Asahi

ASAHI GROUP INTEGRATED REPORT 2020

Asahi

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The Asahi Group in the New Normal Era

Overcoming an Uncertain Future

In the current era, there is instability across the globe and it is difficult to forecast the future. However, such times present a perfect opportunity for the Asahi Group to draw on the Asahi Group Philosophy as the driving force for implementing strong sustainable management focused on the medium to long term and building strong trust-based relationships with its stakeholders. By doing so, we aim to become a corporate group that is highly evaluated by society in the future.

Asahi

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

Customers:	Win customer satisfaction with products and services that exceed expectations
Employees:	Foster a corporate culture that promotes individual and Company growth
Society:	Contribute to realizing a sustainable society through our business
Partners:	Build relationships that promote mutual growth
Shareholders:	Increase our share value through sustainable profit growth and shareholder returns

The Asahi Group in the New Normal Era

Issuance of *Integrated Report 2020*

Developing the Asahi Group to be Valued by the Current and Future Society; Explaining the Asahi Group's Growth Story from Three Perspectives

We strive to develop the Asahi Group to be valued by the current and future society. To that end, we are promoting the premiumization of our core brands, making proposals for added value, and working to address our key priorities, such as enhancing management resources and reinforcing ESG initiatives, in accordance with the Asahi Group Philosophy (AGP) and the Medium-Term Management Policy. In June 2020, we welcomed the Australia-based Carlton & United Breweries Pty. Ltd. (CUB) into the Group. By doing so, we established a global operating structure spanning the three core regions of Japan, Europe, and Oceania, and under this structure we are moving forward with our global growth strategies. Going forward, we will expand the rollout of our five global premium brands while enhancing the business competitiveness of each Regional Headquarters (RHQ). Furthermore, as the structure of society and consumption patterns undergo dramatic change due to the COVID-19 pandemic, we understand that the future in 10 years has come now, working not only to formulate action plans for a recovery in our current business performance but also to enhance our response capabilities and level of flexibility toward changes in the external business environment. In these ways, we are pursuing management reforms with a focus on the new normal era and enhancing our ability to achieve the various guidelines we have adopted under the Medium-Term Management Policy. In particular, we are focusing on the three key management issues of "sustainability," "global management," and "global brands," in an effort to make our growth story more sustainable. In *Integrated Report 2020*, we introduce future policies and specific initiatives toward addressing these issues.

Meanwhile, we find ourselves in an era where it is difficult to forecast the future, and I have repeatedly stated that, because we are in such an era, it is even more important to formulate strategies from a medium- to long-term perspective. To that end, at meetings of the Board of Directors, we have been analyzing megatrends with a focus on 30 years in the future and discussing such matters as our vision for the Group and the kind of unique value we should pursue going forward. The Board of Directors comprises members with a wide range of skills, and at Board meetings, these members actively exchange their candid opinions from multilayered perspectives. Moving forward, while backcasting the long-term scenarios we have fleshed out through our discussions thus far, we will begin to hold discussions regarding the growth strategies we will pursue next.

To realize the AGP, it is extremely important that we promote co-creation with our stakeholders. To that extent, we will maintain our approach in which we actively disclose not only financial information but also non-financial information that is crucial for enhancing our corporate value over the medium to long term, and in which we further promote dialogue with our stakeholders. *Integrated Report 2020* has been produced to include the perspective of sustainable enhancement of corporate value while describing the issues, targets, strategies, and specific measures for future growth and taking into account our current performance and business environment. I therefore declare that the compilation process, including the discussions we have held, and the content of this report are appropriate. Our unique value creation story, which is depicted in this report, serves as the manual for enhancing the Group's corporate value. We appreciate your taking the time to read this report and look forward to not only your impressions of the report itself but also your honest opinions on the Group's management. We also ask for your continued support going forward.

June 2021

Akiyoshi Koji

Akiyoshi Koji

Chairman of the Board

Key Agenda 01 Sustainability

The Asahi Group aims for the complete integration of sustainability within its management. Based on the Group's new sustainability promotion structure, the functional divisions of the Global Headquarters (GHQ) are promoting initiatives in collaboration with the RHQ with a view toward achieving Group-wide targets. This section introduces the progress and results of these initiatives.

Key Agenda 02 Global Management

The Group has established a global management structure that centers on the three core regions of Japan, Europe, and Oceania. Under this structure, the Group is expanding initiatives from Group-wide and global perspectives, including the global rollout of core brands, initiatives toward sustainability, and earnings structure reforms. This section introduces the characteristics of the Group's global management. At the same time, it explains the necessary challenges to tackle and policies to implement in terms of global management, including human resources and digital transformation (DX).

Key Agenda 03 Global Brands

In November 2020, the Group centralized its global brand management structure within the Europe Business. Currently, the Group is reestablishing *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell*, and *Grolsch* as its global premium brands. At the same time, the Group is working to reformulate its future brand strategies. This section explains the progress being made with initiatives in this regard.

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Editorial Policy

In compiling *Integrated Report 2020*, 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* (global and local) 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.

Report Period Covered

January 1, 2020–December 31, 2020
(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 and factors influencing the Company's business areas.

Message from the CEO

Leveraging My Experience as One Facet of the Group's Competitive Advantage

What are the strengths of the Asahi Group? When I am asked that question, I answer that the Group's strengths are its history of continuously pursuing challenges and innovations since its founding. As we can illustrate a typical example of our greatest innovation, *Asahi Super Dry*, we have pursued seemingly countless challenges and innovations throughout our history, including launching industry-first products, proposing new value, and entering overseas markets. The desire to take on challenges is deeply rooted in our organizational culture, and I personally have pursued a wide range of challenges both in Japan and overseas. My career overseas dates back to the time at Nikka Whisky, when I was involved in the export of whisky to Asia, centered on South Korea and Taiwan. In 2001, I transferred to Asahi Breweries and, in 2009, was involved in the acquisition of Schweppes Australia, which essentially was the start of the Asahi Group's full-fledged global expansion. After my involvement in that acquisition, I promoted M&As primarily overseas. In 2014, I helped the Group win a lawsuit pertaining to the acquisition of an alcohol-beverage company in Oceania, winning a settlement totaling over JPY 20 billion. Going back a few years, in 2011 I was appointed as the CEO of our holding company in Australia and spearheaded integration efforts with the numerous operating companies brought under our corporate umbrella through acquisitions. After these efforts were completed, I also served as the head of these operating companies, and this was a period when I faced the greatest challenges of my overseas work experience. Being Japanese, it takes me much longer to process my duties in English compared to a native speaker. Despite this, there was no waiting around when it came to making decisions on important matters, and so there was no way I could slow down the pace of our decision-making. Unlike in Japanese business, it is not common overseas to lay the groundwork, so to speak, to prepare for important meetings, so during meetings I was usually shown a massive number of documents for the first time and had to make decisions on the spot. Under those conditions, I battled every day to make decisions on a countless number of projects. Dealing with business partners was usually a similar type of experience, and I worked earnestly every day in these dealings. Throughout this experience I maintained an attitude that, as the head of these companies, there was no room for me to say "I don't know," "I can't," or "I don't understand." In addition, I would often visit workplaces and engage in dialogue with frontline employees in a so-called town hall format. During these visits, I had many painful experiences, including when I went to a factory that was slated to close to explain our management policy. One of the employees asked me a question regarding the operational continuity of the factory, and I had to answer them while concealing the fact that the shutdown of the factory had already been determined.

Through these experiences, I feel I gained the same understanding as local people regarding overseas business methods and the thought processes. I have no aversion to dealing with overseas management styles or overseas managerial personnel. I believe the experience I have thus far cultivated can be leveraged as an indispensable competitive advantage in the Group's current stage of growth.

Aiming to Promote Logical Management That Combines the Best Aspects of Japan and Overseas

The mission I have been given is to carry on the Asahi Group Philosophy (AGP) and the Medium-Term Management Policy, which is grounded in the AGP. At the same time, I must strengthen our global management structure, which now spans across Japan, Europe, and Oceania, and promote the expanded rollout of our five global premium brands.*1 Furthermore, my mission involves realizing more sophisticated management strategies through the integration of sustainability in our management.

Comparing the management styles of Japan with those overseas, in the case of Japan, once a matter has been determined, progress is made rapidly toward that matter. However, as I mentioned previously about the idea of laying the groundwork, it tends to take a great deal of time to reach

With a versatile approach, we will boldly lead the way in promptly responding to the various changes occurring in these highly uncertain times.

Atsushi KATSUKI
President and CEO, Representative Director

a decision on a matter because the process is very thorough and overly cautious. Meanwhile overseas, when, for example, marketing or capital investments are being carried out, the decision-making process is swift and transparent as decisions are usually made based on a clear set of financial standards, meaning there is no need to spend time excessively pondering over an issue. Based on my experiences with both styles of management, I aim to promote logical management that combines the best aspects of Japan and overseas and use such management to accelerate our efforts toward globalization.

In 2020, our balance sheet expanded significantly with the acquisition of the CUB business in Australia. At the same time, we were able to enhance our financial soundness through public offerings and other measures. With that said, in terms of reducing our high level of interest-bearing debt, we will strive to improve net debt/EBITDA (earnings before interest, taxes, depreciation and amortization) to the level of close to three times, a figure that is considered in the industry to be financially sound. I position the three to four years it will take to reach this level as a period in which we will refine our true strengths as a corporation, and during this time we will further enhance the quality of each of our businesses through efforts to enhance our global management, as I mentioned before.

As for our performance in 2020, we were expecting a significant slump primarily in the Alcohol Beverages Business and the Overseas Business due to the impact of the COVID-19 pandemic. Ultimately, we were able to keep declines in core operating profit to around 20% and in profit attributable to owners of parent to approximately 30%. We were also able to generate JPY 196.8 billion in free cash flow, well exceeding our expectations, and I believe this demonstrates the high level of cash-generating power that the Asahi Group possesses. Meanwhile, we are aware that we face major issues from the perspective of risk management. Following the introduction of enterprise risk management (ERM) in 2019, management was given a sense of relief as ERM is a mechanism for controlling the overall risk we face as an organization. However, the fact that a crisis occurred that exceeded our risk assumptions under ERM means that ERM was not functioning to its full potential against the COVID-19 pandemic. To that end, we are currently making diligent efforts to further enhance our risk management centered on ERM. In addition to reducing and managing risks related to strategies for controlling our management targets based on ERM, these efforts aim to create scenarios that anticipate the sudden occurrence of a crisis like we see today to ensure that we are prepared to make a swift response when such a crisis occurs and limit the amount of damage it does to our businesses to the greatest extent possible.

*1 *Asahi Super Dry* (Japan), *Peroni Nastro Azzurro* (Italy), *Kozel* (Czech Republic), *Pilsner Urquell* (Czech Republic), and *Grolsch* (the Netherlands)

Drawing on the Growth Potential of Our Robust Lineup of Brands

I often hear that Asahi is facing an "innovation dilemma" due to the *Asahi Super Dry* brand. However, I have the complete opposite opinion. The robust lineup of brands that we possess represents a strength that our competitors cannot imitate. There may be a tendency to view our stance of focusing our efforts heavily on our leading brands including *Asahi Super Dry* as a weakness, but I believe that if we are able to anticipate changing and diversifying needs and make proposals for new value that exceed customer expectations, then we can dramatically grow the value of *Asahi Super Dry* and other core brands.

Right now, the most important effort we need to make is rolling out our five global premium brands in major cities around the world that are outside of their respective home markets. In November 2020, we centralized marketing functions for this rollout in the Europe Business, thereby reinforcing our structure for promoting this task. In terms of trends in markets across the globe, while there is a view that consumers are to a certain extent looking for lower prices due to the COVID-19 pandemic, the reality is, the trend toward premiumization is progressing when it comes to at-home consumption. For example, the average sales price in the off-premise market in 2020 grew by a high single-digit percentage over the previous year, and we have continued to see a trend in which the growth rate for products in the super premium and premium price range has been higher than that of products in the mainstream. For that reason, we expect that strengthening the rollout of global premium brands in not only the on-premise market but also the off-premise market will significantly contribute to our profits going forward. I have actually seen reports detailing how, as lifestyles are changing, there is a heightened awareness among consumer groups such as millennials and Generation Z toward the peace of mind provided by the high-quality products produced and sold by major manufacturers. This heightened awareness has certainly provided a favorable tailwind for the shift toward premiumization.

Asahi Super Dry is the global premium brand with the most latent potential, and this is not because it is a Japanese brand. Management personnel and marketing teams in the Europe Business have also placed a high level of expectations on the potential of *Asahi Super Dry*, adopting the target of doubling the current sales volume of the brand with the aim of making it one of the top 10 beer brands in the world. I personally have experience in significantly growing the sales volume of *Asahi Super Dry* during the five-and-a-half years I worked in Australia. Previously, the sales channels for *Asahi Super Dry* centered on Japanese restaurants and other Asian cuisine restaurants. However, we dramatically changed course from that approach, placing the focus on selling *Asahi Super Dry* as a premium brand at local high-class bars, pubs, hotels, and restaurants, which represent a massive market. *Asahi Super Dry*'s level of recognition as a high-end, stylish premium brand rose among people in local markets, and that awareness even spread to the off-premise market. These actual observations are part of the reason why I believe that there is still major potential to grow the *Asahi Super Dry* brand.

> **The most important effort we need to make is rolling out our five global premium brands in areas outside of their respective home markets.**

At the same time, we are working to quickly revamp on-premise sales, which have stagnated due to the impact of the pandemic. What is important in this endeavor is to ensure that bars and restaurants continue to serve as the best or most important contact point with customers. Furthermore, the basis of our efforts to realize a recovery in the on-premise channel is making proposals and providing support so that customers can enjoy our beers in a bar or restaurant setting. This includes taking steps to further enhance the quality of our kegs for core brands in each country and region. It is expected that it will take a certain amount of time for sales volumes in the global on-premise market to return to the level that they were in 2019, before the COVID-19 pandemic. However, in Japan, for example, we are working to spur innovation through such efforts as *Asahi Super Dry Nama Jokki Can*, which offers a foamy head that forms naturally by opening the top of the can, and our home beer server, which can maintain beer at below-zero temperature and can be used at home or outdoors. These products aim to help customers remember how much they enjoyed the taste of draft beer, and we sincerely hope that they will be able to unreservedly enjoy draft beer in a bar or restaurant setting as quickly as possible.

By proposing new value in each region of operation through efforts such as these, we will create opportunities to further enhance the value of our brands.

Recognizing the Need for Strategic Measures Based on Various Perspectives

The Asahi Group is more than just a business of alcohol beverages. While, since 2016, our focus has tended to be on alcohol beverages, toward which we have invested a great deal of management resources, including large-scale acquisitions, the growth of non-alcohol beverages and foods is also extremely important from the perspective of improving the Group's overall corporate value. For that reason, we need to reorganize the balance of and basic approach to management resource allocation. One shared issue between non-alcohol beverages and foods is the need for stepping up efforts for a true global expansion. Our non-alcohol beverages businesses have top-class brand power, scale, and profitability in the countries in which we operate, such as Japan and Australia. However, Coca-Cola and Pepsi are far more advanced in terms of overall global reach. The leeway we have to consider making an entry on a broader global scale is limited. However, with a focus on emerging countries, where populations and consumption are expected to grow going forward, we aim to achieve growth in overseas markets while strategically allocating management resources. The Food Business is facing similar conditions. In the Japanese market, the Food Business is recording a solid performance with a number of leading brands across a broad range of categories. Although we will continue to focus on this market, we will use the technologies and other resources that we have cultivated in Japan to deploy growth strategies targeting emerging countries.

Additionally, when thinking from a broader, more long-term perspective, there is a need for us to direct management resources toward research and development (R&D). In 2020, the Group's R&D expenses totaled roughly JPY 13.1 billion,

It is imperative that we place sustainability at the core of our management and create business models under which the resolution of social issues provides a source for profits.

which comes to approximately 0.6% of our total revenue. This level is roughly the same as our overseas competitors. However, focusing its attention on megatrends 20 to 30 years from now, the Board of Directors held discussions on medium- to long-term strategies and, through these discussions, the Board decided to raise the amount of R&D expenses so that the Group can continue to maintain its global presence in the future. While we will continue to make thorough efforts to reduce overall costs, we will invest further resources into R&D, digital transformation (DX), and other strategies. This will help us paint a clearer picture on how we can create new added value through innovation to realize sustainable top-line growth, which in turn will lead to profit growth. In terms of DX investments, we are working to enhance our current operating model, including through promoting the remote control of factories and teleworking. At the same time, we are urgently moving forward with DX efforts that will enhance the value we provide and reinforce our sales capabilities. These include promoting the digitalization of consumer contact points, such as beer servers and vending machines, and moving forward with digital marketing activities that utilize data. We are also making active use of DX to share best practices across all regions of operation. Going forward, we will ramp up these efforts with the aim of innovating current business models and creating new ones through DX.

Realizing Sustainable Growth for the Company and Society as a Whole

The Group's business uses the blessings of nature for its offerings and therefore, we earn the trust of our stakeholders—and only through with that trust can we serve our social role. To become a corporate group that will be valued highly by future society, I believe we must build business models centered on co-creation with our stakeholders. While growing our business by expanding its scale is something we obviously should aim for as a corporation, the era where a company can survive simply with such a business model is already coming to an end. To that end, it is imperative that we place sustainability at the core of our management and create business models under which the resolution of social issues provides a source for profits.

To realize such a business model, we are engaging in a wide range of initiatives with a sense of speed. One such initiative is the Global Sustainability Committee, which was established in 2020. At the committee's first meeting, we were able to decide on such matters as raising the 2030 target under Asahi Carbon Zero, our medium- to long-term goal for CO_2 emissions reduction. In this way, the committee is serving as a significant driving force for promoting the Group's sustainability strategies. The meeting was attended by members of upper management from the Japan, Europe, Oceania, and Southeast Asia Regional Headquarters (RHQ). Legal systems and other matters differ from region to region, and this naturally means the status of sustainability efforts in each region differs as well. By having members of the committee from these kinds of differing backgrounds engage in open and lively discussion, the first meeting of the Global Sustainability Committee provided us with an opportunity to raise the level of our sustainability efforts on a Group-wide basis—and this was seen as an extremely positive development among all members.

