

ASAHI GROUP
INTEGRATED REPORT
2018



ASAHI

A New Stage, A New Asahi

Asahi



Advancing the Asahi Group to the Next Stage

Combining the Talents of Group Employees Worldwide to Create New Value





Formulating a New Group Philosophy —the Asahi Group Philosophy

The Asahi Group has achieved growth over the years based on its three domestic businesses. With the addition of the Europe business, overseas core operating profit now accounts for over 40% of overall core operating profit, while overseas employees now account for more than 50% of total Group employees. In these ways, our business foundation has undergone significant structural changes. Although we have enhanced our competitiveness in the global market, the number of opportunities and risks appearing before our eyes are more expansive and more complicated than ever. We therefore believe that we have entered a stage in which it will be difficult to conduct business based only on our previous rules of thumb.

In this next stage, in order to continuously raise corporate value, we must pursue Group-wide efforts that go beyond regional boundaries. It is of the utmost importance that we share and put into practice our common Group values and future direction, which should transcend differences in language and customs rather than being centered on Japan. Against this background, we formulated our new Group philosophy.



Asahi Group Philosophy

Our Mission

**Deliver on our great taste
promise and bring more fun to life**

Our Vision

**Be a value creator globally and locally,
growing with high-value-added brands**

Our Values

**Challenge and innovation
Excellence in quality
Shared inspiration**

Our Principles

Building value together with all our stakeholders



Advancing the Asahi Group to the Next Stage

Aiming to Be a *Glocal* Value Creation Company





Taking on Challenges with the New Medium-Term Management Policy under a New Group Structure

In 2016, the Asahi Group transitioned its medium-term management plan from one that primarily emphasized quantitative targets and action plans to one that focuses on our medium-term direction. Through information disclosure methods that are nearly on the same level as global standards, we are conducting management with the awareness that we are constantly competing with global companies. The new Medium-Term Management Policy, which commenced in 2019, lays out progressive, up-to-date initiatives based on the newly formulated Group philosophy. With global companies serving as our benchmark, we will promote *Glocal* Value Creation Management in our new stage of growth.

Overview of the Medium-Term Management Policy

Enhancing “*Glocal* Value Creation Management” Based on the Asahi Group Philosophy

Strengthening earnings power by further enhancing added value and earnings structure reform

- Enhancing high-added-value brands in Japan and overseas and achieving revenue growth through expanded cross-selling initiatives
- Reforming the earnings structure through the introduction of zero-based budgeting and optimization of procurement systems
 - * Target impact of earnings structure reform including zero-based budgeting (total for 2019–2021): over ¥30.0 billion
- Enhancing business management through ROIC and improving asset and capital efficiency through cash flow maximization

Enhancing management resources aimed at expanding new foundations for growth

- Reforming the corporate culture to realize disruptive innovation and investing in intangible assets (R&D, human resources, etc.)
- Promoting bolt-on M&As complementing existing businesses and expanding alliance with competitors and companies in other industries
- Implementing business structure reform by leveraging digital transformation and advancing our business model

Reinforcing ESG initiatives supporting our sustainable value creation process

- Formulating “Asahi Group Environmental Vision 2050” and improving our sustainable activities through value creation that leverages the Group’s unique strengths
- Promoting *glocal* talent management and diversity and developing a human rights management system
- Enhancing risk management systems (Enterprise Risk Management) and reforming corporate governance systems supporting Group and global growth

Achieving Further Growth through Dialogue and Collaboration with All of Our Stakeholders



Issuance of *Integrated Report 2018*

The Asahi Group aims to be a *Glocal* Value Creation Company based on its new Group philosophy, the Asahi Group Philosophy. Moving forward, we will swiftly and steadily take the measures necessary for value creation management. These measures include the Medium-Term Management Policy, governance reforms for enhancing the effectiveness of the Board of Directors, and a focus on major ESG themes. In addition, I no longer serve concurrently as a representative director. I made this decision to show my determination as Chairman of the Board of Directors to pursue appropriate governance for the Group to an even greater extent as it embarks upon new challenges on a global scale.

As we have entered the global stage for growth, the risks and challenges we face have become more complex and diverse than ever before. In this environment, in order to achieve steady and sustainable growth going forward, maintaining dialogue with all of our stakeholders, including our shareholders and investors, will become increasingly essential. That should not just be simple dialogue. Rather, creating new value with our stakeholders through this dialogue will be an important management issue. Accordingly, we regard this integrated report as an important engagement tool for promoting dialogue and collaboration as we carry out even more proactive information disclosure.

Integrated Report 2018 has been revised based on the perspective of sustainable enhancement of corporate value while describing the issues, targets, strategies, and specific measures for future growth. I therefore declare that the compilation process, including the discussions we held, and content of this report are appropriate. We appreciate you taking the time to read this report and we look forward to your honest opinions and impressions.

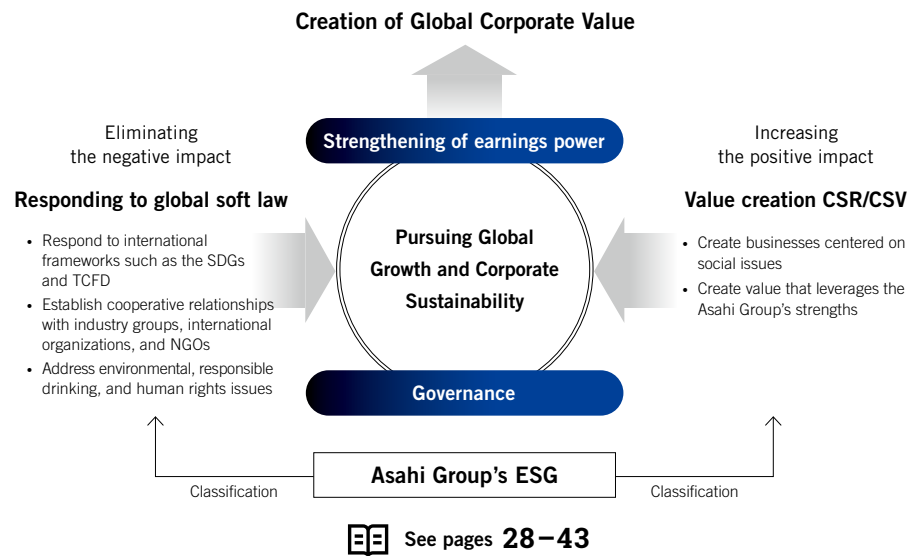
June 2019

Naoki Izumiya
Chairman of the Board

Principles and Positioning of ESG for Profit Growth

ESG Strategy: Driver of Sustainable, Long-Term Profit Growth

With the implementation of our new Group philosophy, the Asahi Group Philosophy, we have taken the opportunity to reexamine ESG issues from the perspectives of both negative and positive impacts of our business while determining new key areas and major themes. We will make concerted efforts to address negative impacts by eliminating business risks that we may face in the future. At the same time, as an important strategy for raising corporate value, we will take on the challenge of creating positive impacts that will become a source of future earnings.



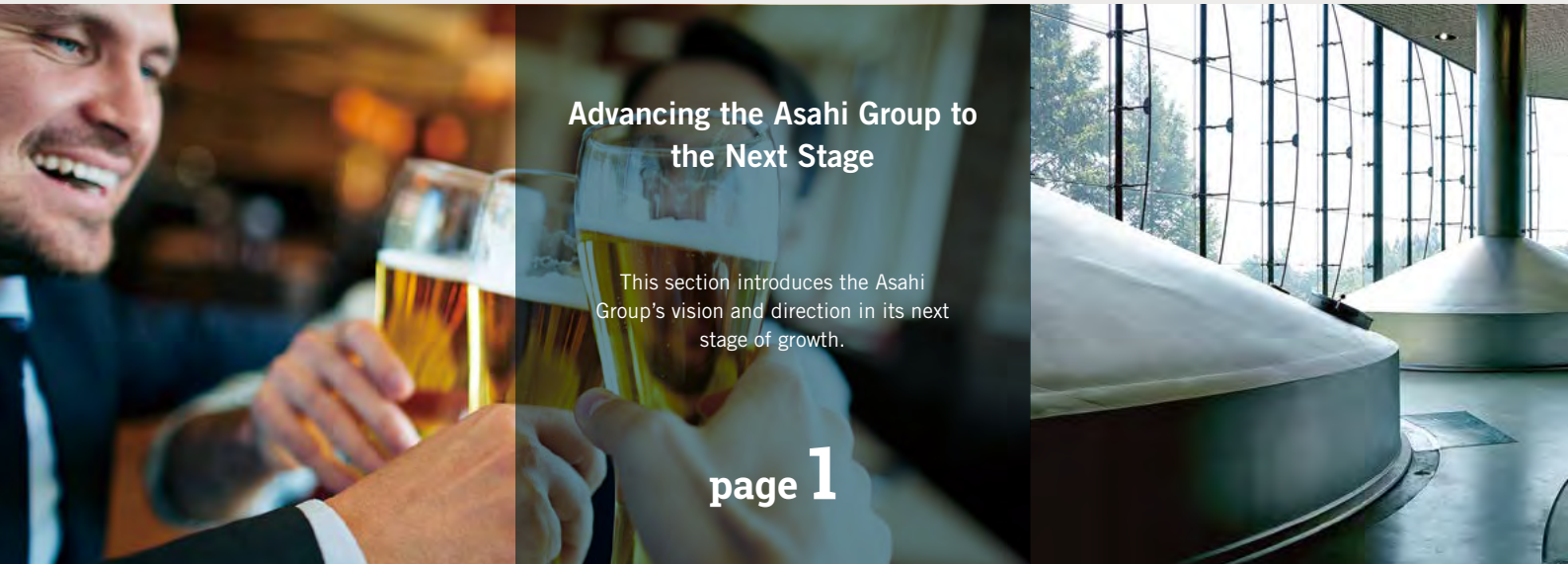
External Evaluation



External Recognition from Society for Our Environmental Initiatives

In a survey conducted by the CDP, the Asahi Group received an "A" score, the highest rating, in the categories of climate change and water security. In these categories, the Asahi Group was one of only four Japanese companies to receive this recognition.





Advancing the Asahi Group to the Next Stage

This section introduces the Asahi Group's vision and direction in its next stage of growth.

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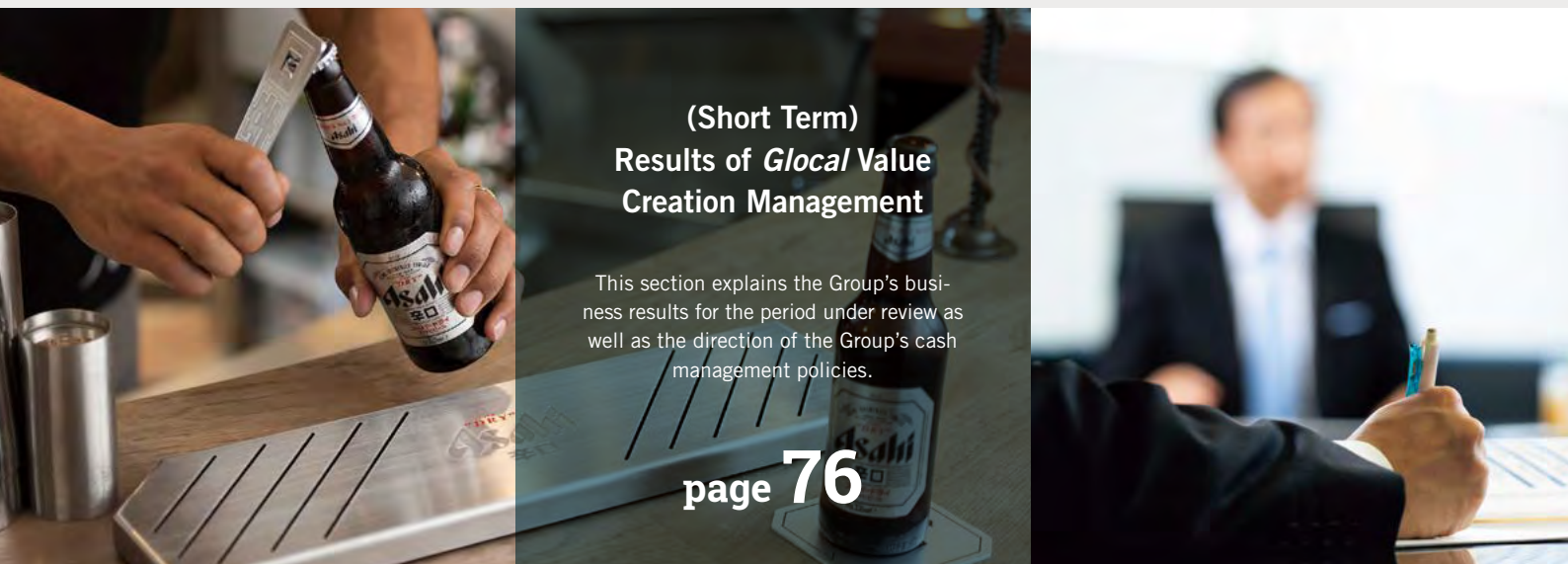
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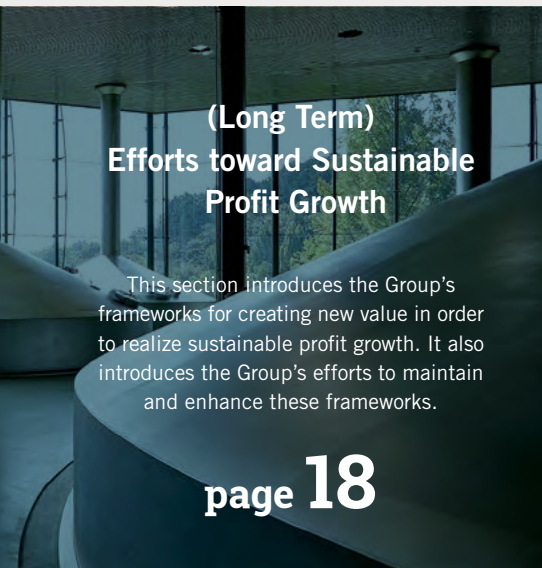
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This section explains the Group's business results for the period under review as well as the direction of the Group's cash management policies.

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**(Long Term)
Efforts toward Sustainable
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This section introduces the Group's frameworks for creating new value in order to realize sustainable profit growth. It also introduces the Group's efforts to maintain and enhance these frameworks.

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This section explains how the Group will realize growth based on the external business environment and the strengths it possesses. It also explains the progress the Group is making with its business strategies.

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Report Period Covered

January 1, 2018–December 31, 2018
(including some information outside this period)

Scope of Report

Asahi Group Holdings, Ltd. and Group companies

About Stated Amounts

For all amounts stated in this publication, the figures are truncated to the nearest unit and the percentages are rounded to the nearest digit.

Forward-Looking Statements

The current plans, forecasts, strategies, and performance presented in this report include forward-looking statements based on assumptions and opinions arrived at from currently available information. We caution readers that actual future results could differ materially from these forward-looking statements depending on the outcome of certain factors. All such forward-looking statements are subject to certain risks and uncertainties including, but not limited to, economic conditions, market competition, foreign exchange rates, taxes, and other systems influencing the Company's business areas.



Corporate Governance

This section introduces the Group's efforts to strengthen its corporate governance, which acts as the foundation for sustainable growth.

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Editorial Policy

In compiling Integrated Report 2018, we have referred to the International Integrated Reporting Framework issued by the International Integrated Reporting Council as well as the Guidance for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry. In doing so, we have created a communication tool that systematically combines financial and non-financial information as part of our strategy story, aiming to further develop *Glocal* Value Creation Management. We will continue working to enhance the content of the report in the hope that it will promote deeper understanding of the Group among a broad range of readers, including our shareholders and investors.

Message from the CEO



Akiyoshi Koji

President and Representative
Director, CEO

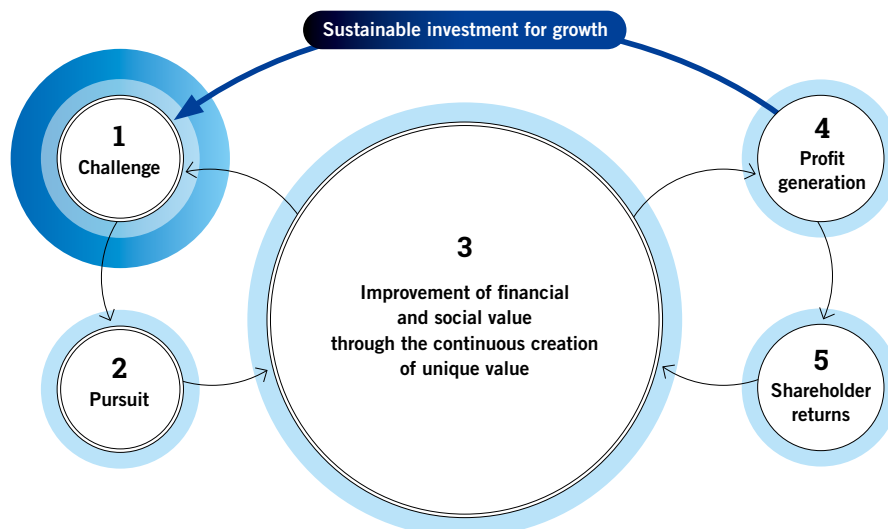
We will create a corporate culture that embraces change and take a major step toward becoming a *Glocal* Value Creation Company.

Steadily Raising Awareness of the New Group Philosophy and Evolving Our Value Creation Management

As we advance to the next stage of growth, we are taking a leap toward becoming a *Glocal* Value Creation Company. Through these words, I communicated a major aspiration of the Company to our employees in *Integrated Report 2017*. Thus far, we have had success in improving our competitive edge and overall effectiveness, primarily in Japan. However, our business foundation stretches across the globe, and in order to utilize the diverse range of personnel, resources, capital, and data in each business to realize further value creation, we need to establish a unifying force that can bring all of these elements together. We therefore established the new Group philosophy “Asahi Group Philosophy”

(hereinafter, “AGP”) to serve as this unifying force. What is the aim behind the Asahi Group’s existence? How do we hope to appeal to society? The AGP works to answer these questions by summarizing and detailing the Group’s purpose and value in four parts: Our Mission, Our Vision, Our Values, and Our Principles. The AGP serves as a shared language across the Group, and awareness of the AGP is gradually spreading to all of our employees across the globe. When formulating the AGP, we placed emphasis on using content and language that could be shared easily on a global basis, including with our overseas employees. From the draft stage, we collected the opinions of our senior management at all of

Maintaining the Asahi Group's Spirit of Pursuing Challenges Even as We Enter the Next Stage



Message from the CEO

our overseas subsidiaries and constantly revised the content of the AGP based on these opinions, thereby ensuring that the content is easy to understand and engaging. At the same time, the majority of our senior management voiced the opinion that we should maintain our unique nature as the Asahi Group and as a Japanese company. Hearing this once again assured me that the Group's DNA, which involves pursuing challenges and sharing inspiration, is an important growth driver for the Group, even as we advance to the next stage of growth. To communicate the intentions and ambitions of the AGP, I visited major Group companies both in Japan and overseas at the time of its announcement. The reception I got during my visits was overwhelmingly positive, and I am therefore confident that the AGP will help us foster even higher levels of unity across the Group going forward.

However, the formulation of a philosophy is just the first step. Leveraging the AGP in order to innovate and evolve our business model, our goal is to realize further growth for the next generation together with our employees. Guided by this goal, we revised such aspects as our management strategies, human resource strategies, and organizational culture from a wide variety of perspectives, centering on the AGP. The Medium-Term Management Policy, which we recently announced, comprises content

that incorporates the ambitions of the AGP. We are also working to gradually incorporate these ambitions in the business plans and product strategies of each operating company. In this way, I believe we are laying the foundation for implementing the AGP across all domains of the Company, from our senior management to our frontline operations. In fact, I have even heard our employees state that they are starting to make decisions in their day-to-day work based on the AGP. I hope that members of the senior management at all of our operating companies, myself included, can move away from an approach that strictly adheres to precedents and begin to carry out their duties based on more innovative ideas. I also hope that we can establish an organizational culture that spurs innovation throughout all of our frontline operations and business processes to an even greater extent. I believe that efforts to diversify work styles, including the promotion of telework, and pursue digital transformation will be crucial in helping us change over from a culture that strictly adheres to precedents to one that embraces innovation. Going forward, we will continue to strengthen and accelerate efforts toward realizing the AGP with a focus on our awareness and actions as well as the establishment of frameworks.

Enhancing Our Global Presence and Approach to Profit Growth

In the fiscal year ended December 31, 2018, there remained issues related to the revitalization of beer-type beverages, due to a contraction of the market for Japanese beer-type beverages that was beyond expectations. Despite this, both our Soft Drinks Business and Food Business were able to achieve industry-leading levels of profitability thanks to an expansion in our robust brand foundation and earnings structure reform that progressed at a level beyond our initial plans. In addition, looking back on the past three years, we have swiftly carried out efforts to restructure our business portfolio, including through the execution of large-scale M&As in Europe and the transfer of shares in equity-method affiliates. By doing so, our ratio of overseas revenue and core operating profit has exceeded 30% and 40%, respectively, thereby dramatically expanding our foundation for global growth. However, our goal is not simply to increase our ratio of overseas revenue and profit. Rather, it is imperative that we understand how to sustainably improve profitability on a Group-wide basis with a focus

on strengthening our business portfolio, which will continue to center on our beer businesses. To that end, our aim is not to establish a position as a major global player in terms of business scale but instead is to work to thoroughly enhance our brand businesses to ensure that our customers are satisfied with our products and services and understand the value we provide.

In regard to our beer businesses, which act as the core of our business portfolio, while positioning our domestic business as a base for generating stable cash flows, we will leverage our overseas businesses as a growth driver. In particular, the three global brands of *Asahi Super Dry*, *Peroni Nastro Azzurro*, and *Pilsner Urquell* will provide the momentum to drive growth. By leveraging the sales networks of these three brands, we intend to expand the number of countries and regions in which we promote cross-selling initiatives. For example, we are moving forward to establish a structure for the local production of *Asahi Super Dry* in Italy. Upon completion of the structure, Italy will serve as a base for

Expanding Cross-Selling Initiatives of Global Premium Brands



rolling out and expanding the *Asahi Super Dry* brand not only in Western Europe but also in Central Europe and South America. In addition, we have leveraged the sales networks of *Asahi Super Dry* developed to date to commence sales of *Peroni Nastro Azzurro* and *Pilsner Urquell* in Japan, Oceania, and China.

Moving beyond the markets in the country of origin of these three brands, we will position major urban areas in Europe, Japan, South Korea, China, Australia, and North America with a large consumer base for premium beer as focus areas as we aim to grow these brands by an annual rate of around 10% on a cumulative basis. However, these efforts are not merely about chasing numerical values for these brands over the short term. We expect such efforts to take some time before they genuinely contribute to profits as we will prioritize marketing investment while maintaining a price range that is appropriate for a premium brand. The premium brand category is currently showing around 6% growth on a global basis. Amid these circumstances, we will accurately identify our target customers and strengthen our brand promotion activities to cater to such customers. In this way, we believe our efforts will bear meaningful results.

Furthermore, in the new domains of non-alcohol beer-taste beverages and low-alcohol beer, which offer significant growth potential, we will strive to establish and develop new growth drivers. Meanwhile, we believe that brands that perform poorly in their country of origin would not have very much success with global cross-selling. In that sense, we remain committed to offering added value that can enhance our overall brand value even in Japan, where the market is constantly contracting. Going forward, we will actively promote integrated marketing activities, including the development of advertisements that convey a narrative that closely relates to the Olympic and Paralympic Games Tokyo 2020 and other events, in an effort to further enhance our brand equity. By doing so, we will increase our number of loyal customers.

In addition, we believe that M&As are an important strategy for realizing our vision of becoming a global premium beer manufacturer. We will therefore continue to examine investment opportunities that allow us to further improve our strengths. At the same time, for the Soft Drinks Business and the Food Business, we will concentrate on enhancing the strengths of our existing business foundation. We will also prioritize efforts to

Message from the CEO

promote added value, create new brand value, and optimize our earnings structure. Furthermore, we will repeatedly examine opportunities for business alliances that allow us to complement, strengthen, and expand Group strengths, including alliances in the Soft Drinks Business and the Food Business.

In terms of reforming our earnings structure, we are working to enhance cost efficiency across the entire supply chain in all of our businesses. We are also drastically revising conventional budget formulation and

management methods through zero-based budgeting (ZBB). We expect these cost-efficiency efforts to have a more than ¥30.0 billion impact over the upcoming three years. Also, we do not intend to allocate all of the positive impact of ZBB to profits. Rather, we will utilize the impact to strengthen our foundation for sustainable growth, including for the enhancement of management resources, which is one of our key priorities under our Medium-Term Management Policy.

Promoting Risk Management to Make Our Value Creation Management More Sustainable

As our business foundation expands globally, the types of risks we face and their impact on our business change dramatically. We anticipate that country risks, cross-border risks, and other risks will affect our supply chain, and we must now address such risks at a higher level than in the past. On the other hand, factors that appear to be risks upon first glance can also be viewed as a business opportunity. For example, an economic slow-down in a key region of operation has the potential to decelerate the shift to premium brands. However, a slow-down could also cause consumers to be more discerning with the brands they chose, leading to the elimination of certain brands. By further reinforcing the Group's premium and super premium brands, such circumstances could further accelerate the shift toward our premium brands. In consideration of this, we will boldly implement our brand value creation strategy, which centers on the three previously mentioned global brands, even under economic stagnation. In addition, looking at the business environment from more of a long-term perspective, it is anticipated that the shift to digitization will continue to

progress, as will the diversification of people's needs and value related to food and beverages. However, we will assess such changes not as risks but as prime opportunities to further promote our initiatives.

In an era where both risks and opportunities exist alongside each other, it is important to visualize what the risks are for all employees, including our management, and clarify how we can turn these risks into opportunities. To that end, we are moving forward with efforts to establish enterprise risk management (ERM), which works to identify Group-wide risks and optimize the evaluation of risks and measures to address them. Through ERM, we will strengthen our ability to control risks and establish a sustainable business model. At the same time, we will engage in healthy risk-taking to a higher degree with a view toward future growth and accelerate proactive management that turns risks into opportunities. Through the implementation of ERM, which was introduced in 2019, the Group will establish a new risk management structure and work to strengthen it, thereby helping us better improve dialogue with our stakeholders.

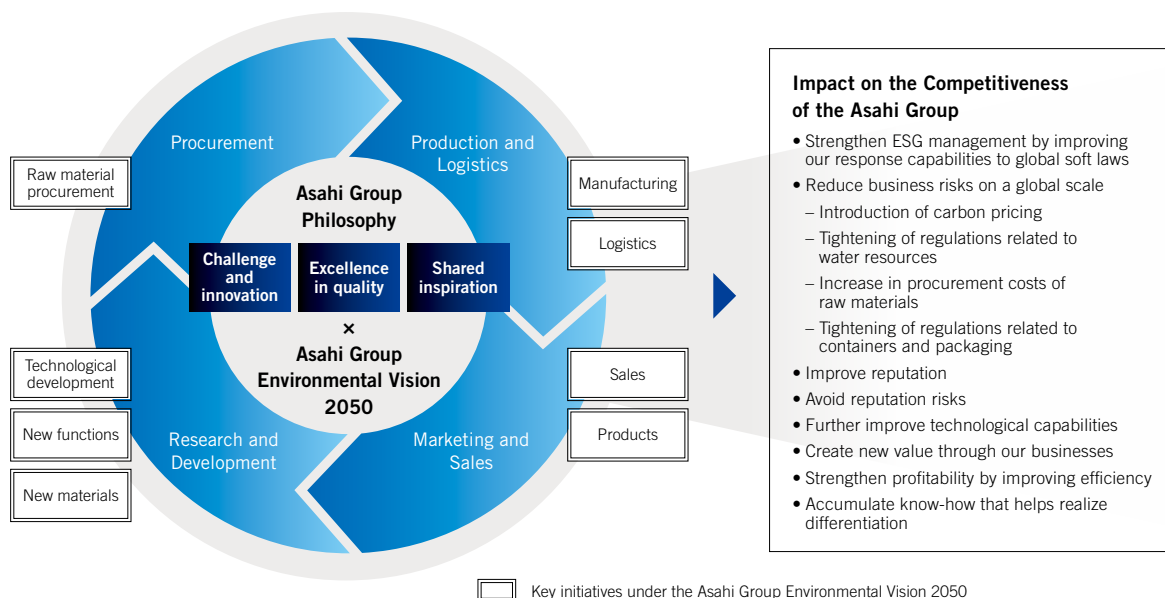
Pursuing ESG to Make Our Value Creation Management More Sustainable

The Asahi Group itself represents a corporate brand, and we will work to enhance the equity of that brand. In addition, we will aim to establish a position that allows us to display leadership on a global scale. This aim will be reached from a variety of perspectives, including the establishment of governance frameworks that manage and enhance our prominent brand lineup and management resources, the implementation of ESG-related initiatives, and the strengthening of co-creative relationships

with our stakeholders, including our shareholders and other investors.

Recently, we updated our key issues related to ESG (material issues). When doing so, we placed particular emphasis on global perspectives. Our material issues can be divided into two categories: eliminating negative impact and increasing positive impact. The issues for eliminating negative impact were determined with a strong awareness of global risks. From the viewpoint of

Relationship between the Asahi Group's Competitiveness and Environmental Vision



not only climate change but also carbon pricing, the stable procurement of agricultural produce and water resources, and tightening regulations on containers and packaging, various risks are expected to further materialize in the future. In accordance with the policies laid out in our newly announced “Asahi Group Environmental Vision 2050,” we will take steps to thoroughly address these major issues facing our management. In addition to environmental risks, we will focus on social risks related to responsible drinking and human rights. Issues related to these topics differ by region and, as such, our

operating companies in each region will carry out appropriate responses for managing these issues based on the response policies and management structure already in place at Asahi Group Holdings.

Our ESG-related initiatives are deeply related to the brand businesses that I mentioned earlier. Brand equity consists of functional value and emotional value. To improve functional value, we must secure high-quality raw materials on a continuous basis. This is primarily the reason why we adopted ESG as part of our engagement agenda under the Medium-Term Management Policy.

Enhancing Research and Development and Technological Synergies to Make Our Value Creation Management More Sustainable

As the features and value of products continue to diversify, we constantly need to be able to create growth drivers that anticipate changes in the business environment in order to realize the sustainable growth of the Group as a whole. To this end, we are strengthening our research and development (R&D) capabilities as a manufacturer. Spearheaded by Asahi Group Holdings, we are stepping up our funding and human resource allotment toward R&D. We are also accelerating the development of unique technologies that will enable us to boost our competitiveness and spur innovation. Furthermore, business creation in the fields of beer yeast and lactic acid

bacteria, which act as our core technologies, is an important issue. Accordingly, not only will we pursue business creation on our own, but we will also work to increase the sophistication of our R&D activities through open innovation with venture companies, universities, and other organizations.

In April 2019, we split off our existing Research & Development Section and established it as an independent company within the Group, thereby transitioning to an organizational structure that will allow for more independent decision-making. By doing so, we aim to enhance our R&D activities and create new businesses at

Message from the CEO

a higher speed and in a more effective manner.

Also, we will focus more on sharing technologies and know-how within the Group. In the Europe business, we have launched six projects under themes such as reducing costs, enhancing quality, and improving operational efficiency of our factories. While comparing and analyzing information from each production base, these projects will aim to identify issues and further enhance synergies. These projects will also aim to promptly resolve the issues identified by sharing and complementing the technologies, know-how, and best practices possessed by each production base. For example, the approach to fully utilizing procured raw materials without waste differs between Japan and Europe. By having the approaches complement each other, we will use raw materials more efficiently, which will ultimately lead to cost reductions. In addition, there are differences between Japan and Europe in regard to technologies and know-how for making beer more resilient to oxidation. Accordingly, we will make efforts to

address these differences to realize the same level of oxidation resistance in Japan and Europe.

Going forward, we will improve the quality of our non-alcohol beer-taste beverages, for which market expansion is anticipated, and establish optimal technologies. To this end, we will accelerate business collaboration across regions. We will also pursue the establishment of a quality management structure that transcends the frameworks of business divisions, including such initiatives as unifying sensory evaluation methods globally. In these ways, we will generate technological synergies to an even greater degree. We established the Global Innovation Team between Japan and Europe, which will lead the way with these initiatives. There is no limit to synergy generation, and we are constantly working to advance our R&D activities and enhance our brewing techniques and production technologies. In order to make advanced progress with these efforts, we will work to enhance our knowledge and enact various kinds of measures.

Promoting Our Human Resource Strategy to Accelerate Our Value Creation Management

Human resources represent the greatest asset for a corporation, and we are currently revising our human resource development and promotion systems in a manner that conforms to our *Glocal* Value Creation Management. First, in Japan, we are expanding investment in selective human resource development programs. At the same time, when necessary, we hire personnel from external organizations to fulfill management and frontline positions. Additionally, we are striving to improve the level of work satisfaction for each employee with the aim of enhancing motivation and becoming a corporate group that embraces diversity. Meanwhile, overseas, we are establishing systems to

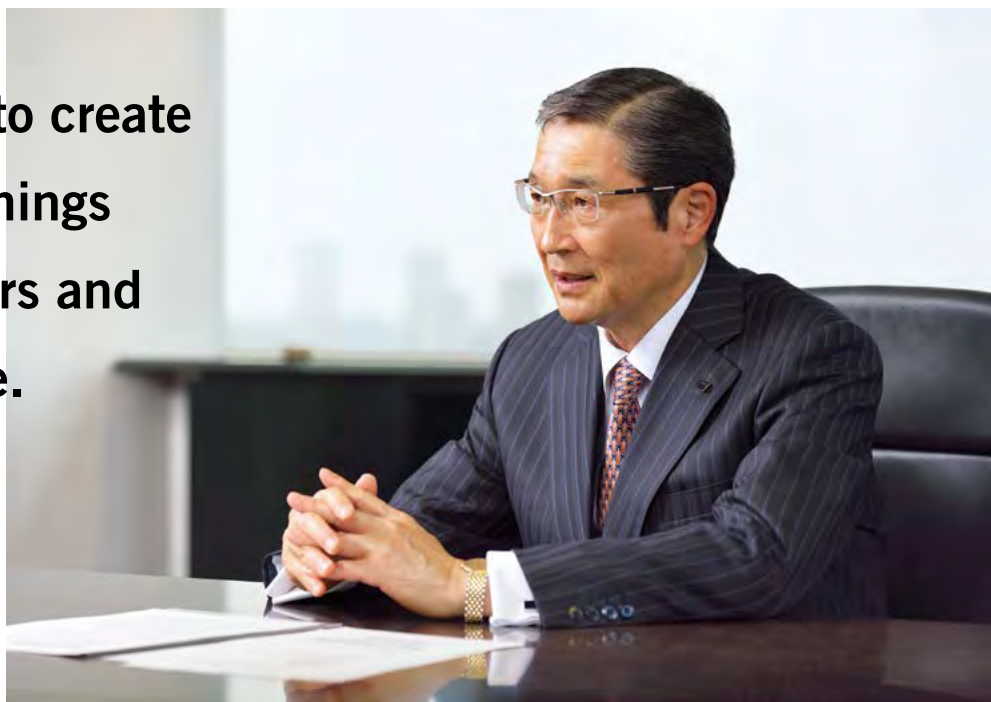
cultivate candidates for future management positions and formulating succession plans. In these ways, we are enhancing and reinforcing our human resource pipeline. Moreover, we will promote the placement of the most suitable personnel in ideal locations on a global basis as we work to proactively hire highly capable and suitable human resources. We also intend to revitalize interaction between human resources across all regions, including Japan, in an effort to strengthen our organizational capabilities in each region. Through this interaction, we not only aim to promote diversity, but also plan to leverage that diversity to generate genuine Group-wide synergies.

Pursuing Innovation and Growth—Our Vision for Management Members

As previous experience can no longer be applicable as we enter into a new stage of growth, we will place particular importance on foresight, decisiveness, and executive capabilities. The members of our senior management must always strive to enhance their ability to anticipate the future, make decisions based on those anticipations, steadily act on the decisions they made,

and eventually realize fruitful results. To gradually enhance these necessary capabilities, we made efforts to revise our decision-making processes and management structure. In March 2019, we transitioned to a structure in which the chairman no longer serves concurrently as a representative director. At the same time, we adopted a structure in which at least one-third of Board members

**We will continue to create
new value in all things
we offer consumers and
society as a whole.**



are outside directors and made efforts to appoint women and non-Japanese personnel. In these ways, we have put in place a governance structure that places even more value on diversity, transparency, and expertise. We are also making revisions in terms of remuneration. Members of management must produce results over the short term while planting seeds for further results over the medium to long term. In light of this, we adopted a medium-term bonus system, which serves as a means for planting these seeds to realize medium- to long-term results. This medium-term bonus system provides directors with compensation based on quantitative and qualitative evaluations, including improvement in social value, over the period of approximately three years.

Foresight and decisiveness vary depending on a management member's experience and abilities. When it comes to executorial capabilities, the question is how management can leverage the strengths of the Group to reach its performance targets. To move forward toward reaching these targets at a Company-wide level, it is important to clarify our order of priority. At the same time, it is extremely important to have management members personally take the lead in the execution of initiatives. Additionally, diversity is an important factor in generating innovative ideas. I believe that management truly embraces diversity once people with different opinions and capabilities come together to produce results. Being able to incorporate different opinions and capabilities along the path toward realizing performance targets is an

essential skill for a member of management to have in the upcoming generation because it is difficult for a homogenous organization to produce innovative ideas.

Under the Our Vision section of the AGP, we have adopted the concept of "Glocal Value Creation Management." *Glocal* Value Creation Management entails the continuous and sustainable creation of new value in all things we offer consumers and society as a whole, including our brands, services, and CSV initiatives. In other words, it is imperative that I constantly discover new value in order for Our Vision to be not just a dream but a reality. Guided by Our Vision, we aim to be known both internally, externally, and around the world as an advanced corporate group with swift management and products that offer a strong sense of story. We also aim to be known as a corporate group in which employees from any region can work with a sense of satisfaction and as an organization that gives rise to innovation. I would like to ask our stakeholders for their continued support as we strive toward this goal.

June 2019

Akiyoshi Koji

Akiyoshi Koji
President and Representative Director, CEO

The Asahi Group's Management Team (As of March 26, 2019)



The Asahi Group's Management Team

The Asahi Group's management is made up of members with a wealth of experience, knowledge, and expertise. In March 2019, the Group transitioned to a structure in which the chairman of the Board of Directors serves as a non-executive officer and in which the roles of business supervision and execution are clearly separated. At the same time, this structure concentrates the authority of representation on one individual member.

Guided by this new system, the Group will continue its efforts to accelerate and optimize its decision-making process as it further promotes "management for corporate value enhancement."

1 Naoki Izumiya

Chairman of the Board
As of March 2019

Significant concurrent positions

- External Board Director of Recruit Holdings Co., Ltd.
- Outside Director of Obayashi Corporation

2 Akiyoshi Koji

President and Representative Director, CEO
As of March 2018

3 Atsushi Katsuki

Managing Director and
Managing Corporate Officer, CFO
As of March 2019

4 Yutaka Hemmi

Director and Corporate Officer
As of March 2019

5 Taemin Park

Director and Corporate Officer
As of March 2019

6 Keizo Tanimura

Director and Corporate Officer
As of March 2019

7 Tatsuro Kosaka

Independent Outside Director
As of March 2016

Significant concurrent positions

- Representative Director, President of Chugai Pharmaceutical Co., Ltd.

8 Yasushi Shingai

Independent Outside Director
As of March 2018

Significant concurrent positions

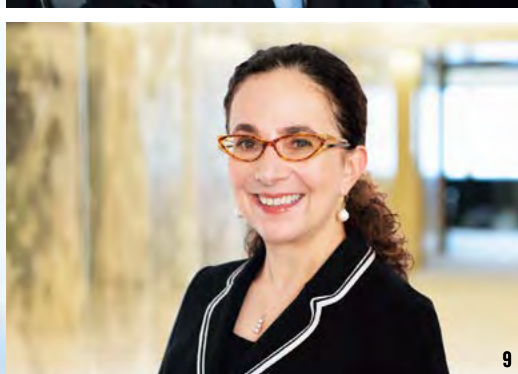
- Outside Director of Mitsubishi UFJ Financial Group, Inc.

