable communities

Solution of social issues

Creation positive value

Achieve No.1 consumer advocate for Asahi products and brands as a leading environmental and sustainable company

Connect dots to bring positive impact to business, local community and well-being

Realize the society that is enjoyable for people who drink/ don't drink alcohol



- Introduce eco-friendly products and brands
- Offer value that suit for increasing interest in sustainability
- Offer diverse drink options for consumers including smart drink, non-alcohol drink, and low-alcohol drink



Action

Reduce emission by 2030:

- Scope 1.2 ▲70%
- Scope 3 **▲**30%
- Carbon natural by 2050

Make PFT bottles with 100% sustainable materials by 2030

Reduce use of plastic

Realize circular economy

Reduce inappropriate drinking

Neutraliz ation

Shift to renewable energy Optimize mfg. process

- Capture CO2 and recycle carbon
- Install solar power generator etc.
- Use of lightweight PET bottles
- Expand label-free bottles
- Increase use of recycled plastics and bioplastics
- Avoid plastic packaging etc.

 Reduce and recycle waste generated through manufacturing

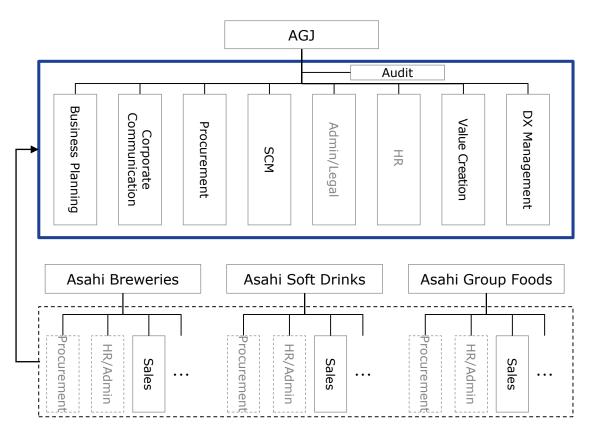
 Promote activities for responsible drinking

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Action







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

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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)

Visualize and share sales activities, to disseminate know-how and increase efficiency

Product Lifecycle Management (PLM)

Streamline project management across all stages of product development lifecycle, to optimize efficiency and effectiveness

IoT

Smart factory to optimize efficiency in production and logistics

Other

Standardize workflows through ServiceNow

Integrated talent management system across businesses, etc.

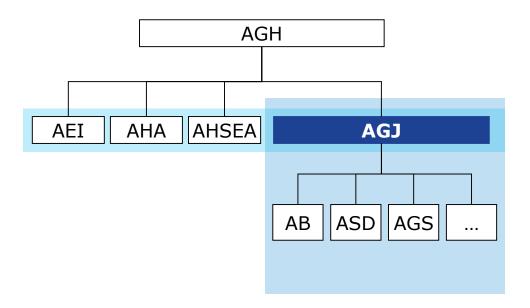
Talent reskilling

Develop talent that can make decisions and act based on leveraging data.

Reskill talent so this becomes a part of their core capability

AGJ to Lead Japan Strategy





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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