Also, in terms of the material issues that we updated in 2020, we are currently placing priority on the "Environment" and "Communities" and are strengthening efforts toward those issues accordingly. We recognize strengthening efforts toward the "Environment" is an extremely urgent task amid a growing demand from society to address climate change and other environmental challenges. For the previously mentioned medium- to long-term goal for reducing CO_2 emissions, Asahi Carbon Zero, we upwardly revised our targeted amount of reductions. In connection with this revision, our commitment to the "1.5ºC Target" was recognized by the SBT initiative.*2 Additionally, we began participating in the RE100*3 global environmental initiative and are working to formulate guidelines related to packaging and containers and implement specific policies based on these guidelines. In these ways, we are accelerating our efforts toward the "Environment."

Furthermore, we are reinforcing efforts toward "Communities" on a global scale based on my aforementioned belief in the need to build business models centered on co-creation with our stakeholders. Due to the various changes in social trends, the connection between people and communities is starting to weaken. However, by promoting efforts to reverse this trend, we will strive to resolve issues facing local communities. Under old ways of thinking, supporting local communities tends to simply mean making donations. However, the efforts I envision for "Communities" entail contributing to society through our business activities. For example, in Italy, we are providing support to farmers who grow barley, a main ingredient of beer, and other crops to help them improve their productivity. To further reinforce these kinds of activities at a global level, we newly established our campaign slogans and the core areas in which we can contribute to society through our business activities. As we move forward, each RHQ around the world will engage more proactively in specific activities toward "Communities."

Amid the rapid changes that are occurring in modern society, we will establish high-aiming targets with an accurate understanding of these changes and take on the challenge of transforming ourselves as an organization. To do so will require painstaking efforts, but we believe that pursuing this challenge will provide us with an opportunity for growth and enable us to pave the way for creating an even better society and a brighter future. Placing sustainability at the center of our management, we will continue to be a corporate group that grows together with society.

*2 The Science Based Targets initiative encourages corporations to establish targets for greenhouse gas emissions based on scientific evidence and offers evaluations and approvals of such targets.

*3 RE100 is an initiative that aims to use renewable energy for 100% of electricity consumed for business activities.

Further Increasing the Group's Competitiveness by Evolving into a Borderless Organization

Asahi Group Holdings, Ltd. is the company that holds together the entire Asahi Group. Accordingly, adopting a corporate culture by Japanese people for Japanese people is clearly not the right choice for the future of the Group. Cultivating and utilizing global human resources is a major challenge in terms of accelerating our regional and global growth. To address this issue, we will actively open up opportunities for outstanding human resources within the Group, regardless of nationality or gender, to serve in important roles at the Global Headquarters (GHQ) in Tokyo. Moreover, as teleworking has become commonplace now as a result of the COVID-19 pandemic, there is no need for all employees of the GHQ to reside in Japan. To that end, one major benefit of teleworking is that it has given us an even greater opportunity to allow overseas employees to play an active role.

In regard to the Europe and Oceania businesses, we have so far let these businesses operate independently post-acquisition, and this has enabled them to achieve a certain level of results. In addition to continuing to do so, we will fully leverage our global platform that spans across Japan, Europe, and Oceania to share best practices between businesses with the aim of further enhancing their overall quality and achieving even greater results. To ensure that this type of two-layered framework functions sufficiently, utilizing local human resources is a must. We will therefore reinforce our global human resource systems, including remuneration systems, and actively take steps to transfer and promote personnel between RHQ. At the moment, our RHQ in Europe, Oceania, and Southeast Asia have established their own individual compensation committees, and a director of the Board responsible for the Group's human resources is a member of each committee. These committees determine remuneration systems and other important matters for their respective RHQ. As we move forward, we will more actively pursue the optimal format for these systems to ensure that all employees can work with ambition and a sense of fulfillment regardless of region.

Furthermore, in March 2021 we formulated the "People Statement," which serves as our basic approach to human resources. This statement aims to further promote active roles for outstanding human resources across the globe with diverse personalities and foster a corporate culture with an even higher level of employee engagement. Upon its establishment, the "People Statement" was shared with the approximately 30,000 employees across the Group. In conjunction with the "People Statement," we announced our "Global Diversity & Inclusion Statement." Guided by these two statements, we will draw on the diverse values held by our employees of different regions and cultures to enhance a sense of unity across the organization. At the same time, we will establish ourselves as an even more innovative organization.

Message from the CEO

Positioning Communication and Trust-Based Relationships at the Core Elements to be a Value Creator Globally and Locally

The Asahi Group has been expanding its overseas businesses for over 10 years. During this time, we have learned that, if we are to truly set our sights on global growth, having a corporate culture overly focused on rules and regulations and adopting a top-down reporting line are simply not effective. We also have come to understand the importance of bringing together an organization based on shared culture and beliefs. The AGP represents the culmination of all we have learned thus far with our global expansion and therefore will serve as the basis for all our management strategies and business expansion efforts going forward.

Looking back on the acquisitions we have made thus far, close communication, both before and after the acquisition, has been the key to their success. This does not mean one-way communication from our side but rather open communication that helps us learn each other's strengths while fostering a mutual understanding and respect for our differing cultures—communication that helps us envision a future in which we work together to respond to change. Engaging in this kind of communication has led to the success of our acquisitions, and the discussions with the upper management of each RHQ is what helped create the AGP. Furthermore, such communication is what made the PMI*4 process following the acquisition of the CUB business go smoothly and enabled us to promptly commence initiatives geared toward creating synergies. By sharing insights based on long-term outlooks and implementing strategies formulated together through our management, I feel that the motivation level of local employees has been rising and this has actually contributed to business growth. The local employees fully understand the direction of the Group's management, and I have a solid understanding on all aspects of the local businesses. This is what allows us to integrate our management strategies and quickly put them into action. The increased motivation at a local level resulting from communicating and working together under a trust-based relationship has been the major reason for the success of the PMI and has also eliminated any potential for a massive failure going forward.

*4 Post-merger integration

Fostering Trust through Further Dialogue with Our Stakeholders

An important job of mine is to build trust-based relationships with our shareholders, investors, and other stakeholders through dialogue. One on the most urgent task of the Group is to ensure the financial soundness of our balance sheet, which inflated significantly after acquiring the CUB business in Australia. In 2020, we also faced the major financial issue of permanently financing the bridge loan of more than JPY 1 trillion when making this acquisition. To address this issue, we worked to increase capital through such means as a public stock offering, for the first time in 31 years, and subordinated bonds. At the same time, we were able to capture the overwhelming demand from the market through the issuance of domestic straight bonds and bonds denominated in euros, among other measures. Our ability to implement these initiatives is the result of the understanding that we have gained from our investors through active dialogue with them regarding our growth strategies, which involve promoting the shift to premiumization centered on the global premium brands I mentioned earlier, and our strategies to realizing financial soundness, which involve increasing capital and reducing interest-bearing debt.

Dialogue is also extremely important when it comes to sustainability, and we will therefore promote even greater dialogue on the co-creation we aim to achieve with our stakeholders under the AGP. It is imperative that we collaborate with relevant stakeholders in the areas of our material issues such as the "Environment," which includes our response to climate change; "People," which involves human rights and diversity; "Responsible Drinking"; and "Communities," which includes the aforementioned activities we are promoting in each region. By learning the perspectives of stakeholders through dialogue and accelerating initiatives based on those perspectives, we will work together with them to build a sustainable society.

Closing

When I was appointed as Group CEO, I was honestly overwhelmed with excitement and anxious to get right to work. As I mentioned at the beginning of my message, I am confident that the wealth of experience I gained both in Japan and overseas will allow me to handle any issue or project we must tackle, no matter how difficult. With that said, in these highly uncertain times, becoming overly focused on a single way of doing things or being constricted by past experiences can have a negative impact. With a versatile approach and without fearing the idea of suddenly changing course, I will maintain our strong desire to incorporate change. Not adhering only to any one certain approach, I will consider various opinions and perspectives and promptly change my actions when needed as I work to tackle issues with a keen awareness on how those issues relate to me. This is the kind of approach I want the Group to maintain going forward.

The Group has a sincere and bright corporate culture where people naturally help each other. The fact that all our employees work together under the same direction toward the mission and principles determined in the AGP is a testament to this corporate culture. At the same time, some of our businesses and divisions are lacking a sense of speed, so I will demonstrate strong leadership under a versatile approach to ensure that they are able to promptly respond to change. By the end of this year, we aim to have reinforced the foundation that enables us to respond to environmental changes from the COVID-19 pandemic and produce solid results. In 2022, we will tackle a broad range of challenges from a medium- to long-term perspective so that we can once again return to our original course for growth.

Together with our stakeholders, we aim to promote management that will be valued highly by society in the future. With our sights set on the road ahead, we will share the initiatives we must take with our stakeholders and act on those initiatives together with them. We will continue to push forward with efforts to realize a better society while making sure we maintain the trust of our stakeholders. I ask that you look forward in anticipation as the Asahi Group accelerates toward its next stage of growth in 2021, a year in which the morning sun (*asahi*) will rise. I would like to ask our stakeholders for their continued support as we do so.

June 2021

Atsushi KATSUKI
President and CEO, Representative Director

"We will continue to push forward with efforts to realize a better society while making sure we maintain the trust of our stakeholders."

Road Map for Enhancing Corporate Value

The Asahi Group has steadily evolved over the past 10 years, extending its business foundation across the globe with its full-scale entry into Oceania, Southeast Asia, and Europe. Going forward, the Group will continue to pursue its evolution by leveraging the Asahi Group Philosophy (AGP), established in 2018, as the driving force for realizing its vision to "be a value creator globally and locally, growing with high-value-added brands."

2018 Formulating the Asahi Group Philosophy

	2010 ~	2020	Medium to Long Term
Profitability (core operating profit)	Core operating profit: ¥95.3 billion EPS: ¥114.1	Core operating profit: ¥167.8 billion EPS: ¥196.5	• Promote our premium strategies by cultivating high-value-added brands and expanding global brands • Generate ¥50.0 billion from the impact of efforts to enhance cost efficiency (2021–2023) and increase investment toward "enhancing management resources" and "reinforcing ESG initiatives" with a focus on growth over the medium to long term
Overseas revenue	Approx. ¥100.0 billion	Approx. ¥800.0 billion	• Accelerate the rollout of premium brands in the global market • Strengthen the premiumization of brand portfolios in local markets
Sustainability	Formulated Asahi Group Environmental Vision 2020 (2010)	• Held meeting of the Global Sustainability Committee with the aim of integrating sustainability into management • Accelerated the promotion of sustainability in such ways as upwardly revising CO_2 reduction targets and issuing Green Bonds	• Integrate sustainability strategies and management strategies • Achieve Asahi Group's Sustainability Vision
Human resource strategy	Management of human resource systems by region	• Established the "People Statement," a new basic human resources policy (announced in March 2021) • Established the "Global Diversity & Inclusion Statement" (announced in March 2021)	• Secure next-generation management personnel by establishing succession plans on a global scale • Improve employee engagement and expand *glocal* (global and local) human resources by strengthening various development programs
M&As	• Full-scale entry into Oceania (2009) and Southeast Asia (2011), centered on the Soft Drinks Business • Full-scale entry into the European beer business (2016: Western Europe; 2017: Central and Eastern Europe)	• Completed the process for acquiring the CUB business in Australia • Formulated plans and subsequently began initiatives to create integration synergies in Oceania	• Prioritize the allocation of free cash flow to reducing debt and boosting investment capacity • Reinforce global management structure centered on the three regions of Japan, Europe, and Oceania
Governance	• Reinforcement of Group governance functions through the shift to a pure holding company structure (2011)	• Introduced CXO system and established Board of Directors Skill Matrix and CEO Skill Set • Commenced the full-scale operation of Group ERM and Risk Appetite	• Promote ongoing efforts toward global governance reform that enhances substance of governance itself • Enhance risk management centered on ERM

External Environment

Declining birthrate and aging population; technological innovation (DX); emergence of new business models; climate change, disasters, plastic; increasingly more complex country risks; tightening of laws and regulations; "With COVID-19" and "Post-COVID-19" eras; diversifying values; increasing information security risks

Issues

Worsening profitability in domestic business (consumer shift away from beer), ability to respond to change (dependence on specific brands, inflexibility in business models), flexible and robust profitability, enhancement of sustainability, globalization, etc.

Three Management Issues for Continuous Corporate Value Enhancement

Sustainability of the Asahi Group's Growth Story

01 Sustainability

Accelerating efforts toward sustainability based on co-creation with our stakeholders

P.20

02 Global Management

Enhancing management resources that support sustainable growth and reinforcing our global network

P.44

03 Global Brands

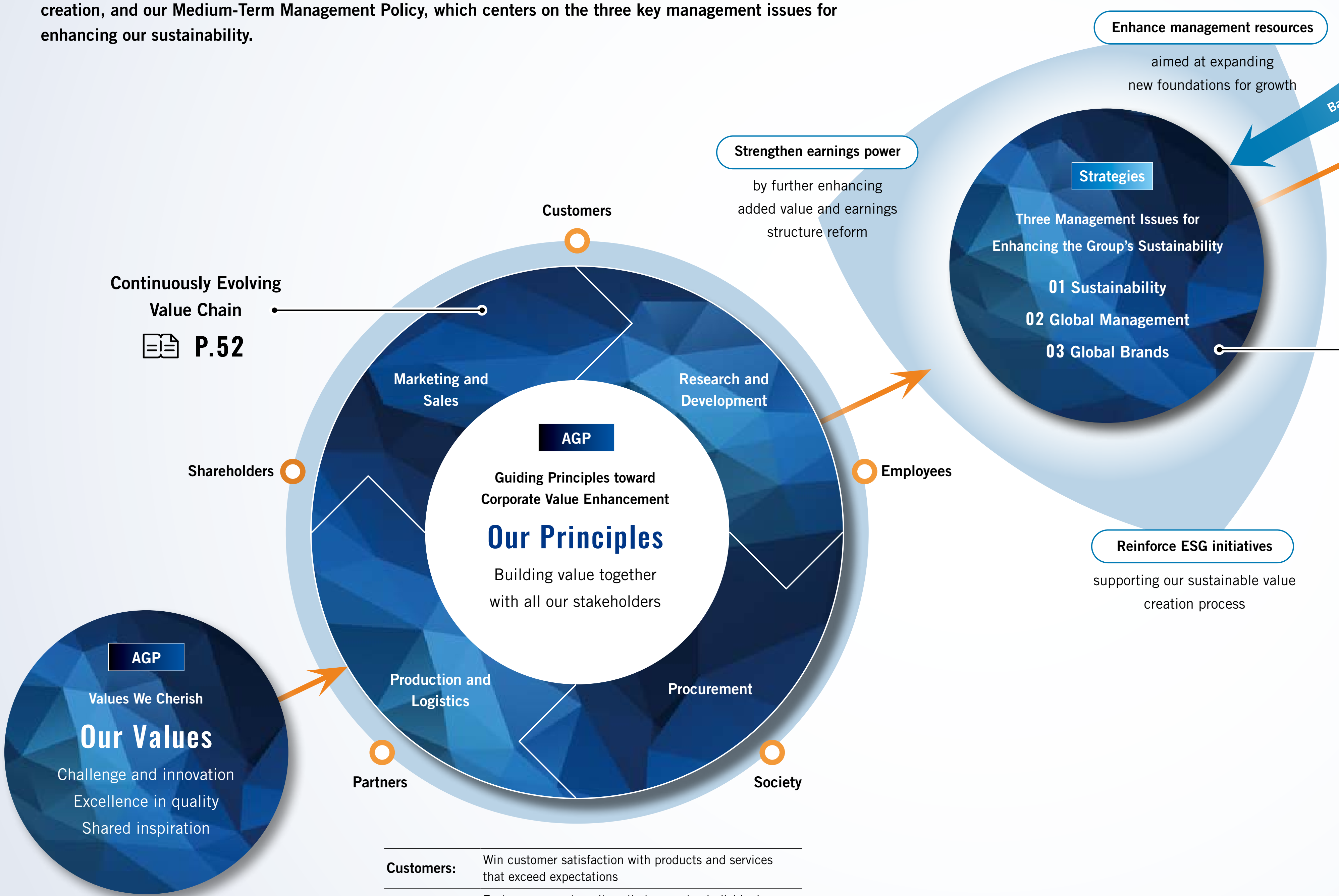
Strengthening global brand management that drives our premium strategies

P.56

Model for Corporate Value Enhancement

Further Accelerating Value Creation through Management Strategies That Reflect the AGP

Under the AGP, we laid out Our Mission and Our Vision, which are goals that the Asahi Group should realize in the future. To reach these goals, we will steadily implement our value creation process, which establishes Our Values and Our Principles—the other two parts of the AGP—as the source of our corporate value creation, and our Medium-Term Management Policy, which centers on the three key management issues for enhancing our sustainability.