9 Christina L. Ahmadjian

Independent Outside Director
As of March 2019

Significant concurrent positions

- Professor of Graduate School of Business Administration, Hitotsubashi University
- Outside Director of Mitsubishi Heavy Industries, Ltd.
- Outside Director of Japan Exchange Group, Inc.
- Outside Director of Sumitomo Electric Industries, Ltd.



10 Yoshihide Okuda

Standing Audit & Supervisory Board Member
As of March 2019

11 Tetsuo Tsunoda

Standing Audit & Supervisory Board Member
As of March 2016

12 Katsutoshi Saito

Independent Outside Audit & Supervisory Board Member
As of March 2014

Significant concurrent positions

- Advisor to The Dai-ichi Life Insurance Company, Limited
- Outside Director of Imperial Hotel, Ltd.
- Outside Corporate Auditor of Tokyu Corporation

13 Yumiko Waseda

Independent Outside Audit & Supervisory Board Member
As of March 2015

Significant concurrent positions

- Partner and Attorney at Law of Tokyo Roppongi Law & Patent Offices

14 Yutaka Kawakami

Independent Outside Audit & Supervisory Board Member
As of March 2017

Significant concurrent positions

- Certified Public Accountant
- Supervisory Director of Nippon Building Fund Inc.

Ryoichi Kitagawa

Managing Corporate Officer

Yukitaka Fukuda

Corporate Officer

Tomomasa Kanda

Corporate Officer

Manabu Sami

Corporate Officer

Tatsuhito Chiku

Corporate Officer

Naoko Nishinaka

Corporate Officer

Kazuma Kohno

Corporate Officer

Kaoru Sakita

Corporate Officer

Akira Tanaka

Corporate Officer

Satoshi Akiba

Corporate Officer

Kazutomo Tamesada

Corporate Officer

Kazuhiko Nomura

Corporate Officer

Shunjiro Sakano

Corporate Officer

Osamu Ishizaka

Corporate Officer

Wayne Angus

Corporate Officer

(Long Term)

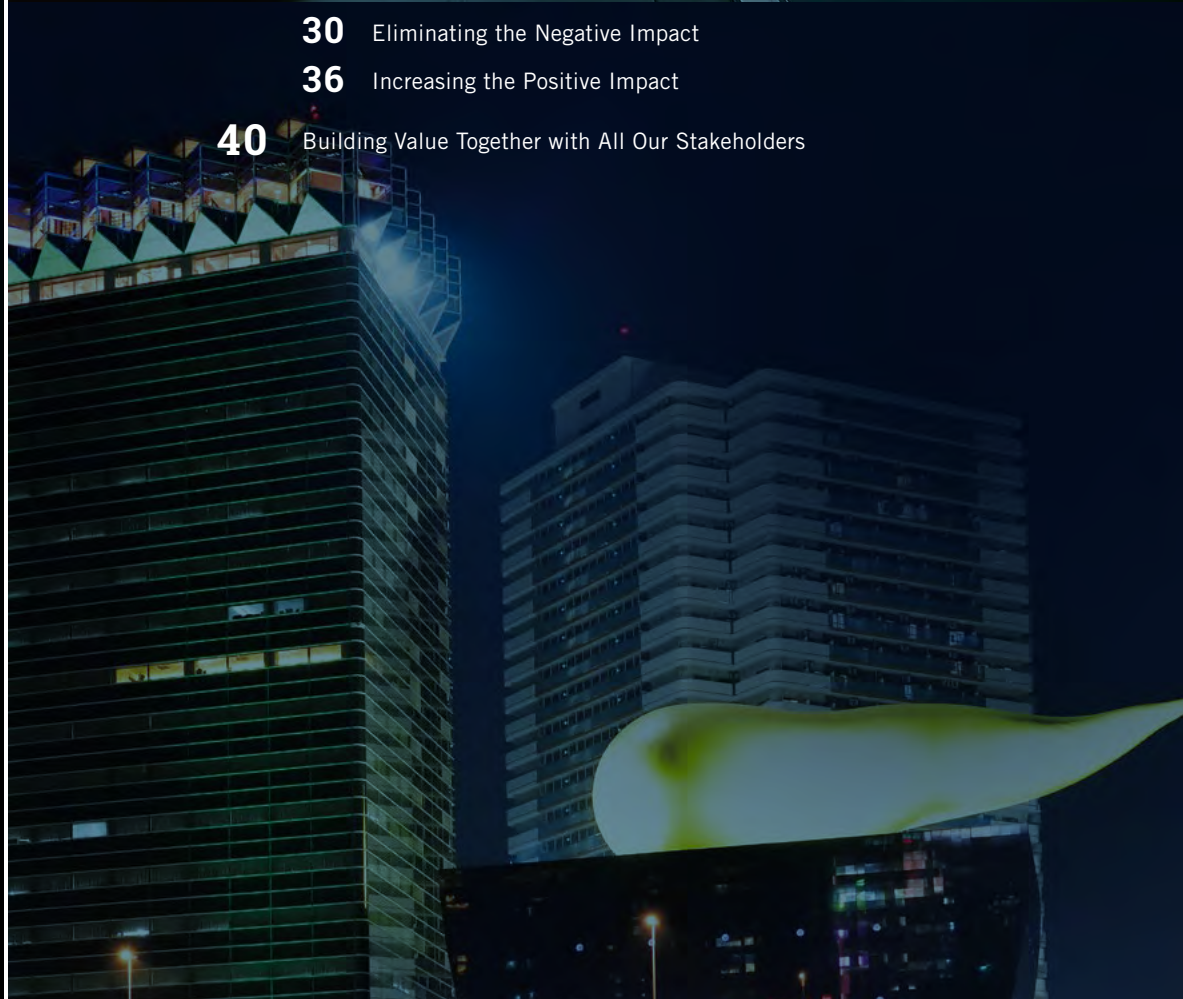
Efforts toward Sustainable Profit Growth

In the VUCA era of unpredictable environmental changes, the Asahi Group will achieve sustainable growth going forward by creating and offering products and services that move and delight people worldwide.

In this section, we explain the strategies and measures that the Asahi Group is currently pursuing as it leverages its unique strengths to sustainably create unique value with a global business foundation and a new Group philosophy.



- 20** Source of Value Creation
- 26** Pursuing a New Corporate Value Enhancement Model with All of Our Stakeholders
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- 30** Eliminating the Negative Impact
- 36** Increasing the Positive Impact
- 40** Building Value Together with All Our Stakeholders



Source of Value Creation

Extensive Experience That Transformed Challenges and Innovation into Growth

As a company that creates and delivers inspiration, we have built a history that thrives on challenges to create new value. This has resulted in the continued expansion of beverage brands that have been enjoyed over many generations, while at the same time paving the way for our launch of *Asahi Super Dry*, which at the time completely changed the way people thought about beer. From beverages to food products, and from Japan to the world, we are delivering premium value to many people.

Revenue*1

- 1884 • *Hiranosui* (now *MITSUYA CIDER*) is launched.
- 1892 • *Asahi Beer* is launched.
- 1900 • Japan's first bottled draft beer is launched.
 - *Asahi Beer* wins a gold medal at the 1900 Paris Expo.
- 1930 • *EBIOS* is launched.

- 1958 • Asahi launches Japan's first canned beer, *Asahi Beer*.
- 1969 • Asahi pioneers the practice of putting expiry dates on product labels.
- 1971 • Asahi launches Japan's first aluminum canned beer.
- 1982 • Mitsuya Foods Co., Ltd. (now Asahi Soft Drinks Co., Ltd.) is established.
- 1985 • Asahi introduces a corporate identity and bolsters brand strength.

- 1989 • Asahi celebrates its 100th anniversary.
- 1992 • Asahi Beer Foods Co., Ltd. (now Asahi Food & Healthcare Co., Ltd.) is established.
- 1994 • Asahi enters the Chinese market.
- 1996 • Asahi begins exports of *Asahi Super Dry* to the United Kingdom.
- 1998 • Asahi claims top share of Japan's beer market.*2

1987
Asahi Super Dry
is launched.

1889
Osaka Beer
Brewing Company
is established.



1949
Asahi Breweries,
Ltd. is
established.



1889-

The starting point for “the highest level of quality” and “challenges and innovation”

The Company was founded in 1889 with the aim of producing authentic Japanese beer that is made by Japanese people. Winning awards at expos and exhibitions both domestically and abroad, we are constantly striving for “the highest level of quality,” which has been a part of our corporate culture since our founding.

1949-

A second start and further innovation

In 1949, Asahi Breweries, Ltd. was established, a product of a corporate breakup brought on by post-war economic decentralization in Japan. Thereafter, Asahi continued to expand its business foundation, centered on its whisky and spirits and soft drinks businesses, and work to create new drinking opportunities, including the introduction of canned beer in Japan.

1987-

An incredible leap brought about by years of innovation

In 1987, Asahi launched Japan's first dry draft beer, *Asahi Super Dry*, which was brought to fruition by ideas that went beyond the common ways of thinking within the beer industry at that time. Since then, Asahi has worked to spur innovation in its overall supply chain management in such ways as establishing quality standards for freshness. In 1998, these efforts would culminate in Asahi capturing the top share of Japan's beer market.

- 2001** • Asahi enters the happoshu market.
 - Asahi captures top share of the Japanese beer and happoshu markets.*2
 - Asahi makes The Nikka Whisky Distilling Co., Ltd. a wholly owned subsidiary.
- 2002** • Asahi acquires *MINTIA*.
- 2006** • Asahi acquires stock in Wakodo Co., Ltd., Japan's largest baby food company.
- 2008** • Asahi acquires stock in Amano Jitsugyo Co., Ltd., Japan's largest freeze-dried food company.

- 2009** • Asahi enters the Oceania market in earnest.
- 2011** • Asahi enters the Southeast Asia market in earnest.
- 2012** • Asahi acquires stock in Calpis Co., Ltd.
- 2016** • Asahi acquires SABMiller plc's beer business in Western Europe.
- 2017** • Asahi acquires SABMiller plc's beer business in Central Europe.
 - Asahi revises its Chinese and Asian business portfolio.
- 2019** • Asahi acquires the premium beer and cider business of the United Kingdom's Fuller, Smith & Turner P.L.C.



2011
Asahi shifts to a pure holding company structure.



Group Revenue

Establishing a dominant presence in Japan

Domestic market share of beer-type beverages*2 (2018)

37.4%

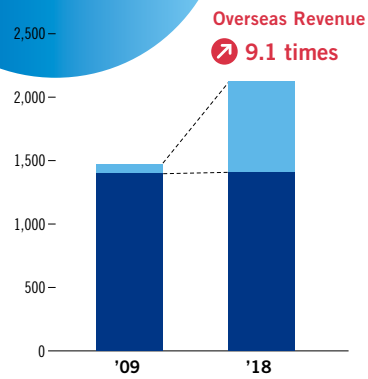
Domestic market share of soft drinks*3 (2018)

14%

Domestic market share of breath mint tablets*4 (2018)

55%

Achieving sharp growth in overseas revenue



Domestic and Overseas Revenue
(¥ billion) ■ Domestic ■ Overseas

2001-

Expanding our business portfolio, and strengthening our brands by leveraging synergies

In 2001, Asahi entered the happoshu market and captured the top share in Japan's beer and happoshu markets. Vigorous M&A activity in the Alcohol Beverages (excluding beer-type), Soft Drinks, and Food Businesses made the Asahi brand a top name in each respective category. Furthermore, as Asahi expanded its portfolio, the Company worked to strengthen the brand strength in each of its businesses by developing synergies across their entire range.

2009-

Making strategic moves toward global growth

In Japan, Asahi continued its cultivation of new brands, such as *Clear Asahi*, *WILKINSON*, and *MINTIA*, which created new demand for drinking and eating to drive growth of their respective markets, and acquired *CALPIS*, a popular lactic acid bacteria beverage. Overseas, Asahi took on a new challenge as a global player, entering markets in Oceania and Southeast Asia and carrying out a large-scale acquisition of European beer businesses.

*1 Revenue figures for the period from 1937 to 1945 were calculated based on production volumes.
 *2 Based on taxable shipment volume of five major Japanese breweries.
 *3 Source: Inryo Soken
 *4 Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1–December 31, 2018; INTAGE Inc.

Source of Value Creation

A Deeply Rooted Culture of Taking on Challenges



▶ **Developed strengths**

- Ingredient technologies such as for yeast and lactic acid bacteria
- Sensory analysis, analytical, and other fundamental technologies
- Cross-business-field accumulation and utilization of insight

▶ **Challenges to undertake from an operational perspective**

- Evolution and speeding up of technological capabilities through the acceleration of personnel exchanges in addition to integration of expanded operating bases through M&As
- Expansion of the scope of our product development activities through open innovation with outside fields

▶ **Challenges to undertake from an ESG perspective**

- Eliminating the negative impact
- Reduction of environmental impacts through the use of lighter packaging and bio ingredients
 - Use of socially conscious packaging based on universal design principles
- Increasing the positive impact
- Development of products that deliver health value
 - Creation of shared value through agricultural materials utilizing beer yeast cell walls and other unique technologies

▶ **Developed strengths**

- (Operating companies) Optimization of procurement strategies tailored to the operating environment
- (Operating companies) Adaptable procurement capabilities coordinated with the value chain
- (HD) Enhancement of procurement functions through Group coordination
- (HD) Procurement risk management capabilities

▶ **Challenges to undertake from an operational perspective**

- Fostering of mutually beneficial, win-win relationships with suppliers
- Leveraging of procurement expertise and networks of our Europe business

▶ **Challenges to undertake from an ESG perspective**

- Eliminating the negative impact
- Promotion of CSR procurement based on the CSR Principles for Asahi Group Suppliers
 - Enhanced communication with suppliers through forums for explaining the Group's policies
 - Requests for improvement and follow-up activities based on supplier evaluations and CSR surveys
 - Improvement of raw material quality levels through self-audits by suppliers and inspections by the Asahi Group
 - Measures to maintain an understanding of water risks in major raw material production regions and address risks based on analyses

Taking on the Challenge of Optimizing Supply Chain Management in the Asahi Group

2001–2009

- Establishment of Group procurement planning function
- Hybrid development through soft drink production at domestic beer breweries
- Alcohol beverage production other than beer-type beverages at domestic soft drink plants
- Reduction of transportation costs by increasing the ratio of direct-from-factory deliveries and consolidating distribution sites
- Reduction of transportation costs through the joint transportation of beer and alcohol beverages other than beer-type beverages
- Commencement of Group joint logistics and delivery
- Reduction of transportation costs by lowering the amount of inter-site traffic

2010–2012

- Commencement of domestic Group joint procurement
- Expansion of scope of Group joint logistics and deliveries
- Upgrading of inventory management system
- Implementation of joint deliveries with other companies

2013–2015

- Generation of synergies with Calpis
- Expansion of scope of domestic Group joint procurement
- Commencement of measures for domestic indirect materials procurement
- Strengthening of infrastructure and expansion of scope of Group joint logistics and deliveries
- Promotion of modal shift
- Expansion of joint deliveries with other companies

2016–2018

- Commencement of global joint procurement
- Expansion of scope of domestic indirect materials procurement
- Strengthening of supply chain management functionality through restructuring of manufacturing bases and logistics sites in Australia
- Local production of *Asahi Super Dry* in Europe
- Reduction of external warehousing costs through the construction of large-scale soft drinks logistics site
- Expansion of Group joint deliveries
- Promotion of medium- to long-distance modal shift
- Joint deliveries with competitors and companies from other industries



**Production and
Logistics**



**Marketing and
Sales**



▶ **Developed strengths**

- The Group's unique quality standards
- Highly efficient logistics networks
- Supply-demand management techniques and inventory management techniques

▶ **Challenges to undertake from an operational perspective**

- (Production) Pursuit of total freshness management activities
- (Production) Building of global optimal production systems
- (Production) Creation of synergies through the sharing of technologies developed in Japan and Europe (product development, quality improvement, cost reduction)
- (Logistics) Cost reduction through the optimal location of sites
- (Logistics) Standardization of manufacturing processes and exterior packaging
- (Logistics) Expansion of modal shift and round-trip logistics

▶ **Challenges to undertake from an ESG perspective**

- Eliminating the negative impact
- Use of green power in production processes
 - Reduction of water consumption through cleaning and sterilization and use of recycled water
 - Development of comfortable work environments at manufacturing bases
 - Recycling of by-products and waste at factories
 - Reduction of environmental impacts through modal shift and round-trip logistics
 - Joint deliveries through coordination with competitors

▶ **Developed strengths**

- Sales proposal capabilities
- Sales expertise centered on solution-oriented marketing approaches
- Marketing networks in Japan and overseas that drive market development

▶ **Challenges to undertake from an operational perspective**

- Strengthening of core brands in each business
- Establishment of *Asahi Super Dry's* position overseas as a premium brand
- Increase of level of recognition in the on-premise market
- Strengthening of collaborative value creation with business partners

▶ **Challenges to undertake from an ESG perspective**

- Eliminating the negative impact
- Responsible drinking awareness campaigns
 - Sales promotions of foods for specified health uses and foods with function claims
 - Nutrition and health education through products

2019-

Future Environmental Changes

- (Procurement)
- Rising procurement costs due to ingredient shortages resulting from such factors as climate change
- (Production)
- Decreasing productivity due to production of a wide range of products associated with the diversification of consumer needs
- (Logistics)
- Rising logistics costs stemming from shortage of truck drivers and escalating labor costs

Efforts toward the Construction of a Next-Generation Supply Chain Management Structure

- Optimization of procurement structure through the expansion of global joint procurement and improvement of the coverage rate of indirect materials procurement
- Bolstering of optimal production systems of global premium brands
- Improvement of in-house production ratio of domestic soft drinks
- Consolidation of logistics sites across all businesses
- Further utilization of modal shift
- Acceleration of logistics coordination with other companies

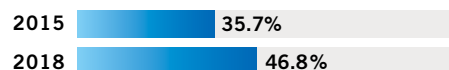
Modal Shift

Shift to transportation by ship or rail for transportation distances of over 500 km

Significant reductions in costs and CO₂ emissions simultaneously



Modal shift ratio



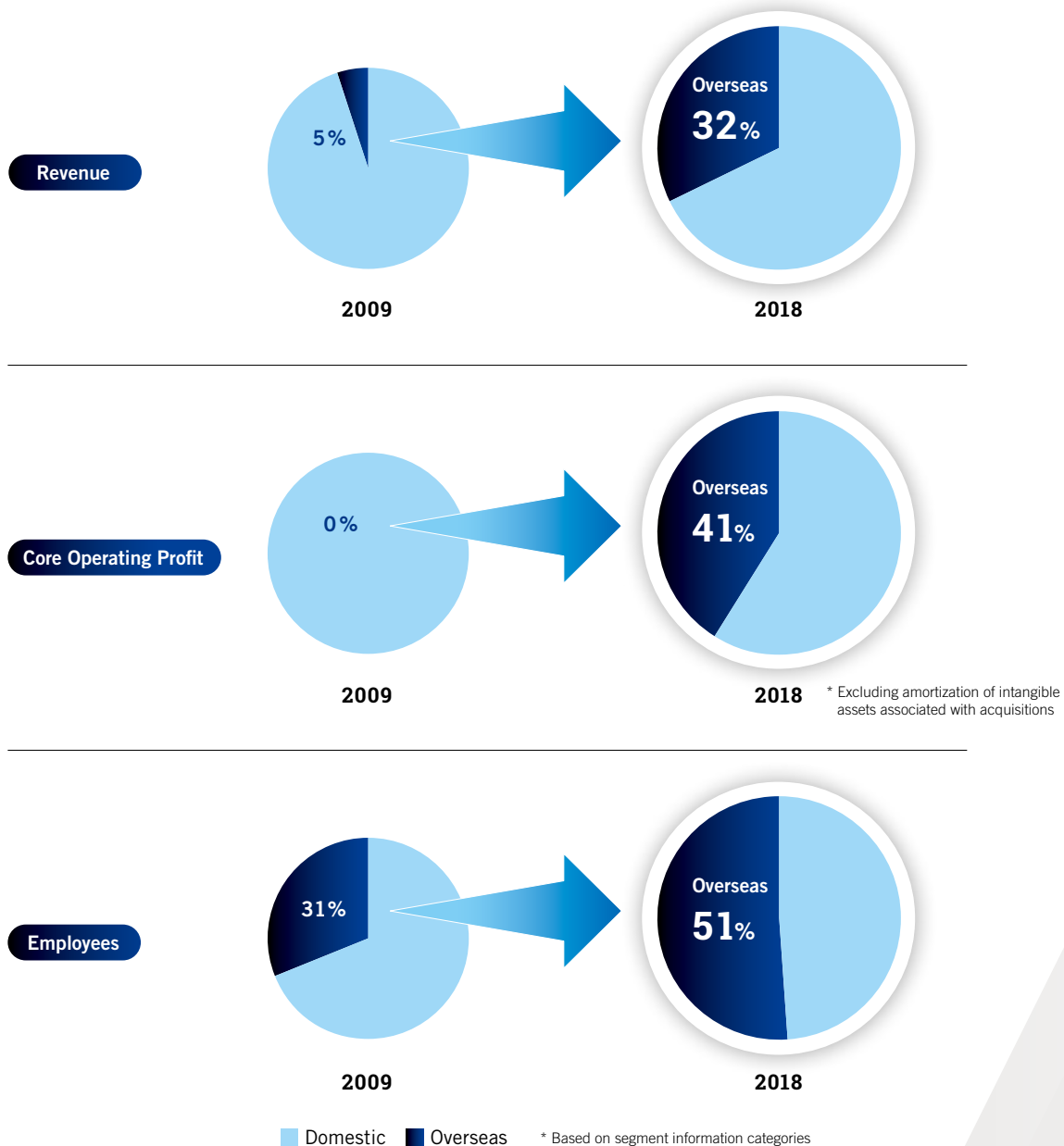
Source of Value Creation

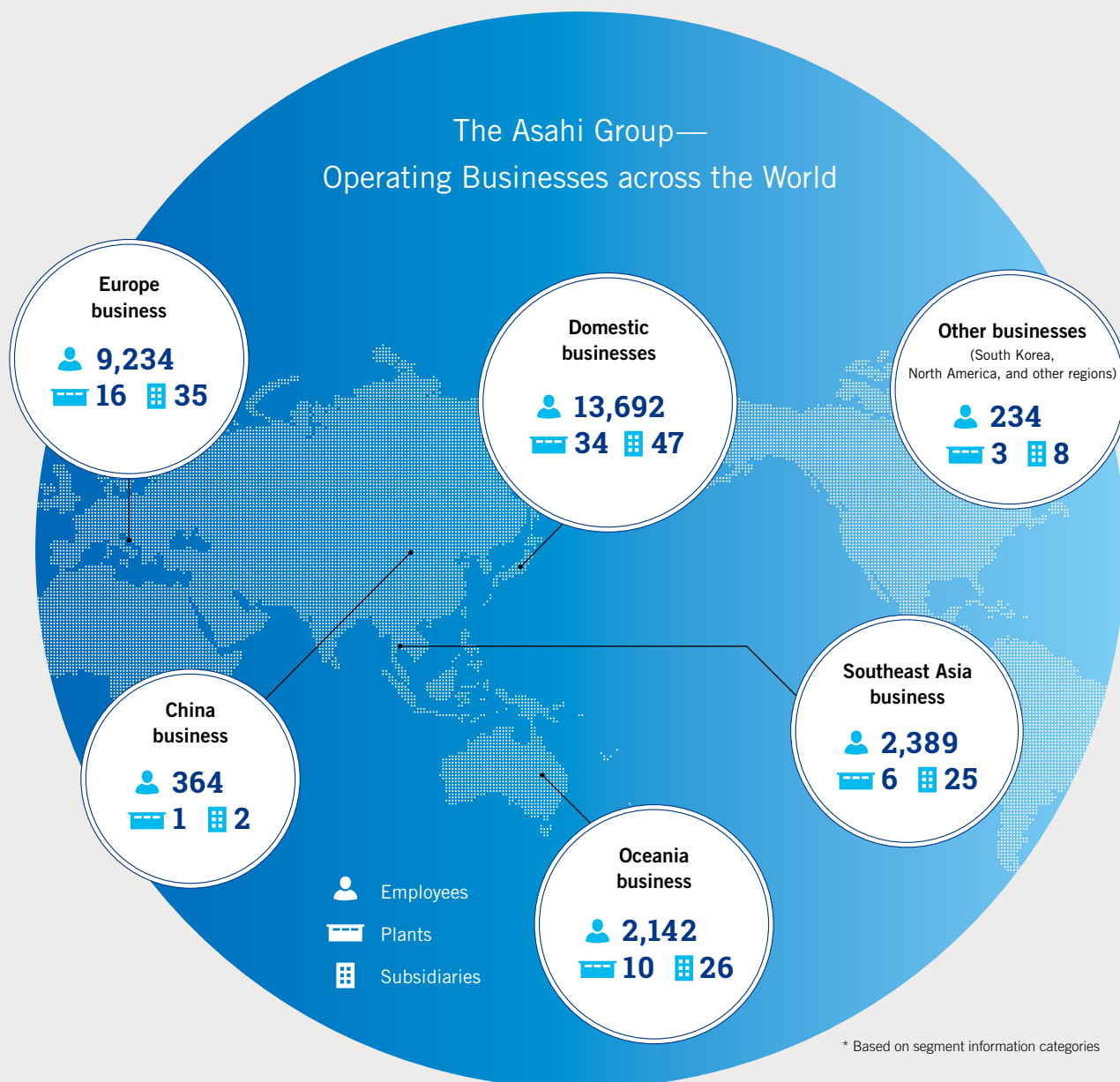
Globally Expanding Our Diverse Management Resources

With the addition of the Europe business, the Asahi Group's management resources have expanded globally as overseas profits have increased and over 50% of Group employees are active overseas.

Leveraging these changes within the Group as a driver for further growth, and with the newly established Asahi Group Philosophy as a unifying force, we will make concerted Group-wide efforts to create new, unique value.

Globally Expanding Business Foundations





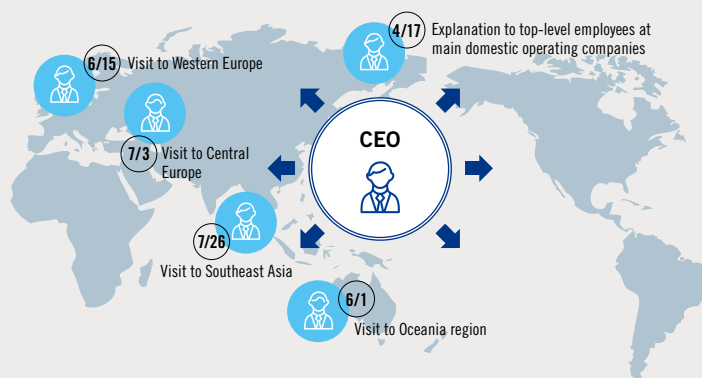
Linking Our Expanded Group Foundations to Further Growth with the Asahi Group Philosophy as a Unifying Force

Measures toward Penetration of the Group Philosophy

- Delivery of video message from the CEO to domestic and overseas Group companies
- Announcement of press releases
- Declaration of Company policies to all of our stakeholders through newspapers
- Revamped design of items such as business cards, paper bags, and envelopes of Group companies
- Revision of human resource review criteria
- Issuance of Group publication, *AGP Journal* (five issues scheduled to be published in 2019)

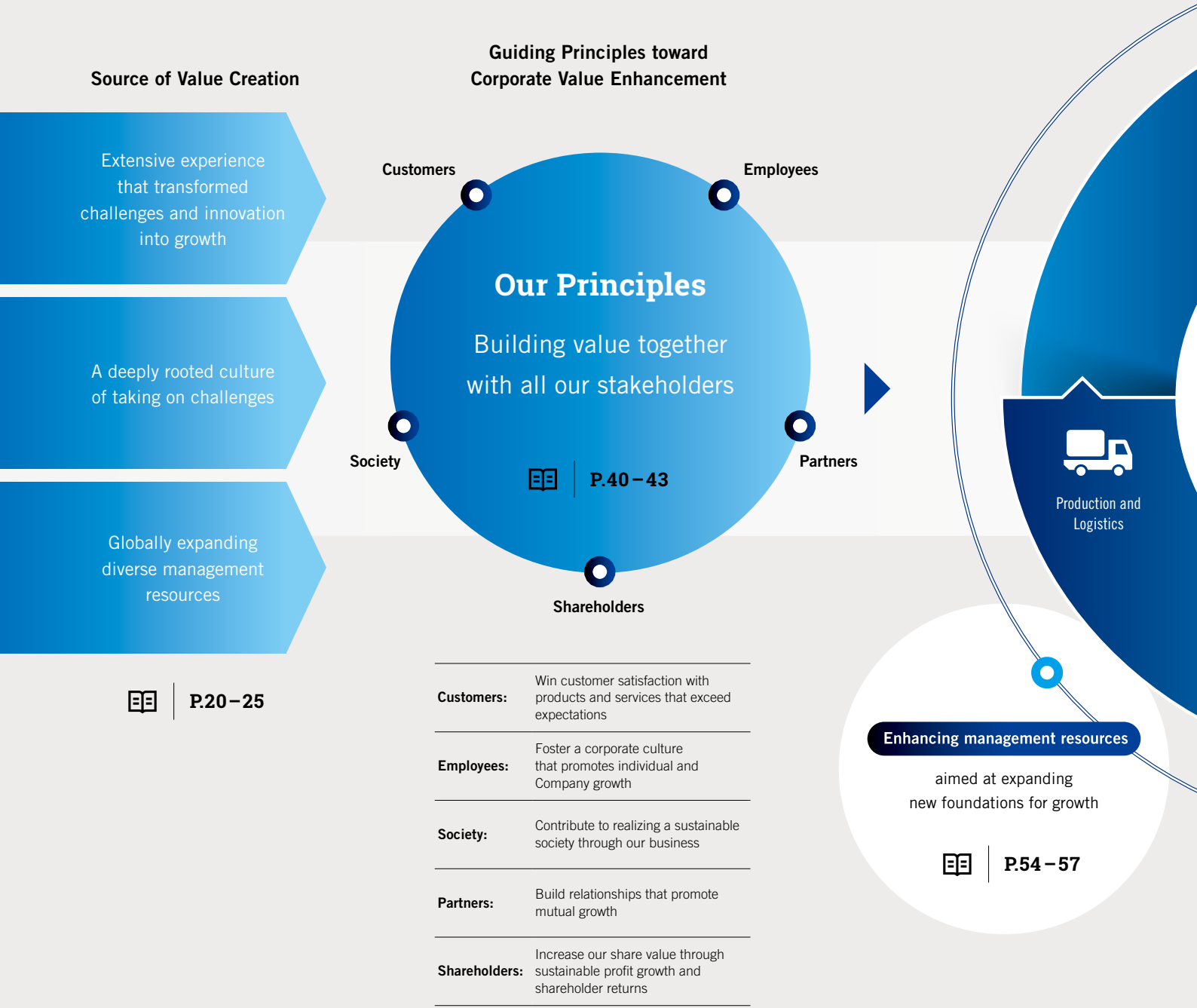
Meeting Conducted by the CEO Regarding the Group Philosophy (2018)


- May 2018 Explanation and reporting at the Board of Directors' meetings and meetings of the Corporate Strategy Board



Pursuing a New Corporate Value Enhancement Model with All of Our Stakeholders

The Asahi Group Philosophy outlines Asahi’s unique mission and vision. Founded on our source of corporate value creation, a Group strength, we will strive to realize our mission and vision through the value creation process that is based on the principles and values we cherish.



 | P.50–53

Strengthening earnings power

by further enhancing
added value and earnings
structure reform



Marketing and Sales



Research and
Development

Values We Cherish

Our Values

Challenge and innovation

Excellence in quality


Shared inspiration



Procurement

Reinforcing ESG initiatives

supporting our sustainable
value creation process

 | P.28–43

The Asahi Group's Mission and Vision

Our Mission

Deliver on our great taste
promise and bring more
fun to life

Our Vision

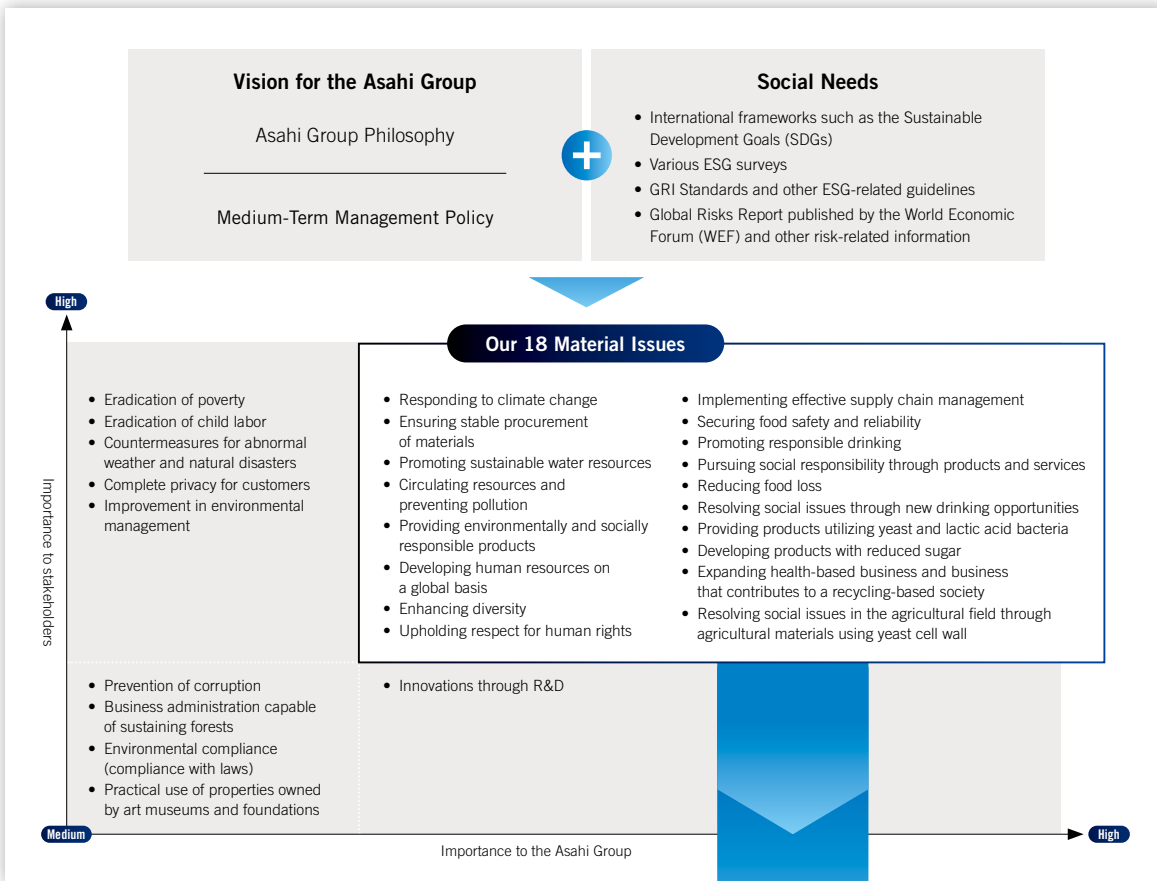
Be a value creator globally
and locally, growing with
high-value-added brands

Sustainability of Our Corporate Value Enhancement Model

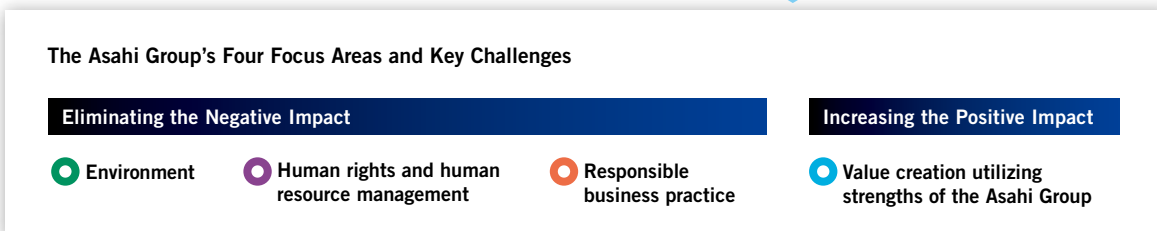
Revising Our Material Issues in Accordance with Our New Growth Stage

In addition to formulating the new Asahi Group Philosophy and renewing the content of our Medium-Term Management Policy, we revised our material issues in accordance with our new growth stage. Since January 2019, we have been promoting sustainability based on newly established focus areas and key challenges.





Process for Identifying Material Issues



Organizing key challenges into four areas from the perspective of eliminating the negative impact and increasing the positive impact



KPIs for New Material Issues

Focus Areas	Key Challenges	KPIs (KPIs apply to all Group companies unless specified otherwise)	
Eliminating the Negative Impact			
 <p>Environment</p>	Responding to climate change	<ul style="list-style-type: none"> Aim for zero CO₂ emissions (Asahi Carbon Zero) by 2050 *Efforts starting in domestic businesses Aim to reduce CO₂ emissions by 30% (compared to 2015) by 2030 *Domestic businesses 	P.30
	Ensuring stable procurement of materials	<ul style="list-style-type: none"> Aim for 100% sustainable procurement of materials by 2050 *Efforts starting in domestic businesses Aim for 100% sustainable packaging by 2050 *Efforts starting in domestic businesses Use recycled PET bottles and environment-friendly plant-derived materials, etc. for 60% of the total volume of plastic packaging (PET bottles, labels, caps, plastic bottles) by 2030 (Asahi Soft Drinks Co., Ltd.) 	
	Promoting sustainable water resources	<ul style="list-style-type: none"> Aim for 100% sustainable water-resource usage by 2050 *Efforts starting in domestic businesses Achieve water neutrality at domestic beer factories by 2025 	
	Circulating resources and preventing pollution	<ul style="list-style-type: none"> Promote recycling of by-products and waste *Domestic businesses 	
	Providing environmentally and socially responsible products	<ul style="list-style-type: none"> Reduce weight, simplify packaging, and promote use of recycled materials Aim to reduce the volume of plastic packaging by using label-less bottles, etc. (Asahi Soft Drinks Co., Ltd.) Promote research and development of non-plastic packaging and new environment-friendly materials, etc. (Asahi Soft Drinks Co., Ltd.) 	
 <p>Human rights and human resource management</p>	Developing human resources on a global basis	<ul style="list-style-type: none"> Enhance human capital by utilizing the Engagement Survey Set up a global succession meeting by 2021 	P.32
	Enhancing diversity	<ul style="list-style-type: none"> Achieve the major Group companies' targets for female-officer appointment and managerial ratios 	
	Upholding respect for human rights	<ul style="list-style-type: none"> Formulate the Asahi Group Human Rights Principles in 2019 Launch and implement human-rights due diligence by 2021 	
 <p>Responsible business practice</p>	Implementing effective supply chain management	<ul style="list-style-type: none"> Refine the management system in supplier CSR procurement Revise CSR procurement policies in accordance with the Asahi Group Philosophy in 2019 	P.34
	Securing food safety and reliability	<ul style="list-style-type: none"> Eliminate deficit accidents by improving the Group's quality-assurance system Develop quality-assurance technologies by introducing advanced technologies 	
	Promoting responsible drinking	<ul style="list-style-type: none"> Execute the Global Industry Commitment (IARD Producers' commitments) Promote efforts to reduce harmful drinking Expand the non- and low-alcohol portfolio 	
	Pursuing social responsibility through products and services	<ul style="list-style-type: none"> Further develop the nutritious-conscious and health-conscious portfolio (Asahi Soft Drinks Co., Ltd., Asahi Group Foods, Ltd.) Further develop the reduced-salt portfolio (Asahi Group Foods, Ltd.) Increase use of nursing food by improving awareness (Asahi Group Foods, Ltd.) Grasp the social impact of delivery lesson services such as those conducted by CALPIS Children's Lactobacilli Laboratory (Asahi Soft Drinks Co., Ltd.) Hold sessions conducted by CALPIS Children's Lactobacilli Laboratory at 33 schools in 2019 (Asahi Soft Drinks Co., Ltd.) Improve employee participation in walking campaigns, using a "point program" developed as an employee-health measure (Asahi Soft Drinks Co., Ltd.) Promote acquisition of "lactobacilli master" (Asahi Soft Drinks Co., Ltd.) Achieve an attendance of 60,000 at "Wakado Nutrition Consultation" in 2019 (Asahi Group Foods, Ltd.) 	
	Reducing food loss	<ul style="list-style-type: none"> Achieve the business companies' goals for product-disposal expenses (Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Group Foods, Ltd.) Expand the range of items that show expirations of only "month and year" (Asahi Soft Drinks Co., Ltd., Asahi Group Foods, Ltd.) 	
Increasing the Positive Impact			
 <p>Value creation utilizing strengths of the Asahi Group</p>	Resolving social issues through new drinking opportunities	<ul style="list-style-type: none"> Extend non- and low-alcohol beers in the portfolio, doubling sales revenue by 2021 (Asahi Europe Ltd) Expand the proportion of non-alcohol beers in the Asahi Breweries Europe Ltd portfolio by 5% of volume by 2021 (Asahi Breweries Europe Ltd) 	P.36
	Providing products utilizing yeast and lactic acid bacteria	<ul style="list-style-type: none"> Start selling functional food using lactic acid bacteria by 2021 (Asahi Soft Drinks Co., Ltd., Asahi Group Foods, Ltd.) 	
	Developing products with reduced sugar	<ul style="list-style-type: none"> Make 90% of the non-alcohol portfolio (by volume) no-, low-, or reduced-sugar by 2025 (Asahi Holdings (Australia) Pty Ltd) Develop the no- and low-sugar portfolio by 2021 (Etika Beverages Sdn. Bhd.) 	
	Expanding health-based business and business that contributes to a recycling-based society	<ul style="list-style-type: none"> Reduce quantity of feed grain needed to rear livestock by 2.5 million tons by expanding sales of CALSPORIN® 	
	Resolving social issues in the agricultural field through agricultural materials using yeast cell wall	<ul style="list-style-type: none"> Achieve business growth as a CSV business operator (Asahi Biocycle Co., Ltd.) 	