Customers:	Win customer satisfaction with products and services that exceed expectations
Employees:	Foster a corporate culture that promotes individual and Company growth
Society:	Contribute to realizing a sustainable society through our business
Partners:	Build relationships that promote mutual growth
Shareholders:	Increase our share value through sustainable profit growth and shareholder returns

Three Management Issues and Their Relationship to the Medium-Term Management Policy

		Strengthening earnings power	Enhancing management resources	Reinforcing ESG initiatives
01 Sustainability	P.20			○
02 Global Management	P.44		○	○
03 Global Brands	P.56	○		

Overview of the Medium-Term Management Policy

Enhancing "*Glocal Value Creation Management" based on the Asahi Group Philosophy**

* *Glocal* = global and local

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

- Promote the premiumization strategy by enhancing high-value-added brands in all businesses and expanding the five global brands
- Reform the earnings structure in response to changes in the business environment

Enhancing management resources aimed at expanding new foundations for growth

- Bolster investment in intangible assets (R&D, human resources, etc.) with the aim of boosting innovation and new value creation
- Construct new operating model by accelerating DX (digital transformation)

Reinforcing ESG initiatives supporting our sustainable value creation process

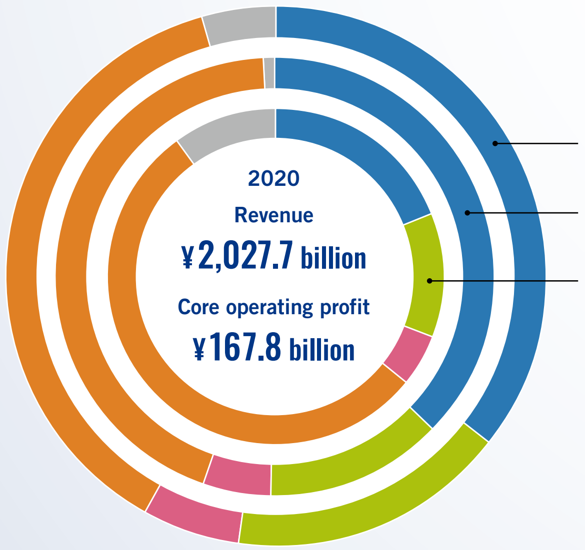
- Integrate sustainability into management strategy through such initiatives as "Asahi Group Environmental Vision 2050" and "Sustainable Communities"
- Enhance risk management systems (enterprise risk management), strengthening global governance centered on the three pillars of Japan, Europe, and Australia

The Asahi Group's Business Foundation

Business foundation spanning the globe, centered on a three-region operating structure

Regions with production bases
Regions where we roll out products
Employees
Plants
Subsidiaries

As of December 31, 2020



Revenue breakdown by business segment*1

Core operating profit breakdown by business segment*2

Ratio of employees by business segment

- Alcohol Beverages
- Soft Drinks
- Food
- Overseas
- Other

*1 The ratio of revenue in each business to total revenue is calculated by dividing the revenue in each business by total consolidated revenue, including adjustments (corporate/elimination).

*2 The ratio of core operating profit in each business to total core operating profit is calculated by dividing the core operating profit in each business by total consolidated core operating profit (excluding amortization of intangible assets occurring following acquisitions), including adjustments (corporate/elimination).

Region	Employees	Plants	Subsidiaries
Japan	13,878	34	49
Europe	10,097	17	43
Oceania	3,544	14	79
Southeast Asia	2,016	5	32
Other Regions	315	1	4

The Asahi Group's Evolving Global Management

Aiming to further strengthen Group-wide collaboration to promote *glocal* value creation management

Global Senior Leadership Meeting

P.48

Aiming to gather the best practices in each region to become a global leader

Global Sustainability Committee

P.50

Managing global brands in an integrated manner to accelerate growth

Global Marketing Council

P.56

Controlling overall risk across the Group effectively and efficiently and clarifying risks to take and risks to avoid

Implementing enterprise risk management (ERM)

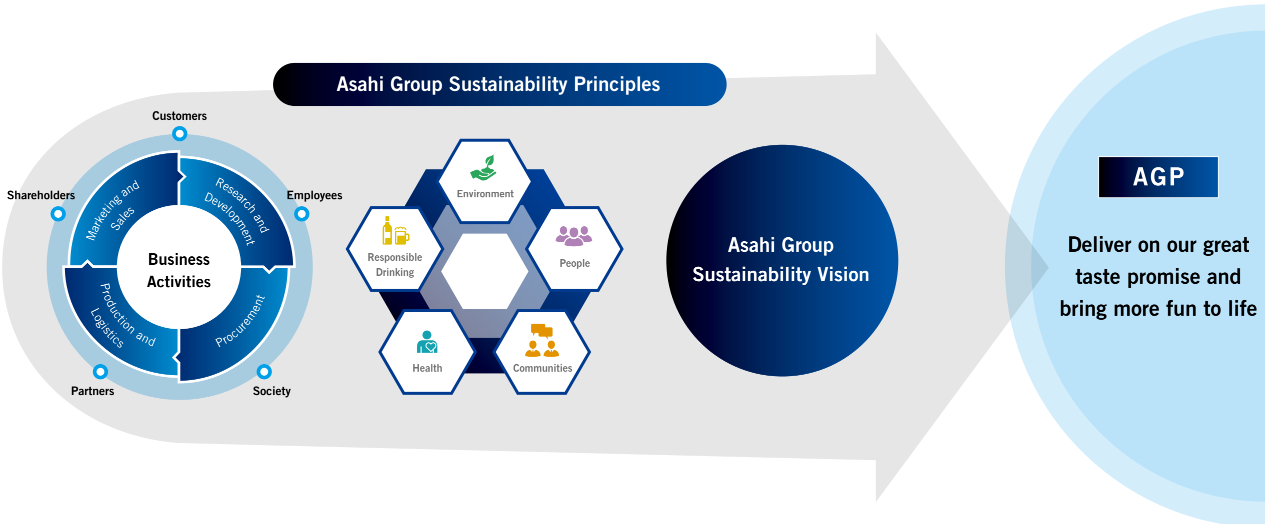
P.94

Key Agenda 01 Sustainability

Sustainability of the Asahi Group

The Asahi Group aims for the complete integration of sustainability within its management. Guided by that aim, in 2020 the Group completely renewed its sustainability policies, vision, material issues, and promotion structure. The Group has also established KPIs for each of its material issues and is closely monitoring the progress of efforts to address these issues.

Under the renewed sustainability structure, we have made it a policy to establish task forces to handle important sustainability-related themes. In advance of other themes, we established the Environmental Task Force in 2020. For certain themes of environmental initiatives, we have established Group-wide targets and have worked to incorporate those targets into the targets of each Regional Headquarters (RHQ). In particular, for climate change, we upwardly revised our interim goal under Asahi Carbon Zero, which aims to achieve zero CO_2 emissions. At the same time, we incorporate the revised values of this goal into the road map at each RHQ and established individual targets accordingly (see table below). We are also establishing Group-wide targets for themes other than climate change and are taking steps to apply these targets to the targets of each RHQ to an even greater extent.



KPIs for Climate Change

	Japan	Europe	Oceania	Southeast Asia
2050	Asahi Carbon Zero — **Asahi Carbon Zero —The Asahi Group's Medium- to Long-Term Target for Reducing CO_2 Emissions** Reduce our CO_2 emissions in Scope 1, 2, and 3 to zero, thereby becoming carbon neutral*1			
	Reduce CO_2 emissions in Scope 1 and 2 by 50% (compared with 2019)*2 Reduce CO_2 emissions in Scope 3 by 30% (compared with 2019)*1			
2030	Reduce CO_2 emissions every year by 1% or more over the previous year	Reduce CO_2 emissions in Scope 1 and 2 to zero by introducing renewable energy at plants, thereby becoming carbon neutral	Reduce CO_2 emissions in Scope 1 and 2 by 50% (compared with 2019)	Reduce CO_2 emissions in Scope 1 and 2 every year by 2% or more over the previous year
2025	• Use renewable energy for 100% of electricity purchased at all production bases • Reduce CO_2 emissions every year by 1% or more over the previous year	Shift to 100% renewable energy for the electricity used at plants	Shift to 100% renewable energy for the electricity used in Australia and New Zealand	Reduce CO_2 emissions in Scope 1 and 2 every year by 2% or more over the previous year

*1 Applicable companies: Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Europe and International Ltd., and Asahi Holdings (Australia) Pty Ltd
*2 Applicable companies: Operating companies in Japan, Asahi Europe and International Ltd., and Asahi Holdings (Australia) Pty Ltd

KPIs Based on Material Issues

Materiality	Theme	Organization	Risk/Chance	KPI
Environment P.22	Sustainable raw material procurement	AGS	Risk	Raise the ratio of palm oil purchased from RSPO-certified suppliers to 25% in 2021 (Book and Claim certification system)
		AHSEA	Risk	Purchase 20% of palm oil from MSPO-certified suppliers by 2021 in Malaysia
	Sustainable containers/ packaging	Operating companies in Japan, AHA, AHSEA	Risk Chance	Realize 100% utilization of materials for plastic containers that can be used effectively by 2025 * Effective use: Reusable, recyclable, compostable, thermal recyclable, etc.
		AEI	Risk Chance	Use only containers, as well as secondary packaging, that are reusable or fully recyclable by 2030
		ASD	Risk Chance	Make the ratio of eco-friendly materials in plastic containers 60% by 2030
		AEI	Risk Chance	Use only containers, as well as secondary packaging, that are made chiefly from recycled content by 2030
		AHSEA	Risk Chance	Use recycled materials on 30% of PET bottles by 2025
		ASD	Risk Chance	Achieve sales target for unlabeled bottles
		AEI	Risk Chance	Reduce plastic container/packaging by 25% by 2030 (compared with 2019)
		AHSEA	Risk Chance	Reduce the amount of single-use plastic used per liter of product by 5% annually through to 2025
		AHSEA	Risk Chance	Increase the ratio of FSC-certified cardboard used for product packaging to 100% by 2021
	Sustainable water resources	Entire Group*1	Risk	Reduce water intensity to 3.2 m^3/kl or less by 2030 through streamlining of water usage and expansion of recycling system
		Entire Group	Risk	Carry out water risk survey periodically (once every 5 years) at Group manufacturing bases
		AB	Risk Chance	Achieve water neutrality at all breweries in Japan by 2025 through the utilization of Asahi Forest
	Circular economy	Operating companies in Japan	Risk Chance	Maintain the 100% recycling rate for all by-products and waste
People P.34	Respect for human rights	HD	Risk	Complete a round of the human rights due diligence process at suppliers by 2022
	Human resources development	HD	Chance	Achieve the following targets for the numbers of participants in training programs: • LEAD (a program to develop business leaders in Japan): 80 • Global Leadership Development Program (a program to develop *glocal* business leaders): 20 • One Young World (an external training program focused on resolving global issues): 15
	Diversity	HD	Chance	Increase the ratio of women holding managerial positions to 20% by 2021
	Workforce health and safety	AB	Risk	Achieve a 100% participation rate in the seminar for managers, seminar for supervisors, and training for employees, which are all intended for plant employees
		Operating companies in Japan	Chance	Achieve a 100% stress check implementation rate
		Operating companies in Japan	Chance	Achieve a 98% rate for the medical consultation of metabolic syndrome by 2023
		Operating companies in Japan	Chance	Achieve a 45% rate for the implementation of guidance on lifestyle diseases by 2023
Communities P.38	Create people-to-people connection	ASD	Chance	Achieve 2021 target for the number of original regional co-creation measures implemented by business units
		ASD	Chance	Achieve 2021 sales target for "*Mitsuya Nihon Kudamono*" made with domestically grown specified fruit varieties
		AHSEA	Chance	Conduct community participation programs such as beach cleanups at each business unit twice a year
	Realize sustainable supply chains	HD	Risk	Conduct 12 on-site interviews based on the supplier CSR questionnaire
Health P.40	Secure food safety & reliability	Entire Group	Risk	Achieve zero quality accidents
		AHSEA	Risk	Acquire HACCP certification for all plants by 2022
	Create value of health	ASD	Chance	Achieve the sales targets for Foods for Specified Health Uses, Foods with Functional Claims, and healthcare products Target products: *Karada Calpis, Karada Juroku-cha*, etc.
		ASD	Chance	Achieve sales targets for the 100ml series, which advertises value of health Target products: *Todoku Tsuyosa-no Nyusankin, Mamoru Hataraku Nyusankin*, etc.
		AHSEA	Risk Chance	Reduce the quantity of sugar contained in 70% of the RTD products in Malaysia to 5g or less per 100ml by 2021
Responsible Drinking P.42	Reduction in inappropriate drinking	Entire Group*2	Risk	Achieve a 100% participation rate of employees in at least one training program by 2023
		Entire Group	Risk	Achieve 80% compliance with IARD Digital Guiding Principles by 2021
		Entire Group	Risk	Display age restrictions on alcohol consumption on all products under alcoholic beverage brands (including non-alcoholic beverages sold under that brand) by 2024
	Solution of social issues through creation of new drinking opportunities	Entire Group	Chance	Achieve 15% low-alcohol and non-alcohol sales composition ratio by 2025
		AB	Chance	Achieve 20% low-alcohol and non-alcohol sales composition ratio by 2025
		AEI	Chance	Achieve 20% non-alcohol sales composition ratio by 2030
		AHA	Chance	Achieve 25% low-alcohol and non-alcohol sales composition ratio by 2025

Note: Abbreviations stand for the following operating companies.
HD: Asahi Group Holdings, Ltd., AB: Asahi Breweries, Ltd., ASD: Asahi Soft Drinks Co., Ltd., AGS: Asahi Group Foods, Ltd., AEI: Asahi Europe and International
AHA: Asahi Holdings (Australia) Pty Ltd, AHSEA: Asahi Holdings South East Asia
*1 AB, ASD, AEI, AHA, AHSEA
*2 Operating companies in Japan, AEI, AHA

Environment

The Asahi Group is promoting efforts to address the material issue of "the environment," guided by Asahi Group Environmental Vision 2050. The Group established this vision based on the two goals of "aim to achieve zero environmental impact in our business activities (neutral)" and "utilize the Group's proprietary technologies to create more environmental value in society (plus)."

Zero Environmental Impact (Neutral)

Respond to Climate Change

The Asahi Group has established Asahi Carbon Zero as a medium- to long-term goal for reducing CO_2 emissions. In regard to the Scope 1 and Scope 2 target for 2030 under Asahi Carbon Zero, we changed our target for CO_2 reduction from 30% to 50% in February 2021. In addition, we changed the base year set for these targets from 2015 to 2019 to better reflect the scope of our current business, which has grown following our business expansion. Through these revisions, Asahi Carbon Zero has been recognized by the Science Based Targets (SBT) initiative for its commitment to the "1.5℃ Target," which aims to limit the global average temperature rise caused by climate change to less than 1.5℃ compared with pre-Industrial Revolution levels.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Asahi Carbon Zero

Scope 1 and Scope 2 Target for 2030

New target for 2030

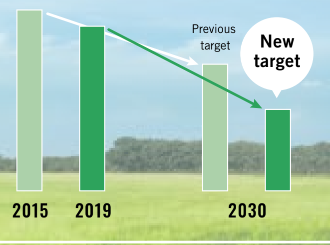
50% reduction
(Compared with 2019)

Previous target for 2030

30% reduction
(Compared with 2015)

Overview of the Revised Target under Asahi Carbon Zero

- Changed base year to 2019 to reflect the current state of affairs following business expansion through acquisitions
- Significantly raised targets for CO_2 reduction



Participation in the International Environmental Initiative RE100

In October 2020, we became the first company in the Japanese beverage industry to join RE100, an initiative that aims to use renewable energy for 100% of the electricity consumed for business activities. By joining this initiative, we aim to realize a shift to 100% renewable energy by 2050. We are moving forward with efforts to achieve this goal, and by 2025, we expect that 90% of our production bases, including those overseas, will have switched to renewable energy for 100% of their electricity purchases.

RE100 CLIMATE GROUP | CDP

Initiative in Oceania

In the Oceania business, we have committed to source 100% of our electricity from renewable energy by 2025. As part of this commitment, in 2018 we signed a power purchase agreement (PPA) to enable our purchase of renewable electricity. A PPA is a direct contract with a power producer that allows corporations to procure renewable electricity generated from wind or solar. Through this effort toward renewable energy, we are able to announce that the mainstay brand *Victoria Bitter* has now been brewed with 100% solar electricity since 2020.

Photo credit: BayWa r.e. renewable energy

Initiative in Europe

In the Europe business, we aim to switch to 100% renewable electricity at our factories by 2025 and, by 2030, we aim to have all our factories be carbon neutral. We are continuing to work toward achieving renewable electricity usage at our breweries in Poland by 2021 and in Italy and Romania by 2023.

Initiative in Japan

Asahi Breweries, Ltd. has been expanding the utilization of green power,* which it uses under a contract with Japan Natural Energy Company Limited, for *Asahi Super Dry* 500 ml since late May 2020. By doing so, the products that Asahi Breweries manufactures using green power now include *Asahi Super Dry* 350 ml and 500 ml cans, *Asahi Dry Zero* 350 ml cans, and all beer products in gift sets.

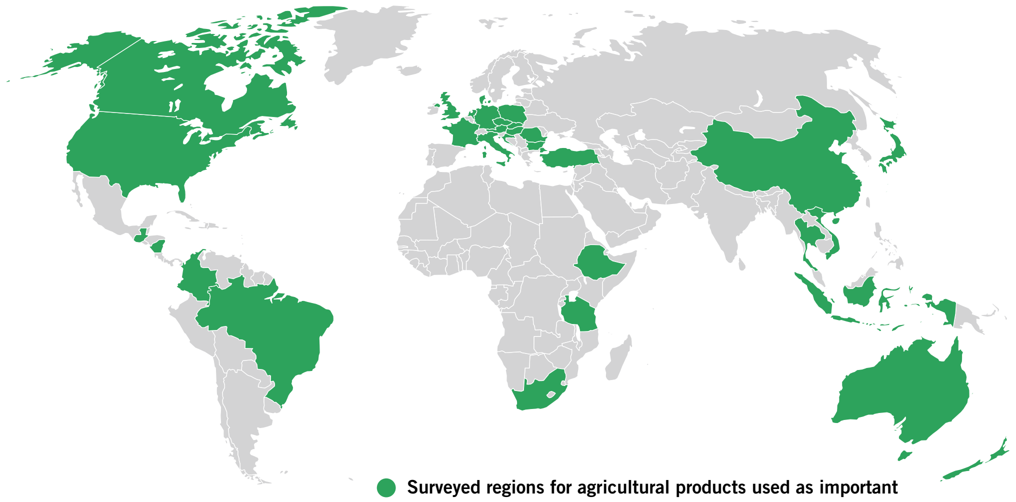
* Electricity generated using natural energy that has a low environmental impact, such as wind power and biomass energy. Asahi Breweries has been using Green Power Certification Systems since 2009.

Environment

Make Sustainable Use of Resources—Agricultural Raw Materials

Based on the “Asahi Group Sustainable Procurement Principles,” the Asahi Group is working to realize the “Asahi Group Supplier Code of Conduct” in collaboration with its suppliers. By doing so, the Group is promoting procurement activities that give consideration to sustainability. As part of these activities, we commenced a survey on human rights risks and environmental risks pertaining to the agricultural products we use as important raw materials for our alcohol and soft drink products and pertaining to the areas in which these agricultural products are produced.

In areas in Europe that produce barley and hops, we are promoting efforts in collaboration with local stakeholders with the aim of reducing environmental burden and realizing the stable production of high-quality raw materials. Also, in the Czech Republic, we are holding discussions with relevant government agencies, experts, and other related parties with the goal of securing water for hops production.



Surveyed regions for agricultural products used as important raw materials in alcohol and soft drink products

Make Sustainable Use of Resources—Water

To realize the sustainable use of water resources, the Asahi Group endeavors to reduce the amount of water it uses with the goal of achieving a basic unit of water consumption of 3.2 m³/kl or less by 2030. In addition, we are moving forward with water risk surveys at our production bases in order to ascertain and eliminate water risks.

▶ Efforts to Reduce Water Consumption at Yatala Brewery

The water recycling facility at the Carlton & United Breweries’ Yatala Brewery produces high-quality recycled water. This recycled water is used in various settings within the manufacturing process (excluding any processes which come in contact with product), such as cleaning steam generators and production tanks, as well as creating steam used for heat sterilization. In this way, we are working to reduce the amount of valuable water resources that we consume. In addition, by reviewing our manufacturing processes, we are taking steps to reduce the volume of water used itself, in such ways as reducing the amount of water used for cleaning within the changeover process to manufactured products, as well as optimizing the washing cycle for production lines and plumbing.

Through these efforts, the Yatala Brewery has realized a high level of water use efficiency, using only on average 2 m³ of water to manufacture 1 kl of product.

Make Sustainable Use of Resources—Containers and Packaging

Guided by its Approach to Sustainable Containers and Packaging, the Asahi Group has established the “Guidelines of Container and Packaging Design” and is working to promote the 3R (reduce, reuse, recycle). To address the urgent global issue of plastic pollution, the Group has established its “Guidelines on Plastic,” and is moving forward with efforts to achieve the targets adopted under “3R + Innovation,” a strategy for realizing sustainable containers and packaging, with a view to 2030.

▶ Initiatives to Reduce Plastic Containers and Packaging in Europe

For the *Grolsch* brand in the Netherlands, in 2020 we started a pilot program to replace plastic shrink wrap used for six packs of beer cans with cardboard TopClip packaging, thereby working to reduce the amount of plastic we use. At the moment, this initiative has only been rolled out in certain regions. However, by replacing plastic packaging with TopClip across all regions in the Netherlands in 2021, we will reduce the amount of plastic we use a year by 100,000 kg, which is equivalent to 4 million plastic bags.

▶ Promoting the Use of Recycled PET Resin

For the mineral water brand *Cool Ridge*, we began the process of transferring our still water bottle products to 100% recycled PET resin in 2019 (excluding the cap and label). In addition, at Asahi Soft Drinks Co., Ltd., we have started to use recycled PET resin on certain parts of product packing for such products as *CALPIS WATER* and *MITSUYA CIDER* and are working to gradually expand the use of this resin to other products.

▶ Recycling Plastic through Collaboration That Goes Beyond the Beverage Industry

Asahi Group Holdings, Ltd. is collaborating with R Plus Japan Ltd., a company that engages in the recycling of used plastics. R Plus Japan collaborates with multiple companies across various industries that form the plastic value chain, including recycled plastic processors, raw material manufacturers, container and packaging manufacturers, general trading companies, and beverage manufacturers. R Plus Japan aims to develop chemical recycling technologies that have even less burden on the environment and realize the practical application of such technologies by 2027.

R PLUS JAPAN

Environment

Creating Environmental Value (Plus)

Utilize Microbe and Fermentation Technologies

Expanding the Development of Agricultural Materials That Utilize Brewing Yeast Cell Walls

Asahi Biocycle Co., Ltd. engages in the sale of agricultural materials derived from brewing yeast cell walls, which are a by-product of the beer brewing process. These materials are used widely across Japan, including on farms and at baseball stadiums and golf courses that make use of natural grass. One example of the utilization of these materials is the crop rotation project that Asahi Biocycle is pursuing at former sites of rice paddies in Ikeda-cho, Ibi District, Gifu Prefecture in collaboration with the Ibigawa Agricultural Cooperative Association, Support Ibi Ltd., and Bio Seed Technologies Inc.

Former sites of rice paddies have poor drainage, and, as a result, the kinds of crops that can be grown on these sites are limited. Furthermore, putting these areas to a new use requires large-scale water drainage measures and soil-making activities over the course of several years. Due to these factors, former sites of rice paddies are often abandoned and no longer used for crop cultivation, which has become an issue.

Under the crop rotation project, Asahi Biocycle and other participating members worked from spring to fall 2020 to cultivate sweet potatoes using a former site of rice paddies. The cultivation efforts centered on the use of Asahi Biocycle's agricultural materials and were carried out without investment in new facilities such as water draining construction. These agricultural materials helped the crops take root and improve their development, leading to an increase in yield of roughly 1.3 times over the previous year. As a result, the project has had success with the cultivation of sweet potatoes, which ordinarily can only be cultivated using soil with proper drainage.

By continuing to help make use of former sites of rice paddies and other abandoned agricultural sites, Asahi Biocycle aims to revitalize the agricultural industry and increase the food self-sufficiency rate going forward. At the same time, the company will work to expand the settings in which its agricultural materials are used.

Harvesting the sweet potatoes, September 2020

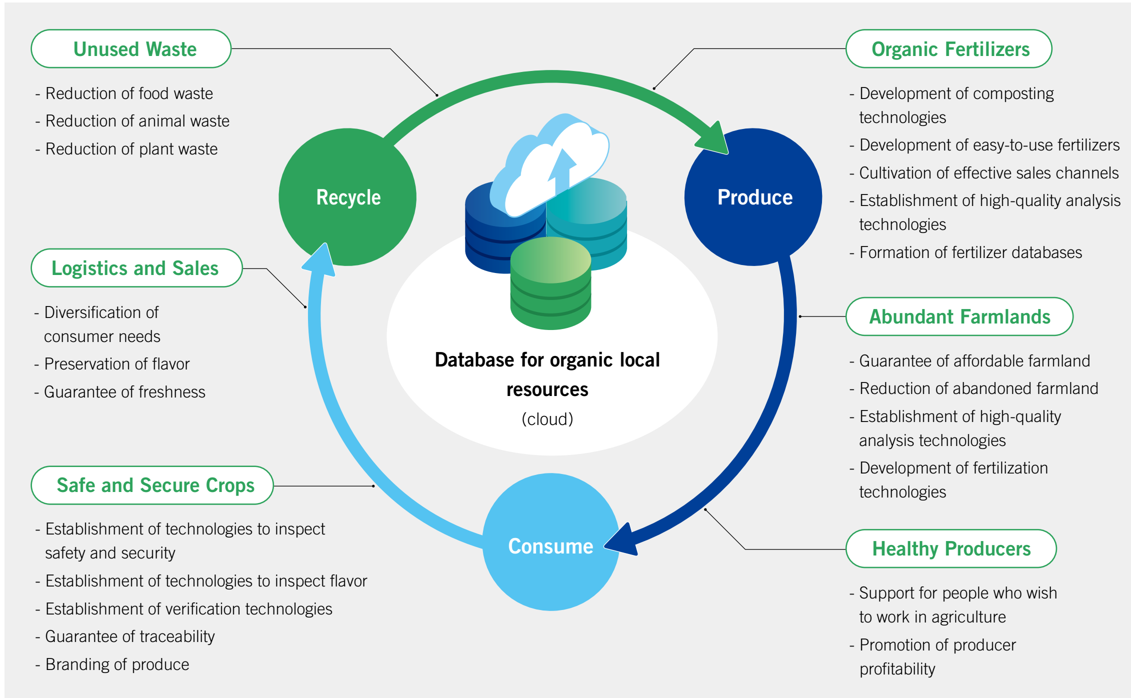
Kunihiko Takahashi, Representative Director, Senior Managing Corporate Officer, Support Ibi Ltd.

Contributing to the Recycling of Local Organic Resources with the Composting Promoter *Thervelics*

Although Japan relies heavily on the import of food and resources to produce food, large quantities of food are wasted and, in each region, massive costs are required to dispose of this wasted food. Furthermore, CO_2 is emitted when organic matter that could potentially be reused in an effective manner is incinerated, which in turn negatively impacts the environment.

Working together with Well Create Co., Ltd., the NTT West Group, and the SOFIX Agricultural Promotion Organization, Asahi Biocycle implemented a verification project related to the recycling of local organic resources in Miyagi, Shiga, and Okinawa prefectures from July 2020 to February 2021.

For this project, Asahi Biocycle provided the composting promoter *Thervelics*, which contains useful microorganisms derived from the Group's research into the lactic acid drink *CALPIS*. Additionally, the company used microorganism analysis technologies to carry out a flora analysis* on how *Thervelics* contributed to the diversity of organically composted soil.



At Lake Biwa, Asahi Biocycle established a framework for recycling local resources by composting organic materials that have been incinerated, such as aquatic plants that grow abundantly in the lake and non-native fish species that have been removed from the lake, and subsequently utilizing the compost on farms. At the same time, the company was able to significantly reduce CO_2 emissions from the incineration process and reduce the cost of incineration as well. Furthermore, through flora analysis, the company clarified changes to the composition of microorganisms within compost and soil. In this way, Asahi Biocycle succeeded in confirming the effectiveness of *Thervelics* as a compost promoter and in visualizing data on resource recycling.

Asahi Biocycle aims to further develop and expand the organic local resource recycling techniques promoted through this verification project to other areas going forward.

* Technology that uses the genes of microorganisms to analyze what kind of microorganisms, and to what percent, are contained within the subject of analysis, as well as how the composition of those microorganisms undergoes change, etc. Originally, the Asahi Group leveraged flora analysis to analyze intestinal flora, but is currently putting the practice to use within the analysis of soil and compost.

Environment

Efforts to Respond to Climate Change —Endorsing the Recommendations of the TCFD

The Asahi Group understands that evaluating the impact of climate change-related risks and opportunities on its businesses and drafting appropriate response measures are important matters in terms of realizing a sustainable society and ensuring business continuity. To that end, the Group endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We conducted a scenario analysis in the beer business in 2019 and expanded the scope of this analysis to the soft drinks business and all alcohol beverages businesses, including the beer business, in 2020. In 2021, we are moving forward with plans to conduct a scenario analysis in all major businesses, including the food business.

Governance

Viewing climate change as an important issue pertaining to sustainability, the Asahi Group's Global Sustainability Committee, chaired by the CEO, formulates climate change strategies. At the same time, the committee submits reports to the Board of Directors and works to strengthen a PDCA cycle under the Board's supervision. At the Global Sustainability Committee meeting held in December 2020, members including the CEOs of each regional headquarters (RHQ) held lively discussions regarding the Group's 2030 goals for reducing CO_2 emissions. As a result, we decided to upwardly revise our target values and committed ourselves to actively promoting initiatives to achieve these new values.

Please see page 50 for more information on the Global Sustainability Committee. P.50

Risk Management

In the "Asahi Group Risk Appetite Statement," which was formulated in 2020, the Asahi Group has announced its policy of promoting efforts to reduce risks that impact the natural environment.

Accordingly, climate change has been adopted as a main risk for the Group within our enterprise risk management (ERM) system. While working to set in motion a PDCA cycle under this management system, we are pursuing risk management on a Group-wide basis through collaboration between our sustainability management system, renewed in 2020, and the ERM system.

Please see page 94 for details on the collaboration between climate change risks and ERM. P.94

Indices and Targets

We formulated and announced our medium- to long-term goal for reducing CO_2 emissions, Asahi Carbon Zero, with the aim of achieving zero CO_2 emissions by 2050. In order to increase the probability of achieving this target, in December 2020 we upwardly revised our 2030 goal to a 50% reduction (compared with 2019). At the same time, we renewed our road map toward realizing Asahi Carbon Zero by promoting initiatives such as participating in RE100 and acquiring Science Based Targets (SBT) 1.5℃ verification. In addition, we are establishing and implementing initiatives to realize the use of sustainable materials, such as agricultural raw materials, packaging, and water.

Please see page 20 for details on our specific indices and targets. P.20

Strategies

In 2020, we took on the challenge of expanding the scope of and enhancing our scenario analysis. As a result of carrying out more extensive and accurate scenario analysis, various impacts and risks have become apparent, such as reduced yields of agricultural products, important raw materials, and increased costs of production and container purchasing due to the introduction of carbon taxes.

Meanwhile, we are also beginning to see the potential for limiting such impacts and acquiring business opportunities by reinforcing mitigation and adaptation policies in response to risks. We will reflect the results of our scenario analysis when establishing KPIs and the road map for achieving our goals in line with Asahi Group Environmental Vision 2050.

Results of Scenario Analysis and Direction of Response Measures

Similar to our efforts in 2019, as a result of analyzing climate change risks based on the 2℃ scenario and the 4℃ scenario referencing the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we have been able to confirm two risks with major impacts: the reduction of Asahi Group's main agricultural raw material yields and increased costs of production and container purchasing due to the introduction of carbon taxes.

Risks Related to the Reduction of Main Agricultural Raw Material Yields and Response Measures

Risk ▶ **Reduced Yields of the Company's Main Agricultural Raw Materials**

Under the 4℃ scenario, we found that yields were significantly reduced for corn and coffee. Using a price estimation model, we estimated the cost of this impact.

Yield Forecasts for Each Scenario as of 2050 (Compared with Current Yields)

More than a 15% decrease compared to now

Main Ingredients of Beer

Item	Country of Production	2℃ Scenario	4℃ Scenario
Barley	Canada (Spring)	+1%	+2%
	France (Spring)	-10%	-18%
	France (Winter)	-5%	-10%
	Eastern Region of Germany (Winter)	+8%	+19%
	Australia	-7%	-13%
	Czech Republic (Spring)	+18%	+7%
Hops	Czech Republic (Yield)	-5%	-7%
	Czech Republic (Quality)	-13%	-25%

Common Ingredients of Alcohol Beverages and Soft Drinks

Item	Country of Production	2℃ Scenario	4℃ Scenario
Corn	United States	-12%	-24%
	Brazil	-3%	-9%
¥1.97 billion	Argentina	-9%	-16%
	China	0%	-10%
	Ukraine	-17%	-26%
	Australia	-13%	-27%

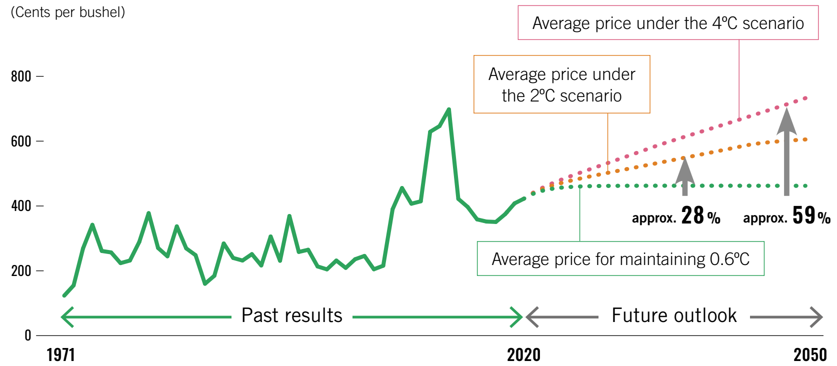
Main Raw Materials of Soft Drinks and Alcohol Beverages Other Than Beer

Item	Country of Production	2℃ Scenario	4℃ Scenario
Sugar	Australia	+1%	+2%
	Brazil	+3%	+12%
	India	0%	-3%
	Japan	+2%	+21%
	Thailand	-26%	-45%
Raw Milk	Australia	-9%	-19%
	United States	-6%	-11%
	Japan	-2%	-3%
	New Zealand	-2%	-2%
Coffee	Brazil	-8%	-23%
	Colombia	-4%	-15%
¥2.66 billion	Guatemala	-11%	-17%
	Tanzania	-2%	-9%
	Ethiopia	-8%	-25%
	Vietnam	-9%	-24%
	Indonesia	-10%	-30%

Quantitative risks of yield reduction

Forecast for Price of Corn

(Cents per bushel)



Supply–demand balance
×
GDP per capita
×
Previous year's market conditions

Using factors that cause corn price fluctuations, such as supply–demand balance, GDP per capita, and the previous year's market conditions, we created a formula from past results and calculated future prices based on this formula.

Environment

Response Measures ▶ Direction of Response Measures for Reducing Yields of Agricultural Products

The Asahi Group intends to pursue the following measures to address the risks related to its main agricultural raw materials.

Cooperating with Suppliers

We share the risks associated with agricultural products with our suppliers, and we are considering ways to enhance crop varieties so that they can cope with climate change. We are also examining the development of alternatives to materials that we currently use. Furthermore, going forward, we will reinforce the partnership that the Group has with suppliers and implement various policies in order to respond to further reduced yields in the future.

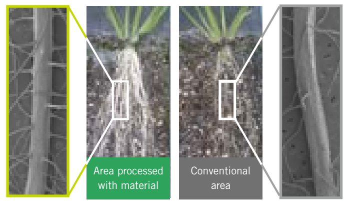
Supporting Farmers

The Asahi Group is undertaking a number of initiatives, such as supporting barley farmers in Italy who create the main ingredient for our products and conducting a pilot test in the Czech Republic to promote smart farming for hop cultivation.

Birra Peroni (Italy)

Utilizing In-House Technology

The Asahi Group is developing an agricultural material that utilizes the cell walls of brewer's yeast. This material promotes the growth of plant roots and, through its utilization, we hope to improve the ability of agricultural products to cope with environmental changes due to climate change. We have already achieved results with various agricultural products and, going forward, we will expand the use of this agricultural material and promote research geared toward its practical application.