Sustainability of Our Corporate Value Enhancement Model

Eliminating the Negative Impact

Environmental Initiatives

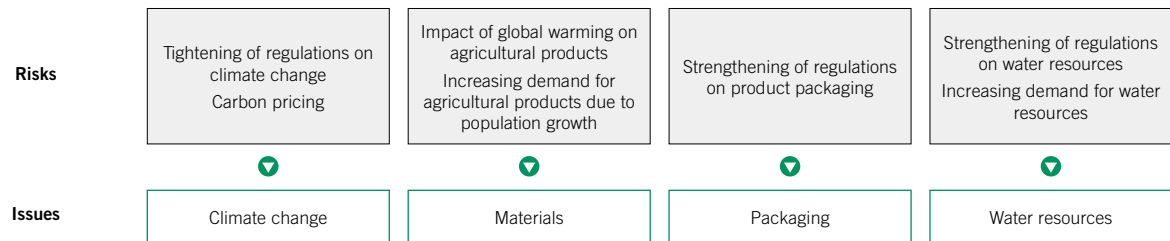


At the Asahi Group, we recognize that water, agricultural products, and other “gifts from nature” are essential for us to carry out our business activities. Not only are we endeavoring to reduce the burden on the environment, but we are also developing initiatives to create value that can actually enhance the environment so as to enable us to consistently deliver on our great taste promise, pursuing excellence in quality. We will continue working toward the realization of a sustainable society hand in hand with business growth.

Direction of Initiatives

- Through the initiatives of the newly instituted Asahi Group Environmental Vision 2050, we will reduce business risks while exceeding the expectations of our stakeholders and contributing to a sustainable society through our business growth.
- Through environmental information disclosure in line with the rules (global, accurate, transparent) regarding the disclosure of environmental information and data as non-financial information, we will work to improve our corporate value.

Environmental Issues of Priority for the Asahi Group



Major Initiatives

Key Measures	Group KPIs	Initiatives to Achieve Targets
Response to Climate Change (Asahi Carbon Zero) 	2030 Target Reduce CO ₂ emissions by 30% (compared with 2015) 2050 Target Reach zero CO ₂ emissions (carbon neutral) <small>* Efforts starting with domestic businesses</small>	<ul style="list-style-type: none"> • Implement further energy-saving measures • Proactively utilize renewable energy • Reduce CO₂ emissions in the value chain
Sustainable Use of Resources 	2025 Target Make our domestic breweries water neutral 2050 Target Achieve 100% use of sustainable resources (water, materials, packaging) <small>* Efforts starting with domestic businesses</small>	<ul style="list-style-type: none"> • Reduce amount of water used • Increase groundwater recharge • Bolster efforts toward sustainable procurement
Global environmental information, data gathering and disclosure 	2021 Target Realize highly transparent global environmental information and data disclosure	<ul style="list-style-type: none"> • Endorse TCFD recommendations (2019) • Promote initiatives in accordance with TCFD recommendations

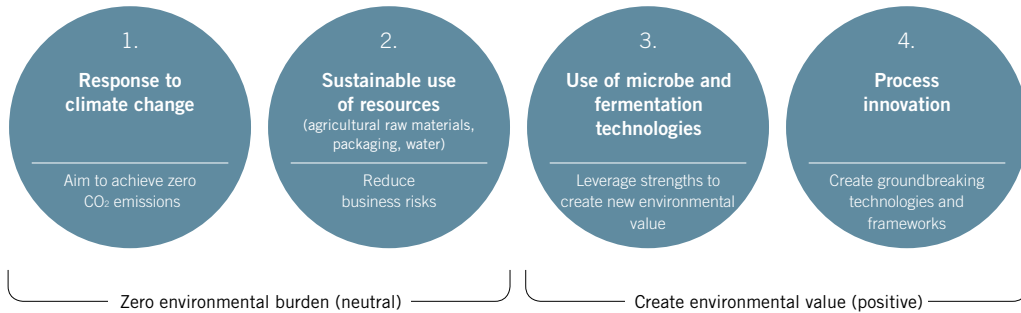
Asahi Group Environmental Vision 2050

Passing the Gifts of Nature to Future Generations with the “Neutral and Positive” Concept

By 2050

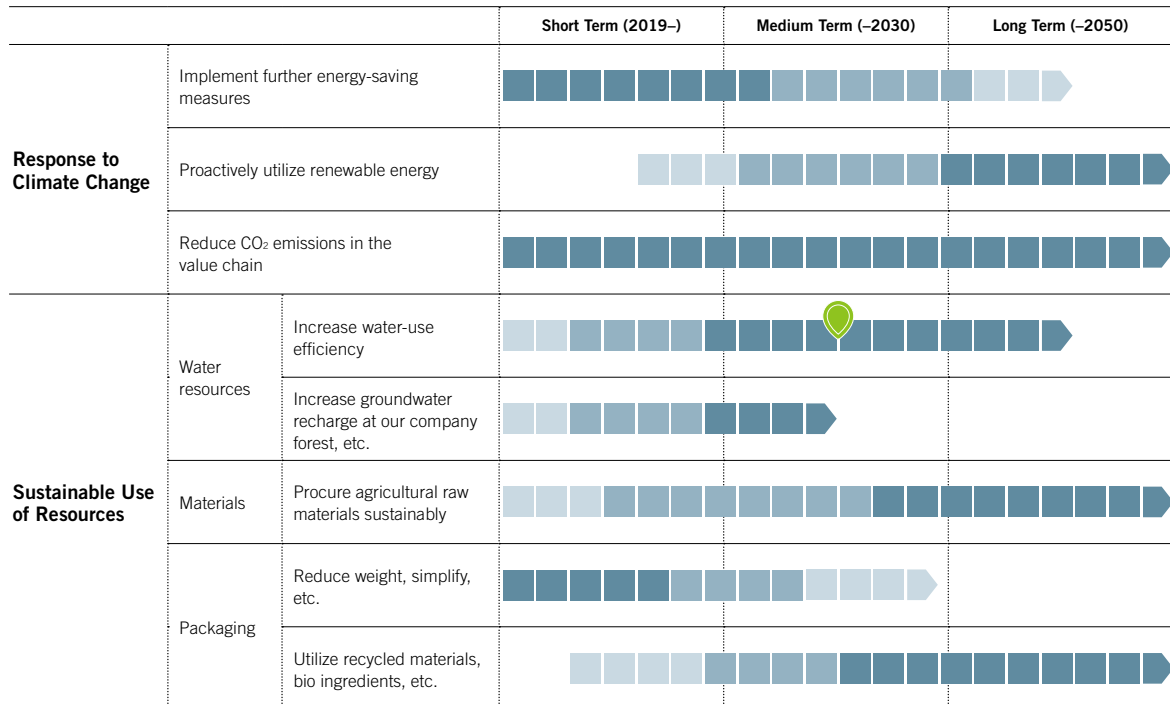
Aim for zero environmental burden in our business activities

Leverage the Group’s proprietary technologies to create greater environmental value in society



For details of the Asahi Group Environmental Vision 2050, please refer to the following URL.
<https://www.asahigroup-holdings.com/en/ir/pdf/19pdf/190212.pdf>

Zero Environmental Burden (Neutral) Road Map



Level of focus on our activities



Achieve Water Neutrality at Domestic Beer Factories by 2025

We will further reduce water use at our plants and obtain Forest Stewardship Council (FSC) certification while practicing sustainable forest management at our company forest (Asahi Forest) and enhancing groundwater recharge capabilities (a forest’s capacity to capture and store water). We will aim for water neutrality at our domestic beer plants by 2025 by equalizing the amount of water used at our plants with the amount of water the forest captures and stores.

Sustainability of Our Corporate Value Enhancement Model

Eliminating the Negative Impact

Human Rights and Human Resource Management Initiatives



We will establish an appropriate management system in response to the risk of human-rights infringement stemming from the global expansion of our business domains. Moreover, through a global human resource development framework we will promote the acquisition and cultivation of outstanding human resources, helping the Group realize further growth.

Direction of Initiatives

- Formulate human rights policies and frameworks that are shared on a global basis. Respond to global laws and regulations and social needs by providing opportunities for Group employees to grow
- Establish a framework for providing opportunities for a diverse pool of human resources to grow regardless of gender, nationality, etc.

Human Rights and Human Resource Related Issues of Priority for the Asahi Group



Major Initiatives

Key Measures	Group KPIs	Initiatives to Achieve Targets
Upholding respect for human rights 	2019 Target • Formulate the Human Rights Policy 2021 Target • Launch and implement human-rights due diligence	• Understand the impact of risks posed on management by human rights violations • Formulate the Human Rights Policy • Establish a human rights risk management system • Revamp human rights due diligence
Developing Human Resources on a Global Basis 	2021 Target • Enhance human capital by utilizing the Engagement Survey • Set up a global succession meeting	• Promote global career development • Provide global development opportunities • Develop human resource systems for drafting the succession plan
Enhancing Diversity 	2021 Target • Achieve the major group companies' targets for female-officer appointment and managerial ratios	• Increase the ratio of female corporate officers and women in managerial positions at major Group companies in Japan and overseas

The Asahi Group Human Rights Principles

The Asahi Group Human Rights Principles are based on the Asahi Group Philosophy and the Asahi Group Code of Conduct. The principles represent the Group's foremost policy on human rights and will form the foundation for all of the Asahi Group's business activities.

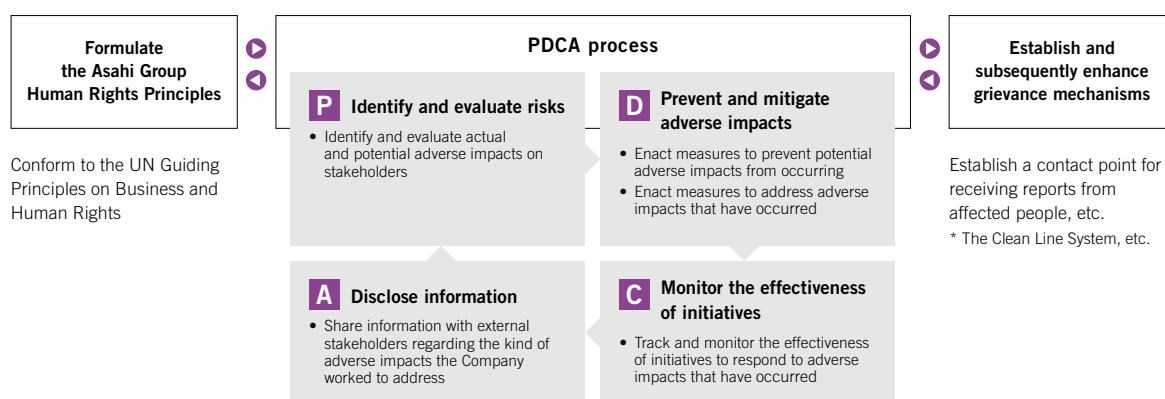
Outline of the Asahi Group Human Rights Principles

Approach to respecting human rights	Commitment to respecting human rights and position of policies, targets (directors, employees, business partners), awareness of scope of impact, responsibilities of the Board of Directors, adherence to international rules, and policies related to discrepancies between laws
Carrying out human rights due diligence	Implementation of human rights due diligence, prevention, mitigation, and correction of adverse impacts, and dialogue with stakeholders
Human rights-related issues for the Asahi Group's business activities	Discrimination, harassment, forced labor and child labor, freedom of association and right to collective bargaining, occupational safety and health, working hours and wages, impact on supply chain, impact on local communities
Mechanisms for handling complaints	Contact point and response structure inside and outside the Company
Education and training	Target: Officers and employees Language: Language spoken in each country and region of operations
Monitoring and reporting	Tracking of progress and disclosure via the Company's corporate website

(Established May 8, 2019)

Revising Our Human Rights Due Diligence

We have formulated the Asahi Group Human Rights Principles on a global scale and commenced our human rights due diligence, which has been recently revised. By doing so, we are working to make our human rights management structure more sophisticated and reduce the risk of human rights infringements.



Road Map for Human Rights Initiatives from 2019 to 2021

2019	2020	2021
<ul style="list-style-type: none"> Formulation of the Asahi Group Human Rights Principles Identification of issues Analysis of discrepancies 	<ul style="list-style-type: none"> Formulation of medium- to long-term action plans Formulation of plans for PDCA processes Identification of human rights risks by business and product Establishment of structure for managing human rights due diligence Establishment and subsequent enhancement of systems for providing access to relief for victims 	<ul style="list-style-type: none"> Establishment of structure for managing suppliers (in Japan and overseas) Expansion and enhancement of education and training

Sustainability of Our Corporate Value Enhancement Model

Eliminating the Negative Impact

Responsible Drinking Initiatives

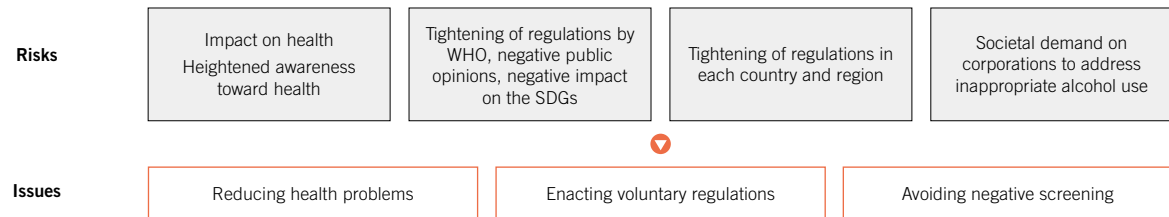


The Asahi Group's business domains have expanded globally through the acquisition of the Europe business. As a result, we are now exposed to more risks related to inappropriate alcohol use, for which we bear responsibility. Through collaboration with our business partners, we will eliminate the risk of negative screening associated with the Alcohol Beverages Business.

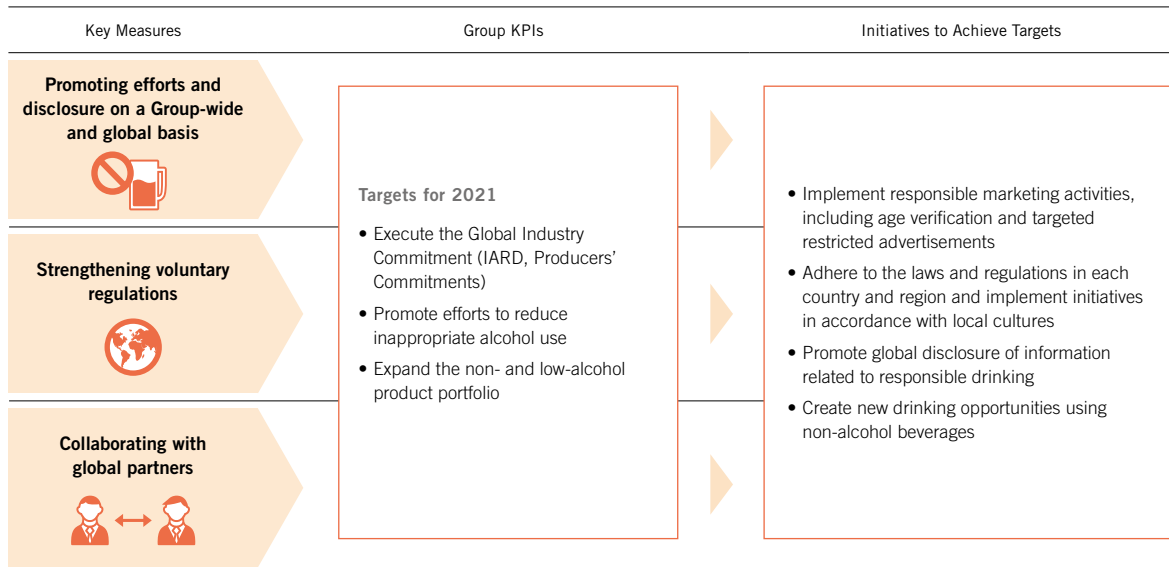
Direction of Initiatives

- Promote local efforts to reduce inappropriate alcohol use and strengthen global efforts to disclose information across the Group
 Global: Declare and disclose our continuous support for IARD*1 and IARD's Producers' Commitments*2
 Local: Adhere to the laws and regulations in each country and region and implement initiatives in accordance with local cultures
- Promote collaboration with IARD and industrial groups and other organizations in each country and region

Responsible Drinking Related Issues of Priority for the Asahi Group



Major Initiatives



*1 IARD (International Alliance for Responsible Drinking) is a non-profit organization dedicated to reducing harmful drinking and promoting the understanding of responsible drinking. IARD is supported by 11 leading global beer, wine, and spirits producers.

*2 The Producers' Commitments are five industry-wide global commitments established by the CEOs of participating companies in IARD. These commitments are (1) reduce underage drinking, (2) strengthen and expand codes of practice, (3) provide consumer information and responsible product innovation, (4) reduce drinking and driving, and (5) work with retailers to reduce harmful drinking.

Message from a Director

Further Advancing Proactive Responsible Drinking Initiatives in Europe

Drahomira Mandlikova

Corporate Affairs Director
Asahi Breweries Europe Group



I manage the Corporate Affairs Department in the Asahi Breweries Europe Group (ABEG), where I have a wide range of duties, such as managing internal and external communication, public affairs activities, and sustainability matters, including the issue of responsible drinking.

At ABEG, around twelve years ago we began incorporating our CSR strategy into our business strategy, including the area of responsible alcohol consumption. We realize that while most people drink our beers in moderation, the problem of alcohol misuse exists and we take this issue seriously.

In undertaking specific initiatives, it is important to be aware of the changing behavior of consumers. Consumer demand for better and more enriched lifestyles is growing in all aspects, including in what they eat and drink. As a result of greater health consciousness, the trend for enjoying high-quality alcohol beverages in moderation is growing. We believe that such a trend is perfectly in line with the Asahi Group's strategy of premiumization. Moreover, in recent years, sales of non-alcohol beer in Europe have been increasing while ABEG has been creating different occasions and bringing a variety of new products for people to enjoy such beverages. We look upon the trend for responsible drinking as a significant business opportunity today and also for the future.

On the other hand, there are also risks related to our business in this regard. We realize that alcohol misuse can have harmful effects on the drinker and others. As a way of addressing this issue, stricter regulations on alcohol have been discussed by the governments of different countries. However, this problem cannot be resolved simply through regulations. At ABEG, we make sure that our marketing practices follow strict standards. We also believe that it is

important to effectively collaborate with municipalities, NGOs, experts, alcohol sellers, and other stakeholders on programs to prevent the harmful use of alcohol.

For example, in cooperation with the local police conducting road checks for drunk driving, we have held a program for the last ten years whereby drivers who have not been driving under the influence of alcohol are provided with non-alcohol beer and information materials. Rather than taking the conventional approach of telling drivers that they must not drink and drive or increasing the severity of punishments, we are achieving significant results by actively introducing a new course of action. Another program we have in place is called Respect18. This program has been introduced in regions where underage drinking is a serious issue and is focused specifically on educating parents, retailers, and bars and restaurants on why it is wrong to provide alcohol to minors. This program is conducted with the support of NGOs and is achieving positive results.

The Asahi Group is striving to become a Glocal Value Creation Company while establishing a global strategy in the area of responsible drinking. We have in place the Asahi Group Responsible Drinking Principles as well as local solutions to the wide range of specific issues in each market. Furthermore, we have created a platform for sharing such local solutions throughout the Group and for promoting collaboration. Moving forward, in order to make a further leap toward becoming a global company, we will leverage such resources within the Group while further advancing proactive efforts in regard to responsible drinking.

* The minimum legal age for alcohol consumption varies by country and region.

Sustainability of Our Corporate Value Enhancement Model

Increasing the Positive Impact

Value Creation Utilizing Strengths of the Asahi Group





Transitioning from social contributions that are philanthropic in nature, we are accelerating efforts to resolve social issues by utilizing the strengths of the Asahi Group. By thoroughly making use of our uniqueness and competitiveness through these efforts, we will realize profits and business growth going forward.

Direction of Initiatives

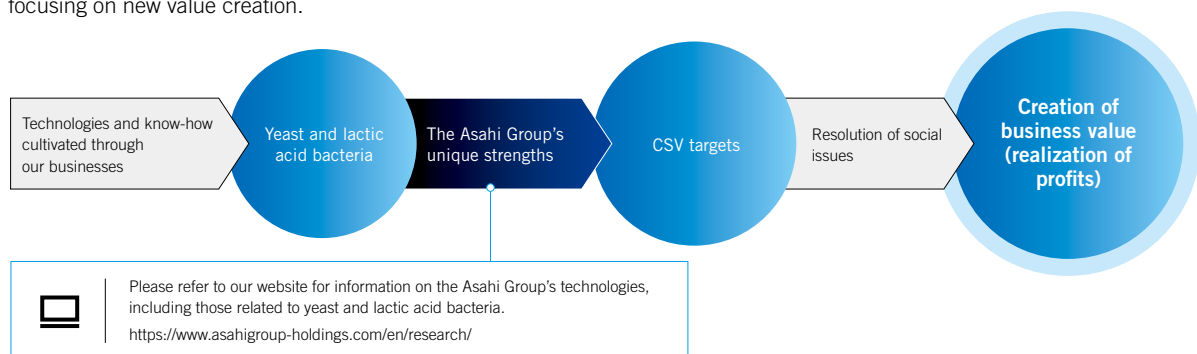
- Strive to resolve social issues related to food through our businesses
- Thoroughly utilize microbe and fermentation technologies, including those related to yeast and lactic acid bacteria, as unique Asahi Group strengths

Value Creation Related Issues of Priority for the Asahi Group

Key Measures	Initiatives to Achieve Targets
<p>Sharing the Asahi Group's notable examples of CSV related to agricultural materials</p> 	<ul style="list-style-type: none"> • Establish the agricultural material business, which leverages beer yeast cell walls—a by-product of beer fermentation, to resolve issues related to agriculture
<p>Creating added value through resolutions to social issues</p> 	<ul style="list-style-type: none"> • Promote the utilization of fermentation technologies and microbe application technologies to resolve social issues related to food • Improve reputation as a company for resolving social issues

The Asahi Group's Approach to CSV

The Asahi Group will resolve social issues related to food through the utilization of microbe and fermentation technologies, including those pertaining to yeast and lactic acid bacteria. Through these efforts, we will enhance corporate value by focusing on new value creation.

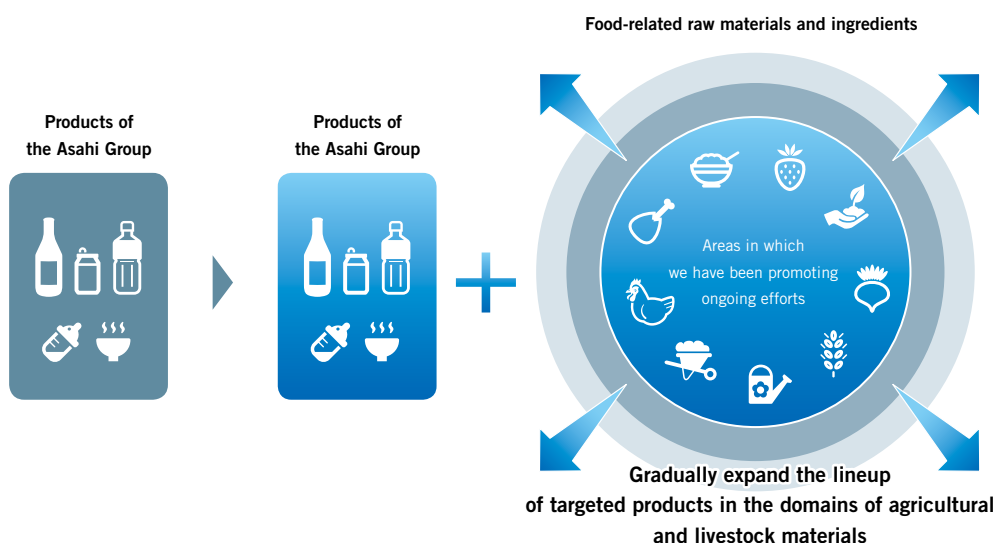


The Asahi Group's CSV Positioning Strategy

To date, we have pursued CSV with products that consumers can enjoy. However, to create new value with higher levels of quality, we believe we need to create unique value in the domains of raw materials and ingredients. To that end, we have been promoting CSV in terms of agricultural products, such as rice and soybeans, and livestock, such as chickens, by using agricultural and livestock materials. Going forward, we will further extend the scope of these efforts, expanding the lineup of targeted products and focusing our efforts on creating new value.

CSV targets to date

New CSV targets



CSV Targets and Direction of Initiatives over the Next Three Years

Social Issues	Direction of Initiatives	Details of Specific Future Initiatives	
Safe and Secure Supply of Food	Resolve social issues in the agricultural domain by utilizing yeast cell walls	<ul style="list-style-type: none"> Realize growth as a CSV business 	P.38
	Expand health-based businesses and businesses that contribute to a recycling-based society	<ul style="list-style-type: none"> Expand businesses related to <i>Calsporin</i>, <i>Caliter</i>, and <i>Thervelics</i> Improve the efficiency of feed by expanding <i>Calsporin</i> 	
Improving Quality of Life through Food	Provide products that utilize yeast and lactic acid bacteria	<ul style="list-style-type: none"> Launch products that focus on functionality utilizing lactic acid bacteria and other materials 	
	Develop products with reduced sugar	<ul style="list-style-type: none"> Promote the transition to no- and low-sugar soft drink products 	
Addressing Health Issues Related to Inappropriate Use of Alcohol	Resolve social issues through new drinking opportunities	<ul style="list-style-type: none"> Propose a new selection of products through the non- and low-alcohol product portfolio 	P.35
Resolving Social Issues Related to Food	Plant the seeds for added value through research aimed at resolving social issues	<ul style="list-style-type: none"> Create new CSV that leverages our research and development activities and by-products (beer barley sediments, excess yeast, coffee sediments, etc.) 	P.56

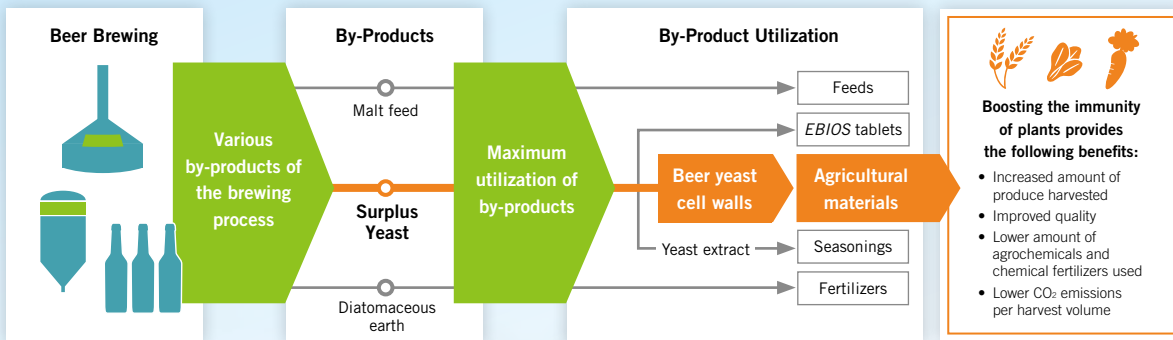
CSV TOPICS

Local Agricultural Value Chains Created by the Agricultural Materials of the Asahi Group

In *Integrated Report 2017*, we introduced agricultural materials that use beer yeast cell walls. In this section, we will explain the progress we have been making with these materials, including the actual results they are producing on farms.



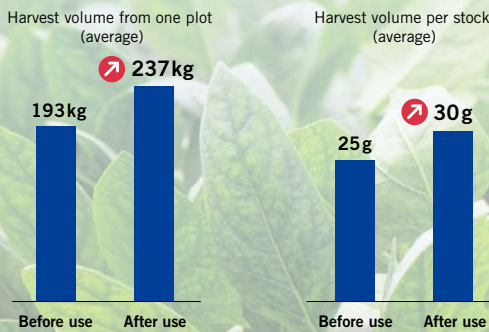
The Asahi Group has been focusing its efforts on harnessing the ability of beer yeast cell walls, a by-product of the beer brewing process, to boost the immunity of plants. Since 2004, we have been engaged in the development of a new agricultural material. In 2017, we established Asahi Bio Cycle Co., Ltd. When testing this material on tomatoes, rice plants, and other agricultural produce, we verified that it enables roots to grow at a surprisingly fast rate and makes the produce more resistant to diseases. Accordingly, this material succeeds in both reducing the amount of agrochemicals used and increasing the amount of produce harvested.



Opportunities from the Further Advancement of Agricultural Materials Using Beer Yeast

YUZEN Co., Ltd. is a unique company that deals with marine products, dry matter, and agricultural products, and specializes in the removal of foreign substances from such products. YUZEN originally started as a wholesale company for locally produced marine products. Understanding its clients' need for the elimination of foreign substances, which tend to become mixed with products during the stages of harvesting

Changes in Harvest Volume When Using the Group's Agricultural Materials



and shipping, YUZEN created a business for identifying foreign substances during the procurement phase. Leveraging the expertise and know-how cultivated through its foreign substance identification business, YUZEN is currently pursuing business expansion in agricultural fields, including hydroponics.

The Asahi Group's business relationship with YUZEN started in 2004, when the former Amano Jitsugyo Co., Ltd. (now Asahi Group Foods, Ltd.) began procuring various kinds of vegetables from YUZEN, which it used as ingredients for its freeze-dried miso soup. For many years, we maintained a buyer-supplier relationship with YUZEN. However, in 2018, a heatwave made it difficult to raise Japanese honewort nationwide, and this led YUZEN to begin using agricultural materials provided by the Group. At that time, as Asahi Group Foods had been making painstaking efforts to realize the stable procurement of Japanese honewort, the company proposed that YUZEN use the Group's agricultural materials on a trial basis. As a result, YUZEN was able to increase its annual harvest volume by 1.2 to 1.4 times, with over a two-fold annual harvest volume increase during winter and other periods, where it is difficult to raise produce. Furthermore,



from the perspective of quality, the use of the Group's agricultural materials has thickened the Japanese honewort's roots, which are considered to be the lifeline of hydroponics, and these roots are now better able to absorb water and nutrients. As a result, YUZEN has gradually increased the speed at which it cultivates Japanese honewort.

In this way, YUZEN can cultivate high-quality vegetables in a stable manner, which in turn allows the company to realize a considerable reduction in the number of vegetables that do not meet the standards for sale and have to be disposed of. In addition, this has allowed Asahi Group Foods to achieve the stable procurement of vegetables. When production stabilizes, that means sales volumes, sales prices, procurement volumes, and procurement costs stabilize as well. This provides substantial business advantages to both the producing and procuring parties. If we consider the outstanding environmental value realized through our relationship with YUZEN, then this truly is an example in which all three parties (Asahi Group Foods, YUZEN, and the environment) benefit.

Agricultural Value Chains Linked via the Agricultural Materials of the Asahi Group

Kazufumi Miyachi, the representative director and president of YUZEN, stated, "Not only does Asahi Bio Cycle Co., Ltd.

provide us with agricultural materials, they also offer us technical support. As a result, we have been able to strengthen our technological capabilities. Going forward, we aim to leverage these capabilities to take on various challenges." In addition, Yuma Takesako, a director of Shunka Co., Ltd., a company that processes Japanese honewort produced by YUZEN and supplies it to Asahi Group Foods, stated, "The vegetables produced by YUZEN are of high quality, and this helps eliminate waste and reduce the burden of labor. For that, I am extremely thankful. Also, YUZEN is located close by in Fukuyama City, which provides the enormous benefit of helping us control logistics costs."

In this manner, the Group's businesses are creating various connections within Fukuyama City. Under our Medium-Term Management Policy, we aim to become a "Glocal Value Creation Company." Guided by this aim, we will implement strategies that are deeply rooted in local communities while considering various aspects from a worldwide perspective. The Fukuyama City example embodies the CSV we are aiming for under the Medium-Term Management Policy from the standpoint of strategies deeply rooted in local communities. Going forward, we will continue to leverage the Group's strengths in order to increase benefits for our various stakeholders.



Picture (from left):
Hidenori Fujiwara, Procurement
Department, Production & Logistics
Headquarters, Asahi Group Foods, Ltd.
Hideki Senoo, General Manager of the
Agricultural Department, Miyachi Co., Ltd.
Kazufumi Miyachi, Representative Director
and President of YUZEN and Miyachi
Jun Harada, Procurement Department,
Production & Logistics Headquarters, Asahi
Group Foods, Ltd.
Yuma Takesako, Director, Shunka

Building Value Together with All Our Stakeholders

Under the Asahi Group Philosophy (AGP), which was newly formulated in 2019, we have established Our Principles, which serve as a code of conduct for our employees. With the AGP, we also aim to realize improvements in corporate value by building value together with our stakeholders. In this section, we will introduce representative examples of building value together with our customers, employees, business partners, and shareholders, who are regarded as extremely important stakeholders within Our Principles.



Customers

Improving Brand Value by Conducting Consumer Surveys (Asahi Soft Drinks Co., Ltd.)

Asahi Soft Drinks Co., Ltd. carries out consumer surveys regularly with the aim of drafting medium- to long-term strategies. These surveys serve as a framework for reflecting consumer trends in our business plans. Asahi Soft Drinks conducts two kinds of surveys: a survey on the level of recognition of the Asahi corporate brand and a survey that analyzes consumer trends and product brands from a marketing perspective. The results of these surveys are leveraged in a wide variety of initiatives.

With the aim of contributing to society, Asahi Soft Drinks has adopted “health,” “the environment,” “community partnerships,” and other themes as material issues in its area of operation. The survey on the level of recognition of the Company’s corporate brand is carried out from the perspective of how these material issues contribute to

corporate branding activities. Asahi Soft Drinks compares the issues identified in this survey with the results of the survey on market trends and product brands in an effort to apply the survey results in specific products and sales strategies.

As part of its efforts to realize corporate value improvement from the perspectives of product brand and corporate brand, Asahi Soft Drinks has implemented such initiatives as the Asahi Soft Drinks Health Challenge! Program, which promotes the maintenance and improvement of mental and physical health through beverages, and the strengthening of label-less product development. Going forward, Asahi Soft Drinks will strive to further ascertain consumer and customer trends with the aim of providing products and services that exceed expectations.

Employees

Improving Productivity through Work Style Reforms

The Asahi Group has been promoting work style reforms with the aim of maximizing the value generated from the work of individual employees. From the perspective of improving productivity, we have been promoting various improvements since 2016 with a focus on work hours, work locations, IT utilization, and office environments.

In 2018, we introduced three systems at Asahi Group Holdings, Ltd. and Asahi Professional Management Co., Ltd. based on the standpoint of reforming work hours: a work hour interval system, special paid leave system for promoting employee health, and special paid leave system for overseas business trips.

Under the work hour interval system, we have put in place a rule that requires employees to be away from the workplace for a certain amount of time between the time they finish work and the time they start work the following day. With the interval set at 11 hours, this system aims to help employees improve their productivity by maintaining their health, achieving a work–life balance, and enhancing their awareness of time.

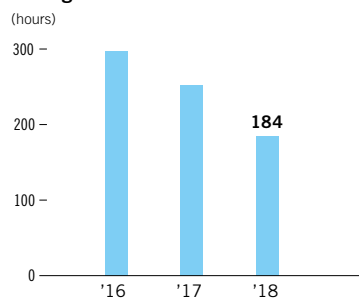
With the special paid leave system for promoting employee health, we offer employees who have worked 60 hours or more of overtime one paid day off, which must be

taken within the two following months. For divisions that become busy during certain periods of the year, it is difficult to make adjustments between busy days and slow days using a flex-time system alone. Accordingly, we aim to reduce excessive working hours through the introduction of the special paid leave system for promoting employee health.

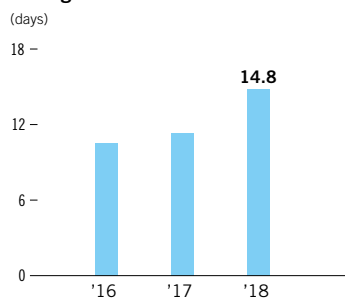
For the special paid system for overseas business trips, we offer paid leave to employees who travel for over 12 hours on a designated holiday for the purpose of a business trip. With the expansion of the Europe business, the number of overseas business trips requiring long travel time has been increasing. However, travel time during hours outside of designated work hours and on holidays is not recognized as work hours. The special paid leave system for overseas business trips was therefore introduced from the perspective of providing actual holidays to employees who travel frequently and helping maintain their health.

Through the combination of previously introduced systems, such as the super-flex-time system and telecommuting system, and efforts to enhance operational efficiency through the use of smart devices, we will continue to promote initiatives geared toward work style reforms.

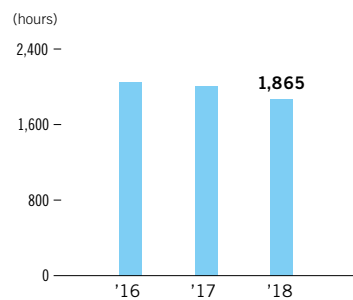
Average Overtime Hours*



Average Paid Leave Taken*



Total Work Hours*



* Scope of calculation: Asahi Group Holdings, Ltd. and head office division of Asahi Professional Management Co., Ltd.

Promoting Diversity

The Asahi Group has been focusing its efforts on promoting the active role of female employees and developing female leaders. In 2018, a new female corporate officer was appointed at Asahi Group Holdings. In 2019, two female corporate officers were appointed at domestic operating companies. In addition, starting from 2019, Christina L. Ahmadjian joined Asahi Group Holdings as an Outside Director, thereby helping us ensure diversity from the perspective of corporate governance.

As a result of these efforts, Asahi Group Holdings was granted the “Nadeshiko Brand” designation for three years in a row from 2016 to 2018. The “Nadeshiko Brand” is a collaborative effort by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that designates outstanding companies in terms of encouraging the empowerment of women in the workplace. In 2019, Asahi Group Holdings was designated as a Semi-Nadeshiko Brand. Going forward, we will continue to make multifaceted efforts to promote the active role of our female employees.

Building Value Together with All Our Stakeholders

Partners

Establishing an Innovative Supply Chain Aimed at Local Farmers for Local Consumption in Italy (Asahi Europe Ltd)

The Italy-based Birra Peroni s.r.l., a company under the corporate umbrella of Asahi Europe Ltd, boasts more than 170 years of tradition as an outstanding brewer. Birra Peroni's breweries in Italy produce five million hectoliters of beer per year. The company uses 100% Italian malt in its *Peroni* family brands and works in collaboration with over 1,500 local farmers to procure high-quality malt on a stable basis.

With the aim of establishing a supply chain that meets the needs of and provides benefits to all of its stakeholders, from farmers to consumers, Birra Peroni has worked constantly to introduce innovative solutions. To ensure that farmers can steadily harvest high-quality barley, the company provides them with an online platform called *orzobirra.net*, a decision supporting system that comprehensively manages and communicates all types of information, including weather reports, soil conditions, and crop types, along with the expert knowledge of each

farmer. Through this platform it is possible for the farmers of the Birra Peroni value chain to produce high-quality raw materials and realize reductions in their environmental burden.

Furthermore, Birra Peroni, through its malthouse Maltery Saplo, selects barley varieties in collaboration with the University of Perugia that better fits the soil and climate conditions of the areas where barley is harvested.

In these ways, Birra Peroni extends its relationship with farmers beyond simply the perspectives of supply and procurement. To provide support for sustainable production activities, the company follows up closely with farmers as part of its efforts to establish an optimal supply chain that delivers exceptional quality materials and reduces environmental burden. These efforts represent the tradition of Birra Peroni as well as the company's principle of building value together with stakeholders.



Number of farms participating in the *orzobirra.net* project

78 farms

Amount of CO₂ emissions reduced through the *orzobirra.net* project

400 tons



Shareholders

Promoting Engagement through IR Activities

The Company is pursuing the fair and broad disclosure of financial information, including operating results, and non-financial information on matters such as management strategies, business challenges, risks, and governance. At the same time, we have actively engaged in dialogue with shareholders and investors while implementing management reforms to reflect their voices.

Looking ahead, we will promote investor relations (IR) activities from a medium- to long-term perspective based on the key priorities laid out under the Medium-Term Management Policy as our Engagement Agenda (agenda for constructive dialogue) in order to continuously raise sustainable corporate value.

Major IR Activities in 2018

Activity	Frequency	Details
Financial results briefings for analysts and institutional investors	Four times	Quarterly briefing sessions (second- and fourth-quarter briefing sessions by the president and relevant officers and first- and third-quarter teleconferences by the IR and finance sections)
IR interviews for analysts and institutional investors	Aggregate of approx. 300 companies	IR interviews and teleconferences for analysts and institutional investors
Individual visits for Japanese institutional investors	Twice	President's visits to approx. 20 shareholders and investors in Japan (second and fourth quarters)
Individual visits for overseas institutional investors	Three times	Visits by the president and CFO to approx. 50 overseas shareholders and investors (North America, Europe, and Asia)
Briefing sessions for private investors	17 times	Briefing sessions by the president (contents made available on the Company's website) Briefing sessions by IR officers held at breweries across Japan

External Awards Related to Our IR Activities

Awards for Excellence
in Corporate Disclosure
(The Securities Analysts Association of Japan)

The top company in the Foods category  2018
(12 consecutive years between 2003 and 2014 as well as in 2017 and 2018)

The top company in the Disclosure to Individual Investors category
(2009, 2016, and 2017)

IR Award
(The Japan Investor Relations Association)

IR Grand Prix Award
(2014)

Best IR Award
(2004 and 2010)

IR Special Award
(2013)

Companies with the Greatest Improvement in IR  2018
(2018)

Corporate Value Improvement Award
(Tokyo Stock Exchange)

Excellence Award  2018
(2018)

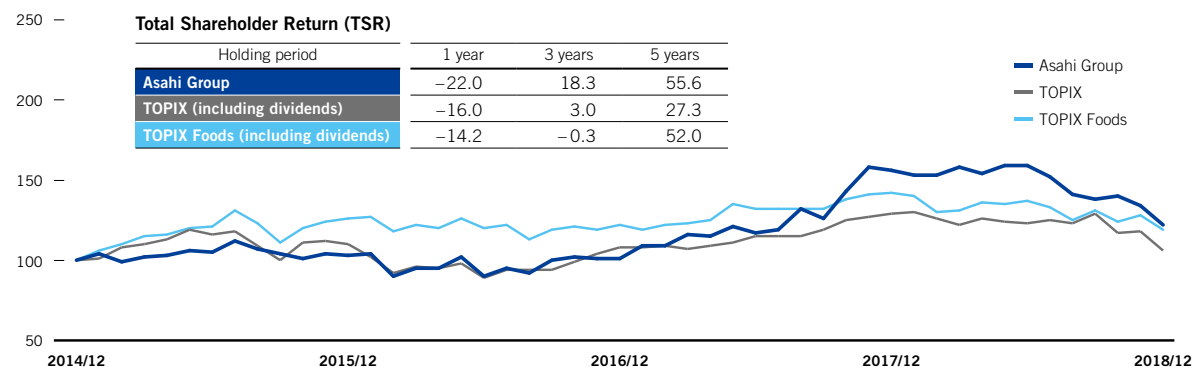
NIKKEI Annual Report Awards
(Nikkei Inc.)

Award for Excellence  2018
(2004, 2015, and 2018)



Stock Price

(Index)



Notes: 1. The closing price on December 30, 2014 has been indexed to 100.
2. TSR is based on investment conducted at the closing price on December 30, 2013.

(Medium Term) Growth Strategy

The management of the Asahi Group will conduct integrated information disclosure and constructive dialogue in accordance with the “Guidance for Collaborative Value Creation” and other measures, which will lead to swift and decisive decision-making. In this way, we will create opportunities for growth by leveraging the Group’s unique strengths while taking appropriate risks.

In accordance with the Medium-Term Management Policy, which we revised based on the Asahi Group Philosophy, we will pursue *Glocal* Value Creation Management through three key priorities: i) strengthening of earnings power, ii) enhancement of management resources, and iii) reinforcement of ESG initiatives.



- 46** Awareness of Business Environment
- 48** Overview of the Medium-Term Management Policy
- 50** Strengthening of Earnings Power
- 54** Enhancement of Management Resources
- 58** Strategy by Business
 - 60** Alcohol Beverages Business
 - 64** Soft Drinks Business
 - 68** Food Business
 - 72** Overseas Business

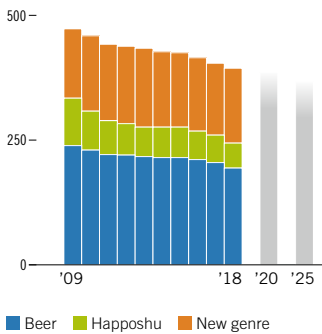
Awareness of Business Environment

Medium- to Long-Term Forecast of the Business Environment

Domestic

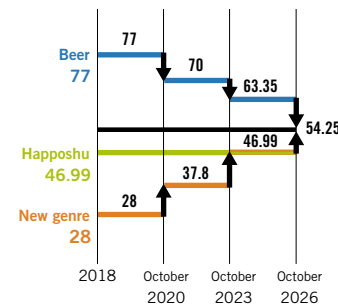
Beer-Type Beverage Market Scale

(Million cases)



Revision of Liquor Tax (Tax per 350 ml)

(Yen)



Risks Affecting Business Sustainability

(Procurement Risks)

Increased cost of materials procurement

(Human Resource Risks)

Strengthening of labor-related regulations

(Legal Risks)

Corruption
 Antitrust laws
 Intellectual property rights disputes
 Violation of environmental regulations
 Leaking of personal or trading information
 Control of trade
 Compliance violations

(Financial Risks)

Exchange-rate risks
 Interest-rate risks
 Rating risks

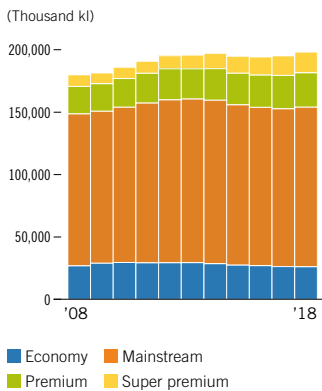
(Natural Risks)

Supply chain management risks stemming from natural disasters

Overseas

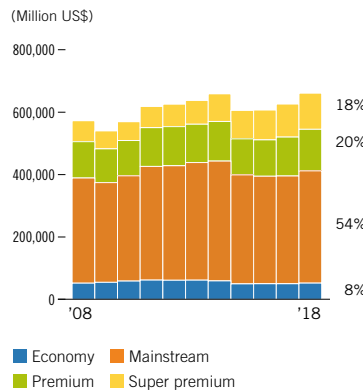
Global Market Scale and Composition (Volume)

(Thousand kl)



Global Market Scale and Composition (Value)

(Million US\$)



Source: GlobalData

Various Regulatory Trends

Alcohol Related

- Establishment of drinking guidelines at the national level
- Strengthening of labeling regulations
- Potential strengthening of advertising regulations (such as location, time, subject matter, medium, and content)
- Potential strengthening of sales regulations (such as retail outlets, bars and restaurants, and events)

Environment Related

- Tightening of regulations on climate change
- Introduction of carbon pricing
- Stricter regulations on water resources
- Strengthening of regulations on packaging

Human Capital Related

- Emergence of soft laws on a global level
- Worldwide legislative trends related to the Modern Slavery Act

Business-Related Opportunities and Risks (SWOT)

● Domestic ○ Overseas

Strengths

- The No. 1 brand in various categories, including beer-type beverages
- Industry-wide top-class profitability in Alcohol Beverages, Soft Drinks, and Food Businesses
- Acquisition of established premium brands in Europe as well as brand nurturing know-how and human resources
- Leading network in Oceania and Asia

Weaknesses

- Maturation of alcohol beverage and soft drink markets due to declining birthrate and aging population
- Continuously severe competition within deflationary environment
- Increasing oligopolization by major global companies
- Expansion of various regulations on alcohol, sugar, and other materials

Opportunities

- Changing market structure due to liquor tax revision and diversification of consumer sentiment
- Revitalizing consumer sentiment driven by the upcoming Olympic and Paralympic Games Tokyo 2020 and the Osaka Expo 2025
- Diversifying consumption among younger generations driven by the development of e-commerce and digitalization
- Sustained growth of premium and super-premium beer markets
- Expanding markets in high-added-value categories including non-alcohol beer-taste beverages

Threats

- Greater-than-expected market contraction due to both economic and consumer-sentiment deterioration
- Deteriorating competitive environment due to the increase in consumption tax rate
- Slowdown of premiumization in key regions associated with economic downturn
- Evolution of business models of major competitors through digitalization and other trends

Medium-Term Management Policy



See pages 48–49

Overview of the Medium-Term Management Policy

Overview of the Medium-Term Management Policy

Enhancing “*Glocal* Value Creation Management”
Based on the Asahi Group Philosophy

Strengthening earnings power	by further enhancing added value and earnings structure reform	☒
<ul style="list-style-type: none"> Enhancing high-added-value brands in Japan and overseas and achieving revenue growth through expanded cross-selling initiatives 		P.50
<ul style="list-style-type: none"> Reforming the earnings structure through the introduction of zero-based budgeting and optimization of procurement systems 	* Target impact of earnings structure reform including zero-based budgeting (total for 2019–2021): over ¥30.0 billion	P.52
<ul style="list-style-type: none"> Enhancing business management through ROIC and improving asset and capital efficiency through cash flow maximization 		–
Enhancing management resources	aimed at expanding new foundations for growth	
<ul style="list-style-type: none"> Reforming the corporate culture to realize disruptive innovation and investing in intangible assets (R&D, human resources, etc.) 		P.54, 56
<ul style="list-style-type: none"> Promoting bolt-on M&As complementing existing businesses and expanding alliance with competitors and companies in other industries 		–
<ul style="list-style-type: none"> Implementing business structure reform by leveraging digital transformation and advancing our business model 		–
Reinforcing ESG initiatives	supporting our sustainable value creation process	
<ul style="list-style-type: none"> Formulating “Asahi Group Environmental Vision 2050” and improving our sustainable activities through value creation that leverages the Group’s unique strengths 		P.30
<ul style="list-style-type: none"> Promoting <i>glocal</i> talent management and diversity and developing a human rights management system 		P.32
<ul style="list-style-type: none"> Enhancing risk management systems (Enterprise Risk Management) and reforming corporate governance systems supporting Group and global growth 		P.98

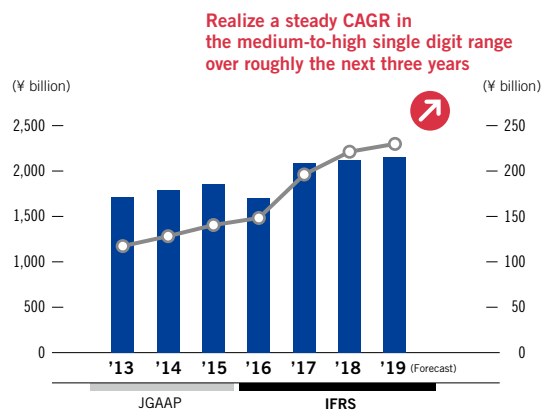
Key Medium-Term Issues by Business		☒
Alcohol Beverages	Enhancing the structure for innovation and cost reduction and establishing a position as the leader in the domestic alcohol beverages industry	P.60
Soft Drinks	Aiming to be the leader in the soft drinks industry with industry-wide top-class profitability	P.64
Food	Further enhancing unique strengths and expanding foundations for growth through new market creation	P.68
Overseas	Driving sustainable Group growth centered on promoting “premiumization” and expanding cross-selling initiatives of core premium brands	P.72

Key Performance Indicator (KPI) Approach and Guidelines

Guidelines for the Next Three Years

Revenue	Stable growth of existing businesses–business portfolio restructuring + new M&As
Core operating profit*1	CAGR: medium-to-high single digit range
EPS (Adjusted)*2	CAGR: medium-to-high single digit range
ROE (Adjusted)*2	Maintain at 13% or above

Revenue / Core Operating Profit



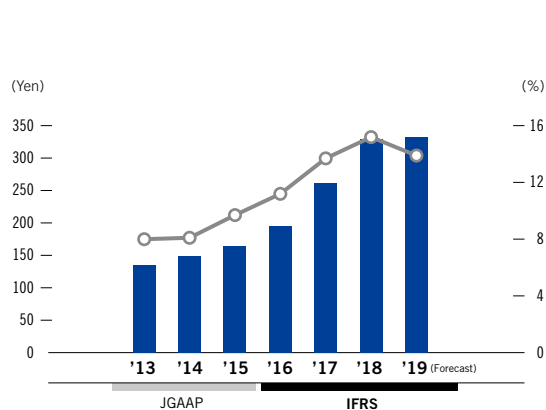
(Left) ■ Revenue (Right) — Core Operating Profit

*1 Core operating profit is the reference index for normalized business performance.

Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)

*2 Adjusted figures are calculated after the deduction of special factors including business portfolio restructuring and the impact of foreign exchange rates

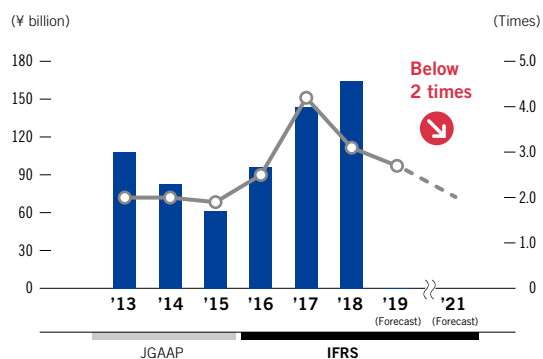
EPS (Adjusted) / ROE (Adjusted)



(Left) ■ EPS (Adjusted) (Right) — ROE (Adjusted)

Financial and Cash Flow Strategy

Free Cash Flow*3 / Net Debt/EBITDA



(Left) ■ Free Cash Flow (Right) — Net Debt/EBITDA

*3 Free cash flow = (Cash flows from operating activities + Proceeds from sales of property, plant and equipment) – Purchase of property, plant and equipment

*4 Adjusted profit attributable to owners of parent used for calculation purposes excludes one-off special factors including business portfolio restructuring.

Guidelines for 2019 Onward

Cash Flow	FCF: Above ¥170.0 billion (annual average)
Investment for Growth / Debt Reduction	Prioritize M&As for the expansion of growth foundations and promote debt reduction for the enhancement of investment capacity Net debt/EBITDA: Below 2 times by the end of fiscal 2021
Shareholder Returns	Stable dividend increases with the aim of achieving a dividend payout ratio of 35%*4 (by fiscal 2021) (aiming for dividend payout ratio of 40% in the future)

Strengthening of Earnings Power

Strengthening of Our Brand Value through the Expansion of Cross-Selling Initiatives

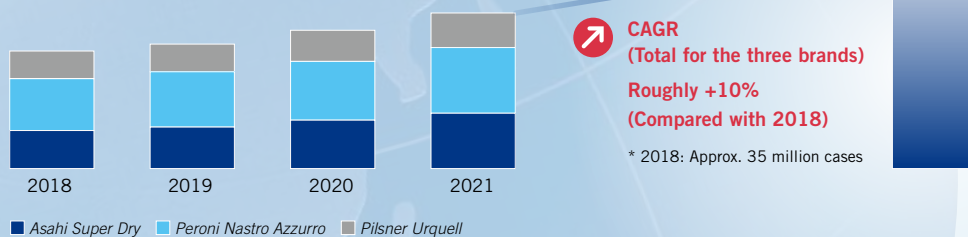
With the acquisition of our Europe business, the Asahi Group obtained premium beer brands with global prominence. Going forward, we will define *Asahi Super Dry*, *Peroni Nastro Azzurro*, and *Pilsner Urquell* as our global premium brands. With a focus on utilizing the Group's sales network, we will expand cross-selling initiatives and cultivate these three brands as new growth drivers. Over the next three years, we will strive to grow sales volume by an average of 10% in total for these three brands in markets outside of their respective home countries (sales volume in 2018 was 35 million cases).

However, rather than simply pursuing short-term sales volume growth, we will focus our efforts on enhancing brand equity from a medium- to long-term perspective based on the global brand management of each brand. With *Asahi Super Dry*, we will look to boost its value as a global premium brand that can position alongside *Peroni Nastro Azzurro* and *Pilsner Urquell*. To that end, we have built a management system that enables the global and local teams to work in close collaboration through the sharing of our vision and mission, the clear division of roles, and the establishment of a collaborative structure.

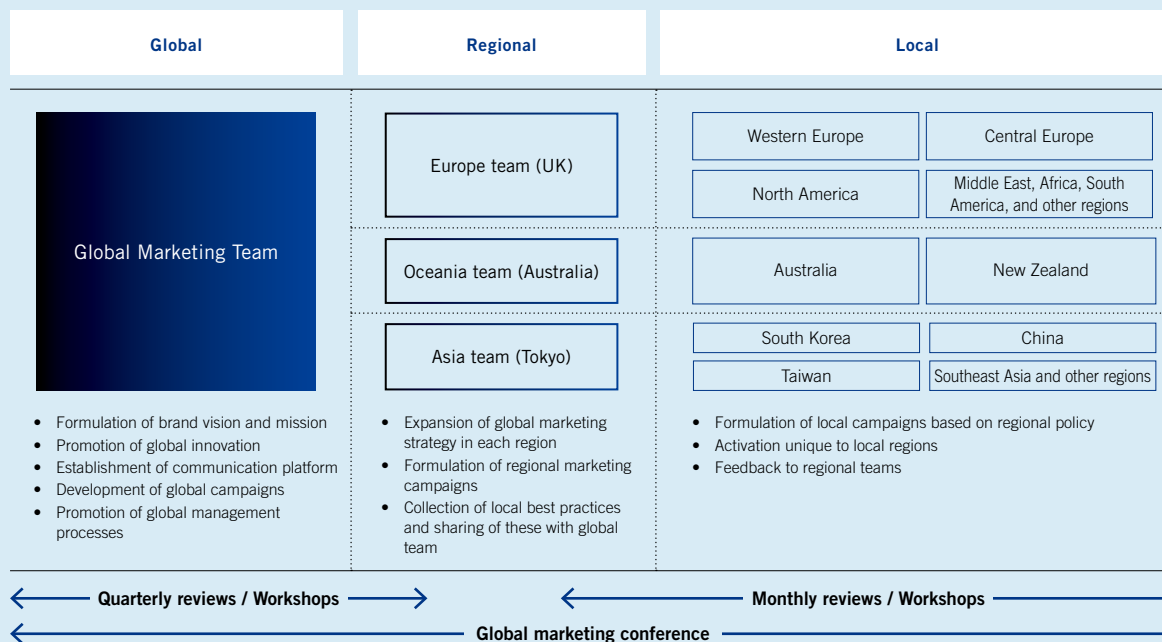
Global Brand Management

	 Global		 Local
Medium- to Long-Term Plan	<ul style="list-style-type: none"> Global strategy <ul style="list-style-type: none"> — Set medium- and long-term targets — Select key areas 		<ul style="list-style-type: none"> Regional strategy <ul style="list-style-type: none"> — Establish a regional medium- to long-term strategy — Formulate a sales channel strategy
Brand Strategy	<ul style="list-style-type: none"> Brand strategy <ul style="list-style-type: none"> — Emphasize brand mission and vision — Establish a differential edge — Set targets 		<ul style="list-style-type: none"> Optimization of regional brand strategy <ul style="list-style-type: none"> — Disseminate vision and mission — Localize targets
Platforms	<ul style="list-style-type: none"> Brand guidelines and platform <ul style="list-style-type: none"> — Formulate brand guidelines — Design visuals, videos, and brand tools — Promote innovation 		<ul style="list-style-type: none"> Platform unitization and regional expansion <ul style="list-style-type: none"> — Disseminate guidelines — Optimize and expand visuals, videos, and brand tools
Activities	<ul style="list-style-type: none"> Global marketing activities plan <ul style="list-style-type: none"> — Establish a global marketing activities plan — Formulate brand guidelines — Design visuals, videos, and brand tools 		<ul style="list-style-type: none"> Local marketing activities plan <ul style="list-style-type: none"> — Disseminate guidelines — Optimize and expand visuals, videos, and brand tools
Improvements	<ul style="list-style-type: none"> Brand auditing Improvement of activities <ul style="list-style-type: none"> — Formulate brand guidelines — Refine global marketing activities 		<ul style="list-style-type: none"> Improvement of activities <ul style="list-style-type: none"> — Create best practices and provide feedback to the global team

Future Sales Targets—Sales Volume Forecast for the Three Brands Outside of Their Respective Home Markets (up to 2021)



Global Brand Management System for *Asahi Super Dry*



Message from *Asahi Super Dry* Brand Manager

We have striven to establish *Asahi Super Dry* as the No. 1 brand in the Japanese market. At the same time, we have promoted overseas expansion. Roughly 20 years ago, we began efforts to establish a business foundation in each country and region of operation. And, for over the past 10 years, we have proactively expanded our marketing activities. As a result, we have grown *Asahi Super Dry* into a brand that is known by our customers and consumers as a Japanese premium beer, primarily in Asia and Oceania. Over the next 10 years, we aim to make *Asahi Super Dry* loved throughout the world as a truly international premium beer.

To that end, we need to establish a situation in which the highest quality *Asahi Super Dry* is being offered at any time and anywhere around the globe. We also need to establish a situation where *Asahi Super Dry* is recognized as an international premium brand. From the perspective of quality, we have commenced global activities to improve the quality our customers experience when taking their first sip of *Asahi Super Dry*. These activities are being carried out using the Japanese word *karakuchi* (“extra dry”). Additionally, we are working to create a new “brand world” (brand communication guidelines) and have commenced efforts to communicate the value of *Asahi Super Dry* around the world as an international premium brand. In May 2019, we held an



internal conference with the global brand team members in an effort to roll out brand strategies and establish platforms around the world.

These ideas resulted from discussions we held with members of our Asia, Oceania, and Europe teams, representing a fusion of different perspectives and experiences. Going forward, we will hold discussions on the future of *Asahi Super Dry* that go beyond nationality and promote efforts to accelerate the decision-making process.

Mizuho Kajiura
Head of Global Marketing
International Beer Team

Strengthening of Earnings Power

Earnings Structure Reforms

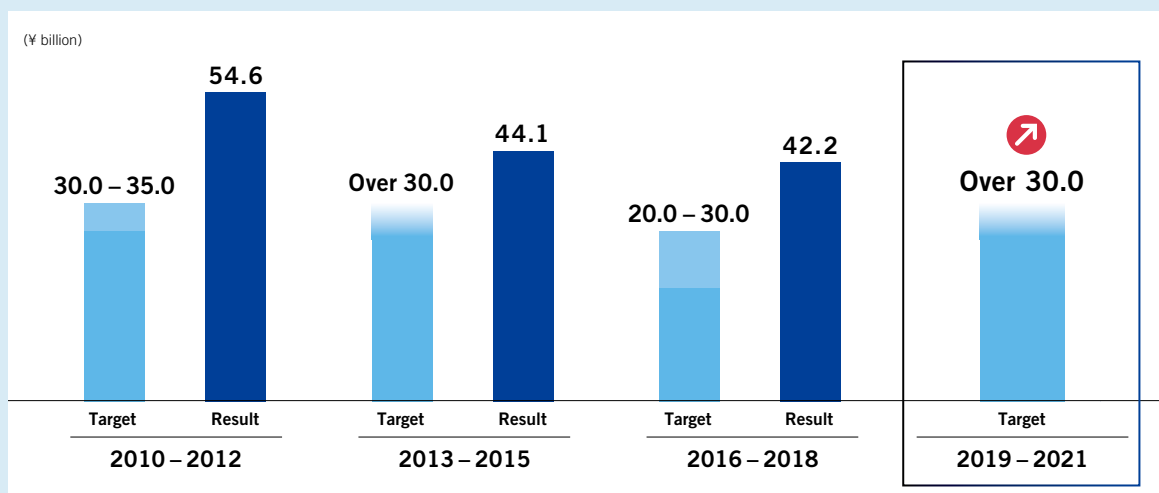
With the earnings structure reforms that we promoted during the period from 2016 to 2018 (excluding the Europe business, which we acquired during this period), we achieved cost efficiency improvements of ¥42.2 billion, far exceeding the cumulative three-year target of between ¥20.0 billion and ¥30.0 billion.

Going forward, in the three years until 2021, we will strive to achieve cost efficiency improvements of ¥30.0

billion or more on a Group-wide basis.

Specifically, we will continue to advance cost reduction initiatives centered on overall supply chain management in each business and introduce zero-based budgeting (ZBB) to revise conventional budget formulation and management methods. We will also work to optimize our procurement structure. Through these measures, we will further strengthen our earnings structure.

Earnings Structure Reforms—Results and Targets



		Target	Initiatives
Domestic	Alcohol Beverages	Over ¥20.0 billion	<ul style="list-style-type: none"> Constructing production and logistics systems to respond to shifts in demand between categories and the diversification of product lines Reducing the weight of materials such as packaging and reducing raw materials costs by optimizing procurement areas and methods
	Soft Drinks		<ul style="list-style-type: none"> Further optimizing production and logistics systems by improving capacity utilization and bolstering outsourcing alliances Lowering manufacturing costs through revision of manufacturing methods and packaging
	Food		<ul style="list-style-type: none"> Constructing optimal production and logistics systems by bolstering manufacturing capability and revising outsourced production Lowering manufacturing costs through revision of production processes and improvement of forecasts for supply and demand
Overseas	Overseas	Over ¥10.0 billion	<ul style="list-style-type: none"> Lowering manufacturing costs by improving the efficiency of procurement methods and optimizing fixed costs (Europe) Optimizing logistics functions through the integration of bases and promotion of automated warehouses (Oceania)

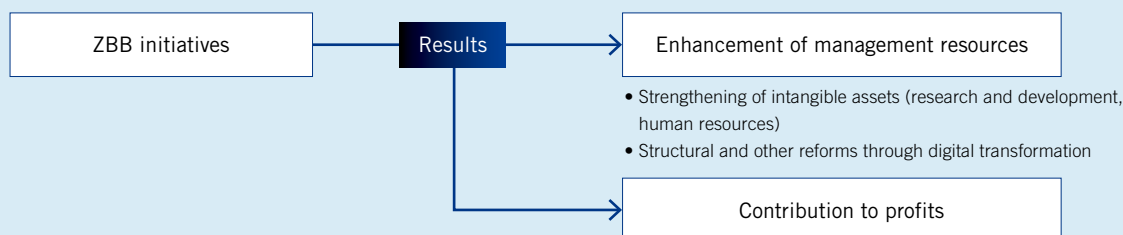
Zero-Based Budgeting

Since fiscal 2019, we have been promoting zero-based budgeting (ZBB) in earnest in our domestic businesses. Until now, we prioritized ZBB initiatives at our overseas subsidiaries, primarily in the Europe business.

The Company's style of ZBB entails reexamining its budget on a zero-based basis, focusing on all fixed costs including advertising and promotion expenses, manufacturing fixed costs, and administrative expenses. The primary objective of ZBB is not only to make a short-term contribution to profits but also to enhance the sustainability of our businesses by allocating the resources ZBB efforts generate to enhancing management resources, as laid out in the Medium-Term Management Policy.

By sharing the expertise and knowledge cultivated by the Europe business, in 2018 we promoted the visualization of costs with a focus on fixed costs and prioritized the allocation of resources to growth areas while rethinking expenses that do not produce satisfactory results.

Going forward, we will accelerate ZBB initiatives at all of our Group companies. At the same time, to ensure that each employee becomes a ZBB advocate, we will pursue the process of "visualizing," "rethinking," and "prioritizing" as part of our day-to-day work. Through these efforts, we will instill ZBB in our corporate culture and strive to construct a framework that promotes earnings structure reforms with new ways of thinking.



Optimization of Procurement Structure

Regarding procurement functions, as we have entered a new stage of growth, we will advance the optimization of our procurement structure over the next three years on a Group-wide basis by leveraging our globally expanded network.

We will make the following two measures the pillar of our efforts. The first measure is the optimization of our procurement structure for direct materials (raw materials) on a global basis, including at our overseas subsidiaries. The second measure is the introduction of a new procurement policy and procurement system for indirect materials (purchased items other than raw materials), as well as the establishment of a procurement category management structure focused on domestic businesses.

For direct materials, we will aim to strengthen the joint procurement structure for beer and soft drink ingredients (such as malt, hops, fruit juice, and resins), which are commonly used worldwide. As a first step, we commenced

the operation of a new procurement structure for domestic businesses in January 2019. Going forward, we will work to systematically strengthen and expand this structure.

Turning to indirect materials, with a focus on the domestic businesses (initiatives have already been introduced in the Europe business), we will introduce a new procurement policy and a dedicated indirect materials procurement system, as well as put in place a category management structure for each procured material. Through these efforts, we will strive to realize global, top-level procurement of low-cost indirect materials. We already commenced operation of the new policy and system at the holding company in January 2019 and we will successively implement new procurement management of these indirect materials at each operating company. By 2021, we aim to generate cost reduction effects by increasing the coverage ratio of indirect materials in procurement sections to 80% or higher.

Enhancement of Management Resources

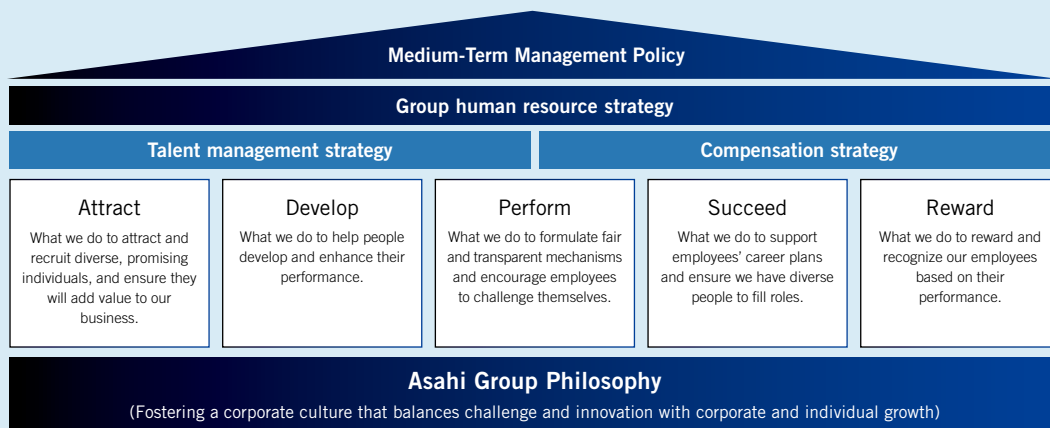
Strengthening of Our Human Resource (Organizational) Capabilities

Direction of Initiatives

Regional human resource systems have varying characteristics and are also managed differently. We will rethink these systems on a global basis in an effort to put the right person in the right place from a worldwide perspective, rather than a Japanese one. Instead of having the Company's Head Office design systems one by one in a detailed manner, we are implementing a human resource strategy that encourages local management to be self-sufficient. Under this strategy, we establish shared global policies that are thoroughly communicated to local

management by the global HR team. Through this communication, local management is able to gain a sufficient understanding of these policies. Based on that understanding, local management adopts their own human resource strategy. With that said, going forward the Head Office will enhance the evaluation process for this human resource strategy from a global perspective to ensure that it does not become simply an extension of strategies we have implemented in the past.

Overview of Global Human Resource Framework



Examples of Global Talent Management Efforts (Human resource development structure in the Central Europe business)

Leadership Stage	Leadership	Functional	Accelerating Future Talent	
			Regional / Local	Global
Leading a Business			Executive Development Growth Experience +	
Leading a Function	General Management Assessment	Functional Academics	Executive Development Growth Experience	Global Leadership Developments Program (GLDP)
Leading Managers	Leading Managers		L-EDGE	
Leading Others	Leadership Fundamentals			
Leading Self	Leadership Self		Graduate Program	
	Leadership training		Section-specific training	Training held in each country and region / selection training

Message from a Director

Pursuing a Human Resource Strategy That Contributes to the Development of Personnel Who Can Evolve Our Strategies

Keizo Tanimura

Director and Corporate Officer



Redefining Our Human Resource Strategy from a Global Perspective

In light of the Europe business being incorporated into the Group, we have redefined the vision for our human resource strategy. Until now, we have had a strong tendency to focus solely on Japan. However, by reaffirming our awareness of the idea of “Think Globally,” we have striven to establish an even more effective human resource strategy from a global perspective.

As the parameter for ascertaining optimal personnel has expanded dramatically, in 2019 Asahi Group Holdings appointed a corporate officer from an overseas subsidiary for the first time, thereby realizing the optimal placement of personnel on a global scale. This is a truly significant change.

Going forward, we face the issue of how to implement Asahi Group Holdings’ human resource management in each area of operation. To address this issue, we are carrying out three key measures. The first measure is clarifying approaches and policies that should be shared globally. For example, by unifying compensation system design and mobility policies in accordance with the AGP, we are enhancing the global efficiency of our efforts to put the right person in the right place. The second measure is localization. Under this measure, we discuss human resource systems and development with the management of overseas Group companies to determine policies that will be applied to each position. Rather than establishing systems in an overly detailed manner, we create policies that are thoroughly shared between Asahi Group Holdings and local management. This is an essential point of the idea of “Act Locally.” The third measure is establishing corporate governance systems and networks to ensure that we realize the first two measures. In addition to constantly sharing human resource information and management best practices on a global basis, we have established a structure that sets into motion a PDCA cycle. This structure is realized in a variety of ways, including holding the Global Human Resources Conference, which is attended by personnel in charge of human resources at each overseas Group company, on a regular basis as well as having officers in charge of human resources at Asahi Group Holdings participate in the human resource and compensation committees of each Group company.

Understanding the Important Points of Our Human Resource Strategy to Rapidly Accelerate Growth of the Group

As the pace of changes in the business environment continues to gain momentum, we are no longer able to win out over the competition simply with personnel who can diligently carry out our strategies. Going forward, we need a human resource strategy that does not simply provide guidance to our personnel but instead develops personnel who are able to evolve our strategies in the future.

The key to realizing such a strategy is diversity. Specifically, we need to become an organization that brings together a diverse pool of talent. We also need to develop human resources from a diverse perspective and in a way that balances various ways of thinking. To that end, it is essential that we establish and thoroughly enforce frameworks that are shared globally and that each Group company carries out unique management initiatives that conform to these frameworks. Additionally, it is extremely important that we consider funds allocated to human resources not as a cost but as an investment. Based on this consideration, we must figure out appropriate and swift methods for executing investment toward developing and enhancing personnel who will drive the growth of the Group.

Addressing the Future Issues of Our Human Resource Strategy

Moving forward, we need to secure and develop human resources that can carry out the AGP. In addition to succession plans for members of local management, we are promoting mobility policies and global leadership development programs to ensure that outstanding employees are able to continue to leverage their strengths in various regions. All of these efforts are carried out with the intention of enhancing the effectiveness of our succession plans.

We have determined the human resource policies necessary for realizing the approach of “Think Globally, Act Locally.” However, it is important that we communicate and visualize examples of ideal global talent management so that our employees can gain an understanding of what such management is all about. In that sense, I believe 2019 will be a very important year for the Group in terms of implementing our human resource strategy.

Strengthening of Our Research and Development Structure with a View toward the Future

Establishment of Asahi Quality and Innovations, Ltd.

— An Independent Research Subsidiary That Brings Together the Group’s Cutting-Edge R&D Functions

To promote efforts to improve corporate value based on the Asahi Group Philosophy (AGP), we established Asahi Quality and Innovations, Ltd. (AQI), a new company that will draft research strategies, carry out R&D activities, and work to create new businesses. AQI began operations in April 2019.

Under our Medium-Term Management Policy, which aims to realize the AGP, we adopted “enhancing management resources” as a key issue in terms of expanding new sources of growth. To this end, we are stepping up investment in organizational reform and intangible assets (R&D activities, human resource capabilities, and others) in order to spur disruptive innovation.

To address this issue through swift decision-making and with a sense of speed, we have centralized and transferred the functions of Asahi Group Holdings’ R&D Center to AQI.

By placing our R&D functions in an independent organization, we will improve the independence and flexibility of our decision-making and prioritize the allocation of resources to research issues and new business creation in accordance with Group strategies. Going forward, we will establish five focus areas and move forward with R&D activities to maximize investment resources. In these ways, we aim to establish future growth engines through the creation of unique value.

Five Focus Areas for AQI’s R&D Activities

R&D to establish pillars for new businesses

Create new businesses by evolving technologies that leverage the strengths cultivated by the Group

R&D to provide outstanding ingredients for health foods

Create added value based on healthy ingredients, such as yeast and lactic acid bacteria

R&D to spur development innovation

Spur development innovation through the use of emerging technologies, such as AI

R&D to improve social value, including reducing environmental burden

Realize technological development that helps us reduce CO₂ emissions

R&D to create new businesses through the incorporation of knowledge

Create new businesses by leveraging open innovation

Topics

Effectively Using Coffee By-Products to Control and Reduce Frost Damage to Crops; Promoting the Commercialization of By-Products together with a University-Based Venture Company

With the aim of effectively using coffee grounds, a by-product in the coffee manufacturing process, to realize a sustainable recycling-based society, we began a capital participation in KUREi Co., Ltd., a venture company originating from Kansai University that develops and manufactures “super cooling accelerators.”*

Frost is formed at dawn when temperatures suddenly decline. Frost damage occurs when this frost partially destroys the cells of a flower bud, which can have an extremely negative impact on the harvest of agricultural materials, including tea, pears, persimmons, plums, and various kinds of vegetables. Accordingly, frost damage can have a deep impact on the sustainability of agriculture as it can affect the earnings of producers and encourage people to give up farming for another profession. While the conventional way of preventing frost damage has been through the use of equipment such as fans and sprinklers, there is a need for cheaper and more efficient methods of prevention.

We have maintained a recycling ratio of by-products and waste of 100% at all 36 of our factories in Japan. In terms of coffee grounds, we have recycled them in fertilizer and supplied them to external institutions as raw materials used for biomass energy. We have also continuously examined new ways to make use of coffee grounds.

Under this collaboration with KUREi, the Group, centered on the newly established AQI, will provide KUREi with coffee grounds created at its soft drink factories. Together with KUREi, we will work to commercialize materials that help prevent frost damage and that use these coffee grounds as a main ingredient.

By strengthening R&D activities in our five focus areas, we will work to “enhance management resources” with the aim of creating new sources of growth.

* Generic name for special materials that help prevent the process of water freezing.



Message from the President of AQI

To win out in the global market, we will make proactive efforts to enhance our social value and invest in research toward the long-term growth of the Group. To be able to make decisions on such initiatives in a flexible and timely manner, Asahi Quality and Innovations, Ltd. (AQI) has decided to become an independent research company. We will serve as a base for the Group’s cutting-edge research in an effort to discover sources for the creation of unique value.

As such a company, we will further enhance research and technological capabilities centered on yeast and lactic acid bacteria. Each of our researchers will pursue research with passion and dedication while achieving personal growth. By doing so, we will aim to deliver on our promise of great taste and bring more fun to life.