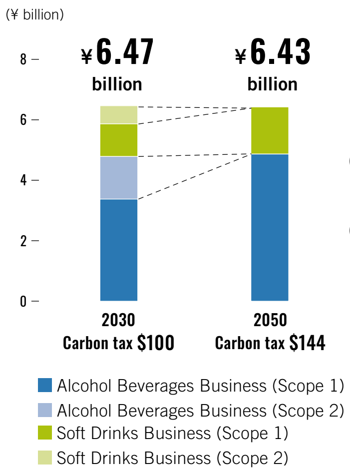
Root growth promotion by utilizing the cell walls of brewer's yeast

Risks Related to the Introduction of Carbon Taxes and Response Measures

Risk ▶ Cost Increases Due to Carbon Tax Introduction

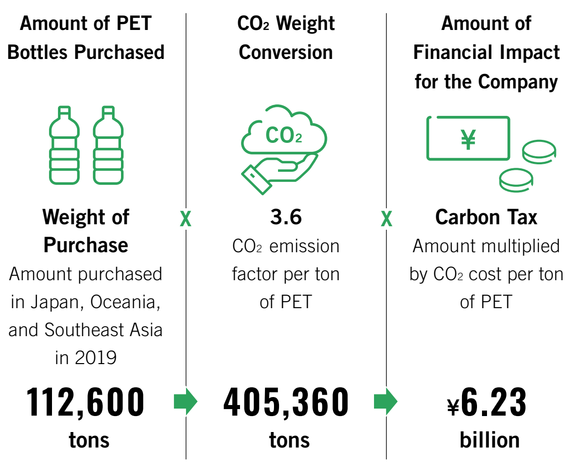
We conducted estimations of higher production costs for direct operations if a carbon tax is introduced and increased costs due to fluctuating prices of PET bottles.

Impact on Production Costs



Calculating the monetary impact of CO_2 emissions on production phases

Impact of Fluctuating PET Bottle Prices

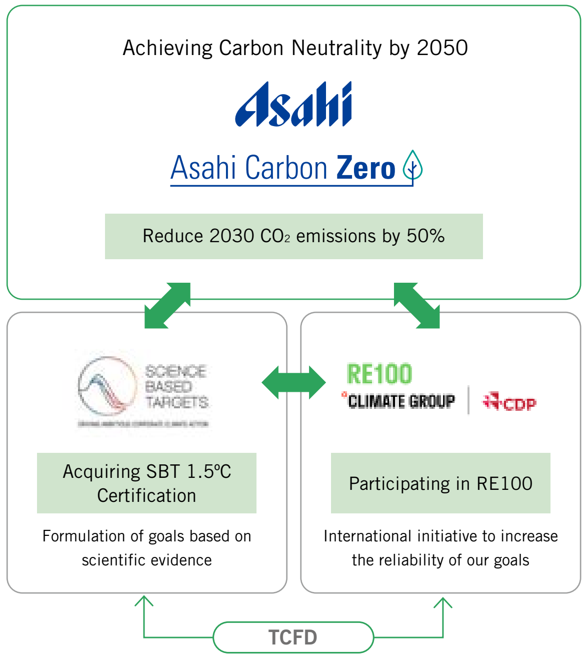


Response Measures ▶ Direction of Response Measures for Increased Production Costs Due to Carbon Tax Introduction

The Asahi Group has been striving ambitiously to set high goals for reducing CO_2 emissions.

Upwardly Revising 2030 Goals for Reduction of CO_2 Emissions

In order to accelerate initiatives for achieving carbon neutrality by 2050, we upwardly revised our 2030 goal values from the current 30% reduction to a 50% reduction. We have confirmed that this revised target would result in a reduction of ¥2.23 billion in CO_2 costs in 2030 and the full cost amount of ¥6.43 billion in 2050. We recognize that the strategies we are currently striving toward are highly resilient to the rising costs of climate change and are appropriate from a resilience perspective.



Utilizing In-House Technology

As part of our decarbonization initiatives, we have begun a demonstration project at the Ibaraki Brewery of Asahi Breweries, Ltd. to generate electricity using fuel cells powered by biomethane gas derived from brewery wastewater, which could serve as a new model for reducing CO_2 emissions.

Response Measures ▶ Direction of Response Measures for Fluctuating PET Bottle Prices Due to Carbon Tax Introduction

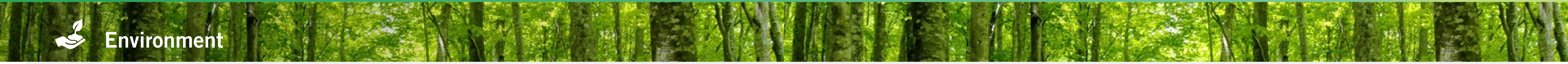
We have adopted the Group-wide goal of 3R + Innovation, and are striving to lower our environmental burden through sustainable containers and packaging.

Switching to Recycled PET Bottles

In Australia, we have launched *Cool Ridge*, a mineral water with a bottle made from 100% recycled PET. In Japan, we began to use recycled PET for *CALPIS WATER* and other beverage bottles from July 2019. Going forward, in addition to our 3R initiatives, we will minimize our negative environmental impacts by reinforcing our alliances with other companies.

Reducing the Weight of PET Bottles

Asahi Group operating companies will continue efforts to reduce the weight of PET bottles, and are also considering utilizing alternative containers and expanding the use of PET bottles made from biomass materials.



Environment

Column Issuance of Green Bonds

On October 15, 2020, the Asahi Group became the first domestic food manufacturer to issue Green Bonds. The proceeds raised through the issuance of these bonds will be used for such matters as procuring recycled PET, procuring biomass plastic, purchasing renewable energy, and promoting conservation activities at the Company forest "Asahi Forest."

Through the implementation of the projects targeted with the bonds, we will respond to climate change and promote the sustainable use of resources with the aim of achieving Asahi Group Environmental Vision 2050.

Overview of Green Bonds

Issuer	Asahi Group Holdings, Ltd.
Maturity	Five years
Issue amount	¥10.0 billion
Issue date	October 15, 2020
Use of proceeds	• Procurement of recycled PET • Procurement of biomass plastic • Purchase of renewable energy • Forest conservation activities at Company forest "Asahi Forest," etc.

Framework

Use of proceeds	**(1) Initiatives toward achieving Asahi Carbon Zero** Purchase of renewable energy, introduction of energy-saving equipment at plants, introduction of heat-pump vending machines **(2) Initiatives toward using sustainable containers and packaging** Procurement of recycled PET, procurement of biomass plastic **(3) Initiatives toward promoting sustainable water resources** Forest conservation actives at the Company forest "Asahi Forest"
Process for project evaluation and selection	Projects that are eligible to receive the proceeds raised through these Green Bonds are evaluated and selected by Asahi Group Holdings' Corporate Strategy Board or at each Group company's management meetings in accordance with the Group's Sustainability Strategy, which was determined by the Global Sustainability Committee.
Management of proceeds	The proceeds raised by the Green Bonds will be managed by the Finance of Asahi Group Holdings, Ltd. under a special Green Bond bank account. The Finance will track and manage the proceeds on a quarterly basis using an internal management system. Until Green Bond proceeds are actually allocated to eligible projects, they will be held in cash or cash equivalents.
Reporting	Until the total amount of Green Bond proceeds are allocated to eligible projects, or as long as there are Green Bonds outstanding, Asahi Group Holdings will report the status of proceed allocation on its corporate website and in its integrated report on a yearly basis. Additionally, as long as there are Green Bonds outstanding, the Company will report the positive environmental impacts of eligible projects on its corporate website and in its integrated report on a yearly basis, in the same manner as it reports the status of proceeds allocation.

Voice

Accelerating Initiatives from a Financial Perspective

Shunjiro Sakano
Head of Finance, Executive Officer
Asahi Group Holdings, Ltd.

We are currently picking up the pace of initiatives aimed at achieving Asahi Group Environmental Vision 2050, and I believe a major reason why we are doing so is the fact that we have been positively impacted by the approaches and actions that new members of the Asahi Group, which have joined us amid our overseas expansion, are taking toward ESG initiatives. With this development, we had a discussion within Finance on what we can do from a financial perspective to help accomplish the vision.

As the awareness of the Sustainable Development Goals (SDGs) rises around the world, it is important that we clarify more specifically how the Group's individual efforts contribute to the realization of the SDGs. One effective way that we can do that is to publicly commit each of our initiatives to realizing the SDGs by clarifying frameworks for how we use proceeds raised through the issuance of Green Bonds. Our recent issuance of Green Bonds was realized through close collaboration between Finance and Sustainability. Being the first Green Bond issued by a food manufacturer in Japan, we have had a broad range of investors express their interest to invest.

Going forward, we will bring together the individual initiatives of each Asahi Group company as we move forward with examinations on how we can raise funds in a manner that provides added value from the perspective of the SDGs. By doing so, we will help realize a sustainable society.

Report on Allocation

Approximately ¥564 million was allocated to expenditures in eligible projects in 2020.

Purchase of renewable energy: ¥44 million
Introduction of heat-pump vending machines: ¥207 million
Procurement of recycled PET, procurement of biomass plastic: ¥269 million
Etc.

Impact Report

	2020
(1) Status of initiatives toward achieving Asahi Carbon Zero	
Amount of renewable energy electricity purchased	14GWh
Amount of CO_2 emissions reduced	1,674t
(2) Status of initiatives toward using sustainable containers and packaging	
Amount of eco-friendly materials used, such as recycled PET and biomass plastic	2,419t
(3) Status of initiatives toward promoting sustainable water resources	
Overview of Asahi Forest	Land managed under Asahi Forest in 2020 was 2,467 ha, helping Asahi Breweries, Ltd. becoming 95% water neutral

Note: Certain items were revised based on the most recently available environmental data to ensure appropriate reporting.

People

For the material issue of "people," the Asahi Group has commenced efforts to create human rights due diligence for employees and suppliers. At the same time, the Group is taking steps to formulate and implement globally shared human resource strategies.

Respect for Human Rights

Conducting a Labor Conditions Survey of Foreign Technical Interns in an Effort toward Due Diligence for Employees

Based on the results of a gap analysis that we conducted in 2019, we discovered that issues related to foreign technical interns in terms of forced labor among employees in Japan pose a high level of risk and, accordingly, should be addressed with priority. To that end, we conducted a labor conditions survey at the Okayama Plant of Asahi Group Foods, Ltd., which accepts foreign technical interns, based on Group data pertaining to the number of non-regular foreign workers and foreign technical interns working at all Group companies in Japan. This investigation was carried out in collaboration with The Global Alliance for Sustainable Supply Chain (ASSC) and involved a labor conditions survey of 40 technical interns and native-language interviews with these interns. The investigation yielded an overall positive evaluation, finding that there was interest among interns in the Technical Intern Training program and that their living environment was sound. Going forward, we will strive to make various improvements, including posting notices in the employees' native languages on such matters as internal regulations and precautions within the plant and promoting educational activities on emergency response procedures.

Voice

Anticipating the Global Expansion of Asahi's Efforts in Japan

Masaki Wada
Director
The Global Alliance for Sustainable Supply Chain

In the investigation we carried out at the Okayama Plant, we confirmed various kinds of internal documents and forms, working conditions at the plant, and living conditions within the dormitory for plant workers, and conducted individual interviews with the foreign technical interns that also served as on-the-job training for implementing on-site human rights due diligence. Through this investigation, we confirmed that the working and living conditions for foreign technical interns were excellent and that the plant had established a suitable structure for taking in foreign technical interns from the perspective of in-house communication, including the provision of interpreters within the plant.

Through this investigation, I believe we gained valuable insights on the issue of illegal conduct involving systems for foreign technical interns and toward non-Japanese workers themselves, a topic that has been often covered by the media. These included improving their knowledge on how to implement on-site human rights due diligence and understanding various perspectives to consider when carrying out an investigation. The illegal conduct involving non-Japanese workers in Japan can be seen as a microcosm of the illegal conduct involving workers in Southeast Asia and other regions. Accordingly, these kinds of investigations will be continuously carried out and activities geared toward resolving future issues as they arise should be promoted. By doing so, the responsibility that corporations have to adhere to the UN Guiding Principles on Business and Human Rights could be fulfilled.

Ascertaining the Actual Conditions of Human Rights Due Diligence at Suppliers

As the first step of our efforts toward human rights due diligence for suppliers, we have started initiatives to identify supplier risks and modern slavery risks in order to ascertain the actual human rights conditions at suppliers.

Identifying Supplier Risk

To identify supplier risk, we implemented a survey targeting the primary suppliers of 21 major operating companies in Japan, Europe, Oceania, and Southeast Asia. This survey made use of the Supplier CSR Questionnaire, which we carry out on a regular basis as part of our efforts toward supply chain management. The survey's questions pertaining to human rights and labor are as follows.

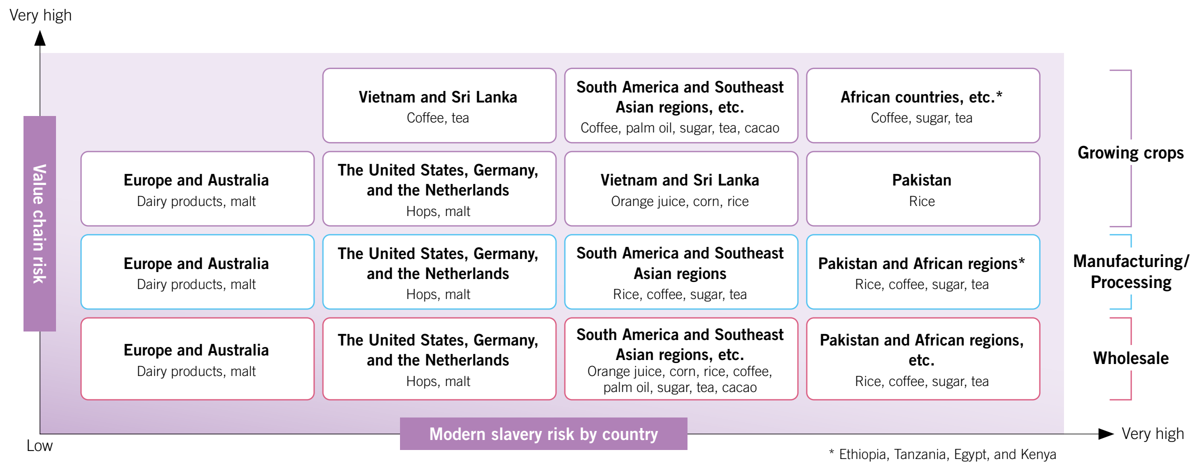
Human Rights	Labor	
• Basic attitude toward human rights • Respect for human rights and prohibition of discrimination • Avoidance of complicity in (or contribution to) human rights abuses • Respect for indigenous peoples and local communities	• Basic attitude toward labor practices • Prohibition of discrimination in the workplace • Provision of equal opportunities to employees regarding human resources development and career advancement, etc. • Prohibition of inhumane treatment • Payment of fair wages • Fair application of working hours, time off, and paid time off, etc.	• Prohibition of forced labor • Prohibition of child labor • Respect for the religious traditions and customs of the country of operation • Recognition of and respect for freedom of association and the right to collective bargaining • Proper management of employee safety and health

We provided all companies that submitted answers with the aggregate results of the survey showing differences in the average score rate and the individual rankings of each company among all responding companies. By having suppliers understand their strengths and weaknesses through this survey and work to make improvements on their weaknesses, we aim to reduce human rights risks across the supply chain.

Identifying Modern Slavery Risk

In 2017, the Asahi Group carried out an analysis of modern slavery risk. From the results of this analysis, we discovered that our coffee plantations in Ethiopia and Tanzania had the highest risk of modern slavery in terms of severity and level of impact. From 2021, we will work to ascertain the actual human rights conditions at suppliers of high-risk commodities through self-assessment questionnaires and other measures and also conduct field surveys of these suppliers. Through these means, we will identify modern slavery risk.

Main Raw Materials Procured: Analysis of Modern Slavery Risk



* Ethiopia, Tanzania, Egypt, and Kenya

Human Resource Development

Establishment of the “People Statement”

Under its Medium-Term Management Policy, the Asahi Group is promoting “*Glocal* Value Creation Management” based on the AGP. The Group has adopted “enhancing management resources” with a view to expanding new sources for growth as one key priority in the promotion of this management. Going forward, the Group will continue to step up its investment toward the intangible asset of human resources with a focus on value creation.

To demonstrate our commitment to responding to the changes in the business environment surrounding the Group and our approach to human resources both internally and externally, we established the “People Statement” in 2021 to serve as our new human resource policy.

Learning, growing, achieving TOGETHER

There’s a feeling of excitement when you’re growing, learning, doing great work and delivering results. And when we do this together, the magic really happens.

This is how we work at Asahi—We are respectful, trusting, humble and inclusive. This fuels the way we work together, our care for one another, and drives our outstanding results.

We connect, we grow, and we chase learning opportunities together—even if they come from mistakes we’ve made; and together we “deliver on our great taste promise and bring more fun to life,” which is what we stand for as a global Group.

We care deeply for one another—with our safety and physical & mental well-being always our highest priority.

We unite in our passion for excellence and respect, not just for ourselves and our teams, but also for our customers, our consumers, our communities, and our planet.

Safety and Well-being
is our biggest priority

Growth through Learning
individually and collectively

Everyone Matters
is our core belief

Better Together:
Collaboration fuels our growth

Diversity

Initiatives toward Diversity & Inclusion

Establishment of the “Global Diversity & Inclusion Statement”

We established the “Global Diversity & Inclusion Statement” to communicate our shared values and approach to diversity and inclusion on a global scale. The statement was implemented on March 8, 2021, in conjunction with International Women’s Day.

Global Diversity & Inclusion Statement

From Tokyo to Rome, Melbourne to Prague, and Auckland to Kuala Lumpur at Asahi we are a global family united by the pride in our products and the passion of our people.

Our heritage is as rich and diverse as our global family, anchored in Japanese roots. From this we draw a deep respect and care for our planet, our communities, our business, and most of all our people. Our culture is one that nurtures a sense of belonging, where every person is respected and their uniqueness celebrated.

We know that our diverse and multi-cultural organization makes us stronger, more innovative and is key to our long term success, which is why we’re committed to a future where everyone belongs, our individuality matters and we can flourish personally and professionally. A culture where ideas can come from anywhere, everyone has a voice, and we all contribute to a better future.

In-House Campaign “202inclusion (202i)”

The Asahi Group positioned 2021 as the “year of inclusion,” and commenced the global inclusion campaign “202inclusion (202i)” accordingly. This campaign aims to promote the Group’s diversity and inclusion initiatives on a global basis. The specific initiatives we are pursuing with this campaign are as follows.