Manabu Sami

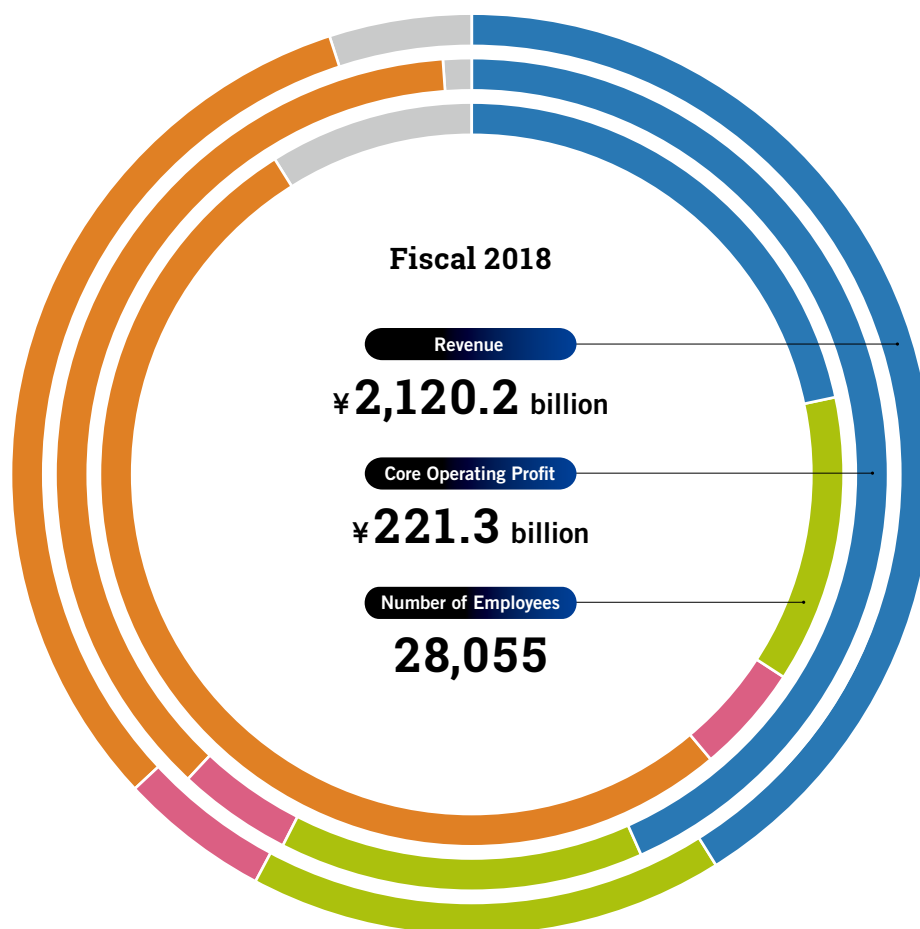
President of Asahi Quality and Innovations, Ltd.



Strategy by Business

The Asahi Group's Business Portfolio

The Asahi Group has constantly pursued the highest levels of quality. At the same time, through ideas and creativity not constrained by precedents, the Group has tackled various issues and provided innovative value that has had an amazing impact on society. Through our corporate culture that embraces the challenge of pursuing innovation, we have repeatedly realized sources for new value creation. Positioning these sources as our foundation, we are working to address key issues in our Alcohol Beverages, Soft Drinks, Food, and Overseas Businesses, guided by our Medium-Term Management Policy, which is based on the Asahi Group Philosophy. By doing so, we aim to improve our corporate value on a sustainable basis.



	Alcohol Beverages	Soft Drinks	Food	Overseas	Others
Revenue (¥ billion)	919.4	368.7	115.9	713.2	109.4
Core operating profit (¥ billion)	117.0	38.0	12.2	99.5	2.3
Core operating profit margin (%)	12.7	10.3	10.5	14.0	2.2
Number of employees	5,960	3,417	1,303	14,363	2,365

* Excludes "adjustment (corporate/elimination)," "amortization of intangible assets," and "corporate adjustment (IFRS adjustment)."

* Based on segment information categories

Alcohol Beverages Business

Acting as the Group's largest cash cow business, the Alcohol Beverages Business offers a comprehensive lineup of alcohol beverages, starting with beer-type beverages. In this business, we aim to establish a position as the leader in the domestic alcohol industry through the cultivation of strong brands in each product category and the strengthening of proposals for new value through innovation.

THE JAPAN BRAND
"SUPER DRY"

Clear
Asahi

Asahi
極上
〈キレ味〉

Alc.0.00%
DRY ZERO
アツヒドライゼロ

BLACK

WILKINSON
カルピス
ハードアイツ

Alpaca

かのか
佳の香

Soft Drinks Business

Centered on Asahi Soft Drinks Co., Ltd., the Soft Drinks Business offers such products as *MITSUYA CIDER*, *CALPIS*, *WONDA*, *Asahi "Juroku-Cha,"* *Asahi OISHII MIZU*, and *WILKINSON*. Through this business, we aim to become an industry-leading company through efforts to enhance the intrinsic value of our products focused on core brands including 100-year old brands that originated in Japan, and establish a foundation for future growth.

WONDA
WONDERFUL COFFEE



WILKINSON
Since 1904

十六茶



カルピス

カルピス 世界の
乳酸菌科学

Food Business

Centered on Asahi Group Foods, Ltd., the Food Business manufactures and sells confectioneries, health foods, supplements, powdered milk products for infants and baby food, food and other products for nursing care, freeze-dried foods, and raw materials for food products. In this business, we are working to establish a foundation for the next stage of growth by leveraging our core brands. Through this effort, we will strengthen proposals for new value in the form of "deliciousness with added value" in line with diversifying consumer needs and values.

MINTIA
ミントピア

クリーム
玄米
ブラン

1本満足バー

アマノフーズ

エビオス錠
EBIOS

Dear-Natura

WAKODO
和光堂

バランス献立

Overseas Business

The Overseas Business is making efforts to establish a growth foundation in Europe, Oceania, Southeast Asia, China, and other regions. In this business, we are working to enhance our product portfolio centered on the core brands in each region. In addition, we are expanding cross-selling initiatives that leverage the brands and know-how we have cultivated to date. In these ways, the Overseas Business will drive the sustainable growth of the Group.

BIRRA
PERONI

Grolsch

Pilsner Urquell

Kögel

"DRY"
Asahi

Schweppes

Cool
Ridge

カルピス
CALPIS



Alcohol Beverages Business

Enhancing the structure for innovation and cost reduction and establishing a position as the leader in the domestic alcohol industry

Key Initiatives of the Medium-Term Management Policy

- Implement integrated marketing strategy for new market creation centered on future environmental changes and renovate core brand value
- Promote zero-based budgeting and minimize costs and create resources for investment for growth by building optimal production and logistics system
- Refine product development process, expand new drinking opportunities, and enhance business model utilizing digital transformation



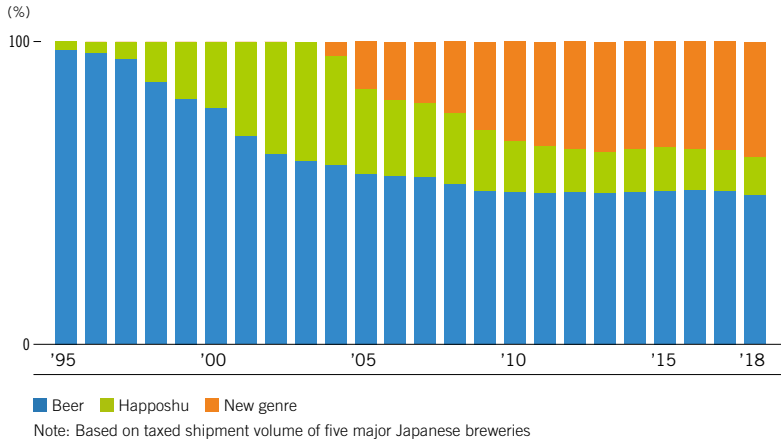
- Top share in beer-type beverage market centered on *Asahi Super Dry*
- Strong brand portfolio in all product categories
- High-quality manufacturing technologies and efficient supply chain management
- Co-creation capabilities manifesting from strong relationships with business partners



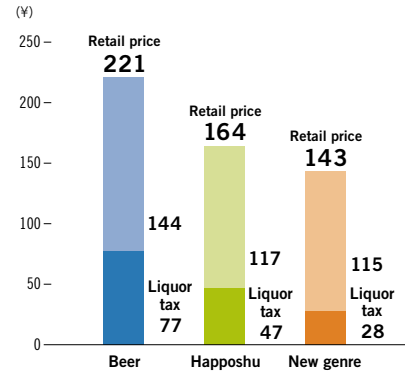
- Maturity of beer-type beverage market and growing diversity of people's needs and values
- Changes in demand structures and product portfolios following reduction in tax rate disparity between beer-type beverages
- Ability to stimulate demand by taking advantage of position as Gold Partner of the Olympic and Paralympic Games Tokyo 2020
- Ongoing increases in distribution, personnel, raw material, and other costs
- Diversification of consumption and competition trends arising from advancement of digital technologies

Market Data

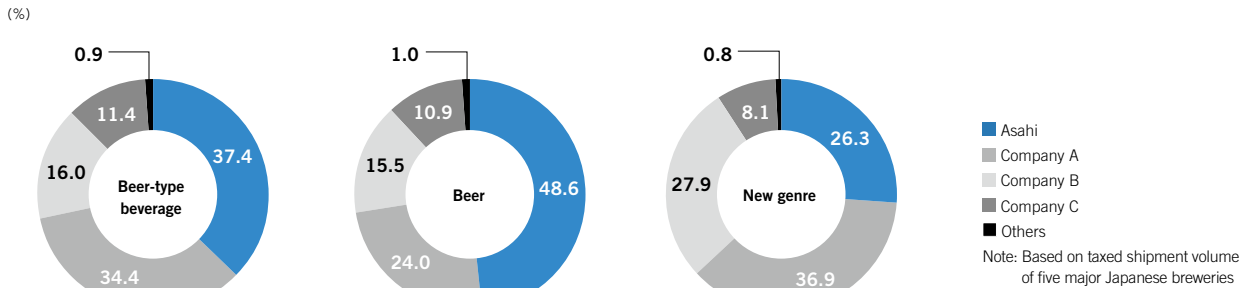
Market Share of Beer, Happoshu, and New Genre



Comparison of Liquor Tax (Tax per 350 ml)

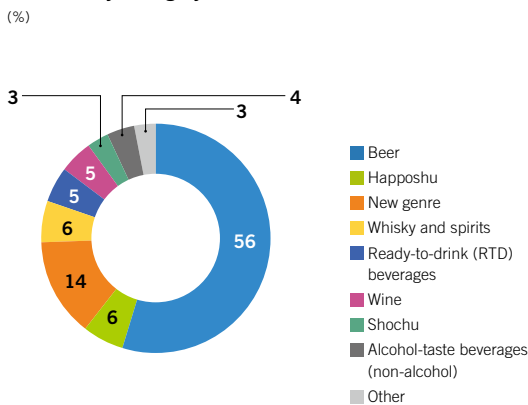


Market Share by Company in 2018

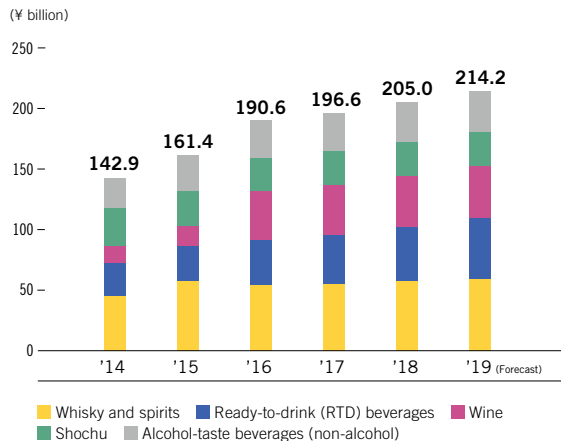


Our Operational Data

Revenue by Category in 2018



Revenue by Category for Alcohol Beverages Other Than Beer-Type Beverages



Strategy by Business

Alcohol Beverages Business

2018 Results

In beer-type beverages, we sought to enhance our brand strength through measures including the launch of *Asahi Super Dry Shunrei Karakuchi*, which is characterized by its satisfying after-taste and feeling of coolness, the deployment of European brands, and an update to *Clear Asahi Prime Rich*.

In alcohol beverages other than beer-type beverages, our efforts were geared toward increasing the market presence of ready-to-drink (RTD) beverages, a category that saw the launch of *Asahi Zeitaku Shibori*, and of whisky and spirits, a category in which we actively promoted *Black Nikka*. At the same time, we proposed new product value with regard to the *Asahi Dry Zero* alcohol-taste (non-alcohol) beverage by releasing, for a limited time, *Asahi Dry Zero Spark*, which comes in PET bottles.

As a result of these endeavors, revenue declined 4.1% year on year, to ¥919.4 billion. Although sales were up for alcohol beverages other than beer-type beverages, overall revenue was down following lower beer-type beverage sales volumes stemming from the contraction of the beer-type beverage market. Core operating profit similarly decreased 2.8%, to ¥117.0 billion, due to the lower revenue, which outweighed the benefits of fixed cost streamlining measures.

2019 Targets

In 2019, under the theme of “reinforcing core brands and creating new demand,” we will work to invigorate the beer-type beverage market by offering products of the highest quality and expanding new drinking opportunities. We will also strive to propose products aimed at creating new demand.

In beer-type beverages, we have defined the medium- to long-term brand concept for *Asahi Super Dry* as “THE JAPAN BRAND.” Based on this theme, we will step up efforts to solicit the equity of this brand, release products specially designed to promote the Olympic and Paralympic Games Tokyo 2020, and take other steps to invigorate the beer market. At the same time, we will strengthen the *Clear Asahi* brand, launch *Asahi Gokujo <Kireaji>*, and otherwise enhance our presence in the new genre beer-type beverage market.

In alcohol beverages other than beer-type beverages, we will focus on strengthening and cultivating core brands in categories including RTD beverages, which includes *Wilkinson Dry Seven*, and the alcohol-taste (non-alcohol) beverage category, where *Asahi Dry Zero Spark* is available throughout the year.

Through these initiatives, we will target revenue of ¥941.0 billion, an increase of 3.0% year on year, along with core operating profit of ¥113.9 billion, an increase of 4.0% to be achieved via the growth in revenue.



Asahi Super Dry Shunrei Karakuchi Clear Asahi Prime Rich



Asahi Zeitaku Shibori Black Nikka Clear Blend

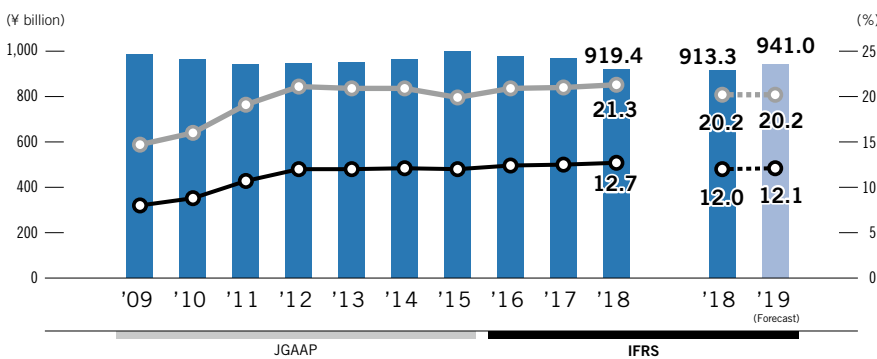


Asahi Super Dry Asahi Gokujo <Kireaji>



Wilkinson Dry Seven Asahi Dry Zero Spark

Revenue and Core Operating Profit Margin



(Left) Revenue (Right) Core operating profit margin (including liquor tax) Core operating profit margin (excluding liquor tax)

* IFRS adjustment for core operating profit, which was previously displayed as a separate item, has been allocated to its respective business segment from 2019.

* The Group reconstructed its business segments on January 1, 2019. The impacts related to the following actions have been reflected in the figures for the 2018 results and the 2019 forecast. The Group transferred the export beer sales of Asahi Breweries, Ltd., which was previously included in the Alcohol Beverages Business, to the Other/elimination section of the Overseas Business. The Group also changed its export structure.

Topics 01

Reinvention of Marketing Strategies Centered on *Asahi Super Dry*

Asahi Breweries, Ltd., is implementing an integrated marketing strategy that entails clarifying its target customers and coordinating sales measures for each target customer group with narrative-driven advertisements. Through this approach, Asahi Breweries seeks to boost the equity of its core and other brands.

Initiatives pertaining to *Asahi Super Dry* implemented to date have included alterations to package designs aimed at more thoroughly promoting the *Karakuchi* taste, which represents the fundamental value of this brand to customers who predominantly drink beer. In addition, Asahi Breweries built upon its freshness initiatives to launch limited-edition freshness pack products, which are shipped from factories the day after production.

With regard to younger customers, we look to create new demand by enhancing product proposals pertaining to *Asahi Super Dry Shunrei Karakuchi* and *Asahi Super Dry The Cool*.



Furthermore, Asahi Breweries is a Gold Partner* of the Olympic and Paralympic Games Tokyo 2020 in the Beer and Wine category. In this capacity, Asahi Breweries is moving ahead with efforts to invigorate local communities, including releasing products featuring limited-edition designs for specific prefectures and proposing original on-premise beer jugs.

Through these efforts, we aim to cultivate new loyal drinkers of *Asahi Super Dry* while acquiring new customers.

We will continue working to invigorate the beer-type beverage market going forward by enhancing our integrated marketing strategy centered on core brands and by proposing new value.

* Gold Partner is the highest domestic tier in the Tokyo 2020 Sponsorship Programme, which is a central component of the marketing tactics conducted by The Tokyo Organising Committee of the Olympic and Paralympic Games. This designation represents a company's dedication to assisting in the operation of the games, supporting Japan's Olympic athletes, promoting the Olympic and Paralympic movements, and contributing to the success of the Olympic and Paralympic Games Tokyo 2020.

Topics 02

Creation of Logistics System Centered on Competitiveness and Cooperation through Coordination between Four Industry Representatives

Asahi Breweries is coordinating with Kirin Brewery Company, Limited, SAPPORO BREWERIES LTD., and Suntory Beer Ltd., in the logistics field to reduce environmental impacts through increased efficiency and to address the lack of truck drivers by cutting back on the need for long-distance transportation via trucks.

In April 2018, the four companies undertook a joint modal shift using dedicated trains and railway containers belonging to the companies for transporting products between the logistic bases in the Kansai and Chugoku regions of Japan and those in the Kyushu region. This initiative has resulted in a combined reduction in annual CO₂ emissions of 1,500 tons (down 26% in comparison with the previous level) among the four companies.

Later, in November 2018, the companies commenced the advanced introduction of a system under which the collection of beer pallets at delivery sites is divided among the four companies in the six prefectures of the Tohoku region.* The companies plan to introduce this system throughout Japan in November 2019. This system is projected to contribute to a combined reduction in annual CO₂ emissions of 4,778 tons (down 53% in comparison with the previous level) among the four companies.

Going forward, we will continue to pursue coordination that goes beyond traditional boundaries from the perspective of competition and cooperation in order to contribute to the realization of a sustainable society.

* The pallets of beverage companies belonging to the same conglomerate as the four beer companies will also be collected.



Soft Drinks Business



Aiming to be the leader in the soft drinks industry with industry-wide top-class profitability

Key Initiatives of the Medium-Term Management Policy

- Enhance the six core brand values and improve profitability by building optimal production and logistics systems and reforming vending machines business
- Establish new foundations for growth by creating new categories and allocating business resources to health-conscious categories
- Strengthen corporate brand value by resolving social issues in the areas of health and the environment and expand alliances with partners



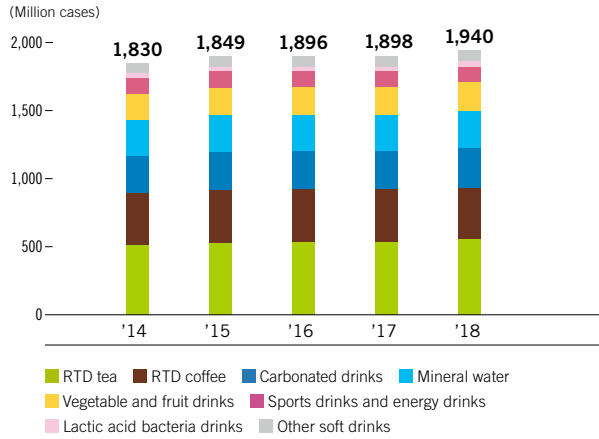
- Multiple long-selling brands centered on growing categories
- Industry-leading profitability achieved through optimal production and logistics systems
- Synergy-creation capabilities leveraging business integrations and alliances
- Corporate culture of addressing health, environmental, and other social issues



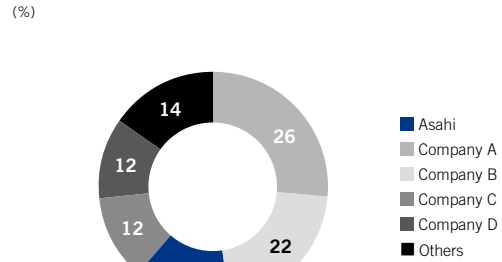
- Diversification of consumption patterns stemming from maturity of soft drink market and increasing health awareness
- Changes to consumption and competition trends driven by e-commerce and other examples of sales channel diversification
- Trend toward lower prices stemming from expansion of retailers' private label products
- Ongoing increases in distribution, personnel, raw material, and other costs
- Increasing attention to waste plastic and other environment-related social issues

Market Data

Japan's Soft Drink Market by Category

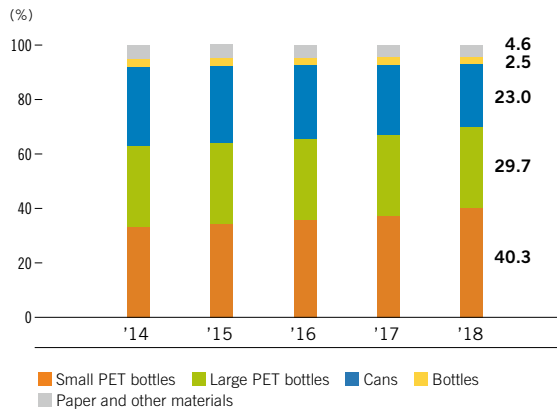


Market Share by Company in 2018

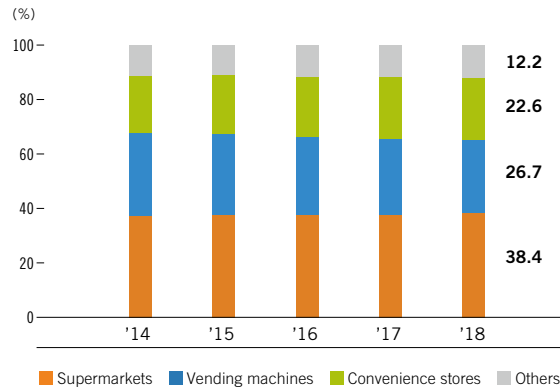


Source: Inryo Soken

Distribution of Sales by Soft Drink Market Container Type



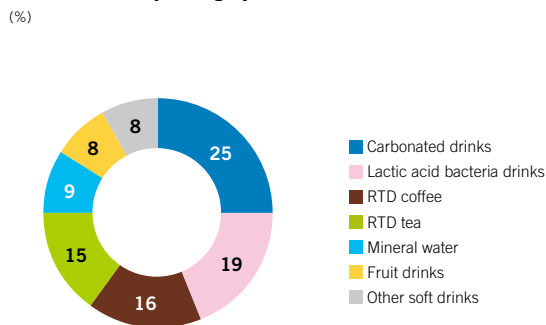
Distribution of Sales by Soft Drink Market Sales Channel



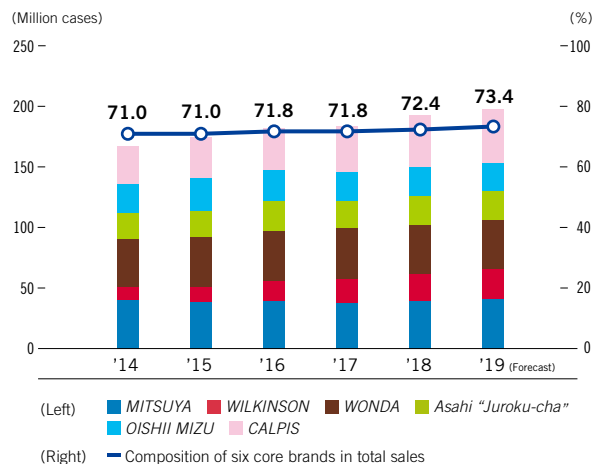
Source: Inryo Soken

Our Operational Data

Sales Volume by Category in 2018



Sales Volume for Six Core Brands and Composition of Six Core Brands in Total Sales



Strategy by Business

Soft Drinks Business

2018 Results

With our core brands, we sought to boost our brand strength by expanding our lineup of WILKINSON products and proactively deploying products that utilize our CALPIS brand assets. In addition, we took steps to heighten the brand equity of MITSUYA CIDER by promoting our Tokusan MITSUYA series, a line of region-exclusive products developed through collaboration with the municipal governments of the respective regions.

In the health function domain, we strove to improve our market presence through the sale of high-added-value products that leverage our brand strength, such as WILKINSON "EXTRA" and Asahi Karada "Juroku-cha," both of which are foods with function claims.

As a result, revenue in the Soft Drinks Business was ¥368.7 billion, down 1.5% year on year, as the impacts of sales of the chilled drinks business in 2017 outweighed the benefits of year-on-year increases in the sales volumes of carbonated beverages and lactic acid bacteria drinks. Despite reduced manufacturing costs stemming from production system optimization, core operating profit came to ¥38.0 billion, a decrease of 0.6%, due to the same factor that impacted revenue.



2019 Targets

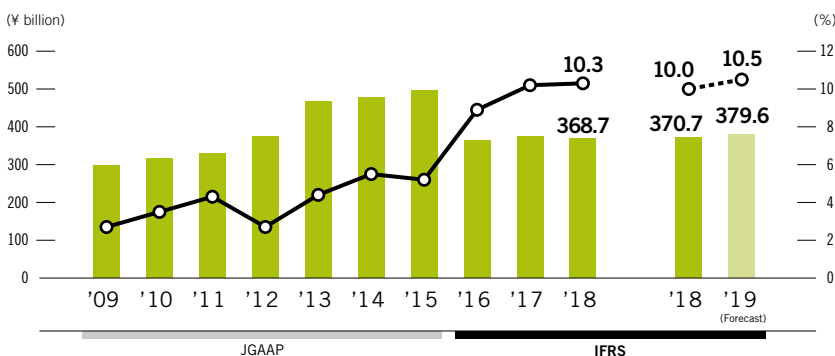
In 2019, we will strive to reform our earnings structure. Initiatives to this end will include concentrating the allocation of management resources on core brands, stepping up efforts pertaining to high-added-value products in the health function domain, and otherwise working to construct new foundations for growth and build optimal production and logistics systems.

Accordingly, we will enhance lineups of core brands, such as MITSUYA CIDER, WONDA, and CALPIS, to elevate our brand strength while proceeding with the improvement of our brand equity through placing emphasis on high-added-value products by proposing new value utilizing core brands in the health function domain.

As a result of the above initiatives, we forecast revenue in the Soft Drinks Business of ¥379.6 billion, an increase of 2.4% year on year. In addition, core operating profit is projected to be ¥39.9 billion, an increase of 7.2%, due to an improved sales mix in conjunction with a rise in sales of high-added-value products as well as the construction of optimal production and logistics systems.



Revenue and Core Operating Profit Margin



(Left) ■ Revenue
(Right) — Core operating profit margin

* IFRS adjustment for core operating profit, which was previously displayed as a separate item, has been allocated to its respective business segment from 2019.

* The Group reconstructed its business segments on January 1, 2019. The impacts related to the following actions have been reflected in the figures for the 2018 results and the 2019 forecast. The Group transferred control of Taiwan Calpis Co., Ltd., which was previously included in the Other/elimination section of the Overseas Business, to Asahi Soft Drinks Co., Ltd. in the Soft Drinks Business.

Topics 01

Centennial Anniversary of the *CALPIS* Brand

CALPIS was launched in July 7, 1919 as Japan's first lactic acid bacteria drink. In 2019, which marks the *CALPIS* brand's centennial anniversary, we will focus on enhancing the two unique forms of value that the brand has continued to emphasize throughout its history, namely interpersonal connections and the provision of a tasty yet healthy drink. At the same time, we will engage in various new initiatives that will shape the future of the brand.

One initiative related to this centennial anniversary is the Thoughtful Anniversary ACTION! campaign, which encourages people to give form to their feelings for special individuals on important anniversaries. In this campaign, we will advance activities for communicating the value of interpersonal connections that the *CALPIS* brand has continued to emphasize centered on *Hinamatsuri* girls' day and *Tanabata* star festival, both traditional Japanese events that are related to the *CALPIS* brand.



Another initiative is the *CALPIS* Fermentation BLEND PROJECT. This project entails collaboration between *CALPIS* and fermented food across the country aimed at communicating the pleasing taste and health value of *CALPIS* and fermented foods and helping invigorate local communities.



Topics 02

Promotion of Label-Less Products

Asahi Soft Drinks Co., Ltd. is accelerating initiatives for reducing environmental impacts through the enhancement of its lineup of label-less products and the expansion of its sales channels centered on mail-order and home delivery channels.

Label-less products not only contribute to reduced waste and subsequently lower environmental impacts by eliminating the labels attached to PET bottles, but they also get rid of the hassle of removing those labels for customers. As such, label-less products are friendly to both people and the environment. With label-less products, ingredients and other information normally printed on labels are instead displayed on exterior cardboard packaging, effectively reducing the amount of resin used in labels by roughly 90%.

We are endeavoring to improve awareness of these products through the development of new logos that express the values of ease and eco-friendliness provided by label-less products and through sales promotions that utilize the Internet and other venues.



Furthermore, Asahi Soft Drinks has dubbed its sustainable container and packaging initiatives "Containers and Packaging 2030." Targets to be accomplished by 2030 have been established as part of these initiatives to guide efforts to reduce the environmental impact of our business activities. Looking ahead, we will continue to expand our lineup of label-less products to further reduce the weight of plastic containers and packaging.

Food Business



Further enhancing unique strengths and expanding foundations for growth through new market creation

Key Initiatives of the Medium-Term Management Policy

- Further improve the value of core brands and categories that utilize core technologies and materials
- Nurture growth drivers in new categories and markets and develop overseas business
- Streamline overall value chain, improve productivity, and reinforce quality assurance system



- Diverse portfolio of products tailored to various lifestyles and life stages
- High profitability achieved by cultivating numerous leading brands and categories
- Wide-ranging product development capabilities leveraging Group-wide core technologies and materials
- Strong partnerships with diverse sales channels and consumers

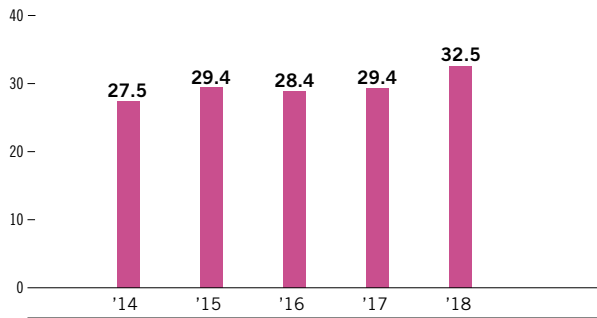


- Diversification of market needs in conjunction with demographic changes and work style reforms
- Consumption by inbound travelers to Japan, consumption through spreading e-commerce venues, and changes in competitive environment
- Potential for overseas deployment of powdered infant formula and freeze-dried foods
- Ongoing increases in distribution, personnel, raw material, and other costs
- Growing social issues related to individuals caring for both children and elderly family members

Market Data

Breath Mint Tablet Market Scale

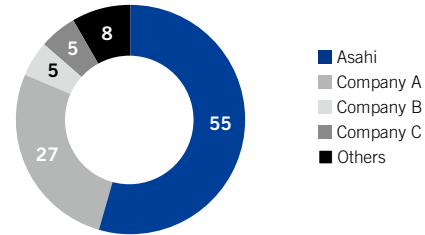
(¥ billion)



Source: INTAGE Food SRI, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1, 2014–December 31, 2018; INTAGE Inc.

Share of Unit Sales in Breath Mint Tablet Market in 2018

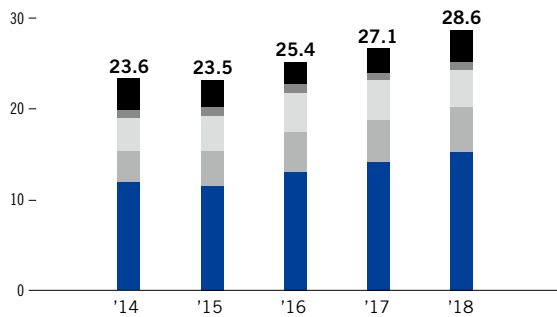
(%)



Source: INTAGE Food SRI, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1, 2018–December 31, 2018; INTAGE Inc.

Baby Food Market Scale

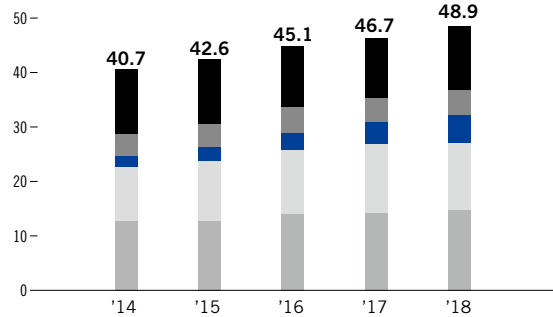
(¥ billion)



■ Asahi ■ Company A ■ Company B ■ Company C ■ Others
Source: SDI Data, All Industries

Instant Miso Soup Market Scale

(¥ billion)

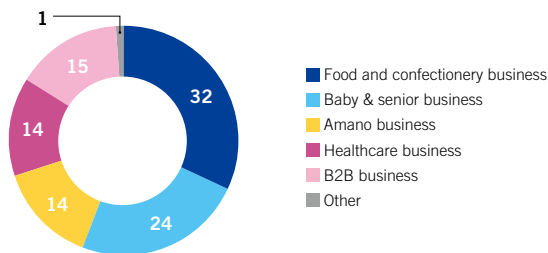


■ Asahi ■ Company A ■ Company B ■ Company C ■ Others
Source: INTAGE Food SRI, Miso Soup, Nationwide (excluding Okinawa), All Industries, January 1, 2014–December 31, 2018; INTAGE Inc.

Our Operational Data

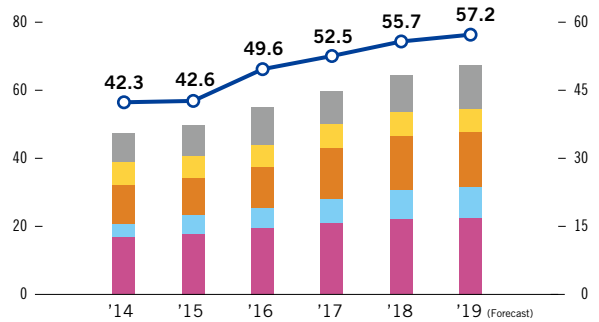
Revenue by Category in 2018

(%)



Revenue by Core Brand and Category

(¥ billion)



(Left) ■ MINTIA ■ Dear-Natura ■ Baby food
■ Powdered infant formula ■ Freeze-dried miso soup
(Right) — Composition of core brands in total sales

Strategy by Business

Food Business

2018 Results

With *MINTIA* breath mint tablets, we sought to heighten brand strength through the release of new flavors and limited-edition products. In dietary supplements, the *Dear-Natura Active* protein power was launched as we advanced into new markets and took other steps to expand the scope of our operations. Efforts in the baby food category were geared toward augmenting brand strength through the expansion of our *Goo-Goo Kitchen* product lineup, among others. At the same time, we worked to improve our presence in the market for foods aimed at senior citizens by unifying our offerings under the *Balance Kondate* brand and launching new products. As for freeze-dried foods, our focus was on improving the value of core brands, which manifested in efforts such as the release of products using new ingredients under the *Isumono Omisoshiru* and *The Umami* brands.

As a result, revenue in the Food Business rose 1.9%, to ¥115.9 billion. Core operating profit totaled ¥12.2 billion, a year-on-year increase of 4.9%, due to the benefits of higher revenue and lower manufacturing costs.



MINTIA Breeze



Dear-Natura Active



Goo-Goo Kitchen



The Umami

2019 Targets

In 2019, we will seek to solidify our foundations for growth. Initiatives to this end will include concentrating management resources on core brands and categories to improve our market position and constructing optimal production and logistics systems to boost profitability.

The Asahi Group will also boost its brand strength centered on its core brands such as *MINTIA* and *Dear-Natura* by expanding its lineups of products tailored to various changes in lifestyles and life stages. Meanwhile, we will enhance our presence in the markets for major product categories in part by accelerating the development of products in the health function domain.

We anticipate that these efforts will lead to the Food Business posting revenue of ¥118.0 billion, a year-on-year increase of 1.7%. Core operating profit will amount to ¥12.7 billion, up 2.7%, following higher revenue and lower manufacturing costs stemming from revisions to raw material procurement and production processes.



MINTIA Breeze



Dear-Natura

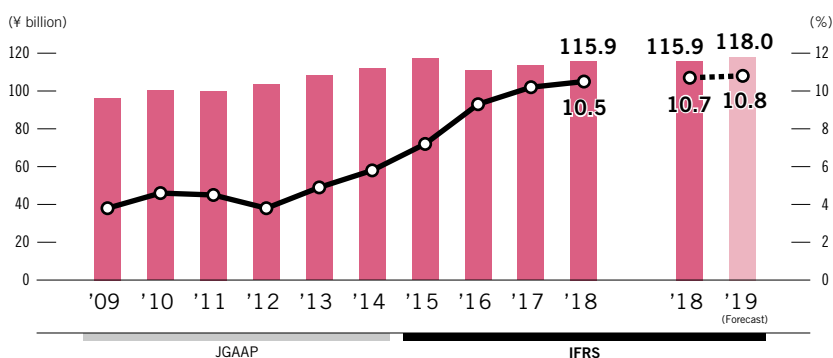


Gen-en (reduced salt)
Isumono Omisoshiru



Karada Todoku Milk

Revenue and Core Operating Profit Margin



(Left) ■ Revenue
(Right) — Core operating profit margin

* IFRS adjustment for core operating profit, which was previously displayed as a separate item, has been allocated to its respective business segment from 2019.

Topics 01

Entry into Vietnamese Market for Nutrition Food of Infants and Expecting/Nursing Mothers

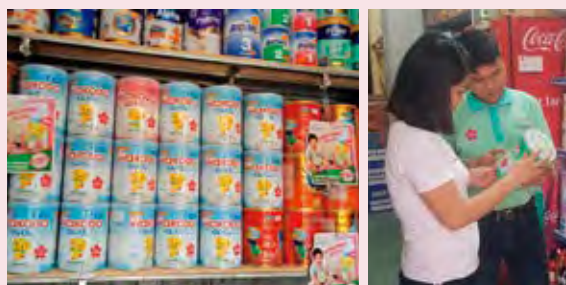
Through a collaboration with NUTIFOOD NUTRITION FOOD JOINT STOCK COMPANY (hereinafter, "NUTIFOOD"), Asahi Group Foods, Ltd. commenced sales of powdered milk products, which were jointly developed by the two companies for infants and expecting and nursing mothers in Vietnam.

The number of births in Vietnam exceeds that of Japan, making the premium powdered milk market, which is expanding rapidly in conjunction with economic growth, an appealing market.

The jointly developed products were born out of the marriage of Asahi Group Foods' knowledge pertaining to infants, which has been cultivated over a century in Japan, and NUTIFOOD's insight into the nutrition tendencies of Vietnamese people. The *Wakodo* logo is displayed prominently on the packages of these products to capitalize on the love for Japan and the strong reputation of

made-in-Japan products in the Vietnamese market.

Through our entry into the Vietnamese market, we look to develop foundations for ongoing growth while contributing to the healthy development of infants and expecting and nursing mothers in Vietnam.



Topics 02

Enhancement of Childrearing Support Activities

Asahi Group Foods endorses Tochigi Prefecture's *Yokoso Aka-chan! Sasae-Ai Jigyō* program for offering support for childrearing. The company donates *Wakodo* brand products for infants to newborns in 25 towns and cities in Tochigi Prefecture to help establish a system that provides seamless support for mothers spanning from child-birth to childrearing.

Moreover, Asahi Group Foods has been conducting other activities to support childrearing. Among these activities are baby consultation meetings and baby food courses, which are held each year for mothers, fathers, and other family members involved in childrearing from before birth through to early life. In addition, the company has been donating a portion of its sales of certain products to support vaccination programs since 2009 as part of its efforts to protect children around the world from infectious diseases.

We will continue to enhance our support activities for people involved in childrearing from before birth through to early life in order to assist families raising small children.



Overseas Business



Driving sustainable Group growth centered on promoting “premiumization” and expanding cross-selling initiatives of core premium brands

Key Initiatives of the Medium-Term Management Policy

- Reinforce premium portfolio in each country and expand cross-selling initiatives of core premium brands centered on Europe
- Create opportunities for growth through innovation in the areas of alcohol-taste (non-alcohol) beverages and functional drinks in light of consumption diversification
- Promote continuous zero-based budgeting, reinvest for further growth, and strengthen foundations for growth through bolt-on M&As



- Historic European premium brands and strong product portfolio
- Expertise in cultivating premium brands and securing human resources
- Prominent network in Oceania and Asia
- Synergy-creation capabilities leveraging inter-regional network

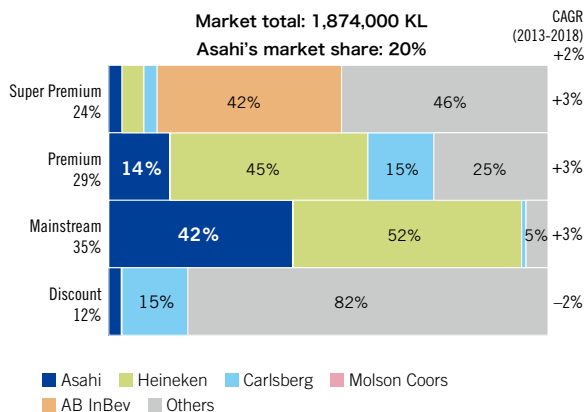


- Ongoing growth of global premium and super premium brand markets
- Growth of alcohol-taste (non-alcohol) beverage, functional beverage and other high-added-value product categories
- Fierce competition with major global companies
- Ongoing increases in distribution, personnel, raw material, and other costs
- More stringent regulations regarding alcohol and sugar

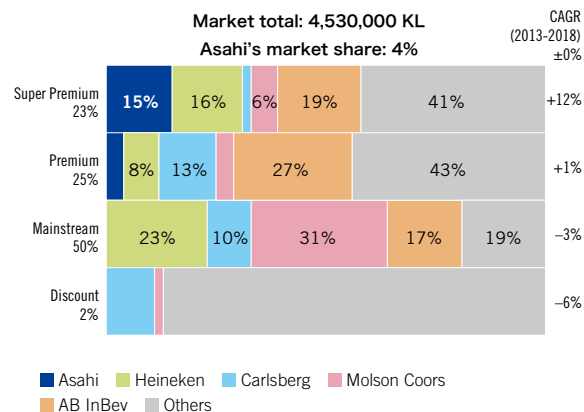
Market Data

Market Share by Price Segment and Composition by Channel (2018)

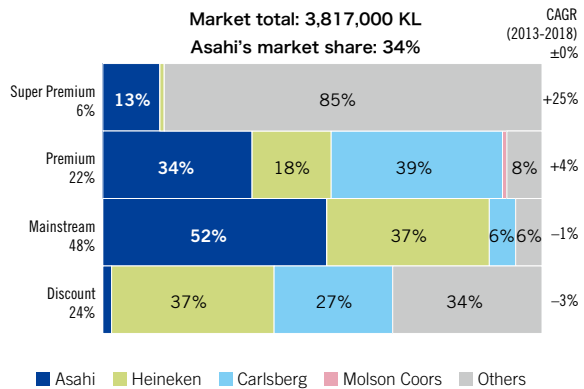
Italy*1



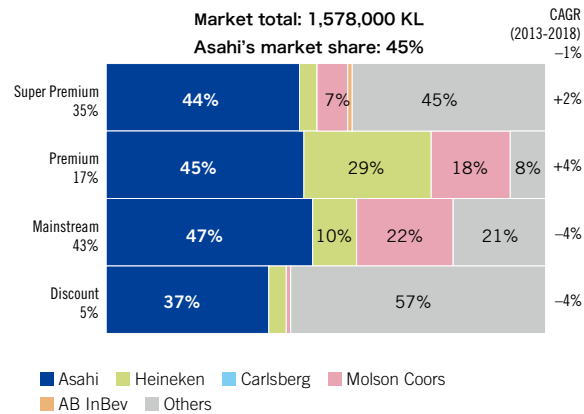
UK*1



Poland*2



Czech*2

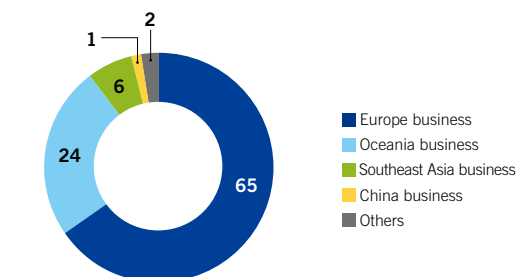


*1 Source: GlobalData (on a volume basis)

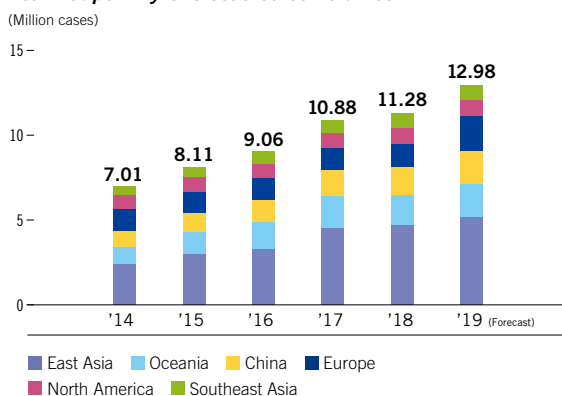
*2 Source: Based on Company estimate (on a volume basis)

Our Operational Data

Revenue by Business in 2018 (%)



Asahi Super Dry Overseas Sales Volumes



Strategy by Business

Overseas Business

2018 Results

In the Europe business, we stepped up efforts for deploying high-added-value products, namely *Peroni Nastro Azzurro* and *Pilsner Urquell*, in the home markets of Western and Central Europe. At the same time, we introduced and cultivated such products in the markets of other countries to foster premiumization. Meanwhile, we advanced initiatives for growing *Asahi Super Dry*, which we began manufacturing in Europe in January 2018, alongside other efforts to generate synergies.

In the Oceania business, we accelerated initiatives for generating synergies including proactive sales activities for premium beer brands.

Meanwhile, we worked to strengthen *WONDA* and other Asahi Group brands in the Southeast Asia business while utilizing *Asahi Super Dry* and newly introduced European beer brands in the China business to boost our presence in the premium beer market.

As a result, revenue in the Overseas Business totaled ¥713.2 billion, an increase of 12.0% year on year, due to contributions from the newly consolidated Central Europe business coupled with the overall strong performance of the Europe business. Core operating profit jumped 48.5%, to ¥99.5 billion.



Peroni Nastro Azzurro (United Kingdom)



Pilsner Urquell (Czech Republic)



Grolsch (Netherlands)



WONDA (Malaysia)

2019 Targets

In 2019, we will orient our efforts toward expanding foundations for growth by reinforcing our brand portfolios in each business, with emphasis on high-added-value products, and generating synergies through increased cross-selling initiatives.

In the Europe business, we will strive to foster premiumization and cultivate and strengthen new growth drivers in the home markets of Western and Central Europe. At the same time, we will nurture premium brands in other countries.

Efforts in the Oceania business will include augmenting portfolios of “Better for You” products, bolstering sales of premium beers, and streamlining production and logistics systems through local production.

Meanwhile, we will enhance our lineup of Asahi brand products in the Southeast Asia business while expanding foundations for growth by redoubling premium beer marketing activities in the China business.

Through these initiatives, we are targeting growth of 0.1% in revenue, to ¥711.1 billion, together with an increase of 5.2% in core operating profit, to ¥105.8 billion, owing to improved sales mixes and reduced manufacturing costs.



Asahi Super Dry



Peroni Libera (United Kingdom)

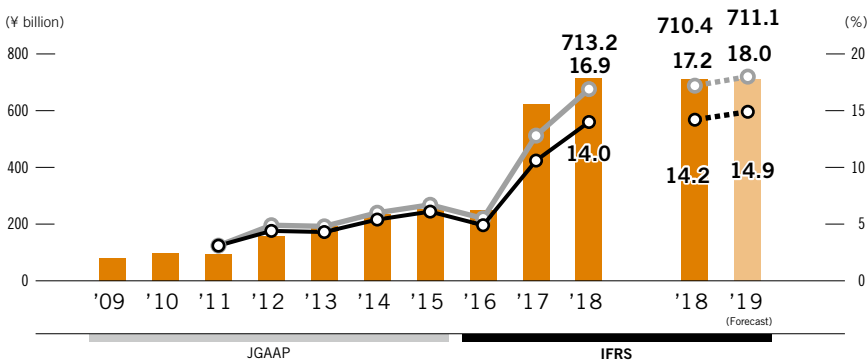


Cool Ridge (Australia)



CALPIS (Malaysia)

Revenue and Core Operating Profit Margin



(Left) ■ Revenue
 (Right) — Core operating profit margin (including liquor tax) — Core operating profit margin (excluding liquor tax)

* IFRS adjustment for core operating profit, which was previously displayed as a separate item, has been allocated to its respective business segment from 2019.
 * The Group reconstructed its business segments on January 1, 2019. The impacts related to the following actions have been reflected in the figures for the 2018 results and the 2019 forecast. The Group transferred the export beer sales of Asahi Breweries, Ltd., which was previously included in the Alcohol Beverages Business, to the Other/elimination section of the Overseas Business. The Group also changed its export structure. In addition, the Group transferred control of Taiwan Calpis Co., Ltd., which was previously included in the Other/elimination section of the Overseas Business, to Asahi Soft Drinks Co., Ltd. in the Soft Drinks Business.

Topics 01

Production of *Asahi Super Dry* and *Peroni Nastro Azzurro* in Australia

We commenced production in Australia of kegs of *Peroni Nastro Azzurro* in November 2018 and of bottles of *Asahi Super Dry* in February 2019. Both products are produced at our Laverton brewery.

Sales strategies focused on brand equity will be an entrenched fixture of our efforts to promote *Asahi Super Dry* and *Peroni Nastro Azzurro* in order to foster their presence as premium brands in the Australian market. By commencing local production in this market, we were able to establish a system for supplying consumers with fresher products, which will be a viable asset in our efforts to heighten brand equity.

Moreover, these efforts merged our insights from Japan and Europe to realize higher levels of manufacturing and brewing technologies and quality assurance at the Laverton brewery. We also enhanced our human resource development programs and organizational structures to promote the cross-selling of global brands and to reinforce production and sales systems to better create synergies.



Topics 02

Accelerated Rollout of Global Premium Brands in China

The market for premium-priced beers continues to grow in China, centered on urban areas, as a result of increases in income and diversification of tastes.

Amid this trend, we have introduced *Asahi Super Dry* as well as *Peroni Nastro Azzurro* and *Pilsner Urquell*, both of which were acquired together with the Europe business, into our portfolio for the China market. We are working to increase our presence in China's premium beer market by creating sales synergies through these Asian and European prominent premium brands.

Our approach toward marketing *Asahi Super Dry* includes promoting the high quality of this beer by dubbing the ring formed on the glass by foam when the beer is poured properly as "angel ring." In addition, we aim to boost the equity of this brand as a premium beer by targeting its sales and the sales of European brands on customers matching our brand image.

Going forward, we will utilize our portfolio of prominent premium brands to elevate our position in the premium beer market and thereby develop foundations for ongoing growth.

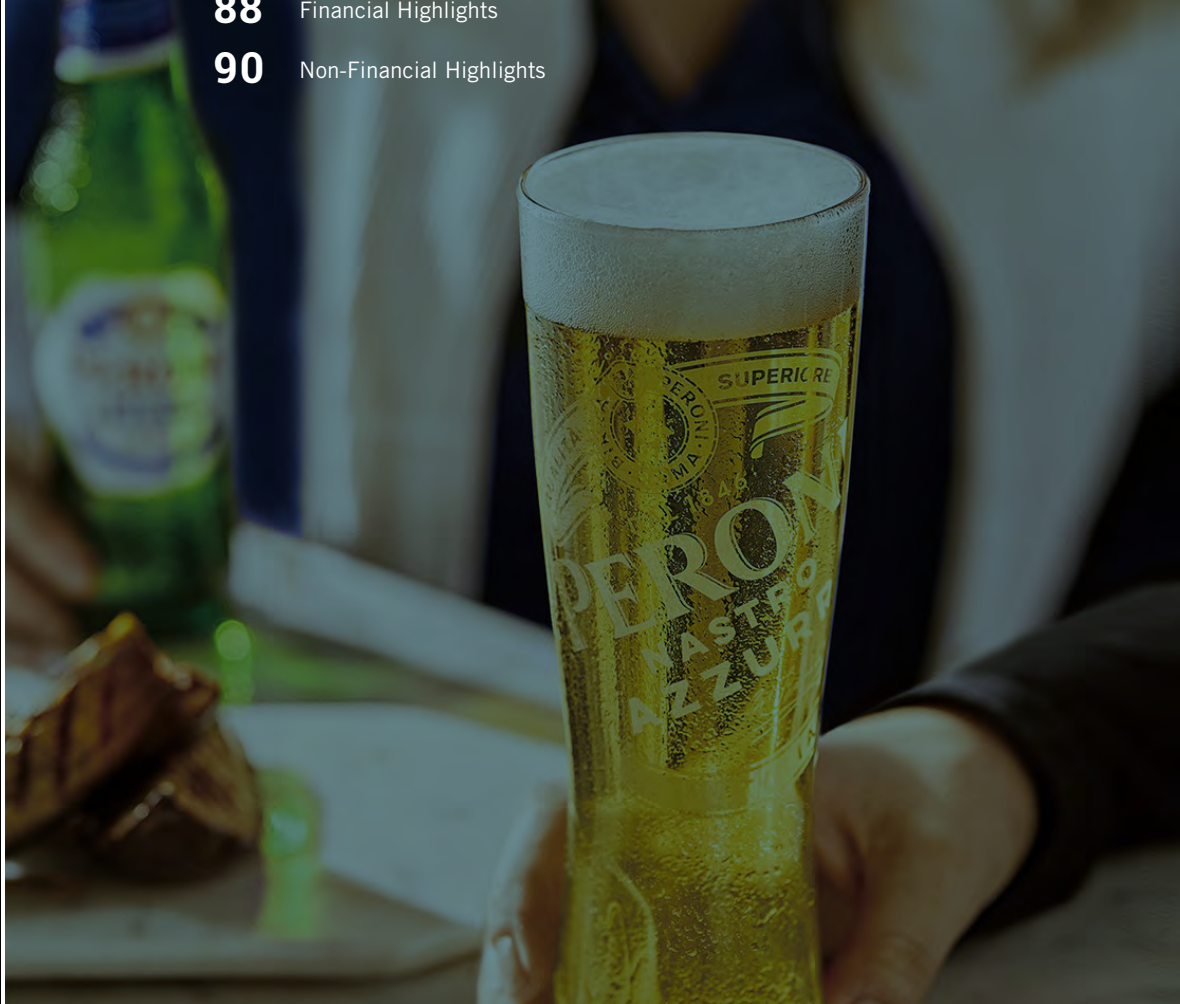



(Short Term)

Results of *Glocal* Value Creation Management

The Asahi Group has determined guidelines for important indicators in order to promote “*Glocal* Value Creation Management.” In 2018, we revised the guidelines we established in 2016 as our progress with indicators such as core operating profit, EPS, and ROE has exceeded our initial plans.

In addition, we further updated the guidelines we revised in 2018 for financial and cash flow policies in light of our recent ability to generate robust cash flows. In this section, the new CFO will break down these guidelines and report the Asahi Group’s business results.



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Message from the CFO

Strengthening Investment from a Medium- to Long-Term Perspective While Taking Appropriate Risks

In 2019, I was appointed as CFO of the Asahi Group. Previously, I was a member of top management at overseas operating companies and a regional headquarters for which I was involved in M&As. After returning to Japan from overseas, I was once again involved in M&As and business portfolio restructuring. In this section, I will begin by talking about the kind of CFO I aspire to be and what I need to do to fulfill my duties in this role.

While the Asahi Group's focus has been primarily on Japan, it has recently made great progress with globalization. Accordingly, simply reviewing the Group's financial statements is not enough to fulfill the role of Group CFO. In addition to establishing a path toward improving corporate value from a financial perspective, the CFO needs to be involved in a variety of roles. These include deciding how to effectively allocate our limited management resources and how to incorporate information from each region of operation that can help the Group capitalize on further growth opportunities. By undertaking these tasks, the CFO also needs to help the Group reach the next stage of growth. This is the kind of CFO I aim to be going forward. I will actively involve myself both internally and externally while leveraging the wealth of experience I have gained both in Japan and overseas. In this way, I will help spread new awareness within the Group from both financial and non-financial perspectives. Also, supporting the CEO in his decision-making is another important role that I play. As a member of the management team, which centers on the CEO, I will help drive growth for the Group while also providing support behind the scenes. This is the kind of CFO I strive to be.

In this section, I will focus on the results we have achieved and the issues we have faced in terms of value creation management. I will also explain the progress we have made with this management and our policies going forward.



Atsushi Katsuki

Managing Director and Managing Corporate Officer, CFO

Steadily Improving Our Profit Margin through Earnings Structure Reform

In 2018, profits decreased in the Alcohol Beverages Business due to such factors as a contraction in the Japanese beer-type beverage market that exceeded expectations. However, we were able to significantly increase profits in our Overseas Business thanks in part to the full-year contributions of the Central Europe business. In addition, we realized profit increases in our ongoing businesses as a result of efforts to strengthen our core brands and enhance our product mix in the Soft Drinks Business and the Food Business. While logistics costs and the price of raw materials rose in each business, we thoroughly promoted cost reductions by enhancing and optimizing our supply chain. These efforts helped us reduce costs by ¥13.1 billion, which exceeded our forecast of ¥8.5 billion. I therefore believe that our cost-reduction efforts are producing extremely solid results in all of our businesses. Thanks to these efforts, we increased our core operating profit margin from 12.4% in 2017, to 13.6% (excluding the impact of liquor tax).

Promoting a Cycle of Visualizing, Rethinking, and Prioritizing, and Reinvesting Resources Created through This Cycle in Medium- to Long-Term Growth

To address all costs, we are moving forward with the introduction of zero-based budgeting (ZBB), thereby revising our previous methods for determining and managing budgets. Specifically, through ZBB, we are further promoting the visualization of fixed costs such as advertising, sales promotion, manufacturing, and management costs. For example, we are rethinking sales methods that have traditionally been commonplace in the industry and determining new methods that we believe will be more effective. We are also prioritizing the reinvestment of resources generated through cost reductions in sources for future growth, including human resources and intangible assets. Accordingly, ZBB represents an extremely bold initiative for the Company. Our overall aim for ZBB is not necessarily to boost profits through cost reductions over the short term but rather to enhance the allocation of resources geared toward future growth. By promoting a cycle of visualizing, rethinking, and

prioritizing, we will establish an organizational culture where we approach our work using new ideas not constrained by past logic. We will also work to ensure continuous improvements in profitability. Additionally, through these ongoing efforts, we aim to reduce costs by a total of more than ¥30.0 billion over the three-year period from 2019 to 2021.

Further Improving Our Profit Margin

In 2019, we will work to realize top-line growth by increasing sales volumes, centered on the core brands in each business, and improving sales unit prices. In this way, we will further improve our profit margin. In addition, we will strive to reform our earnings structure in such ways as promoting cost reductions and establishing an optimal production structure. By incorporating the impact of this reform, we plan to achieve a core operating profit margin of 13.9% (excluding the impact of liquor tax), an increase of 0.3 percentage points from 13.6% in 2018. In addition, we will aim for ¥12.3 billion in cost reductions on a Group-wide basis.

The Alcohol Beverages Business faced difficult conditions in terms of beer-type beverage sales. In this business, we will focus our efforts on restoring the brand equity of our beer-type beverages, including *Asahi Super Dry* and *Clear Asahi* by revamping our marketing strategy. In the Soft Drinks Business and Food Business, we will further increase sales of our core brands while aiming to improve sales unit prices by expanding and promoting products with high added value that focus on health. In the Overseas Business, which centers on the Europe business, we will accelerate the premiumization of our existing brands and the expansion of regions where we offer these brands. At the same time, we will step up investment in new growth categories, including non-alcohol beer-taste beverages and health-oriented soft drinks.

Continuing to Improve Asset and Capital Efficiency

With the approximate ¥1.2 trillion acquisition of our Europe business, our interest-bearing debt grew significantly. However, in 2018 we carried out the sale of shares of Tsingtao Brewery Company as well as the sale of cross-shareholdings. These efforts resulted in over ¥100.0 billion in impact of business restructuring. Through this restructuring, we expect to reach our target net debt/EBITDA of three

Financial and Cash Flow Strategy (2019 revised)

Guidelines for 2019 Onward	
Cash Flow	FCF: Above ¥170.0 billion (annual average)
Investment for Growth / Debt Reduction	Prioritize M&As for the expansion of growth foundations and promote debt reduction for the enhancement of investment capacity Net debt/EBITDA: Below 2 times by the end of fiscal 2021
Shareholder Returns	Stable dividend increases with the aim of achieving a dividend payout ratio of 35%* (by fiscal 2021) (aiming for dividend payout ratio of 40% in the future)

* Adjusted profit attributable to owners of parent used for calculation purposes excludes one-off special factors including business portfolio restructuring.

Message from the CFO

times or less in 2019, one year ahead of schedule. I believe that we have seen our way clear on restructuring our business portfolio.

In addition, we have been promoting business monitoring from the perspective of return on invested capital (ROIC). Every quarter, we conduct an internal check of each business that includes the ROIC tree and evaluate the initiatives being carried out by each business. Furthermore, at the end of the period, we examine the capital efficiency of each business and of the Company as a whole using ROIC and the weighted average cost of capital (WACC) as hurdle rates. I believe that through these efforts, we have raised the level of awareness of ROIC in each business and improved asset and capital efficiency from an ROIC-based perspective. Going forward, we will make the content of these ROIC tree-related initiatives more concrete as we work to improve our asset efficiency and our ability to generate cash flows.

We have also striven to evolve the way we manage funds. We have set our sights on establishing a framework for the efficient movement of cash, which includes the visualization of cash flows across all Group companies, both in Japan and overseas. Through this framework, we will be better able to utilize surplus funds within the Group to reduce debt. At the same time, this framework will enable us to genuinely reap the benefits of efforts to enhance operational efficiency and reduce risks. Also, we will reduce risks by restructuring our Group-wide governance policies,

including our policy on hedging foreign exchange rate risks. In these ways, we will further enhance the sophistication of our global cash management.

Reducing Capital Costs

With an accurate understanding of capital costs, we are working to improve capital efficiency with an emphasis on the equity spread (ROE minus the cost of shareholders' equity). While we have already realized a certain level of results with this effort, we will continuously examine methods to improve profitability, shareholder returns, and ROE going forward. For liability expenses, we will continue to procure funds in an optimal and stable manner while giving consideration to such aspects as the balance between bank loans and corporate bonds, the balance between long term and short term, and the decentralization of bond redemption periods.

In regard to reducing the cost of shareholders' equity, establishing trust-based relationships with our shareholders and other investors is something we value above all else. Based on this trust, we place importance on a cycle of reducing volatility in our share price and, as a result, decreasing the cost of shareholders' equity. Going forward, we will disclose information on our medium- to long-term management strategies, approach to resource allocation, and ESG-related initiatives in a transparent and appropriate manner. We will also continue to engage in constructive dialogue based on this information disclosure. In these

Efforts to Improve Corporate Value from the Perspective of the CFO



ways, we will remain committed to establishing a trust-based relationship with capital markets.

Promoting an Approach to Financial Strategies That Supports Our *Glocal* Value Creation Management

As we promote *Glocal* Value Creation Management, not only will we improve our profit margin, but we will also earnestly pursue the maximization of cash flows by sustainably increasing profits and enhancing cash management efficiency. To increase profits, we will work to evolve our business model and spur innovation without the fear of a temporary decrease in ROIC, while promoting appropriate profit management. In addition, we will strengthen investment from a medium- to long-term perspective, including investment to enhance human capital, which will support our efforts for evolving and innovating our business model. We will also take risks in an appropriate manner in accordance with changes in the business environment. To ensure our ability to carry out investment, it is essential that we generate cash to an even greater extent. In light of our current success with improving cash flow generation, we upwardly revised our free cash flow forecast for the upcoming three years from ¥140.0 billion per year to ¥170.0 billion per year. With this increase in free cash flow, we will be able to actively allocate resources to discontinuous growth investments, such as M&As, while adhering to strict financial discipline.

In the event that we do not pursue large-scale investment projects, we will prioritize the elimination of debt so that we can improve our ability to execute investment in the future. In such an event, we expect to reduce our net debt/EBITDA ratio to below 2 times. In addition, as an effort to make our cash management more sophisticated, we are working to further boost the efficiency of our working capital. However, any surplus of cash and deposit on hand will also be allocated to the elimination of debt. The Group's Alcohol Business, Soft Drinks Business, and Food Business are all businesses that stably generate cash, and we will therefore manage funds based on the idea of keeping cash and deposits on hand as low as possible.

Enhancing Shareholder Returns with the Aim of Achieving a 40% Dividend Payout Ratio

We have steadily increased dividends over the years with a target payout ratio of 30%. Given the fact that we are advocating *Glocal* Value Creation Management, we will aim to raise the payout ratio to 40% using the standards of global companies as a reference. However, we also need to allocate resources to investment for future growth, so our first milestone in this process will be to reach a dividend payout ratio of 35% by 2021. If we chose not to pursue large-scale investment projects and are able to steadily grow profits and reduce debt, we will give consideration to speeding up

the time frame for reaching a 40% payout ratio as well as to the acquisition of treasury shares.

Tackling Issues as the New Group CFO

As we promote *Glocal* Value Creation Management, there are several risks I am paying particularly close attention to as the Group CFO. The first is geopolitical risks. Compared with other industries, regional risks such as economic conditions and political trends do not have as much of an impact on the alcohol beverage and soft drink industries. However, to prepare ourselves for sudden changes in rules and regulations that have the potential to occur at any time, we are making efforts to collect and analyze information from both a macro and micro perspective. I am also placing emphasis on our response to the procurement costs of raw materials in Japan and overseas, which are expected to become more volatile, and fluctuations in foreign exchange rates. In addition to our regular monitoring activities, we will reduce risks related to procurement costs through efforts to enhance our cash management, which we are currently pursuing, and promote joint procurement. In addition, we will reduce risks related to foreign exchange rate fluctuations through the utilization of appropriate derivatives, including exchange contracts. Through such efforts, we will determine important risks by adopting an overarching view that takes into account all of our businesses and by anticipating all types of risks that could potentially occur. We will also devise and enact appropriate measures to mitigate these risks and constantly review and update these measures while carrying out our monitoring activities. We are introducing enterprise risk management so that we are able to systematically promote efforts that anticipate risks on a Group-wide basis.

Over the past several years, I believe the Group has gained an abundance of experience and has made great progress in enhancing its management and improving its transparency in accordance with its global development. The Group has also made solid progress in sharing best practices with its Overseas Business, starting with the Europe business. As we continue to diversify as a Group, it is no longer sufficient to just provide instruction and establish rules in a one-sided manner. Accordingly, I personally believe that embracing different cultures and organizational trends is essential to making us stronger as a corporate group. There are still many tasks I aim to carry out in my position as CFO. Through my personal conduct and active dialogue with our stakeholders, I will strive to further improve the level of sophistication of the Group as a whole. I ask that you look forward in anticipation to the evolution of the Asahi Group going forward.

Discussion and Analysis of 2018 Business Results

Analysis of Business Results

Overview of Business

In 2018, despite a growing level of uncertainty about the future resulting from trade issues and other factors, the global economy continued to experience a general recovery trend overall. This recovery was supported by a variety of factors, including the strong economic performance in the United States, which occurred against the backdrop of an improved employment rate and robust consumer spending, in addition to the economic recovery trends in European and Asian countries. In Japan, economic conditions gradually recovered due in part to an increase in corporate earnings and an upturn in consumer spending, which was buoyed by an improved job market and increased wages.

Under these conditions, we continued working to further develop management for corporate value enhancement based on the three key priorities laid out in our Medium-Term Management Policy established in 2016, namely strengthening of earnings power, asset and capital efficiency improvement, and reinforcement of ESG initiatives. Notably, one of the key priorities is the strengthening of earnings power. In Japan, we sought to enhance our brand value by placing an emphasis on high added value.

Overseas, we strove to establish a foundation for growth and create synergies through the promotion of premiumization, centered on Europe. As a result of these initiatives, we posted revenue of ¥2,120.2 billion, up 1.7% year on year. Core operating profit* was ¥221.3 billion, up 12.7%, and operating profit came to ¥211.7 billion, up 15.6%. Profit attributable to owners of parent was ¥151.0 billion, up 7.1%.

* Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)

Revenue

In the Alcohol Beverages Business, overall revenue was down following lower beer-type beverage sales volume stemming from contraction of the beer-type beverage market, which outweighed the year-on-year increases in sales of alcohol beverages other than beer-type beverages and of alcohol-taste beverages (non-alcohol). Revenue was also down in the Soft Drinks Business as the impact of sales of the chilled drinks business in 2017 outweighed the higher sales volumes of products including carbonated beverages and lactic acid bacteria drinks. Meanwhile, the Food Business saw a rise in revenue thanks to a solid

Major Trends in Business Performance

(¥ billion)

	2017	2018	YoY Change
Revenue	2,084.8	2,120.2	35.4
■ Alcohol Beverages*	958.3	919.4	(38.9)
■ Soft Drinks	374.5	368.7	(5.7)
■ Food	113.7	115.9	2.1
■ Overseas	636.9	713.2	76.2
■ Other	106.1	109.4	3.3
Adjustment (corporate/elimination)	(104.9)	(106.5)	(1.6)
Core operating profit	196.3	221.3	25.0
■ Alcohol Beverages	120.4	117.0	(3.3)
■ Soft Drinks	38.3	38.0	(0.2)
■ Food	11.6	12.2	0.5
■ Overseas	67.0	99.5	32.5
■ Other	1.9	2.3	0.3
Adjustment (corporate/elimination)	(43.0)	(47.9)	(4.8)
Core operating profit margin (including liquor tax)	9.4%	10.4%	1.0 pts
Core operating profit margin (excluding liquor tax)	12.4%	13.6%	1.2 pts
Profit attributable to owners of parent	141.0	151.0	10.0

* Certain companies belonging to the Alcohol Beverages Business were transferred to the Overseas Business in the fiscal year under review. The figures for fiscal 2017 used for the year-on-year comparisons above have been adjusted to reflect the impact of this transfer.

performance centered on core brands. The Overseas Business realized higher revenue as a result of contributions from newly consolidated operations* in the Central Europe beer businesses as well as the steady performance of the Europe business overall.

As a result, consolidated revenue, including the rise in revenue of the Other Business that resulted from the expansion of freight transport contracts and the increased sales of health foods, stood at ¥2,120.2 billion, up 1.7%, or ¥35.4 billion, year on year.

* Operations incorporated from April 2017 onward

Core Operating Profit

In the Alcohol Beverages Business, core operating profit was down due to the decline in revenue, which outweighed the impact of efforts to improve fixed costs. Core operating profit decreased in the Soft Drinks Business as well following the sales of the chilled drinks business in 2017, which outweighed the impact of such efforts as reducing manufacturing costs through the optimization of production systems. The Food Business realized higher core operating

profit thanks to the positive effects of higher revenue, lower manufacturing costs, and other achievements. The Overseas Business saw core operating profit rise due mainly to the increase in revenue of the Europe business. As a result of the above, consolidated core operating profit, which includes the rise in profit of the Other Business, increased 12.7%, or ¥25.0 billion, to ¥221.3 billion.

Operating Profit

Operating profit amounted to ¥211.7 billion, up 15.6%, or ¥28.5 billion, year on year, as a result of the increase in core operating profit, and the decrease in other expenses, which include resources for enhancing capital efficiency and restructuring our business segments.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent was ¥151.0 billion, up 7.1%, or ¥10.0 billion, year on year, due mainly to the higher operating profit, and a decrease in income tax expenses following our business expansion in Europe, where the corporate tax rate is low. This result marked a record high for the 18th consecutive year.

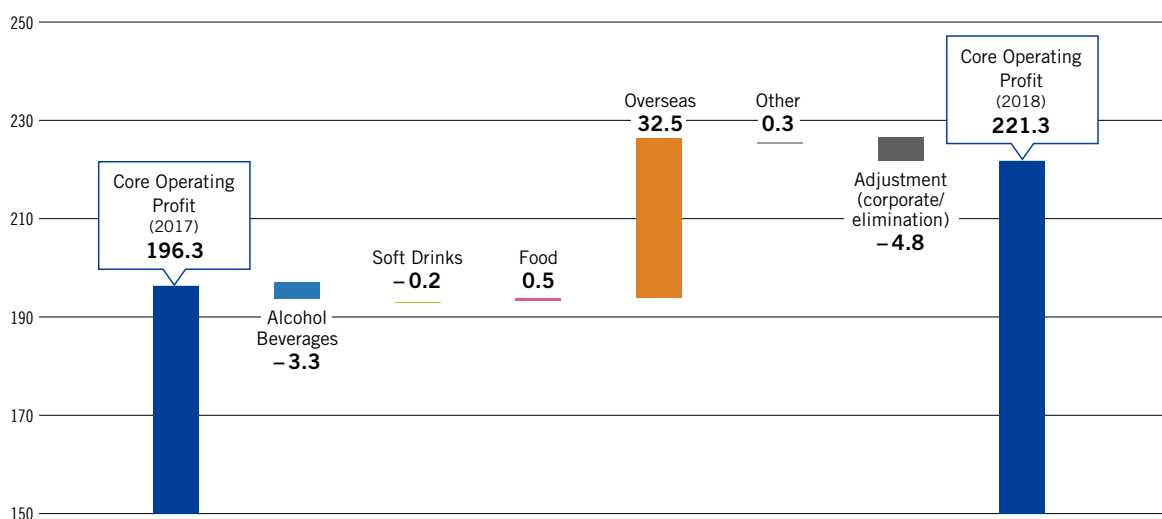
Analysis of Financial Position

Total assets stood at ¥3,079.3 billion, a decrease of ¥267.5 billion from a year earlier, owing in part to a decline in assets held for sale, which stemmed from business sell-offs, and decreases in property, plant and equipment and intangible assets that accompanied yen appreciation and amortization expenses. Total liabilities came to

¥1,929.6 billion, down ¥264.4 billion from the previous year-end, primarily as a result of a decline in interest-bearing debt. Total equity at the end of the year came to ¥1,149.6 billion, down ¥3.1 billion from the previous year-end. Factors contributing to this outcome included the downward pressure on retained earnings due to dividends

Factors Contributing to Change in Core Operating Profit

(¥ billion)



Discussion and Analysis of 2018 Business Results

paid and a decline in translation difference on foreign operations stemming from foreign exchange rate fluctuations. These factors outweighed an overall increase in retained earnings, which resulted from the recording of

profit attributable to owners of parent. The equity attributable to owners of parent ratio improved 3.0 percentage points, to 37.2%

Analysis of Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥252.4 billion, an increase of ¥20.7 billion from the previous year. While we recorded profit before tax of ¥207.3 billion, the main cash inflow was the increase of non-cash items such as depreciation, outweighing the cash outflow from an increase in income taxes paid.

Cash Flows from Investing Activities

Net cash provided by investing activities came to ¥22.5 billion, a ¥908.3 billion turnaround compared with net cash used of ¥885.8 billion in the previous year. Cash inflows were generated mainly by the gain from sales of investments accounted for using the equity method.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥270.5 billion, a ¥932.4 billion turnaround compared with net cash provided of ¥661.8 billion in the previous year. This result was primarily due to the decrease in interest-bearing debt that followed the repayment of loans. As a result of the above, cash and cash equivalents at the end of the period stood at ¥57.3 billion, a decline of ¥0.7 billion from the end of the previous year.

Cash Flow Indicators

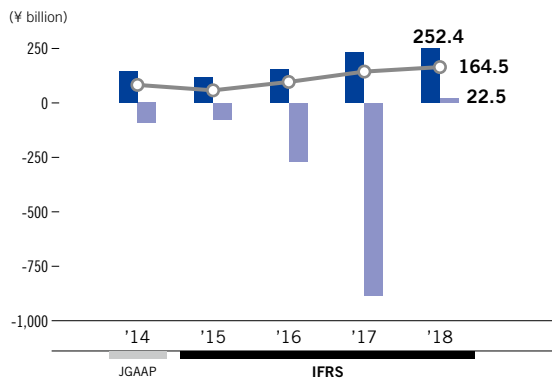
	2017	2018	YoY Change
Cash flow to interest-bearing debt ratio (annual)	5.7	4.1	1.6 percentage point decrease
Interest coverage ratio (times)	41.4	37.0	4.4 percentage point decrease

Liquidity and Capital Resources

We acquire our capital resources principally through cash flows generated by operating activities, loans from financial institutions, and the issuance of bonds. As a management policy, we regard the reduction of interest-bearing debt as a priority issue. Nevertheless, we make flexible use of financial liabilities according to the need for capital resources to invest. Potential investments include capital expenditure to strengthen and streamline our business

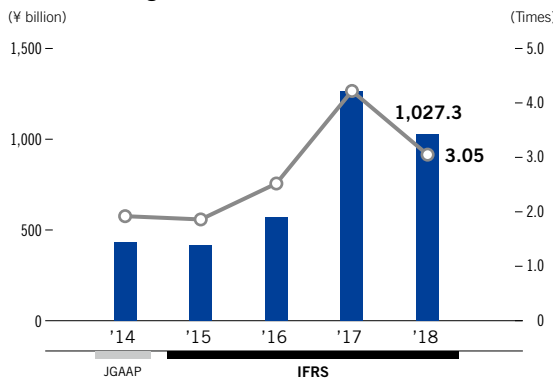
foundations and strategic investments such as M&As. When financing needs arise, we respond with thorough consideration to identify procurement methods that will facilitate the lowest possible interest cost. We meet working capital needs, in principle, through short-term loans and the issuance of commercial paper. In addition, the Company and its major consolidated subsidiaries have introduced a cash management system that channels the

Cash Flows



* Free cash flow = (Cash flows from operating activities + Proceeds from sales of property, plant and equipment) - Purchase of property, plant and equipment

Interest-Bearing Debt / Net Debt/EBITDA



(Left) Interest-bearing debt
(Right) Net debt/EBITDA

excess funds of each Group company to the Company so that we can centrally manage these funds. This system

enables us to both improve capital efficiency and minimize financing costs.

Capital Investment

Capital investment during 2018 declined ¥11.3 billion, to ¥78.2 billion. In the Alcohol Beverages Business, we focused on strategic investment to upgrade existing facilities and improve profitability. In the Soft Drinks Business, we carried out investments for augmenting our production capacities in order to increase the ratio of in-house production as well as investments for improving profitability

through the capitalization of vending machines. In the Food Business, we executed strategic investments to enhance production systems for expanding sales and to achieve continuous earnings improvement. In the Overseas Business, we carried out capital investments to boost efficiency based on a strategy of continuously improving earnings.

R&D Expenses

Group-wide R&D expenses in 2018 increased ¥0.7 billion, to ¥12.3 billion. Expenses were related to the development of differentiated products in the Alcohol Beverages, Soft Drinks, and Food Businesses as well as the development of technologies for underpinning these products. In addition, we invested in the development of technologies to link

core Group research areas, such as yeast, lactic acid bacteria, and intestinal microflora, to the future creation of innovative products that are the first of their kind and new businesses in all Group areas of operations. We are also working to accelerate research and development activities by utilizing outside technologies.