Establishing a Global Diversity and Inclusion Promotion Structure

In June 2020, we launched the Global Diversity Panel through collaboration between the Group headquarters and the overseas regional headquarters with the aim of promoting diversity and inclusion Group-wide. Going forward, this panel will work to accelerate diversity and inclusion initiatives on a global scale through the establishment of clear targets for the ratio of female managers and the implementation of campaigns such as 202i.

Broadcasting Video Messages from Management

To foster a corporate culture of inclusion, we produced a video announcing the theme of “Choose to Challenge” for each individual employee. In this video, the Group CEO and 19 members of management at Asahi Group Holdings, Ltd. and three domestic Group companies (Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., and Asahi Group Foods, Ltd.) as well as three overseas (Europe, Australia, and Southeast Asia) Group companies conveyed a message to the approximately 30,000 employees of the Group, encouraging them to take on the challenge of eliminating gender-based discrimination and improving the position of female employees.

Declaration of “Choose to Challenge”

Communities

The connections between people and people and communities have weakened due to the changes in social trends, and this has led to the emergence of various issues in local communities. In light of this, the Asahi Group has positioned “Communities” as an issue to be addressed with the utmost priority. In addition to organizing its approach to communities on a global basis, the Group is moving forward with specific initiatives at each of its regional headquarters.

Establishing “RE:CONNECTION” as Our Community Activity Slogan

There has been an acceleration in economic development and the trend of mobilization among populations, leading to an imbalance in the distribution of populations, including the heavy concentration of people in urban areas and depopulation in rural areas around the world. As a result, regional connections and connections between people with a shared sense of values have weakened. The weakening of such connections has given rise to a variety of social issues, such as social isolation, deteriorating safety, declining attachment to local communities, and labor shortages in rural communities. This weakening has also been a major reason for the decline in community-based activities.

The Asahi Group has enjoyed the support of local communities over its long history. Based on the belief that it is important to reevaluate and once again promote various kinds of connections, we established “RE:CONNECTION” as the slogan of our activities toward the material issue of “Communities.”

Through the resources and technologies of the Group, we will reevaluate and further promote connections between people, people and communities, and communities and other communities as we work to resolve the wide range of issues facing local communities. By doing so, we will create and share enjoyable experiences with local community members and contribute to the realization of sustainable communities.

Establishing “Food,” “Regional Environment,” and “Disaster Relief” as the Focus Areas of Our Activities

The Asahi Group has been able to achieve sustainable growth thanks to the blessings of nature. In light of this, we have established “food,” “regional environment,” and “disaster relief” as three Group-wide focus areas for our material issue of “Communities.” We chose “food” and “regional environment” as focus areas due to the fact that these are two domains in which we have been able to leverage the strengths and expertise that we have gained through our business activities. We selected “disaster relief” as a focus area as it becomes an urgent issue during times of emergency. By engaging in activities in these three focus areas, we will accelerate the creation of various kinds of connections going forward.

Food

Regional Environment

Disaster Relief

Examples of Initiatives

Food ▶ Campus Peroni

Birra Peroni S.r.l. is promoting the Campus Peroni project with the ambition to foster dialogue and exchange knowledge and experiences between protagonists within the agricultural and cereal, a main ingredient of beer, sectors. Through Campus Peroni, it has been possible to: promote scientific research and innovation, spread the culture of quality, good practices, as well as the best models of sustainability in agriculture and the food industry. Campus Peroni’s model of exchange between research, training, and agricultural production has built a dense network of connections and comparisons for the enhancement of the supply chain. Maintaining high-quality values, continually improving efforts toward tackling climate change, and supporting the income of farmers are key priorities for Birra Peroni. Guided by these priorities, we will continue to contribute to the sustainability of local communities going forward.

Regional Environment ▶ Support for Water at CUB

With the cooperation of McColl’s Transport Pty Ltd, a major transport company in Australia, the Australia-based operating company Carlton & United Breweries Pty. Ltd. (CUB) is promoting the Water on Wheels program, which provides water to drought-stricken farmers.

With the Water on Wheels program, CUB provides specially treated recycled water left over from the brewing process at its Yatala Plant, which is the largest brewery in Australia. McColl’s then transports this recycled water to farmers impacted by droughts. CUB is working to reduce the amount of water it uses at its breweries. In addition, CUB is taking steps to reduce its impact on the local environment in such ways as making effective use of the water produced in the brewing process. Through these efforts, CUB will contribute to the sustainability of local agriculture.

Disaster Relief ▶ Activities to Respond to the COVID-19 Pandemic

Following the global spread of COVID-19, the Asahi Group has been engaging in various support activities in each region of operation. At The Nikka Whisky Distilling Co., Ltd. and the Australia-based Asahi Beverages Pty Ltd., we used in-house facilities to manufacture hand sanitizer, a product in short supply at medical and other institutions due to the pandemic. We then provided these institutions with sanitizer free of cost.

Additionally, in Japan we donated Asahi Group products to the nonprofit organization Kodomo Shokudo Support Center and to medical personnel. In the United Kingdom, the Czech Republic, Malaysia, and other countries and regions, we provided products of the Asahi Group and financial support to hospitals, fire stations, and other institutions on the front lines in the battle against the outbreak. Going forward, we will continue to provide appropriate support in accordance with the conditions in each country and region and contribute to the further expansion of relief efforts across the globe.

Health

Against a backdrop of increasing global health awareness, we are actively engaging in creating health value through our products, starting with reducing the quantity of sugar used in our products.

Aiming to Create Health Value

In order to realize Our Mission as established under the AGP—“deliver on our great taste promise and bring more fun to life”—we aim to continue to create health value. Increased awareness toward health is a global trend, and this has become even more prevalent during the COVID-19 pandemic. For many people, the changes to their lifestyles that accompanied refraining from going outside and various restrictions at public institutions, bars, restaurants, and other establishments became an opportunity for them to reevaluate their physical and mental health. Even in the area of food, which is greatly connected to health, people’s awareness has, inevitably, begun to change drastically. In order for the Asahi Group to respond to people’s health needs, we are creating health value through initiatives based on two pillars.

1. Creating Health Value through the Use of Proprietary Materials

Utilizing Fermentation and Lactic Acid Bacteria Technologies

We are carrying out initiatives to develop and cultivate new products that have health value by drawing on our long-cultivated technologies and research results related to such areas as fermentation and lactic acid bacteria. Currently, we are reinforcing our lineup of “food for specified health uses” (FOSHU) and “food with nutrient functional claims” (FNFC) by developing products such as beverages and supplements that cater to various settings in the lifestyles of our customers.

2. Providing a Wide Variety of Choice

Developing Reduced-Sugar and Sugar-Free Beverages

To respond to people’s increasing health awareness, we are increasing our product range and promoting initiatives that support customers’ healthy eating habits. In particular, in countries and regions where excessive sugar intake is an issue, we are promoting initiatives such as reducing the amount of sugar in our products and strengthening sales of sugar-free beverages. In this way, we are creating health value by proposing new choices.

Examples of Initiatives

▶ Providing Physical and Mental Health Value through Lactic Acid Bacteria and Other Proprietary Materials

We are continuing to develop products that focus on both physical and mental health by utilizing our long-cultivated lactic acid bacteria research and fermentation technologies as well as our proprietary health materials.

Asahi Soft Drinks Co., Ltd.

At Asahi Soft Drinks Co., Ltd., we are proposing various ways to balance delicious taste with ease of improving health.

In 2020, we launched a new product, *GREEN CALPIS*. The product is made with soy milk, which has a reputation for being healthy and nutritious, thereby responding to increasing health awareness.

Asahi Group Foods, Ltd.

At Asahi Group Foods, Ltd., we are expanding the direct-order businesses that handle health foods using Asahi Group proprietary materials, such as lactic acid bacteria and *Bacillus subtilis*. In 2020, we released our new product *Onaka Size* supplements that fall under the category of FNFC. In addition, we relaunched the mental health supplement *Koko Kara Care* as an FNFC. The supplement promotes three functions: relieving psychological stress, enhancing sleep quality (depth of sleep), and improving the intestinal environment.

▶ Initiatives to Reduce the Amount of Sugar Used in Our Products

In recent years, the World Health Organization (WHO) has been warning member nations of the serious issue of disease resulting from unbalanced diets around the world. Excessive sugar intake is one of the most serious issues in this regard.

Etika Beverages Sdn. Bhd.

Etika Beverages, which operates a soft drinks business in Malaysia, formulated the goal of reducing the quantity of sugar contained in 70% of RTD products to 6 grams or less per 100ml by 2021; however, it greatly surpassed this goal ahead of schedule by achieving 82% in 2020. Pepsi Black, a sugar-free carbonated beverage, and *WONDA Zero Max*, a sugar-free RTD coffee were launched in their respective markets in Malaysia. The company has also been successful with proactive product development, including the launch of three versions of *Calpis Zero* as the newest products in its sugar-free series.

Asahi Beverages Pty Ltd.

Asahi Beverages has committed to a 20% reduction in sugar across our non-alcohol portfolio from 2015 to 2025. By reducing the amount of sugar used in carbonated soft drinks and launching three sugar-free sparkling RTD beverages from the *Cottee’s* brand (2020), a well-loved Australian brand, the company has contributed to the achievement of this initiative, and we continue to pursue further reductions in our sugar content.

Responsible Drinking

Under the Group slogan “Responsible Drinking Ambassador,” introduced in 2020, we are promoting various initiatives to create new drinking opportunities and reduce inappropriate drinking in order to practice “responsible drinking.”

Resolving Social Issues through the Creation of New Drinking Opportunities

Whether refraining drinking alcohol from a health management perspective, or refraining from drinking directly before working or driving, or when pregnant or nursing, the number of customers who make the intelligent choice of consuming low-alcohol and non-alcohol beverages during various drinking scenarios is increasing. While responding to these customer needs, the Asahi Group is working to resolve social issues by expanding its lineup of low-alcohol and non-alcohol beverage products. At the same time, the Group has formulated targets toward the ratio of sales volume for products in this category to total sales volume, and is working to achieve these targets.

Low-alcohol beverage: Alcohol content of 3.5% or less
Non-alcohol beverage: Based on the laws and regulations for each sales region

Targets for Percentage of Sales Volume for Low-Alcohol and Non-Alcohol Beverages of Total Sales Volume

Regional Headquarters	Target	Target Year	Category
Europe (Asahi Europe and International)	20%	2030	Non-alcohol
Oceania (Asahi Holdings (Australia) Pty Ltd)	25%	2025	Low-alcohol and non-alcohol
Japan (Asahi Breweries, Ltd.)	20%	2025	Low-alcohol and non-alcohol
Group-wide	15%	2025	Low-alcohol and non-alcohol

“Smart Drinking” (Asahi Breweries, Ltd.)

Asahi Breweries has defined “smart drinking” as a concept that involves the development of products and services and the creation of environments that aim to expand the options for ways to enjoy drinking under various circumstances and settings and to realize a society that embraces diversity. Based on this definition, Asahi Breweries made its Smart Drinking Declaration in December 2020. In addition, Asahi Breweries has adopted targets for the percentage of low-alcohol and non-alcohol beverages, as seen in the table above. At the same time, Asahi Breweries posted the alcohol content of its major products on its corporate website in June 2021.

スマドリ
SMART DRINKING

Aiming to Reduce Inappropriate Drinking

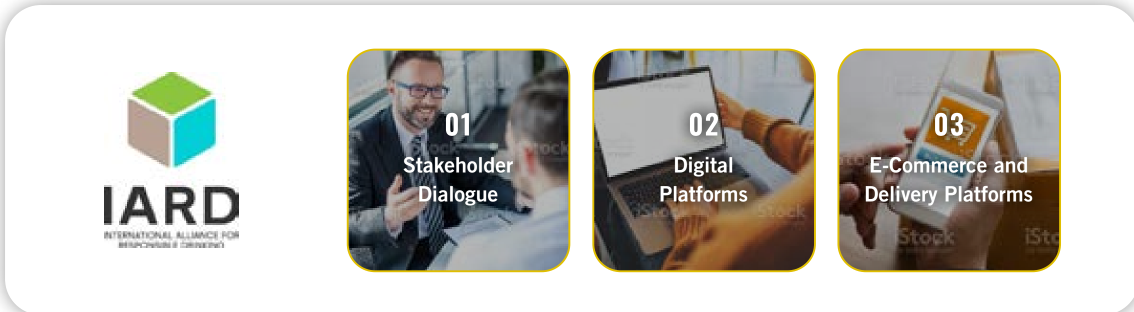
Alcohol-related social issues vary depending on country or region. Also, as many stakeholders are involved in these issues, we will work to resolve them together with industry groups, government administrations, and NPOs. In particular, for global issues, we are reinforcing the initiatives that we implemented in conjunction with the International Alliance for Responsible Drinking (IARD), a global NPO that promotes responsible drinking.

IARD Joint Statement

In January 2020, the Asahi Group announced its “IARD Joint Statement,” a five-step action plan to accelerate reduction in underage drinking in collaboration with 12 alcohol producers that participate in IARD. In addition to reinforcing existing initiatives, in this statement all member companies renewed their commitment to display information regarding the age limit for drinking on products from all alcohol beverage brands by 2024.

Resolving Alcohol-Related Issues through Collaboration with Other Industries

Since issues related to the harmful use of alcohol often involve many parties, it is important to work together with stakeholders to resolve these issues across society. Together with IARD member companies, the Asahi Group is reaching out to various stakeholders regarding themes related to each issue and is moving forward with initiatives on a society-wide basis.



01 Stakeholder Dialogue

Establish opportunities for dialogue with various stakeholders related to alcohol and its issues. Gather wisdom to resolve issues across society as a whole and reflect that wisdom in our activities.

02 Prevention of Underage Drinking in Cooperation with Digital Platforms

Join hands with digital platforms to create a framework that does not show alcohol advertisements to underage users.

03 Promotion of Responsible Drinking in E-Commerce

Due to the impact of the COVID-19 pandemic, online alcohol sales have increased dramatically, and at the same time, alcohol purchases by minors have become an issue. Through collaboration with e-commerce and delivery platforms, we have established and are implementing global standards in order to avoid purchases by and delivery to minors and people struggling with alcohol addiction.

Key Agenda 02 Global Management

Dialogue

Future Management Issues Recognized by the Board of Directors

—Management Needed for the Increasingly Globalized Asahi Group

Amid the unprecedented crisis, the COVID-19 pandemic, the Asahi Group completed the acquisition of the Australia-based CUB business, following on from the acquisition of the Europe business, with the aim of realizing sustainable growth in the future. As a result, the Group's global operating structure now spans the three regions of Japan, Europe, and Oceania. Under such a structure, the Group must now consider the steps to establish a firm presence in the global market. In this section, Chairman of the Board Akiyoshi Koji and Outside Director Tatsuro Kosaka exchanged opinions from a broad perspective regarding this issue and other future management issues.

Akiyoshi Koji
Chairman of the Board

Tatsuro Kosaka
Independent Outside Director

1. Vision for Global Management

Koji: Leveraging its global operating structure that spans the three regions of Japan, Europe, and Oceania, the Asahi Group is proceeding with its *glocal* strategies. During my time as CEO, I came to the conclusion that, when considering ways to achieve sustainable growth for the Group going forward, it is better to formulate strategies that draw on our long-cultivated strengths rather than ones that involve entering into areas in which we have little or no knowledge to promote business diversification.

When making an acquisition, I placed the most emphasis on finding companies with talented human resources, starting with upper management. Thanks in part to the efforts made to compare and contrast ideas regarding management together with the talented human resources of acquired companies, those human resources continue to play an active role within the Group even after the acquisition. Although the COVID-19 pandemic has had a major impact on all countries and regions around the world, the Europe business has exceeded its performance targets in the three years after the acquisition, and the Oceania business continues to perform strongly. I believe that this is made possible by the outstanding human resources that belong to each business.

Kosaka: In only a matter of a few years, the Asahi Group, which conventionally realized growth centered on Japan, has invested over JPY 2 trillion to establish a global operating structure that spans over three regions. This kind of rapid globalization has also given rise to various issues. The first issue is that there is a lack of globally focused management and experience with global human resource management at the Global Headquarters (GHQ). Furthermore, there is a lack of talent that can oversee global management. I believe that these are two major issues that the Group needs to address. Language, history, and culture differ from country to country and, as such, the management style in Japan and overseas differs as well. When it comes to global management, there is a broad range of efforts that needs to be made, including not only establishing information systems and other types of global infrastructure but also enhancing supply chain management through digital transformation (DX).

Koji: Another particular point of emphasis in terms of global management is forming a strong trust-based relationship between the GHQ and the Regional Headquarters (RHQ). Rather than controlling all aspects of the Group's operation, the GHQ should entrust the RHQ with aspects of operations that they are fully capable of handling to ensure that they maintain their local autonomy. In addition, the GHQ should clarify the ways in which it can support the RHQ and work to eliminate operations that overlap to the greatest extent possible. The long-cultivated research and development results in Japan and the best practices at each RHQ should also be shared on a global basis. These aspects are an integral part of forming trust-based relationships.

Also, going forward we will have the CEOs of each RHQ participate in the Group's management. As a means of doing so, we held the Global Senior Leadership Meeting in 2020. The CEOs of the GHQ and RHQ also share information on a monthly basis and hold meetings each quarter to exchange opinions on various themes. These meetings have been very well received by each RHQ. As we continue to promote these kinds of initiatives, there would likely be a transfer of managerial personnel from one RHQ to another in the future.

Kosaka: Based on my personal experience, the kind of management style needed for a global company is a style that is optimized for that company's corporate culture, history, and current direction of management, whether that be a style where functions and responsibilities are centralized in one location or one where they are decentralized and spread across each region. The Group currently adopts a decentralized style of management, and I believe this style not only reflects the emphasis the Group places on trust-based relationships but also aligns extremely well with the Group's management policy of realizing the Asahi Group Philosophy (AGP).

Under a decentralized style of management, it is important to clearly define the standards for delegating authority. It is also important to establish systems under which the GHQ can monitor the RHQ. The GHQ must not only monitor the RHQ from a quantitative perspective but also thoroughly understand what is occurring behind the figures when the performance of the RHQ begins to change. While it will no doubt take a certain amount of time, it is my hope that the Asahi Group can transform itself into an organization where both the GHQ and RHQ can display a great deal of leadership through frameworks that are transparent and balanced.

Koji: I believe that the Group's organization is not shaped like a pyramid but rather like a sphere. The GHQ is at the center of that sphere, and the employees of each region are on the

There is a need to further adapt to the rapid globalization of the Group from both management and human resource perspectives.

sphere's surface, meaning that there is always an appropriate amount of distance between the GHQ and regional employees. Rather than a top-down approach, an essential part of the global management style for the Group going forward is ensuring that there is respect for each RHQ and a sufficient amount of discussion and communication between the GHQ and RHQ based on the idea of a sphere-shaped organization.

Before making the final decision to pursue an acquisition, I personally held individual three-hour meetings with the personnel who would lead each business post-acquisition. The personnel that I met with were not concerned with what country their parent company was based in but rather placed emphasis on whether their philosophies aligned with those of the parent company. Taking this experience into account, we established the AGP in 2019 to serve as a set of globally shared values. There was a shared awareness with these regional personnel that, if we respected each other, fully comprehended the AGP, and worked toward its realization, we would no doubt produce quality work together. This shared awareness was the key to establishing a global platform after the M&A was completed.

2. Transitioning to the Next Management Structure

Koji: There are three major reasons why I believe that 2021 represents a turning point that will open up the next generation for the Asahi Group. The first is that our current management structure is appropriate for the next generation. Amid our advocacy for *glocal* management based on the idea of "Think Globally, Act Locally," under our management structure we have gathered personnel capable of locally incorporating and implementing the strategies we formulate from a global perspective. The second reason, which touches on what Mr. Kosaka pointed out just a moment ago, is the urgent need to transform our business and operating models through DX strategies. The third reason is that we have just started to promote management in which we consider what kind of megatrends there will be in 30 years from now and then think in reverse from there. Taking these three reasons into account, I determined that now was an appropriate time to pass the baton of management to the next generation.

Kosaka: We held discussions in the Nomination Committee regarding succession plans over the course of four to five years. Through these discussions, we prepared a short list from a long list of names that included employees from both Japan and overseas and evaluated them each year. Amid these repeated evaluations, we concluded that internal recruiting would sufficiently meet the requirements for appointing the next Group CEO. We also conducted a comparative assessment via an external human resource consulting firm that used the CEOs of global corporations as a benchmark. Furthermore, when formulating the ideal skill set for the Group CEO, the Nomination Committee placed particular importance on the following three aspects: leadership capabilities, the ability to draft and execute strategies based on the AGP, and suitable global management attributes underpinned by global experience. In addition to these requirements, I personally focused on whether or not a candidate was compassionate and courageous. I have observed corporations in various countries, and I have found that it is essential to have a compassionate person that is highly respected and admired by those around them as CEO for achieving sustainable growth as a corporation. Additionally, to lead the management of a massive organization, a CEO must be courageous enough to drive the Group in overcoming the various hardships it faces.

Atsushi Katsuki was the person who met all of these requirements. With nothing to criticize in terms of his character, capabilities, and accomplishments, the Nomination Committee unanimously proposed his appointment to CEO to the Board of Directors, which subsequently approved it. I have extremely high expectations for the leadership that President and CEO Katsuki will display going forward.

3. Vision for Future Human Resource Strategies

Kosaka: People make a corporation what it is. I truly believe that the most important asset to a company is its people. The fundamentals of a human resource strategy are providing growth opportunities to outstanding human resources and enhancing engagement with them while having them work with a sense of fulfillment and contribute to the growth of a company. To offer a sense of fulfillment, it is important to have a competitive remuneration system. The Asahi Group is moving forward with the cultivation of global human resources internally, but it is also extremely important for the Group to secure global human resources from external organizations. This is because global human resources cannot simply be cultivated easily.

Also, looking back on some of the difficulties I have faced in my own experience working for a global company, global human resources need to have a high level of English fluency and ability, in addition to expert knowledge and experience. I therefore would like to see the young employees of the Group strive to thoroughly improve their English language skills.

Furthermore, the promotion of diversity and inclusion is essential to further accelerating innovation. In Europe and North America, there are corporations that are adopting a KPI whose goal is to achieve the same percentage of women in managerial positions as there are in their workforce. In addition to gender, I believe the Group needs to appoint people from other countries and regions, such as Europe and Oceania, to management positions.

Koji: I wholeheartedly agree with Mr. Kosaka. In order to realize value creation management in a sustainable manner, it is essential to secure human resources that can produce results from the perspective of "Think Globally, Act Locally," and to improve the human resource flexibility within the Group. To that end, we need to enhance our human resource development activities from both a global and local perspective. At the same time, while collaborating with the RHQ, the GHQ must enhance the level of flexibility for our personnel and engage in human capital allocation based not on the idea of putting the right person in the right place but rather on finding the right place for the right person.

4. Recommendations for the Next Generation of the Group's Management and Vision for the Board of Directors

Koji: There is an increasing sense of uncertainty around the world due to the COVID-19 pandemic. In an age when it is difficult to forecast the future, it is important for management to envision scenarios from the perspectives of risks and crises. At the same time, it is becoming more important for management to formulate strategies from a standpoint that is even more long term. To that end, throughout the course of 2021, the Board of Directors is carrying out an analysis of megatrends with a focus on 30 years in the future. Thinking in reverse from megatrends 30 years from now, directors in charge of business execution are holding repeated discussions on our future business operations and portfolio. First, we have asked the executive members to establish a vision for society and the Group 10 years from now and, based on that vision, formulate medium- to long-term strategies and specific initiatives. I also expect that these strategies and initiatives will have a high level of consistency with those formulated at each RHQ.

Kosaka: In regard to megatrends 30 years from now, the Board of Directors established a task force to conduct an analysis on these megatrends. Based on the results of this analysis, the task force examined how the internal and external environment will change 10 years in the future and discussed what steps the Group needs to take to prepare for such changes. In terms of the progress being made by the task force, the analysis of megatrends and the formulation of relevant initiatives were completed in 2020, and now in 2021, we are at the stage of incorporating the results of the analysis into specific strategies.

The three keywords related to future megatrends are "innovation," "customers," and "ESG." The main issues we need to tackle in terms of "innovation" are developing alternative ingredients for alcohol, creating new products, and launching new businesses. In terms of "customers," the health awareness of customers and society as a whole is changing. The way to satisfy customers is changing as well, as is consumption behavior due to the integration of the real and virtual world. It is imperative that we seize upon these changes as new opportunities. Finally, in terms of "ESG," we need to further improve the effectiveness of the Board of Directors. By learning from the cutting-edge initiatives being implemented in Europe and Oceania, I hope that we are able to further enhance our initiatives toward environmental issues, including the promotion of Asahi Carbon Zero, and deliver one of the best results among Japanese companies, and also work toward the elimination of waste and effectively respond to water risks.

Koji: Going forward, the Board of Directors will strengthen its monitoring activities based on two perspectives. The first is using a multifaceted approach to further enhance the content of the plans and strategies formulated by the executive. The second is thoroughly monitoring business execution to ensure that it aligns appropriately with these plans and strategies.

Moreover, as we continue to globalize, we must further enhance the transparency of our governance. It is a task for the GHQ to establish a system for ascertaining what kind of information and thought process the management of the RHQ uses within its decision-making and the kinds of discussions they have for reaching their decisions. Thanks to the strong trust-based relationships with the RHQ, we currently face no issues in terms of governance. However, going forward we will need to establish frameworks to ensure transparency no matter what management structure we adopt. Of course, the very core of the Group's governance is centered on achieving a mutual understanding and establishing trust-based relationships with the RHQ through the thorough understanding and implementation of the AGP.

Kosaka: I believe another issue to address as we move forward is making sure the Board of Directors functions more effectively. To realize sustainable growth for the Group and medium- to long-term enhancement of corporate value, the Board of Directors must provide support for the executive while maintaining an awareness of the appropriate amount of risk that needs to be taken. Adopting the same perspectives as those of the executive, I hope we hold lively and broad discussions that focus more on the long term.

Also, I am always talking about the importance of innovation, one of the keywords for future megatrends. Research and development and technological innovation are what determines a corporation's level of competitiveness. For that reason, I will closely observe how we invest in and allocate resources toward DX strategies and research and development activities. At the same time, in terms of diversity, I will continue to monitor the recruitment of female and foreign personnel.

Lastly, I believe that it is important for outside directors and outside Audit & Supervisory Board Members to have an affection for the Asahi Group and a strong desire to support it well into the future. I believe that such an attitude will enable the Group to become even better and grow even further as we move forward.

Column

Bringing Together the Insight of Each Region to Maximize the Strengths of the Group

Global Senior Leadership Meeting

Aiming to Further Strengthen Group Collaboration with a View to Promoting *Glocal** Value Creation Management

* *Glocal* = global and local

We adopt an organizational structure that comprises the Global Headquarters (GHQ), which specializes in the formulation of Group-wide strategies and the monitoring of management, and the Regional Headquarters (RHQ), which works to realize business growth and maximize value in each RHQ's area of operation. To realizing sustainable growth on a Group-wide basis under this structure, we held the Global Senior Leadership Meeting, which was attended primarily by directors of the GHQ and RHQ.

Using the Asahi Group Philosophy (AGP) as the starting point, participants in the meeting discussed their visions for the Group 10 years in the future and shared medium- to long-term strategies for realizing those visions. In addition, with the aim of creating value unique to the Asahi Group, the meeting served as a means to strengthen Group collaboration by having participants share and discuss management strategies at each RHQ with a focus on the themes of sustainability, diversity, employee growth, and brand and production technologies.

Report on the 2020 Global Senior Leadership Meeting (Held on November 30 and December 1, 2020)

Participants

Asahi Group Holdings CEO and officers

Heads of Japan Regional Headquarters and the Business Planning Department, presidents of operating companies, CEOs and directors of Asahi Europe and International, Asahi Holdings (Australia) Pty Ltd, and Asahi Holdings Southeast Asia Sdn. Bhd., as well as presidents of other operating companies

Main Agenda

- Efforts to implement the AGP
- Future vision for the Group in 10 years
- Mindset for realizing future vision
- Direction of medium- to long-term strategies at each RHQ

Main Topics of Discussion

- Creating value unique to the Group and using that value to promote social progress and improve consumer benefits
- Actively utilizing human resources on a Group-wide basis, promoting employee growth and diversity and inclusion, and spurring various innovations
- Continuously promoting active dialogue between RHQ, including discussion on the prompt rollout of the best practices of each region, a major Group strength

"Looking Forward to More Opportunities to Share Best Practices from around the Globe through This Critical Forum"

Andrew Campbell
CEO, Asahi Beverages New Zealand, AHA

The Global Senior Leadership Meeting provided our leaders from across the globe a unique and timely opportunity to come together. This was particularly the case at the end of such an eventful year. A year where adaptability and resilience have never been more important to our continued success.

Given it was the first time that we had joined our global colleagues, it truly highlighted the global reach of our Asahi businesses and reminded us of the exciting growth that Asahi has achieved. The meeting provided us all with the opportunity to understand the dynamics of the different markets in which we compete and, while the markets of the different RHQ are clearly different, there are common themes and issues that we are all addressing. Sharing those experiences at the Global Senior Leadership Meeting gives us all a competitive advantage at a local level and aids in our implementation of Asahi Group strategies.

I was particularly impressed by the resilience of our teams across the globe and their preparedness to deal with rapidly changing market conditions. Despite recent challenges, each business has identified opportunities arising from adapting their businesses, including working even more closely with their partners and customers to respond to the changing consumer needs and growing our amazing portfolio of brands.

With Asahi Beverages Oceania having undergone a transformation last year with Carlton & United Breweries becoming part of the Asahi Beverages family, the meeting was even more vital to our Executive Team members' personal understanding of the Asahi Group, our strategies, and the work of each RHQ. It has been important for me and our team of senior leaders back at Asahi Beverages in Australia and New Zealand to understand the experiences of the other RHQ and AGH.

Hopefully our experiences in Oceania will also be of value to our AGH colleagues. Asahi Beverages' success in significantly growing our no, low and mid-strength beers, leading the market in the ready-to-drink alcohol category, and continuing to diversify our beverage offerings may be of benefit to other RHQ.

I am looking forward to more opportunities to strengthen our collaboration and sharing best practices from around the globe through this critical forum. Spending more time with my colleagues, hopefully in person, will make us and AGH stronger.

"Absorbing New Values and Insight from Each Region to Adopt New Ideas"

Kazuhiko Nomura
Head of Business Planning Department, Japan Regional Headquarters

At the Global Senior Leadership Meeting, we are able to once again understand the Group CEO's approach to global management and share the management direction and values adopted at each RHQ. Accordingly, I felt the meeting was an extremely valuable opportunity that will help us accelerate our global expansion going forward.

Rather than viewing everything related to our operations as simply extensions of what we have done so far, we need to understand new values if we are to adopt new ideas. At the meeting, I once again came to understand that many of these new values can be found at overseas RHQ. Overseas, the approach to medium- to long-term marketing strategies and brand cultivation differs from that of Japan. In addition, speaking with the regional directors made me realize that, when it comes to increasing efficiency, we should consider how to better approach employee engagement rather than simply pursue cost efficiency.

Furthermore, the role that corporations are playing toward addressing digitalization, rising ESG awareness, and social issues presented in the Sustainable Development Goals (SDGs) is changing significantly. In light of this, we need to have more of a focus on global values within the communication activities we engage in as the Asahi Group in Japan. To that end, it was extremely helpful to learn the details of the activities being promoted in each region.

Last year, we established Japan Regional Headquarters with the aim of reinforcing our business in Japan. Even though we do our best to "think globally, act locally," it is still often the case that we work to resolve issues from a Japanese business perspective. Going forward, we will work to strengthen our collaboration with each RHQ while considering how we best can contribute to global growth from Japan and how we can use what we learn from our global operations to reinforce our domestic operations.

Column

Bringing Together the Insight of Each Region to Maximize the Strengths of the Group

Global Sustainability Committee

Becoming a Global Leader by Adopting the Best Practices of Each Region

The Global Sustainability Committee, chaired by the CEO of Asahi Group Holdings, convened for the first time in December 2020. The meeting was attended by the CEOs of each RHQ and directors in charge of sustainability. These participants held discussions on the Group's response to climate change and shared the best practices of each region.

Through these discussions, the Global Sustainability Committee decided to raise the Scope 1 and Scope 2 interim target of Asahi Carbon Zero, the Group's medium- to long-term goal for CO_2 reductions as a means to combat climate change, from a 30% reduction compared with 2015 to a 50% reduction compared with 2019. To help the Group move to the stage of implementing specific actions to reach this target, the Sustainability Execution Conference and the Sustainability Task Force are holding discussions on formulating the road map to achieving Asahi Carbon Zero and other important matters.

Report on the 2020 Global Sustainability Committee Meeting (Held on December 7, 2020)

Participants

Asahi Group Holdings CEO and director in charge of sustainability

Heads of the Strategy, Legal, Procurement, Human Resources, Corporate Communications, and Sustainability departments and heads of Japan Regional Headquarters and the Business Planning Department, CEOs and directors in charge of sustainability of Asahi Europe and International, Asahi Holdings (Australia) Pty Ltd, and Asahi Holdings Southeast Asia Sdn. Bhd.

Main Agenda

- Revision to the 2030 CO_2 emissions target with a view to realizing Asahi Carbon Zero
- Recognition of the updated Asahi Carbon Zero initiative to comply with the "1.5°C Target" as promoted by the Science Based Targets (SBT) initiative
- Participation in the RE100 initiative

Main Topics of Discussion

- Taking on the challenge of reaching higher targets with the aim of being a global leader in the response to climate change
- Understanding that sustainability-related dialogue is important not only to improve shareholder value but also to facilitate dialogue with consumers and secure human resources
- Understanding that the Group's business is made possible by the blessings of nature and that working toward realizing a recovery in the natural environment is an essential effort in terms of ensuring business continuity

AEI Aims to Become a Leader in Sustainability in Europe

Drahomira Mandlikova
Chief Corporate Affairs Officer,
Asahi Europe and International

Sustainability has been a core and integral part of Asahi Group's vision. In consideration of this theme, we have strengthened our ambition and commitment even further by establishing the "Asahi Group Sustainability Principles" and the "Asahi Group Sustainability Vision" last year. Based on Our Principles under the Asahi Group Philosophy of "contribute to realizing a sustainable society through our business," our focus has been to develop strong foundations and principles of sustainability across all our material issues, followed by a seamless implementation of initiatives based on these foundations and principles on both a Group-wide and global basis.

With Asahi Group Environmental Vision 2050, we have established Asahi Carbon Zero, a medium- to long-term target in addressing climate change, with the aim of achieving zero CO_2 emissions by 2050. In order to achieve this goal and aiming to accelerate our efforts, we have renewed our 2030 targets and commitments.

Consistent with its Asahi Carbon Zero commitment, Asahi Europe and International (AEI) is working toward carbon neutrality by 2050. AEI is encouraged to see that climate action is at the heart of the European Green Deal—an ambitious package of measures that incorporates 2050 climate neutrality. To this end, at AEI we have set ambitions and goals across all areas of sustainability to be best in class in Europe and in accordance with the European Union's sustainability plans.

At AEI, we recognize the importance of strong partnerships and cooperation with other regions to achieve our goals. We plan to collaborate on areas including innovative technologies related to agriculture, packaging, and the utilization of by-products and waste to ensure that we are harnessing all possible synergies and best practices.

AHSEA is Strongly Committed to Becoming an Integral Part of the Group's Business and to Creating Sustainable Value

Renganathan Tewagudan
Group Chief Supply Chain,
Innovation & Sustainability Officer,
Asahi Holdings Southeast Asia Sdn. Bhd.

President and Representative Director, CEO* Akiyoshi Koji's message clearly communicates Asahi's commitment to build a sustainable society to allow better life to be inherited and experienced by future generations through the creation of product and services that exceed consumer expectations. As sustainability is a rapidly evolving topic, we need to adapt and work within a flexible framework to encompass the crucial elements of sustainability into our business. With the clear directions set by the Global Sustainability Committee, we can ensure that our plans are relevant and make an impact. These directions also enable us to place ourselves alongside the leading sustainable companies globally. The Global Sustainability Committee acts as a platform for various business units to share best practices and work hand in hand to accelerate the process for meeting the ambitious sustainability KPIs set for 2030 and 2050.