Profit Distribution Policy and Dividends

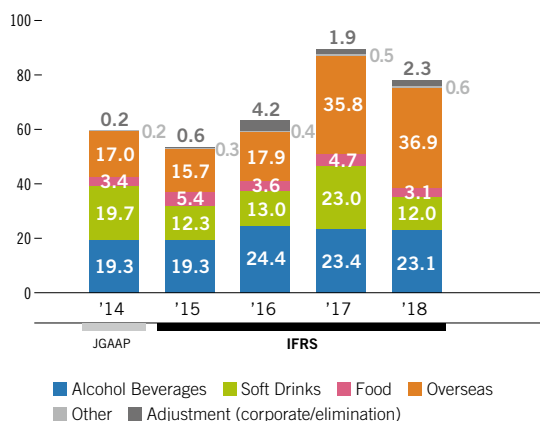
Regarding the use of free cash flow, we will give priority to investments for growth such as M&As and other initiatives while working to enhance our capital investment capacity by reducing debt based on the Medium-Term Management Policy. Furthermore, regarding shareholder returns, we are currently targeting a dividend payout ratio* of 30%. Going forward, we aim to steadily increase dividends with the goal of reaching a payout ratio of 35% by 2021.

For 2018, we paid a full-year ordinary dividend of ¥99 per share, up ¥24 from the previous year, based on our consolidated financial position and full-year results. In 2019, we plan to pay a full-year ordinary dividend of ¥106 per share, comprising an interim dividend of ¥52 per share and a year-end dividend of ¥54 per share, up ¥7 from 2018.

* The dividend payout ratio is calculated based on figures for profit attributable to owners of parent, which exclude one-off extraordinary factors such as the impacts of business portfolio reconstruction.

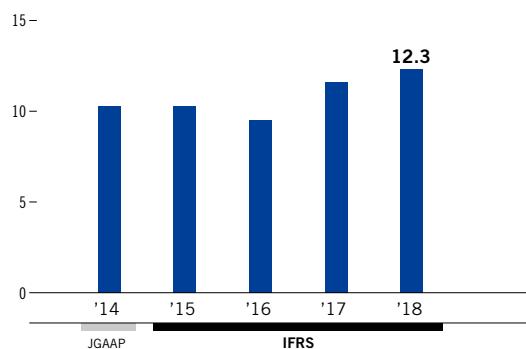
Capital Investment by Business

(¥ billion)



R&D Expenses

(¥ billion)



Eleven-Year Financial and Non-Financial Summary

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
Years ended December 31

JGAAP

	2008	2009	2010	2011	2012
Operating Results (For the year):					
Revenue	¥ 1,462.7	¥ 1,472.4	¥ 1,489.4	¥ 1,462.7	¥ 1,579.0
Cost of sales	953.4	958.4	943.3	907.2	974.7
Selling, general and administrative expenses	414.7	431.2	450.7	448.3	495.9
Core operating profit* ¹	94.5	82.7	95.3	107.1	108.4
Profit attributable to owners of parent—pre-adjustment					
Profit attributable to owners of parent—post-adjustment* ²	45.0	47.6	53.0	55.0	57.1
EBITDA* ³	145.8	145.7	157.6	166.8	170.9
Capital investment	36.1	32.5	27.8	30.6	41.1
Depreciation and amortization	47.3	55.9	54.6	50.7	48.5
Research and development expenses	9.0	9.3	9.3	8.9	9.6
Financial Position (At year-end):					
Total assets	¥ 1,299.0	¥ 1,433.6	¥ 1,405.3	¥ 1,529.9	¥ 1,732.1
Interest-bearing debt	302.2	391.8	311.4	390.0	456.2
Total equity	534.6	577.7	612.6	643.7	726.8
Cash Flows:					
Cash flows from (used in) operating activities	¥ 106.0	¥ 106.3	¥ 125.6	¥ 108.5	¥ 109.2
Cash flows from (used in) investing activities	(58.2)	(180.6)	(41.7)	(171.2)	(134.3)
Cash flows from (used in) financing activities	(46.3)	78.5	(90.8)	67.0	43.0
Cash and cash equivalents at end of period	12.6	18.0	10.8	16.1	34.3
Per Share Data (In yen):					
Profit attributable to owners of parent—pre-adjustment					
Profit attributable to owners of parent—post-adjustment* ²	¥ 96.31	¥ 102.49	¥ 114.10	¥ 118.36	¥ 122.75
Dividends	20.00	21.00	23.00	25.00	28.00
Equity attributable to owners of parent	1,122.13	1,233.25	1,315.51	1,378.19	1,553.35
Financial Ratios:					
Core operating profit margin (%)	6.5	5.6	6.4	7.3	6.9
ROE (Ratio of profit to equity attributable to owners of parent) (%) —pre-adjustment	8.7	8.7	9.0	8.8	8.4
ROE (Ratio of profit to equity attributable to owners of parent) (%) —post-adjustment* ²					
ROA (Ratio of profit before tax to total assets) (%)	7.4	6.6	7.1	7.6	7.0
Total asset turnover (Times)	1.12	1.08	1.05	1.00	0.97
Equity attributable to owners of parent ratio (%)	40.2	40.0	43.6	41.9	41.8
Net debt/EBITDA (Times)	1.99	2.55	1.90	2.24	2.47
ESG:					
Number of employees at year-end	16,357	17,316	16,712	16,759	17,956
Number of directors (Total) (At year-end)	11	13	13	11	10
Number of directors (Outside) (At year-end)	2	3	2	3	3
Water consumption (Thousand m ³)* ⁴	20,211	19,828	19,130	18,966	19,532
CO ₂ emissions (Kilotons)* ^{4,5,6}	845	756	740	728	815
CO ₂ emissions (Scope 3) (Kilotons)* ⁷	—	—	—	—	—
Social contribution expenditure (Millions of yen)	1,428	2,421	1,990	1,998	1,515

*1 Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)

*2 Post-adjustment figures exclude one-time extraordinary factors such as the impacts of business portfolio reconstruction and foreign exchange movements.

*3 Under IFRS, EBITDA = Core operating profit + Amortization of intangible assets + Depreciation

Under JGAAP, EBITDA = Operating income + Amortization of goodwill + Depreciation

*4 Water consumption ... 2018: 51 companies (30 domestic and 21 overseas). From 2018, overseas companies (in Europe and Oceania) are included in the scope of calculation.

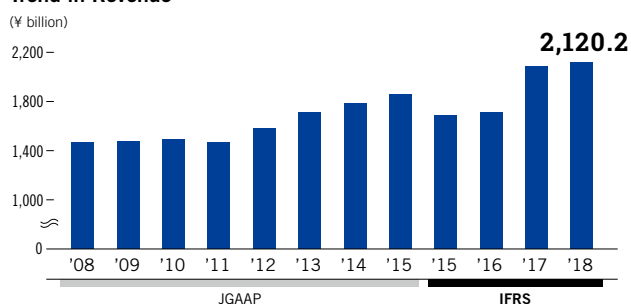
CO₂ emissions ... 2018: 51 companies (30 domestic and 21 overseas). From 2018, overseas companies (in Europe and Oceania) are included in the scope of calculation.

*5 CO₂ emissions data for 2018 does not include CO₂ reduction associated with the Company's Certificate of Green Power.

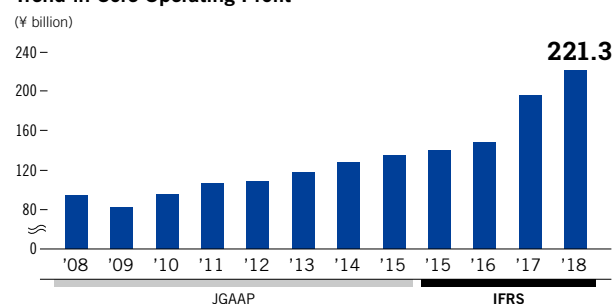
*6 From 2018, CO₂ emissions data is derived from Scope 1 and 2 for domestic and overseas (Europe and Oceania) companies.

*7 From 2018, our domestic performance (Asahi Breweries, Ltd. and Asahi Soft Drinks Co., Ltd.) represents Scope 3 (up until 2017, distribution shippers and vending machines only).

Trend in Revenue



Trend in Core Operating Profit

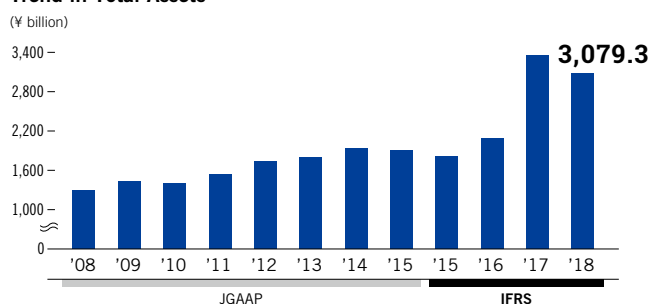


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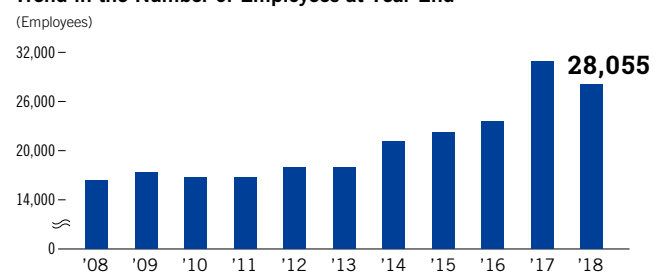
- The Company's consolidated financial statements have been prepared based on JGAAP for the years up to the fiscal year ended December 2015 and based on International Financial Reporting Standards (IFRS) from the fiscal year ended December 2016 onward. The line items have been prepared based on IFRS.
- The IFRS line item "revenue" corresponds to "net sales" under JGAAP, while "core operating profit" corresponds to "operating income"; "profit attributable to owners of parent" corresponds to "net income"; and "equity attributable to owners of parent" corresponds to "shareholders' equity."

(Billions of yen)			IFRS				(Billions of yen)		%
2013	2014	2015	2015	2016	2017	2018	YoY Change (2018/2017)		
¥ 1,714.2	¥ 1,785.4	¥ 1,857.4	¥ 1,689.5	¥ 1,706.9	¥ 2,084.8	¥ 2,120.2	1.7		
1,032.8	1,073.4	1,100.5	1,102.8	1,098.1	1,295.3	1,303.2	0.6		
563.9	583.7	621.7	445.9	460.2	593.1	595.6	0.4		
117.4	128.3	135.1	140.6	148.4	196.3	221.3	12.7		
61.7	69.1	76.4	75.7	89.2	141.0	151.0	7.1		
183.6	192.3	197.9	197.2	205.8	120.1	150.6	25.4		
48.4	59.8	52.0	53.5	63.4	89.5	78.2	-12.6		
47.7	44.5	46.6	50.8	51.0	69.8	75.0	7.5		
10.8	10.7	10.3	10.3	9.5	11.6	12.3	6.0		
¥ 1,791.5	¥ 1,936.6	¥ 1,901.5	¥ 1,804.6	¥ 2,086.3	¥ 3,346.8	¥ 3,079.3	-8.0		
403.7	434.7	414.9	414.4	570.3	1,261.9	1,027.3	-18.6		
827.4	896.5	891.8	803.6	846.1	1,152.7	1,149.6	-0.3		
¥ 157.2	¥ 146.7	¥ 112.7	¥ 116.4	¥ 154.4	¥ 231.7	¥ 252.4	8.9		
(65.7)	(92.1)	(75.5)	(77.0)	(268.5)	(885.8)	22.5	—		
(84.9)	(35.8)	(73.0)	(75.2)	119.5	661.8	(270.5)	—		
41.1	62.2	43.2	43.2	48.4	58.0	57.3	-1.3		
¥ 135.73	¥ 148.92	¥ 166.25	¥ 164.82	¥ 194.75	¥ 307.78	¥ 329.80			
43.00	45.00	50.00	50.00	54.00	262.23	328.95			
1,772.47	1,904.64	1,916.69	1,723.97	1,825.57	75.00	99.00			
					2,499.62	2,502.67			
6.9	7.2	7.3	8.3	8.7	9.4	10.4			
8.0	8.1	8.8	9.7	11.2	14.2	13.2			
7.0	7.1	7.6	6.5	7.7	7.2	6.5			
0.97	0.96	0.97	0.93	0.88	0.77	0.66			
45.7	45.5	46.2	43.7	39.9	34.2	37.2			
1.97	1.92	1.85	1.86	2.52	4.22	3.05			
18,001	21,177	22,194		23,619	30,864	28,055			
11	9	9		10	10	10			
3	3	3		3	3	3			
23,664	23,615	23,933		23,889	23,723	38,623			
855	918	924		907	876	881			
—	—	—		—	—	2,889			
1,836	1,456	1,210		1,390	1,314	2,026			

Trend in Total Assets



Trend in the Number of Employees at Year-End



Financial Highlights

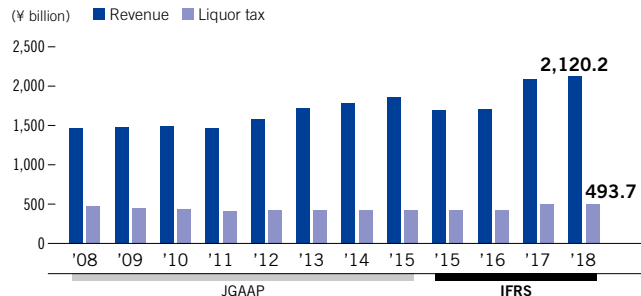
Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
 Years ended December 31

Revenue / Liquor Tax

¥2,120.2 billion ↗

Revenue

Although revenue decreased in the Alcohol Beverages Business in Japan due in part to the contraction of the beer-type beverage market, consolidated revenue was up following a significant increase in revenue in the Overseas Business, centered on Europe. The Group also steadily paid liquor taxes.

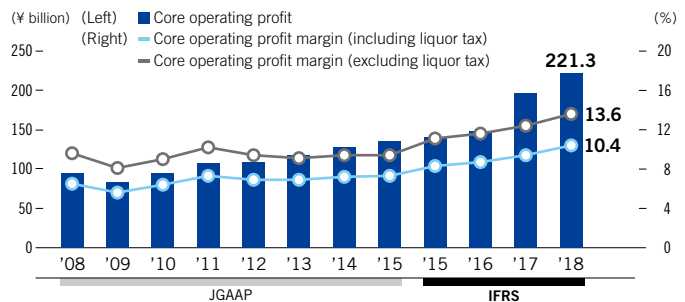


Core Operating Profit*1 / Core Operating Profit Margin

¥221.3 billion ↗

Core Operating Profit

Although core operating profit declined mainly in the Alcohol Beverages Business, consolidated core operating profit increased thanks to the major rise in core operating profit from the Overseas Business, with a particularly strong performance in Europe. The core operating profit margin also steadily improved.

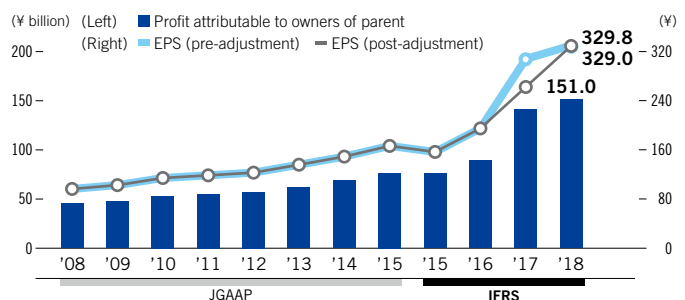


EPS*2 / Profit Attributable to Owners of Parent

¥329.0 ↗

EPS (post-adjustment)

Profit attributable to owners of parent rose as a result of the higher core operating profit as well as the recording of market valuation gains at a Chinese subsidiary and the reduction of expenses related to business integration, among other factors. Earnings per share (EPS) also increased.

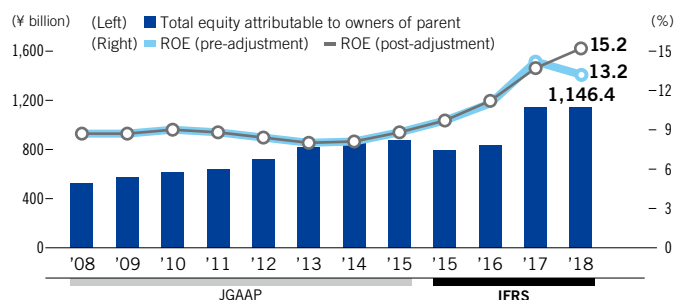


ROE*2 / Total Equity Attributable to Owners of Parent

15.2% ↗

ROE (post-adjustment)

Return on equity (ROE) after adjustment exceeded the guideline in the Medium-Term Management Policy following efforts to enhance the earnings power of each business and an improvement in capital efficiency resulting from such factors as dividend increases.



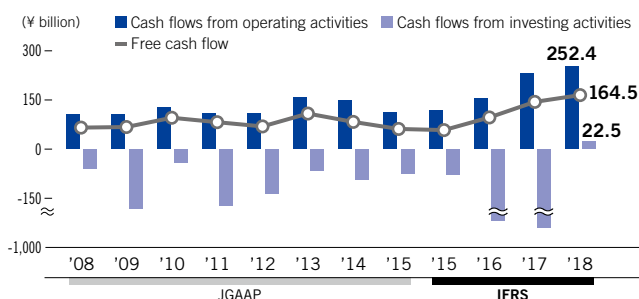
Cash Flows

¥164.5 billion ↗

Free Cash Flow

Free cash flow*³ increased due to an improved capacity to generate cash centered on the Europe business.

Meanwhile, cash flows from investing activities declined significantly as a result of a rebound from the acquisition of the Central Europe beer business in the previous year.

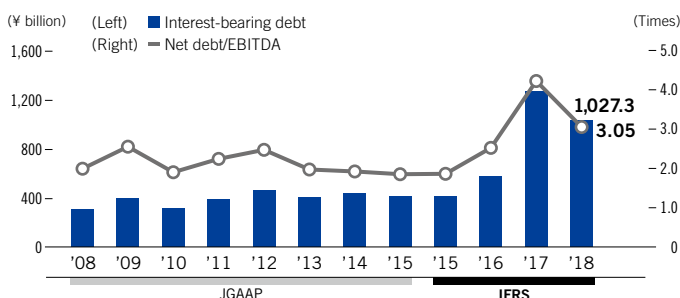


Interest-Bearing Debt / Net Debt/EBITDA*⁴

3.05 times ↘

Net Debt/EBITDA

Net debt/EBITDA declined due to efforts to reduce debt and enhance our investment capacity through the generation of cash in our core businesses.

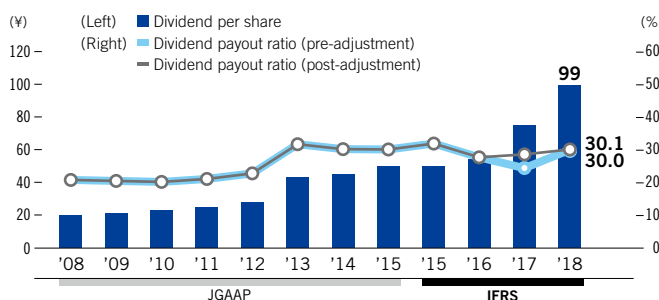


Dividend per Share / Dividend Payout Ratio*²

30.1% ↗

Dividend Payout Ratio (post-adjustment)

The dividend per share was increased by ¥24. In accordance with the Medium-Term Management Policy, we aim to realize a consolidated dividend payout ratio of 35% by 2021.

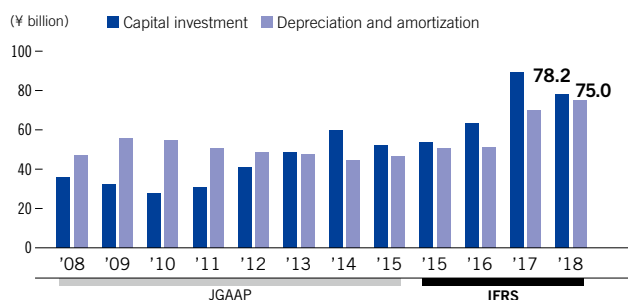


Capital Investment / Depreciation and Amortization*⁵

¥78.2 billion ↘

Capital Investment

Capital investment in the Overseas Business increased as a result of investment to enhance the production of *Asahi Super Dry*. However, capital investment declined on a consolidated basis owing in part to the rebound from investment to increase the ratio of in-house production in the Soft Drinks Business, which was carried out in the previous year.



*¹ Core operating profit is the reference index for normalized business performance.

Core operating profit = Revenue - (Cost of sales + Selling, general and administrative expenses)

*² Both pre-adjustment and post-adjustment figures are provided for EPS, ROE, and the dividend payout ratio. Post-adjustment figures exclude one-off extraordinary factors such as the impacts of business portfolio reconstruction and foreign exchange movements.

*³ Free cash flow = (Cash flows from operating activities + Proceeds from sales of property, plant and equipment) - Purchase of property, plant and equipment

*⁴ Under IFRS, EBITDA = Core operating profit + Amortization of intangible assets + Depreciation under JGAAP,

EBITDA = Operating income + Amortization of goodwill + Depreciation

*⁵ The above capital investment and depreciation and amortization amounts do not include lease assets or trademarks at the time of acquisition of subsidiaries

Non-Financial Highlights

CSR Activity Area

Food and Health

Activities and Accomplishments



Responsible Drinking

Number of educational tools for elementary school students

40,124

Asahi Breweries, Ltd. has created educational tools for elementary school students, which can be used at school or at home, with the aim of preventing underage drinking. These tools are used as supplementary educational materials at schools and as a means to facilitate family learning at home.



Food Safety and Reliability

Number of presentations on food safety and reliability at academic conferences

5

The Asahi Group is enhancing its Group-wide quality assurance system from a technical standpoint. Accordingly, we held presentations at academic conferences on themes such as the development of new analytical methods for detecting agricultural chemicals and natural toxins.



Health and Nutrition

Number of participants in *Wakodo Nutrition Consultations*

Approx. **93,000**

Asahi Group Foods, Ltd. provides lectures and consultations on nutrition via employees with expert knowledge, including certified dietitians. The scope of these efforts has been extended to target not only parental guardians with children in the weaning period but also consumers of food products geared toward senior citizens.



The Environment

Activities and Accomplishments

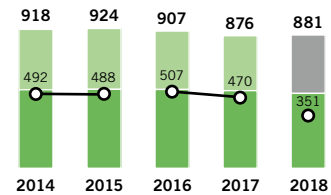


Climate Change

CO₂ emissions

881 kilotons

In 2018, we established the Asahi Carbon Zero, the new medium-to long-term initiative in consideration of the Paris Agreement and the SDGs. Guided by this initiative, we are working to reduce CO₂ emissions through our businesses.



■ Scope 1 and 2 (Domestic) (Kilotons) ■ Scope 3 (Domestic) (Kilotons)
 ■ Scope 1 and 2 (Overseas) (Kilotons) ● Per basic unit (kg/¥ million [Net sales and revenue])

Notes: 1. CO₂ emissions per basic unit for 2016 onward were calculated using revenue in accordance with International Financial Reporting Standards (IFRS).
 2. Figures for 2014–2017 include CO₂ reduction contributions resulting from the Asahi Group's use of Green Power.
 3. From 2018, the scope of calculation for Scope 1 and 2 was expanded to include domestic and overseas (Europe and Oceania) companies.
 4. From 2018, the scope of calculation for Scope 3 was expanded. As a result, Scope 3 was calculated separately (displayed in Eleven-Year Financial and Non-Financial Summary).



Recycling-Based Society

Recycling ratio of by-products and waste

100%

We are contributing to the creation of a recycling-based society through our efforts to recycle by-products and waste in such ways as using excess yeast in foods and agricultural materials. In 2018, we maintained a recycling ratio of 100% at the Asahi Group Head Office and manufacturing bases in Japan.



Biodiversity

Number of sites, events, and participants involved in forest preservation activities in Japan

13 sites, 166 events, and 7,463 participants

In 2018, we actively took part in forest preservation activities in areas that supply water to our manufacturing bases and in forests close to workplaces. With participation by employees, their families, and local residents, we conducted tree planting, undergrowth clearing, and other activities.

This page presents the Group's accomplishments up to fiscal 2018 based on its material issues. Please see page 29 for details on the Group's newly established material issues.



People and Society

Activities and Accomplishments



Safe and Flourishing Society

Social contribution
expenditure

¥2,026 million

We undertook efforts to promote health and support the development of the next generation through our businesses. We also pursued social contribution activities, such as offering support to disaster-affected regions. Through our Barley-of-Hope Project, which supports the recovery efforts of the 2011 Great East Japan Earthquake, we are making use of barley cultivated in disaster-affected regions and working to establish frameworks for new local industries.

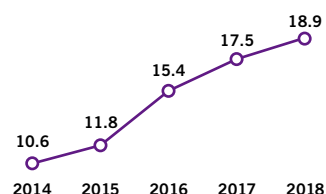


Human Resource Development and Diversity

Ratio of
female managers

18.9%

We have specific goals for promoting the success of female employees at each major operating company, and we are advancing initiatives for accomplishing these goals. As a result of these efforts, the ratio of female managers has been increasing steadily and one new female executive officer was appointed in the Group in 2018.



○ Ratio of female managers (%)

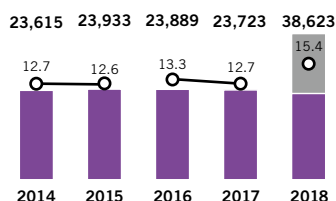


Sustainable Water Resources

Water
consumption

38,623,000 m³

We are working to reduce water consumption by cutting back on water use at manufacturing bases and promoting the reuse of water. At the same time, we seek to minimize the environmental burden associated with water intake and exhaust.



■ Water consumption (Domestic) (Thousand m³)
 ■ Water consumption (Overseas) (Thousand m³)
 ○ Per basic unit (m³/¥ million [Net sales and revenue])

Notes: 1. Water consumption per basic unit from 2016 onward was calculated using revenue in accordance with International Financial Reporting Standards (IFRS).
 2. From 2018, the scope of calculation was expanded to include domestic and overseas (Europe and Oceania) companies.



Sustainable Supply Chains

Number of companies that have taken
the Supplier CSR Survey

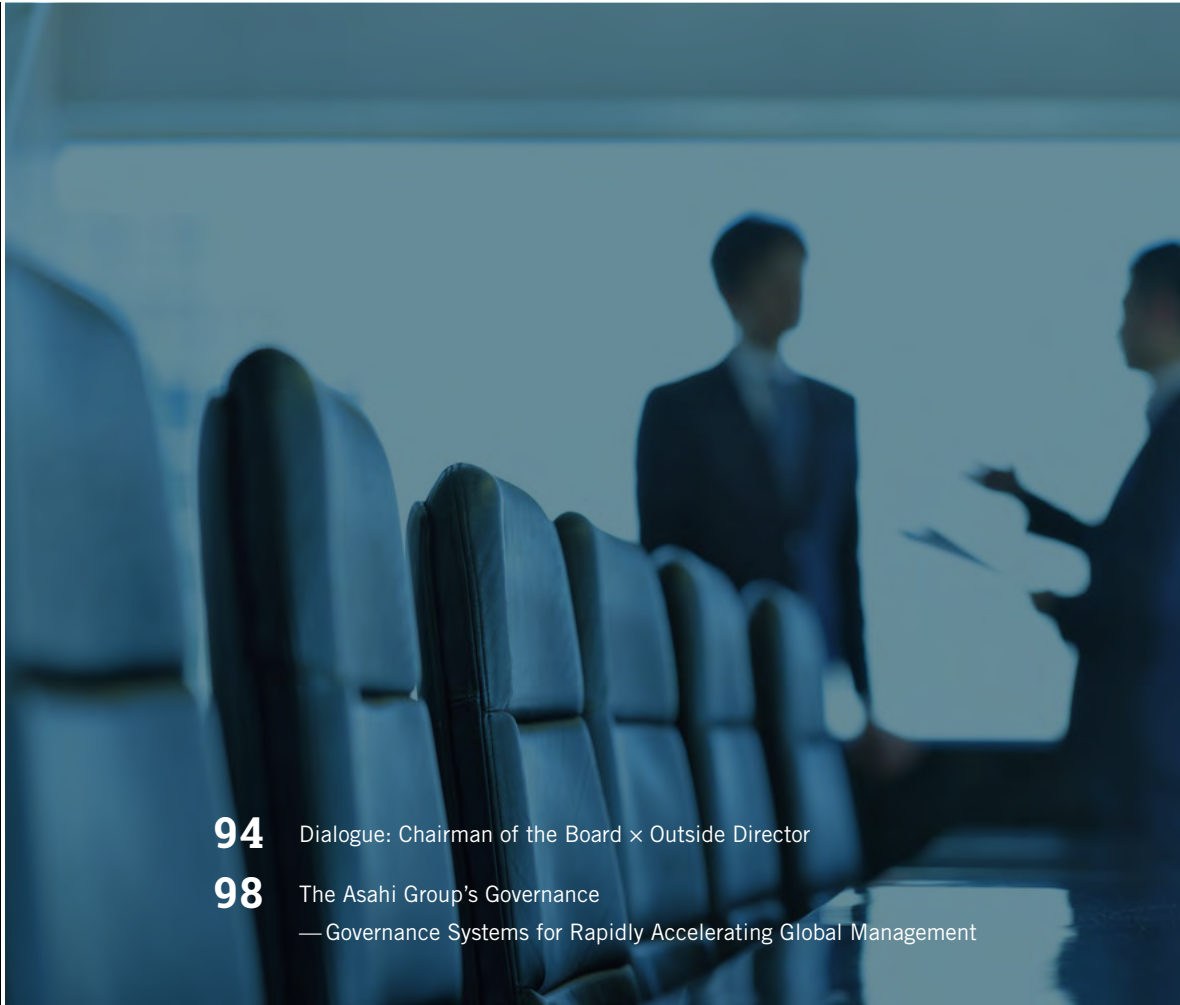
470

In 2018, we expanded the scope of our Supplier CSR Survey to target not only the suppliers of domestic and overseas Group companies but also secondary suppliers. As a result, we received answers from 470 companies. Going forward, we will leverage the survey results in our efforts to resolve issues across the supply chain.



Corporate Governance

The Asahi Group is accelerating efforts to reform its corporate governance as it enters into a new stage of growth. In addition to explaining these innovative efforts, this section also includes a dialogue between the Chairman of the Board and Outside Director based on the theme of “our vision for proactive management and thorough monitoring activities.”



94 Dialogue: Chairman of the Board × Outside Director

98 The Asahi Group's Governance
— Governance Systems for Rapidly Accelerating Global Management

Dialogue: Chairman of the Board × Outside Director

Dialogue:

Chairman of the Board × Outside Director

To further develop management for corporate value enhancement, the Asahi Group has been actively incorporating outside opinions. In this section, Outside Director Yasushi Shingai and Chairman of the Board Naoki Izumiya discuss the ways in which the Group needs to strengthen its corporate governance so that it can expand its global business foundation and achieve further growth as a *Glocal* Value Creation Company.

Realizing the Ideal Governance Structure as We Enter the Stage of Global Management

Izumiya From the time I was appointed as Company president nine years ago, I have consistently emphasized the fact that maximizing the satisfaction of all of the Asahi Group's stakeholders is essential to improving corporate value and shareholder value. This idea is called "stakeholder satisfaction management." Even as the Group enters into a new stage of growth, I maintain the belief that this stakeholder satisfaction management represents an ideal foundation for corporate governance. In addition, our standard for evaluating corporate value has shifted from focusing on profits to focusing on profits and ESG. As we go forward, I believe this standard should also incorporate stakeholder satisfaction.

Shingai We should consider stakeholders not just as an affiliated party of the Company but as co-owners of the Company's interests. We should also fulfill our responsibilities to each stakeholder at a higher level and in an equal manner. Corporate governance will then act as a framework for enhancing corporate value in a sustainable manner. Through stakeholder-oriented governance, we are able to promote management that can properly address ESG-related issues and issues highlighted by the Sustainable Development Goals (SDGs).

Izumiya Over the past several years, we have been making efforts to reform our governance while receiving opinions and guidance from the Outside Directors. Throughout this time, I have been particularly cautious about avoiding overly passive debates regarding external demands and the needs of the times. I also made sure not to lose sight of genuine governance reform. I provided a two-part overview of our governance-reform

efforts, including their aim and intention, at meetings of the Board of Directors, which led to constructive and lively discussions. Based on these discussions, we worked to realize an ideal governance structure while closely observing the results of evaluations of the effectiveness of the Board of Directors.

Shingai I have been serving as Outside Director since 2018, and I have not been shy about providing my extremely candid opinion on various aspects of the Company. For many years, you have been pursuing management that emphasizes stakeholder satisfaction. I therefore hope that the Board of Directors can further promote discussions in a more active manner based on the premise of co-creation with stakeholders. At the same time, I hope the Company maintains a strong awareness of the Corporate Governance Code. From this perspective, I would like to see you take on even more of a leading role as chairman of the Board of Directors. In that sense, I believe it was an extremely significant move on your part to remove the authority to represent from your position.

Izumiya The aim behind removing the authority to represent from my position as chairman is to realize swift decision-making by separating the role of business supervision and execution and placing execution authority on the CEO. Additionally, this action aims to help us understand and resolve two major issues. The first issue is establishing a structure for stronger leadership by becoming a chairman that does not participate in business execution (no authority to represent) but provides a supervisory function for the Board. The second issue is to set up a framework for curbing the disadvantages of excessively centralized authority—a concern arising from the concentration of authority in the CEO position—through such means as creating standards for resigning and limiting duration of service to avoid the holding of authority over the long term. I have constantly considered ways to put in place a robust business execution team centered on the CEO that can actively implement aggressive management and a business supervision team that can engage in thorough and appropriate monitoring activities. I have also considered ways to strike an ideal balance between these two teams.

Shingai The Company has promptly established a structure that can swiftly set in motion a PDCA cycle from the perspective of business execution by the CEO. At the same time, the Company has added another layer to this PDCA cycle that involves examination of the most effective framework for the Board's business monitoring activities. Accordingly, I consider these efforts to establish a new management structure to be groundbreaking.

Izumiya These two layers of the PDCA cycle also involve the aspect of time using both short-term and long-term perspectives.

Shingai That is exactly right. When it comes to stakeholder satisfaction, improving the current level of stakeholder satisfaction will naturally help us enhance satisfaction levels over the

We will realize growth in our new stage through aggressive management and thorough and appropriate monitoring activities.



Yasushi Shingai
Outside Director

Naoki Izumiya
Chairman of the Board

Dialogue: Chairman of the Board × Outside Director



long term. We therefore need to pursue efforts now that give consideration to satisfaction levels in the future. Going forward, the Board will be expected more than ever to

pursue monitoring activities and provide proposals that realize a balance between short-term and long-term perspectives.

Succession Plans

Izumiya There is a need for not only the members of the Board of Directors but also the CEO to constantly consider and take action toward realizing co-creation with stakeholders from both a short-term and long-term perspective. To that end, it is essential to develop a succession plan. Mr. Shingai, would you mind telling us what you feel is important in terms of the plan?

Shingai At the moment, Outside Officers make up over half of the members serving on the Nomination Committee and the Compensation Committee, which naturally helps us enhance our transparency. On the other hand, when it comes to considering the CEO for the next generation and the generation after that, Outside Directors are not able to analyze in-house candidates to the same extent as Internal Directors. In addition, the internal evaluations of an in-house candidate for CEO could almost be considered tacit knowledge. It is therefore important to examine ways to turn these evaluations into explicit knowledge so that they can be shared properly with the Outside Directors. For example, the Company's consistent efforts to visualize the competencies and potential of CEO candidates by utilizing external resources act as a way to make internal evaluations explicit knowledge.

However, in addition to quantitative performance, we need to establish standards for judging candidates on how they would realize the goals of the Asahi Group Philosophy (hereinafter, "AGP"). Without such standards, we will not be able to turn out the kind of CEO the Company needs in a consistent manner.

Izumiya I believe that transparency and sustainability are two important elements within the process for nominating a CEO. In particular, without sustainability in this process, we are unable to discuss such matters as the vision for the Group in 10 to 30 years in the future. Many companies put the CEO in charge of developing their successors. However, if the development process is not conducted in a sustainable manner, it becomes difficult to clarify responsibility. We therefore need to create succession plans that take sustainability into account. With that said, Mr. Shingai, how do you feel about appointing managers from external organizations rather than through internal promotion?

Shingai In the United States, many companies appoint management personnel from external organizations, but not

all of them succeed when doing so. I believe that appointing management personnel from external organizations is effective when drastic reforms are necessary. However, when a candidate from within a company has the same level of potential as one from outside, I believe it is better to give priority to internal promotion.

This is because of the fact that an internal candidate shares the same values as the company he or she belongs to. Without these shared values, appointing external management personnel, no matter how outstanding they are, runs the risk of only being able to produce results over the short term. And that is precisely why I believe that evaluating candidates on how they will realize the AGP is just as important as evaluating them in terms of quantitative performance, as I mentioned earlier. I think companies that establish sustainable business models are also the ones that place great importance on internal promotion.

Compensation System That Balances Short-Term and Long-Term Perspectives

Izumiya Alongside succession plans, compensation systems are another important theme for the Board of Directors to address. As a member of the Compensation Committee, you made concerted efforts to help us introduce our new compensation system.

Shingai In addition to providing incentive to improve corporate value sustainably over the medium to long term, officer compensation should also provide incentive for improving medium- to long-term business performance. However, this does not mean that we should sacrifice results in the short term. Accordingly, the Compensation Committee recognizes the need for a compensation system that realizes a balance between the short term, medium term, and long term, and I wholeheartedly support this stance. Asahi is a global company, and even though the Company has strict standards for dismissal, I hope that a large number of employees aim to become the CEO, who is compensated according to the details of the position.

Izumiya When determining director remuneration, it is necessary to evaluate from both a medium- and long-term perspective. When doing so, I believe it is important to consider not only financial performance but also such aspects as improvement and promotion of our corporate culture.

Shingai I think it is truly important to properly evaluate how an officer contributes to implementing the AGP. I have experience with conducting large-scale M&As. Through this experience I learned that if a company has not clearly defined its corporate culture, then the culture that the company wants to foster at the acquired company will not take root. The corporate culture of an organization can be defined by the way the people belonging to it act. This pattern of behavior is affected

by a company's human resource systems, evaluation systems, and rules and regulations. In addition, if the pattern of behavior of people belonging to a company does not conform to the circumstances of the times and the business environment, then that company will eventually cease to exist. Through the formulation of the AGP, the Group has now clearly defined its corporate culture. I believe the Group will further accelerate its pace of growth once it establishes a pattern of organizational behavior that conforms to the AGP.

Response to Global Risks

Izumiya Following the rapid progress of globalization, there is now a need for the Board of Directors to collaborate with those in the divisions responsible for business execution to strengthen our risk management by anticipating various risks. Mr. Shingai, please tell us how you think the Board should respond to risks.

Shingai I think visualizing risk-related information is important, and I understand that the Group is currently making concerted efforts toward doing so. When information is shared within the Group on an equal basis, then constructive debate can be held by the senior management and by those in the frontline operations based on the same information. A framework for eliminating discrepancies with information sharing is of the utmost importance and needs to be established no matter what the circumstances. Also, negative information needs to be delivered to management personnel as soon as possible, as this is the essence of risk management. In addition, another extremely important aspect of risk management is how a company can swiftly collect information from any country or region in a uniform manner and use that information to promptly and precisely conduct a self-evaluation.

Izumiya As we expand our business globally, we run the risk of unintentionally failing to adhere to our duty of care due to insufficiencies in terms of information sharing. To avoid a situation where the Group is greatly affected by a risk due to its failure to understand and respond to it, we must enhance our enterprise risk management (ERM). Also, the Board of Directors needs to reinforce a structure that enables discussion on how to address risks based on accurate information.

Shingai That is exactly right. In that sense, sometimes past successes can actually cloud the vision of a company and, in turn, plant the seeds for future failure. Both the Company's corporate officers and employees always need to remind themselves of this fact. In a generation where yesterday's common sense is today's nonsense, it is essential to understand the importance of constantly studying new things. Without doing so, it becomes difficult to deliver positive results on a continuous basis, especially for those in charge of business execution. Personally, I do not really want to perform my job based solely on past legacies. I forever want to be a person who is always pursuing new things.

Vision for the Board of Directors Going Forward

Izumiya As a member of the Board of Directors, what aspects will you monitor and what kinds of challenges do you want to tackle?

Shingai Rather than having discussions based on the perspective of a one-year or three-year period, I want to discuss the vision for the Group 30 years in the future, taking into consideration megatrends going forward. As globalization within the Group progresses at an accelerating rate, there is a tendency for information to be shared in an unbalanced manner between the directors within and outside the Company. As an Outside Director, I will work to increase opportunities for information sharing and encourage discussions that are both constructive and positive.

Izumiya As Chairman of the Board, I will strive to further reinforce our monitoring capabilities. As scenarios with the need for more aggressive measures will likely increase over the medium to long term, we will need to address greater and more complex risks. Accordingly, I believe it is essential for the Board of Directors to enhance its overall capabilities and work to strengthen diversity.

To appropriately respond to these issues, it is imperative that we ensure the effectiveness of the Board of Directors. Additionally, our goal is to make the Board of Directors less ceremonial and more meaningful while also enhancing our best practices.

In order to accomplish this task, we have established the Project for Enhancing the Effectiveness of the Board of Directors within the Board of Directors. Through this project, the Board will organize and analyze various themes that need to be addressed. These include corporate themes that the Board needs to take the initiative to discuss, monitoring themes that the Board needs to focus on supervising, and collaborative themes involving cooperation with those in executive divisions. In addition, we will examine the composition of the Board of Directors as well as the creation of skill maps, the redefining of the role of chairman of the Board, and various other matters. Furthermore, we will improve the quality of our management so that we can secure a sufficient amount of time to hold examinations.

In these ways, we will make clearly visible reforms to the Board of Directors. By doing so, we will aim to establish a Board of Directors that can contribute to sustainable growth and improvement in corporate value over the medium to long term.



The Asahi Group's Governance

—Governance Systems for Rapidly Accelerating Global Management

Basic Policy

Asahi Group Holdings considers strengthening the Asahi Group's corporate governance to be a top managerial priority in order to realize "Our Principles: Building value together with all our stakeholders," a concept adopted as a code of conduct and promise to stakeholders under the newly established Asahi Group Philosophy (AGP). To this end, the Company is making proactive efforts to strengthen the Group's management, improve its trust-based relationship with society, and enhance its sociability and transparency as a corporation.

Under these efforts, the Company believes it is essential to pursue growth-oriented governance entailing transparent, fair, timely, and decisive decision-making in order to realize sustainable corporate value improvement.

Furthermore, the Company agrees with the core concept of Japan's Corporate Governance Code, namely that ensuring sustained growth and improving corporate value over the medium to long term will contribute to all stakeholders and, subsequently, to the development of the

overall economy. On this basis, the Company is striving to realize sustainable growth and improve corporate value over the medium to long term by implementing growth-oriented corporate governance.

Additionally, from March 2019, the Company transitioned to a structure in which the chairman of the Board of Directors does not serve concurrently as a representative director, thereby strengthening the Board's monitoring functions by further clarifying the separation of roles of business supervision and execution. Also, the Company has put in place a structure in which independent Outside Directors now comprise one-third of total Board members and has appointed non-Japanese and women to the Board. In these ways, the Company has established a Board of Directors that places greater emphasis on diversity, thereby strengthening its corporate governance system in order to realize transparent, fair, timely, and decisive decision-making.



Corporate Governance Guidelines

https://www.asahigroup-holdings.com/en/csr/gov/internal/pdf/190516_guidelines_en.pdf

Measures for Enhancing Corporate Governance

2000	<ul style="list-style-type: none"> Corporate Officer System was introduced. Nomination Committee and Compensation Committee were established. Number of Outside Directors was increased from one to three.
2007	<ul style="list-style-type: none"> Terms of Directors were shortened to one year.
2009	<ul style="list-style-type: none"> Risk Management Committee was established.
2011	<ul style="list-style-type: none"> The Company transitioned to a pure holding company structure.
2013	<ul style="list-style-type: none"> Takeover defense measures were abolished.
2015	<ul style="list-style-type: none"> Corporate Governance Guidelines were formulated. Evaluations of the effectiveness of the Board of Directors were commenced.
2017	<ul style="list-style-type: none"> Performance-Linked Stock Compensation Plan was introduced for Internal Directors.

2018	<ul style="list-style-type: none"> Title of CEO was transferred from chairman and representative director to president and representative director to improve the effectiveness of management supervision from operational execution. Majority of Outside Officers were appointed as members of the Nomination Committee and Compensation Committee. Third-party evaluations of the effectiveness of the Board of Directors were introduced. Evaluations of the effectiveness of the Audit & Supervisory Board were commenced and third-party evaluations were introduced.
2019	<ul style="list-style-type: none"> The Company transitioned to a structure in which the chairman of the Board of Directors does not serve concurrently as a representative director. Standards and guidelines were formulated for the resignation of the CEO, the appointment of representative directors, terms of office for officers, and special advisers. The number of Outside Directors on the Board of Directors was raised, now constituting one-third of total Board members. The overall functions of remuneration systems were strengthened to provide incentive to Internal Directors.

Reasons for the Selection of Independent Directors and Audit & Supervisory Board Members

Based on the Company's Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members, the Company has deemed that its Outside Directors and Outside Audit & Supervisory Board Members maintain sufficient independence with no potential conflicts of interest occurring between them and general shareholders. Moreover, as they meet the requirements for

independent directors and auditors as defined by the Tokyo Stock Exchange, the Company has reported them as independent directors and auditors to said exchange.

Information on the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members can be found in the Company's Corporate Governance Guidelines.

Reasons for the Selection of Outside Directors and Outside Audit & Supervisory Board Members

Name	Reasons
Tatsuro Kosaka Number of meetings attended Board of Directors 13 / 13	Tatsuro Kosaka possesses the extensive experience and high level of insight as a corporate manager required as a Director of the Company, including having served as the CEO of a global corporation and being responsible for its overall management, and management and supervisory functions for global business at the corporation. Furthermore, as an Outside Director he has provided appropriate oversight for business execution through active opinions and recommendations on the Company's overall management in addition to contributing to the fair and transparent consideration of the succession plan for Directors of the Company as the chairperson of the Nomination Committee. Accordingly, we deem that the "experience, insight, expertise, and ability" possessed by Mr. Kosaka, as represented by his high level of corporate management skills, are necessary for increasing the effectiveness of the decision-making and oversight functions of the Board of Directors in the aim for sustainable growth and enhancement of corporate value over the medium to long term.
Yasushi Shingai Number of meetings attended Board of Directors 10 / 10	Yasushi Shingai possesses the extensive experience and high level of insight as a corporate manager required as a Director of the Company, including having served as the Chief Financial Officer of a global corporation as well as directing acquisitions of, and integrations with, foreign companies. Furthermore, as an Outside Director he has provided appropriate oversight for business execution through active opinions and recommendations on the Company's overall management in addition to contributing to fair and transparent decisions on the remuneration for the Company's Directors as the chairperson of the Compensation Committee. Accordingly, we deem that the "experience, insight, expertise, and ability" possessed by Mr. Shingai, as represented by his extensive experience and high level of insight related to global management, are necessary for increasing the effectiveness of the decision-making and oversight functions of the Board of Directors in the aim for sustainable growth and enhancement of corporate value over the medium to long term.
Christina L. Ahmadjian Number of meetings attended Board of Directors — / —	Christina L. Ahmadjian is a university professor and through research that includes corporate governance, diversity, and international comparison of corporate governance, she possesses a high level of insight and expertise on organizational culture and corporate governance from the global perspective necessary as a Director of the Company. Accordingly, we deem that the "experience, insight, expertise, and ability" possessed by Professor Ahmadjian, as represented by her high level of insight and expertise that enable her to evaluate corporate governance from a global perspective, are necessary for increasing the effectiveness of the decision-making and oversight functions of the Board of Directors in the aim for sustainable growth and enhancement of corporate value over the medium to long term.
Katsutoshi Saito Number of meetings attended Board of Directors 12 / 13 Audit & Supervisory Board 12 / 12	Katsutoshi Saito has long served as an operating officer of global corporations and has abundant experience and broad knowledge, providing him with a high level of insight that enables the supervision of management. Furthermore, through active opinions and recommendations as an Outside Audit & Supervisory Board Member, he has provided appropriate auditing of the duties of the Directors of the Company in addition to contributing to fair and transparent examinations regarding succession plans for Directors on the Nomination Committee. Accordingly, we deem that Mr. Saito is a necessary member for strengthening the functions of the Company's Audit & Supervisory Board in the aim for sustainable growth and enhancement of corporate value over the medium to long term.
Yumiko Waseda Number of meetings attended Board of Directors 13 / 13 Audit & Supervisory Board 12 / 12	Yumiko Waseda possesses expert knowledge on corporate law and a high level of insight through her many years of practice as an attorney that enable her to audit management from the perspective of laws and regulations required as an Audit & Supervisory Board Member of the Company. Furthermore, through active opinions and recommendations as an Outside Audit & Supervisory Board Member, she has provided appropriate auditing of the duties of the Directors of the Company in addition to contributing to fair and transparent decision-making on the remuneration for the Company's Directors as a member of the Compensation Committee. Accordingly, we deem that Ms. Waseda is a necessary member for strengthening the functions of the Company's Audit & Supervisory Board in the aim for sustainable growth and enhancement of corporate value over the medium to long term.
Yutaka Kawakami Number of meetings attended Board of Directors 13 / 13 Audit & Supervisory Board 12 / 12	Yutaka Kawakami has served as a certified public accountant and has expert knowledge related to accounting and abundant auditing experience both in Japan and overseas. He also possesses the necessary accounting knowledge to serve as a member of the Company's Audit & Supervisory Board and a high level of insight that allows him to monitor management from an accounting-based perspective. Furthermore, through active opinions and recommendations as an Outside Audit & Supervisory Board Member, Yutaka Kawakami has provided appropriate auditing of the duties of the Directors of the Company and has fulfilled his responsibilities as an Outside Audit & Supervisory Board. Accordingly, we deem that Mr. Kawakami is a necessary member for strengthening the functions of the Company's Audit & Supervisory Board in the aim for sustainable growth and enhancement of corporate value over the medium to long term.

Notes: 1. The number of meetings attended for the Board of Directors and the Audit & Supervisory Board is for 2018.

2. As Yasushi Shingai was newly appointed as a Director at the 94th Annual General Meeting of Shareholders held on March 27, 2018, the above number of Board of Directors' and Audit & Supervisory Board meetings held that he could attend is different from the other officers.

3. Christina L. Ahmadjian was newly appointed as a Director at the 95th Annual General Meeting of Shareholders held on March 26, 2019.

Members of the Nomination Committee and Compensation Committee

Name	Directors									Audit & Supervisory Board Members				
	Naoki Izumiya	Akiyoshi Koji	Atsushi Katsuki	Yutaka Henmi	Taemin Park	Keizo Tanimura	Tatsuro Kosaka	Yasushi Shingai	Christina L. Ahmadjian	Yoshihide Okuda	Tetsuo Tsunoda	Katsutoshi Saito	Yumiko Waseda	Yutaka Kawakami
Nomination Committee	○	○					◎	○				○		
Compensation Committee			○			○	◎	○					○	

Note: ◇ denotes Outside Directors / Outside Audit & Supervisory Board Members ◎ denotes committee chairpersons ○ denotes committee members

The Asahi Group's Governance—Governance Systems for Rapidly Accelerating Global Management

Corporate Governance System (As of March 26, 2019)

Characteristics of Our Corporate Governance System

- The chairman serves as a non-executive director.
- Over one-third of Board of Director members are Outside Directors.
- Advisory committees have been established voluntarily.
 - Nomination Committee (chaired by Outside Director)
 - Compensation Committee (chaired by Outside Director)

Directors and the Board of Directors Meetings in 2018: **13**

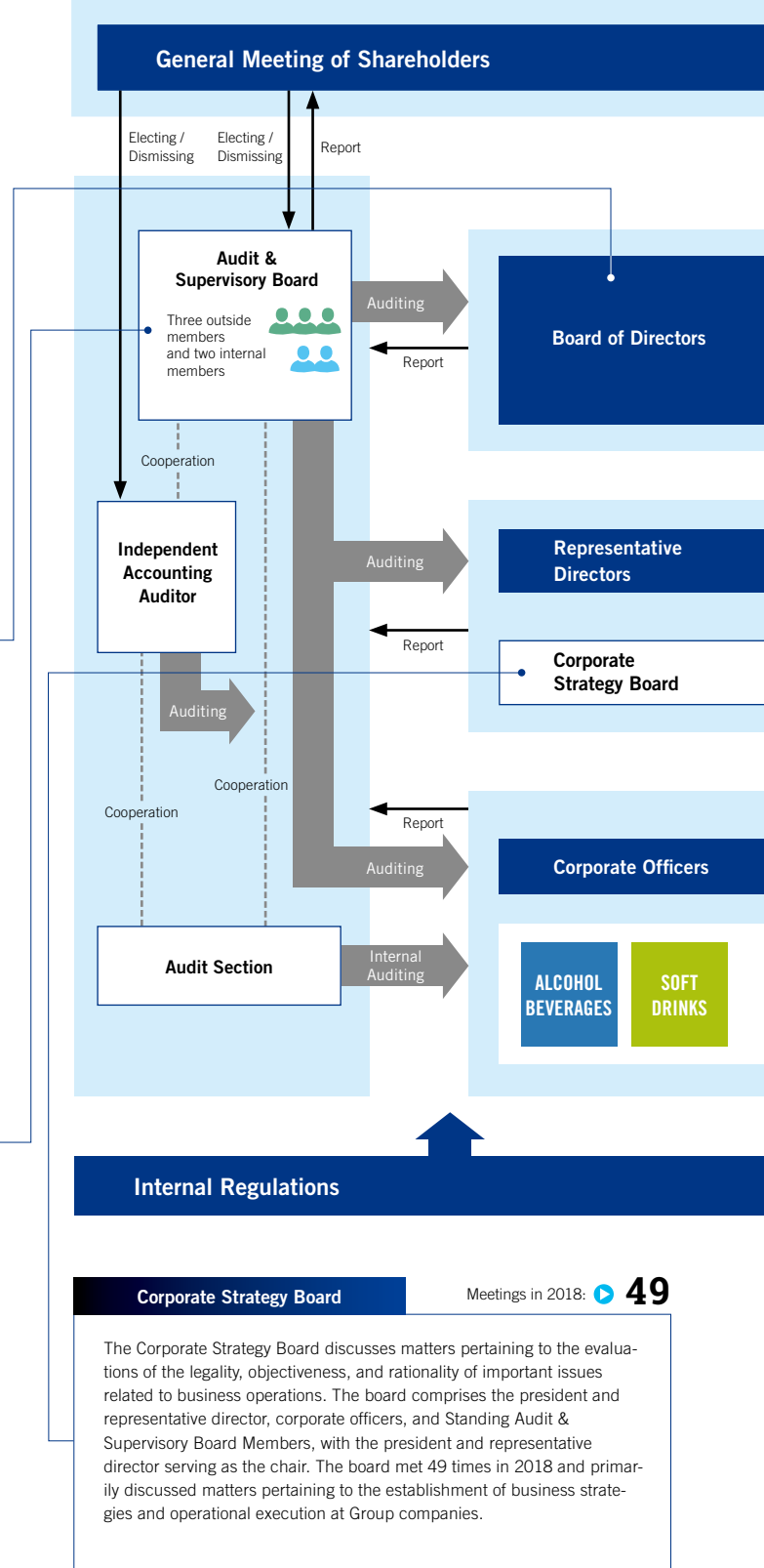
The Board of Directors is responsible for determining and implementing important corporate strategies, such as the AGP and the Medium-Term Management Policy. The Board of Directors also provides effective support for risk-taking of management under the CEO by streamlining the internal control system and risk management system. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are held as necessary. In 2018, the Board of Directors met 13 times and the rate of attendance by Outside Directors was 97.4%. In addition, meetings were held four times via written correspondence.

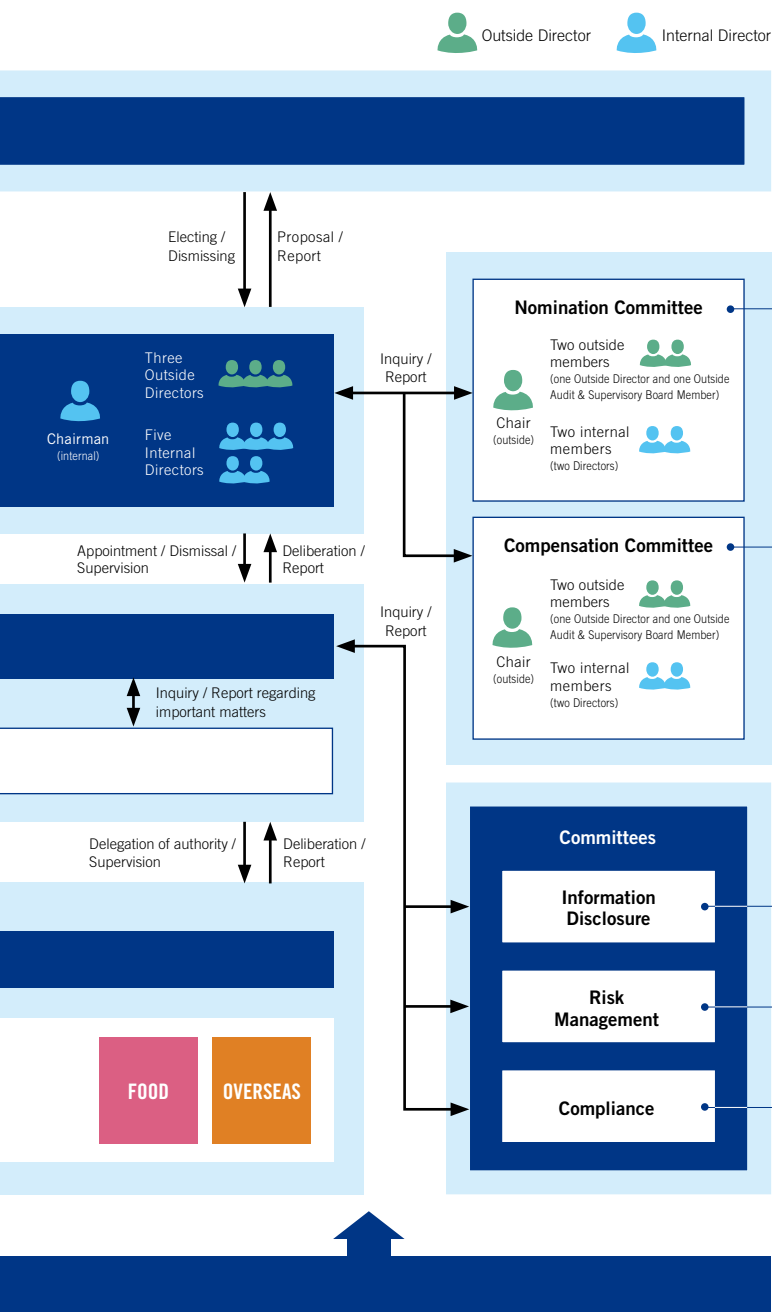
In regard to the composition of the Board of Directors, Outside Directors are selected from among corporate managers, experts, and other professionals who possess the necessary experience, insight, and professional expertise required by the Company. In addition, the Company makes it its policy to have Outside Directors account for one-third or more of the total members of the Board. This approach is taken to ensure an overall balance of knowledge, experience, and ability as well as the diversity of the Board of Directors. Furthermore, Internal Directors are appointed after being comprehensively evaluated and judged based on their experience, insight, and professional background with reference to the requirements for Directors, which are determined based on the AGP, the Asahi Group's Corporate Action Guidelines, and management strategies of the Company.

Audit & Supervisory Board Members and the Audit & Supervisory Board Meetings in 2018: **12**

By combining the information held by the Standing Audit & Supervisory Board Members and the high level of expertise of the Outside Audit & Supervisory Board Members, the Company's system enables Audit & Supervisory Board Members to exercise their authority freely and decisively, making appropriate judgments and taking action from an independent and objective standpoint. In 2018, the Audit & Supervisory Board met 12 times and the rate of attendance by Outside Audit & Supervisory Board Members was 100%. The Audit & Supervisory Board appoints at least one member with an appropriate knowledge of finance and accounting and one member with an appropriate knowledge of legal affairs. Outside Audit & Supervisory Board Members shall be elected from among accounting experts, lawyers, and corporate managers who have a wealth of experience and broad insight in certain professional fields. The Standing Audit & Supervisory Board Members attend important meetings such as those of the Corporate Strategy Board, examine important documents for approval, and collect information from the Directors, the sections in charge of internal audits, and other divisions. They report the collected information at Audit & Supervisory Board meetings, where they share this information with the Outside Audit & Supervisory Board Members. Through discussions and other examinations held based on this information, the Audit & Supervisory Board Members conduct appropriate audits of the business execution by the Directors.

Corporate Governance System Chart





Nomination Committee

Meetings in 2018: **11**

The Nomination Committee discusses matters including succession plans for Directors, Audit & Supervisory Board Members, and corporate officers as well as the selection of candidates for these positions. The committee consists of two Outside Directors, one Outside Audit & Supervisory Board Member, and two Internal Directors. The two Outside Directors on the committee select which one of them will serve as the chairperson. The committee met 11 times during 2018 and primarily discussed matters such as the appointment of Directors, Audit & Supervisory Board Members, and corporate officers as well as officers and representatives of principal subsidiaries. The rate of attendance by committee members was 100%.

Compensation Committee

Meetings in 2018: **12**

The Compensation Committee discusses matters pertaining to the remuneration systems and amounts for Directors, Audit & Supervisory Board Members, and corporate officers. The committee consists of two Outside Directors, one Outside Audit & Supervisory Board Member, and two Internal Directors. The two Outside Directors on the committee select which one of them will serve as the chairperson. The committee met 12 times during 2018 and held discussions primarily in relation to matters such as the revision of the officers' remuneration plans. The rate of attendance by committee members was 100%.

Information Disclosure Committee

Meetings in 2018: **7**

The Information Disclosure Committee manages and oversees the disclosure of corporate information in an integrated manner and carries out discussions from the perspective of unbiased, swift, and far-reaching information disclosure. This committee is composed of executive Directors, excluding the president and representative director, and corporate officers, and the Director in charge of public relations serves as the chairperson. The committee met seven times in 2018. Meetings were used to analyze information details and determine the information to be disclosed as well as the content and means of disclosure while referencing the Timely Disclosure Rules of the Tokyo Stock Exchange.

Risk Management Committee

Meetings in 2018: **4**

The Risk Management Committee discusses matters pertaining to Group-wide risk management activity policies and major risk countermeasures. The committee consists of Internal Directors, and the Director in charge of general and legal affairs serves as the chairperson. The committee met four times in 2018 to discuss periodic risk assessments and the implementation status of internal whistleblower systems. In addition, Standing Audit & Supervisory Board Members attend the committee's meetings and state their opinions as necessary. Following the establishment of the Compliance Committee, as of January 1, 2019, the Risk Management Committee now comprises the president and representative director and other executive Directors as well as executive officers appointed by the committee chair. The committee identifies Group-wide risks and discusses important matters pertaining to Enterprise Risk Management, which works to optimize the evaluation and response to such risks. The committee is now chaired by the president and representative director. Standing Audit & Supervisory Board Members continue to attend the committee's meetings and state their opinions as necessary.

Compliance Committee

The Compliance Committee was established on January 1, 2019 as a body that discusses matters related to corporate ethics, compliance promotion, and business supervision. The committee comprises the president and representative director and other executive Directors as well as executive officers appointed by the committee chair, who is the president and representative director. Standing Audit & Supervisory Board Members also attend the committee's meetings. In addition, the committee holds discussions on the overall direction of activities to promote compliance as well as measures to prevent compliance violations.

The Asahi Group's Governance—Governance Systems for Rapidly Accelerating Global Management

Remuneration for Directors, Audit & Supervisory Board Members, and the Independent Accounting Auditor

New Basic Policy on Director Remuneration

The Company has established and put into practice a new remuneration system for Directors based on the following concepts.

- To further strengthen the incentive to strive for the Company's sustainable growth and enhancement of corporate value over the medium to long term
- To offer remuneration of a nature and level that is effective in continuing to secure outstanding human resources with diverse skills
- To base remuneration on the role and magnitude of responsibilities of the Directors and their contribution to performance
- To offer remuneration that fluctuates greatly in accordance with performance related to management strategies
- To offer remuneration in which benefits and risk are shared with shareholders and which provides incentive to management from the standpoint of shareholders
- To offer remuneration that is determined in reference to external data and based on a transparent and fair process

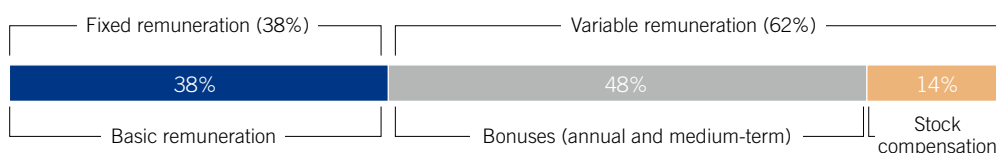
Remuneration for the Directors of the Company comprises basic remuneration, bonuses (annual and medium-term), and stock compensation. Remuneration for Outside Directors consists solely of basic remuneration. Based on

the principle that remuneration for Internal Directors should be closely linked to performance, the percentage of variable remuneration (bonus and stock compensation) in the annual income for the president and representative director is set to be more than 60%. In addition, the percentage of stock compensation is set to be around 15%. For other Internal Directors, the percentage of variable remuneration is set at 40% or more and is designed in accordance with the Director's position and role.

Also, the remuneration for Directors is set at a level that aims for the achievement of performance targets, taking into consideration the level of remuneration that is effective for continuing to secure outstanding human resources with diverse skills. Other Japanese companies of the same scale as the Company in terms of sales, market capitalization, etc., are used as benchmarks for determining remuneration levels.

Additionally, bonuses and performance-linked stock compensation are only offered to Internal Directors. Remuneration for Audit & Supervisory Board Members consists solely of basic remuneration (monthly, fixed) following the abolishment of the bonus system in April 2009.

Composition of Remuneration for the President and Representative Director (Remuneration model when achieving 2019 performance targets)



Comparison of Director Incentives

	Annual bonus	Medium-term bonus	Stock compensation
Period	Single fiscal year	Three years	Three years
Payment method	Cash	Cash	Stock
Performance indicators (weighting)	<ul style="list-style-type: none"> • Consolidated core operating profit (50%) • Profit attributable to owners of parent (50%) 	<ul style="list-style-type: none"> • Financial value indicators (60%) • Social value indicators (40%) 	(None)
Individual evaluation	Yes	Yes	No

Reference: Previous Director Incentives

	Annual bonus	Stock compensation
Period	Single fiscal year	Three years
Payment method	Cash	Stock
Performance indicators (weighting)	<ul style="list-style-type: none"> • Profit attributable to owners of parent (100%) 	(None)
Individual evaluation	Yes	No

Fixed Remuneration

Basic remuneration is determined based on the significance of the position and role of the Director.

Variable Remuneration

As a basic policy for further strengthening the incentive to strive for the Company's sustainable growth and enhancement of corporate value over the medium to long term, the system for Director bonuses has been designed based on the points to the right, giving consideration to increasing the percentage of variable remuneration (incentive) within Directors' annual income as well as contributing to the Company's sustainable growth (short-term, medium-term, and long-term) and enhancing corporate value (in terms of both financial value and social value) through the incentive system as a whole.

Method for Determining Remuneration

Remuneration for the Company's Directors is determined through a transparent and fair process. This process is based on the approval of the Board of Directors following examinations by the Compensation Committee, which

- Establishing a new "Medium-Term Bonus Plan (Cash-Based)" to provide a strong incentive for achieving medium-term performance
- Changing to a method of evaluation for the annual bonus that combines year-on-year comparisons with target achievement comparisons, in addition to adding consolidated core operating profit as a new performance indicator
- Introducing social value indicators (multiple ESG indices), in addition to financial indicators linked to the Medium-Term Management Policy, as a performance indicator for the medium-term bonus
- Introducing frameworks for reflecting individual evaluations for the annual bonus and medium-term bonus based on the contribution of each Director
- Focusing the objective of stock compensation on "increasing the incentive for Directors and Audit & Supervisory Board Members to strive to continuously enhance corporate value over the long term and to share benefits and risks with shareholders."

comprises a majority of independent officers and is chaired by an independent officer. In addition, the Compensation Committee uses objective, external data as necessary in order to ensure fair decision-making.

Reference: Total Remuneration for Directors and Audit & Supervisory Board Members (2018)

	Basic remuneration		Bonuses		Stock compensation		Total (Millions of yen)
	Number of people	Total (Millions of yen)	Number of people	Total (Millions of yen)	Number of people	Total (Millions of yen)	
Directors (of whom, Outside Directors)	11 (4)	393 (47)	7 (—)	328 (—)	7 (—)	62 (—)	784 (47)
Audit & Supervisory Board Members (of whom, Outside Audit & Supervisory Board Members)	5 (3)	109 (38)	— (—)	— (—)	— (—)	— (—)	109 (38)

Note: The figures above include amounts paid to Director Mariko Bando, who retired upon the expiration of her term of office at the conclusion of the 94th Annual General Meeting of Shareholders held on March 27, 2018.

Policy of Reducing Cross-Shareholdings

The Company makes it its policy to refrain from holdings of shares when such holdings are deemed as neither contributing to the ongoing growth of the Company nor increasing its corporate value over the medium to long term. This policy has been adopted out of consideration for our goal of pursuing asset and capital efficiency improvement for the promotion of *Glocal* value creation management based on the Asahi Group Philosophy in the Medium-Term Management Policy.

Cross-shareholdings are reviewed every year by the Board of Directors. In the event that a shareholding is deemed not to contribute to the Company's sustainable growth or to the increase of its corporate value over the

medium to long term, the result of said review shall be disclosed and the Company shall engage in the requisite dialogue with the counterpart entity as a shareholder. Shareholdings that are deemed not improvable, even after engaging in dialogue, are to be sold in a timely and appropriate manner.

For each target agenda item, the Company appropriately exercises the voting rights attached to the stocks it holds by comprehensively judging whether proposals contribute to the ongoing growth of the Company and to increases in its corporate value over the medium to long term, and whether they contribute to the common interests of the investee's shareholders.

The Asahi Group's Governance—Governance Systems for Rapidly Accelerating Global Management

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzed and evaluated its effectiveness in 2018 while also taking into consideration third-party opinions based on questionnaires and interviews as part of the Company's efforts to implement growth-oriented corporate governance that contributes to the practice of

management for corporate value enhancement. An overview of the results and the initiatives to be implemented going forward is as follows. Please refer to the following website for details on the methods of analysis and evaluation and evaluation items.



Summary of the Results of the Evaluation of the Effectiveness of the Board of Directors (March 26, 2019)
https://www.asahigroup-holdings.com/en/whoware/governance/pdf/190326_board_of_directors_result_en.pdf

Overview of Results of Analysis and Evaluation

i) Conclusion

- The Board of Directors concluded that it was “functioning effectively” in 2018.

ii) Analysis and Evaluation

- The responses “performed adequately” or “performed adequately overall” accounted for a high proportion of the answers to many of the questions on the effectiveness evaluation questionnaires submitted by Directors and Audit & Supervisory Board Members.
- Moreover, nearly all answers involved proposals, advice, and identification of problem areas. In particular, with regard to such subjects as the allocation of duties between the Board of Directors and the Nomination Committee, Group governance including overseas operations, as well as risk management, and the formation of corporate culture, a high awareness of issues was shown.
- In addition to the above-mentioned questionnaire, in order to obtain objective opinions, interviews were conducted by third parties with all Outside Directors, the chairman of the Board of Directors, and the president and representative director, CEO, and an explanation of their opinions on the evaluation was received from these third parties.

iii) Evaluation of Issues Recognized in the Previous Fiscal Year from Responses to Effectiveness Evaluation Questionnaire

- Discussions were held on issues recognized in the previous fiscal year, such as the improvement of corporate governance, ESG matters, and the establishment of a new Group philosophy. As a result, the related items for all such issues on the questionnaire contained a large number of “performed adequately” or “performed adequately overall” responses, confirming that improvements are underway.
- Among these, it was recognized that further discussions should be held for areas requiring ongoing improvements, as follows. For “sustained improvements to the effectiveness of the Board of Directors,” it was recognized that there should be deliberation of succession plans by the Board of Directors and discussions on global risk management; for “promotion of the social value of the corporation and of discussions related to ESG,” it was recognized that there should be discussions on the sort of role to be played by the Board of Directors, and how it should be monitored; and for “developing a shared corporate culture for the Group,” it was recognized that there should be discussions on how roles should be allocated between the Board of Directors and the executive side of the Company.

Initiatives Going Forward

After having held discussions based on the many suggestions submitted by Directors and Audit & Supervisory Board Members, the Board of Directors has decided to work to improve its effectiveness premised on an awareness of the three points listed below.

i) Strengthening the Effectiveness of the Corporate Governance System

Enhancing the effectiveness of the Board of Directors, the Nomination Committee, and the Compensation Committee

- Establishing a shared understanding with regard to matters that should be handled by the Board of Directors, matters that should be handled by the executive side, and matters to which a cooperative approach should be taken
- Setting out matters for the jurisdiction of the Board of Directors, the Nomination Committee, and the Compensation Committee

ii) Developing a Risk Management System for the Strengthening of Group Governance

- Arranging supervision by the Board of Directors of the succession of the top management for Asahi Group Holdings and other key Group companies
- Setting out and finalizing the risks to be recognized and monitored by the Board of Directors, and formulating methods for their monitoring

iii) Reinforcing ESG Initiatives

- Clarifying the role to be taken by the Board of Directors in ESG initiatives
- Building a mechanism to monitor the state of ESG initiatives

Main Activities of the Board of Directors in Fiscal 2018

(Excluding deliberated or reported reviews of issues and legal matters)

- Formulation of Asahi Group Philosophy and Group Code of Conduct
- Formulation of Medium-Term Management Policy
- Corporate governance
- Succession plan
- Reform of remuneration systems for Directors
- State of deliberations of the Nomination Committee and the Compensation Committee
- State of responses to cross-shareholdings
- Status of shareholder relations and investor relations activities
- Enterprise Risk Management (ERM)
- Basic policy on the prevention of bribery; basic policy on the observation of competition-related laws; and basic policy on the environment
- M&As
- Reports from the CEOs of local, integrated companies on the state of overseas operating companies
- Evaluation of the effectiveness of the Board of Directors and evaluation of the effectiveness of the Audit & Supervisory Board

The Asahi Group's Governance—Governance Systems for Rapidly Accelerating Global Management

Evaluation of the Effectiveness of the Audit & Supervisory Board

There are growing expectations from internal and external stakeholders regarding the contribution of Audit & Supervisory Board Members and the Audit & Supervisory Board to corporate governance with regard to enhancing corporate value and preventing damage to the Company. The Company believes that the effectiveness of the board and its members will be crucial to meeting such expectations.

Therefore, as a new approach, the Company conducted an evaluation of the effectiveness of the Audit & Supervisory Board in fiscal 2018. As an ongoing initiative to realize greater effectiveness of the Audit & Supervisory Board and thus strengthen Group-wide corporate governance to meet the expectations of stakeholders, we aim to make this initiative a best practice for companies in Japan.



Summary of the Results of the Evaluation of the Effectiveness of the Audit & Supervisory Board (March 26, 2019)
https://www.asahigroup-holdings.com/en/whoware/governance/pdf/190326_audit_and_supervisory_board_result_en.pdf

Overview of Results of Analysis and Evaluation

i) Conclusion

- The Audit & Supervisory Board concluded that it was “functioning effectively” in 2018.

ii) Analysis and Evaluation

- In the evaluation of the effectiveness of the Audit & Supervisory Board in fiscal 2018, the Audit & Supervisory Board designed evaluation items and conducted analysis and evaluation with the goal of “enhancing the effectiveness of legal audits” and “facilitating understanding and evaluation by important internal and external stakeholders.” In conducting the evaluation, in addition to a questionnaire on the effectiveness of each Audit & Supervisory Board Member, individual interviews with Outside Audit & Supervisory Board Members, the chairman of the Board of Directors, and the president and representative director, CEO were conducted by third parties to obtain objective opinions, and an explanation of their opinions on the evaluation was received from these third parties.

Initiatives Going Forward

After having engaged in discussions, the Audit & Supervisory Board principally recognized the following five points as considerations to be addressed. As for these considerations, the Audit & Supervisory Board had discussions and determined initiatives to address these areas of consideration for fiscal 2019.

1. Enhancement of the system to respond to emergencies
2. Further strengthening of Group governance
3. Expansion and deepening of cooperation with Outside Directors
4. Promotion of understanding of audits among Group officers and employees by the Audit & Supervisory Board
5. Enhancement of the operational aspect of the Audit & Supervisory Board

Corporate Profile / Stock Information (As of December 31, 2018)

Corporate Profile

Date of establishment	September 1, 1949
Issued capital	¥182,531 million
Number of employees	287 (consolidated: 28,055)
Number of Group companies	Consolidated subsidiaries: 146 Equity-method affiliates: 19
Total number of issued shares	483,585,862
Trading unit	100 shares
Number of shareholders	110,585
Stock exchange listing	Tokyo Stock Exchange
Securities code	2502
Fiscal year-end date	December 31
Annual general meeting of shareholders	March
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited
Independent accounting auditor	KPMG AZSA LLC

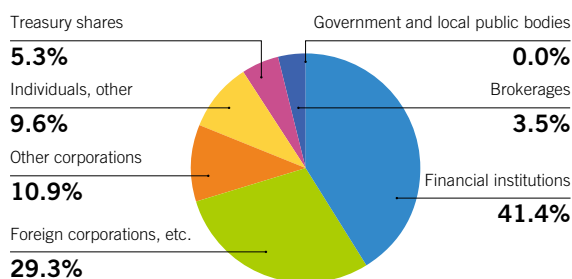
Major Shareholders

Name of shareholder	Number of shares held (in hundreds)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	453,422	9.9
Japan Trustee Services Bank, Ltd. (Trust Account)	241,997	5.3
The Dai-ichi Life Insurance Company, Limited	160,000	3.5
Fukoku Mutual Life Insurance Company	127,500	2.8
Asahi Kasei Corporation	117,853	2.6
Sumitomo Mitsui Banking Corporation	90,280	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	82,485	1.8
Sumitomo Mitsui Trust Bank, Limited	71,260	1.6
STATE STREET BANK WEST CLIENT - TREATY 505234	68,452	1.5
JPMorgan Chase Bank 380055	65,409	1.4
Total	1,478,659	32.3

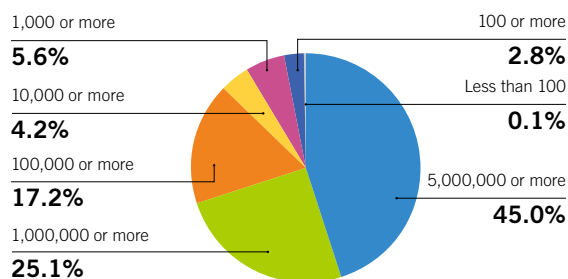
Notes:

- The Company holds treasury shares numbering 254,674 hundred shares. However, the Company is excluded from the above list of major shareholders. The treasury shares exclude the Company's shares (387 hundred shares) held by Japan Trustee Services Bank, Ltd. as trust property of the performance-linked stock compensation system for Directors.
- Shareholding percentages are calculated based on the total number of issued shares less the number of treasury shares.

Breakdown of Shareholdings by Investor Type



Breakdown of Shareholdings by Number of Shares Held



The Asahi Group's Website

Please refer to the information on the Company website for more details on the Asahi Group.



Company Information

<https://www.asahigroup-holdings.com/en/whoweare/>

- CEO message
- Group philosophy and management policy
- Corporate governance
- Information on Group companies
- History and profile

For Shareholders and Investors <https://www.asahigroup-holdings.com/en/ir/>

- Financial information and results
- IR library
- IR events
- Share and bond information

Sustainability <https://www.asahigroup-holdings.com/en/csr/>

- President's message
- CSR management
- State of specific initiatives in key categories
- External evaluations
- GRI guideline comparison tables
- Social contribution activities

R&D <https://www.asahigroup-holdings.com/en/research/>

- Message regarding the Group's R&D activities
- R&D areas
- R&D structure
- R&D technologies
- Awards

Asahi

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