Aligning the Asahi Group's sustainability targets and results with the SDGs helps the Company validate its goals, with new targets set and recalibrated from time to time in order to address the global sustainability agenda. This also helps facilitate an understanding of how the Company's non-financial aspects are driven to effect positive change in its businesses.

Although incorporating the values of sustainability and corporate responsibility in a manner that aligns with Asahi's global targets is challenging, Asahi Holdings Southeast Asia (AHSEA)'s leadership is highly committed to fostering businesses and sustainability values for which the Group is responsible. This commitment will be demonstrated through the pursuit of dynamic management and governance related to climate change and human rights, aiming to achieve the Asahi Carbon Zero targets, realize the utilization of 100% recyclable plastic, promote the use of recycled PET, and ensure human rights compliance.

* Currently Chairman of the Board

Strengthening Supply Chain Sustainability

Continuing to Create Value That Exceeds Customer Expectations through “Challenge and Innovation”

Gifts from nature

Research and Development

Developed strengths

- Fermentation and ingredient technologies such as yeast and lactic acid bacteria
- Sensory analysis, analytical, and other fundamental technologies
- Flavor design and product development based on technology
- Cross-business-field accumulation and utilization of insight

Challenges to undertake from an operational perspective

- Creation of synergies between global operating bases, which have been expanded through M&As, by accelerating personnel and technological exchanges
- Acceleration of new value creation through open innovation with outside fields

Challenges to undertake from an ESG perspective

- Development of technologies for reducing CO_2 emissions and utilizing renewable energy
- Development of containers and packaging that help realize a sustainable society
- Development of products and technologies that offer health value
- Strengthening of quality assurance structure through the use of the latest analytical technologies
- Contribution to a recycling-based society through recycling and adding value to by-products

SDGs We Will Address to Accomplish These Goals

2 Zero Hunger / 3 Good Health and Well-Being / 6 Clean Water and Sanitation / 7 Affordable and Clean Energy / 9 Industry, Innovation and Infrastructure / 13 Climate Action / 14 Life Below Water

Procurement

Developed strengths

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

Challenges to undertake from an operational perspective

- Fostering of mutually beneficial, win-win relationships with suppliers
- Utilization of procurement know-how and supplier network on a global scale

Challenges to undertake from an ESG perspective

- Reduction of CO_2 emissions in line with Scope 3 from the production and transport of raw materials, etc.
- Securement of eco-friendly materials for packaging
- Ascertainment of environmental risks in provenance
- Promotion of sustainable procurement based on the Asahi Group Sustainable Procurement Principles
- Widespread enforcement of the Asahi Group Supplier Code of Conduct
- Establishment and implementation of human rights due diligence process in the supply chain

SDGs We Will Address to Accomplish These Goals

6 Clean Water and Sanitation / 7 Affordable and Clean Energy / 8 Decent Work and Economic Growth / 10 Reduced Inequalities / 12 Responsible Consumption and Production / 13 Climate Action / 14 Life Below Water

Production and Logistics

Developed strengths

- The Group’s unique quality standards
- The Group’s unique production management systems (remote monitoring, etc.)
- Highly efficient logistics networks
- Supply–demand management techniques and inventory management techniques

Challenges to undertake from an operational perspective

- Pursuit of total freshness management activities
- Building of global optimal production systems
- Creation of synergies through the global sharing of technologies (product development, quality improvement, cost reduction)
- Cost reduction through the rollout of global benchmarks and best practices
- Standardization of manufacturing processes and exterior packaging
- Expansion of modal shift and round-trip logistics
- Collaboration with players from different industries/competitors in the logistics domain
- Establishment of new transportation methods that aim to enhance transportation efficiency and save labor

Challenges to undertake from an ESG perspective

- Utilization of renewable energy in production processes
- Reduction of water consumption and effective use of recycled water within cleaning and sterilization processes
- Understanding and removal of water risks at production bases
- Continuous recycling of by-products and waste
- Establishment of human rights due diligence process at Company-owned and outsourced factories
- Promotion of modal shift and joint transportation
- Reduction of environmental burden by promoting local production for local consumption to shorten transportation distance
- Examination and promotion of the use of logistics equipment/vehicles that use eco-friendly fuel in place of fossil fuel

SDGs We Will Address to Accomplish These Goals

6 Clean Water and Sanitation / 7 Affordable and Clean Energy / 8 Decent Work and Economic Growth / 10 Reduced Inequalities / 12 Responsible Consumption and Production / 13 Climate Action

Marketing and Sales

Developed strengths

- Marketing capabilities that have cultivated top brands in Japan, Europe, and Oceania
- Development capabilities of new categories and brands that respond to changes in the consumption environment
- Sales capabilities deeply rooted in local markets and focused on proposing solutions to issues
- Marketing network in Japan and overseas that drives new market cultivation

Challenges to undertake from an operational perspective

- Premiumization of brand portfolio in local markets
- Expansion of the rollout of the five global premium brands
- Promotion of non-alcohol and low-alcohol beverage strategies to acquire new drinking opportunities
- Strengthening of co-creation capabilities with business partners

Challenges to undertake from an ESG perspective

- Sales promotions for products that create health value
- Promotion of sustainable containers and packaging through the use of eco-friendly materials, etc.
- Enhancement of the energy efficiency of beer dispensers and soft drink vending machines (Scope 3)
- Implementation of awareness-raising activities to resolve alcohol-related issues and health issues
- Collaborative efforts with local community members, etc., to address community issues

SDGs We Will Address to Accomplish These Goals

3 Good Health and Well-Being / 7 Affordable and Clean Energy / 11 Sustainable Cities and Communities / 13 Climate Action / 17 Partnerships for the Goals

Drawing on the gifts from nature to deliver a great taste that exceeds customer expectations

Column

Maximizing the Group's Competitiveness by Leveraging the Power of Digital Technologies

The Asahi Group's Digital Transformation Strategies

As a part of its revisions to the Medium-Term Management Policy, the Asahi Group has laid out "constructing new operating model by accelerating DX (digital transformation)" as a measure to "enhance management resources aimed at expanding a new foundation for growth," one of the Group's key medium-term issues.

Our business environment continues to undergo major changes in the face of rapid advancements in digital technology and the global COVID-19 pandemic. In light of these changes, we must utilize our data and digital technologies while creating new business processes and customer experiences, in order to continue to expand our business moving forward.

First of all, the Group is working to transform its operating model by promoting workstyle reforms and enhancing supply chain management. As we proceed ahead, we will pursue the transformation of our business model with the aim of creating new value. Our efforts to that end will involve the formulation of the Group's DX vision as well as the promotion of businesses built around the use of data and assertive use of open innovation and new digital technologies.

Over the medium to long term, we will continue to harness the strengths of our globally expanded business foundation, which spans across Japan, Europe, Oceania, and Southeast Asia, and build a global platform predicated on our advancement of digital technology. Through such efforts, the Group will aim to realize sustainable growth.

Examples of Asahi's Operating Model Transformation Efforts: Promoting Remote Workstyles

In response to the changing needs of customers, business partners, and the social environment that we have witnessed since last year, the Asahi Group has been utilizing digital technologies to promote remote workstyles in all lines of its business. We will transition from our traditional Group-wide approach of working at the office to diverse workstyles tailored to the characteristics of each position. This will contribute to the further development of each employee and enhance their work efficiency, leading to increased productivity for the Group as a whole.

Case 1 Verification Tests on Remote Monitoring of Plants

With the aim of introducing a remote work system in the Production Department, the Asahi Group began verification tests on the operation of remote monitoring of its plants, which it aims to fully implement on an incremental basis from 2023. In addition, we commenced verification tests on the use of augmented reality (AR) glasses, a headset-based communications device incorporating AR technology used to confirm the status of production lines and provide technical assistance from remote locations. This device was utilized last year at our Rome Plant in Italy to provide remote technical assistance for the production of *Asahi Super Dry* all the way from Japan. Looking ahead, the Group will continue to advance its development of remote monitoring and technical assistance systems.

Case 2 Centralizing the Group's Sales Offices in Japan and Promoting Office Sharing Group-wide

The Asahi Group has been promoting remote workstyles primarily for office- and sales-related positions since last year. In Japan, our 55 sales offices for the Alcohol Beverages, Soft Drinks, and Food businesses will be gradually reduced to 26 as a part of our efforts to provide employees with optimal workstyles that draw on the advantages of both working at home and the office. Moreover, 18 of the 26 sales offices will be utilized as shared office space by the employees of these three businesses to broaden communication with the hope of cultivating diversity and a sense of unity throughout the Group.

Voice

"Stepping up the Pace of DX Strategies from a Variety of Aspects"

Yoshio Chikayasu
Executive Officer, in charge of DX

In 2009, the Asahi Group began transforming its growth strategy, which was previously centered on the domestic market, in order to tap into markets overseas and it has been doing so ever since. Our role as an organization in charge of promoting DX is to utilize digital technology to continue to reinforce the internal IT infrastructure of the Group, which has expanded across the globe. Our role also entails defining and systematically enforcing the digital capabilities necessary for anticipating global perspectives and creating new value in response to the drastic changes taking place in our social environment and consumption trends, alongside the digital revolution.

Our *glocal* (global and local) management hinges on the optimization of operations by RHQ in Japan, Europe, Oceania, and Southeast Asia in accordance with the characteristics of their respective markets. At the same time, this management also draws on global and Group-wide best practices and capabilities in the pursuit of generating synergies. An example of this is our evaluation and monitoring methods for capital investment projects. The key to these methods is to build work processes and information systems for evaluation, monitoring, and verification that involve using the same schemes and standardized definition of data from the budget stage of a project all the way through to the introduction and operation while at the same time incorporating local characteristics such as the importance and legality of a project by region as well as local market conditions. Moreover, while our RHQ actively share best practices among each other, certain systems may need to be updated when such methods are adopted by other RHQ. For these reasons, both global and local perspectives must be taken into account in our DX strategies.

The Group's global DX team has been established only recently, comprising 10 or so members at each RHQ for a total of around 50 members. Our basis policy is to expand the scale of the team going forward by recruiting personnel from outside the Group while cultivating personnel from within, centered on organizations belonging to the RHQ. For example, at Japan Regional Headquarters, a program is currently underway to develop over 500 DX personnel.

Our goal for fiscal 2021 is to formulate a vision and road map for our DX. We believe that even making simple changes can have tremendous impacts. For example, we could conduct our global procurement analysis on a monthly basis rather than a six-month basis, as we do now, or we could manage our KPIs for supply chain management on a weekly basis rather than a quarterly one. Going forward, we will work to actively disclose information on our ongoing efforts in DX and their results.

The outcomes of digital transformation are first seen not through the implementation of new technologies or techniques but rather in the changing mindsets and workstyles of employees. This is the reason why I strive to promote DX along with Director and CHRO Keizo Tanimura. Age is irrelevant. There is certainly the possibility of those aged 50 years and older to develop into digitally savvy talent. I truly believe that the Group's strategy of promoting DX from a human resources point of view will serve as a catalyst for its continuous growth.

Key Agenda
03
Global Brands

Marketing Strategy for Our Global Premium Brands

—Promoting Our Premium Strategies by Expanding Our Five Global Brands

Strengthening Our Structure for Promoting the Growth of Our Five Global Brands

The Asahi Group has been taking steps to strengthen its structure for accelerating growth as a global premium beer manufacturer. These included centralizing the management of marketing activities for our global brands within the Europe business in November 2020. This means for the first time at the Asahi Group we have all global brands under the same management. We have reestablished *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell*, and *Grolsch* as our global brands with the aim of expanding our presence on a global scale. In addition, to implement integrated marketing activities on a Group-wide basis, we hold regular meetings of the Global Marketing Council at which leading marketing personnel from each region engage in discussions. Through these discussions, we are working to enhance our ability to execute marketing strategies in both global and local markets.

Main Agenda of the Global Marketing Council

- Hold discussions on how to accomplish global brand growth strategies in the short, medium and long term.
- Share mutual understanding of trends and opportunities in global innovation and confirm territories in which the Group is making efforts as well as the direction of such efforts.
- Share examples of initiatives to promote innovation in each region and examine the Group-wide implementation of such initiatives.
- Align Marketing best practice across the Group, taking leading thinking from the different business units—Japan, Australia, and AEI. AEI, for instance, developed the Marketing FOCUS principles with best practice tool kits.
- Identify and propose global development, including transfers and assignments, for top marketing talent to ensure the new generation of globally minded Marketing leaders.

Taking on the Challenge of Promoting Global Premium Brands —Examples of Efforts toward Showcasing *Peroni Nastro Azzurro*

The *Peroni Nastro Azzurro* brand became one of the official partners of the 2021 Australian Open, which was held in February 2021. In addition, for the brand's non-alcohol beer *Peroni Libera 0.0%*, we concluded an agreement to become the global partner of the Aston Martin Cognizant Formula One™ Team. Going forward, we will continue to strengthen our ability to communicate *Peroni Nastro Azzurro* as a global brand and raise its level of recognition through partnerships and sponsorships with events around the world.

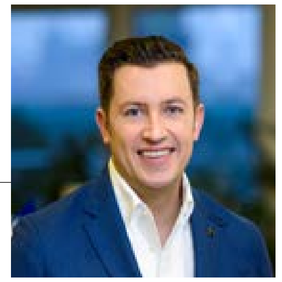
Voice

Taking on the Challenge of Promoting Global Premium Brands

— Examples of Efforts toward Accelerating Global Fame

We are accelerating our efforts to grow international fame, reach, and stature of our five global premium brands. This is evident in key initiatives such as directing innovation toward growth segments. We have launched non-alcohol variants of *Peroni Nastro Azzurro*, *Kozel*, and *Grolsch* in a number of markets to tap into consumer demand for premium NABs. We have developed strong partnerships to raise the level of brand recognition on a global level, including with *Peroni Libera 0.0%*, where we concluded an agreement to become the global partner of the Aston Martin Cognizant Formula One™ Team. Recently, we announced that the *Asahi Super Dry* brand is to become an official partner of the 2023 Rugby World Cup™. In addition, our core communications team created strong, centrally developed advertising for the five brands to be shown across the globe, including a new TV commercial for *Pilsner Urquell* featuring recording artist Robbie Williams. Finally, our brand renovation activities are accelerating with new packing and visual identity designs on four of the brands, *Kozel* and *Grolsch* in 2020 followed by *Asahi Super Dry* and *Pilsner Urquell* in 2021. The designs help the brands improve ROS in retail channels and support our sustainability initiatives. For example, *Pilsner Urquell* not only harmonized its global premium brand design, which was previously different by region, but removed plastic and metal foil, replacing them with paper labels.

Grant McKenzie
Chief Marketing Officer,
Asahi Europe and International



Japan

Atsushi KATSUKI
Head of Japan Headquarters

The Underlying Mission of Japan Regional Headquarters

As the business environment, the beer-type beverages market in particular, continues to experience harsh conditions, the Asahi Group recognizes that one of its urgent tasks in Japan is to bolster profitability through the further reinforcement of each of its businesses. For that reason, I will directly take command of Japan Regional Headquarters as the Group's CEO.

Until now, the Asahi Group's Alcohol Beverages Business, Soft Drinks Business, and Food Business have pursued growth irrespective of each other. However, looking ahead we will be called upon to take a more comprehensive approach in our efforts to realize the sustainability and growth of our businesses, which represents the greatest mission of Japan Regional Headquarters. We do not intend on unifying every facet of these three businesses. Rather, the research and development, procurement, production, and marketing functions of each business will be shared and utilized in a comprehensive manner with the aim of creating new synergies. For example, we have assembled a production line and a distribution center for the Soft Drinks Business at Asahi Breweries' Nagoya Brewery following the work achieved at Ibaraki Brewery, as a part of our efforts to reform the Group's earnings structure. From a marketing perspective, the consumer data managed by each business has been consolidated to speed up the pace of digital marketing. Efforts have also been made to enhance the sophistication and efficiency of existing operations, such as the promotion of remote work-styles in all of our business activities. In addition, the Group is working on value creation across its entire organization and, to that end, is making proactive use of new digital technology and data to continue to expand its existing businesses and deliver new value propositions.

Japan Regional Headquarters has developed a deep connection with consumers over the years through its *Asahi Super Dry* in the Alcohol Beverages Business, *MITSUYA* in the Soft Drinks Business, and *MINTIA* in the Food Business—all leading brands in their respective product categories. We must exploit these strengths on a grand scale in order to continue to grow moving forward. In April 2021, the Group launched *Asahi Super Dry Nama Jokki Can*, which offers a restaurant-like beer experience with a foamy head that forms naturally by opening the top of the can. In addition, to address the increasing consumer need for at-home alcohol enjoyment spurred by the COVID-19 pandemic, we launched our home beer server, which can maintain beer at below-zero temperature. In such ways, we are leveraging our deep connection with consumers—a long-cultivated strength of the Group—and making new value proposals with the goal of further strengthening our brand power. Moreover, the Group stepped up its product development and marketing strategies emphasizing the environment and health of consumers with the introduction of unlabeled PET bottles and *Dear-Natura* dietary supplements in the Soft Drinks Business and Food Business, respectively.

Key Issues and Strategies at Japan Regional Headquarters

Unlike years previously, a strategy based simply on sales volume is no longer feasible given the consumer needs and market trends anticipated in the years ahead. Our strategy of promoting high-value-added brands as declared in the Asahi Group Philosophy is imperative to the Japanese market in particular. The strategy is aimed at striking a balance between consumer demand and sales volume while continuing to expand revenue through the repeated proposal of solutions capturing shifts in consumer needs. In accordance with revisions to the Liquor Tax Law in Japan, the tax rate levied on beer-type beverages will be adjusted in a three-stage process taking place in 2020, 2023, and 2026. The tax rate currently levied on beer, happoshu, and new genre beer-type beverages differs. However, from October 2026 the price difference between beer and new genre will likely shrink dramatically through the introduction of a unified tax rate for all three beer-type beverages. Recognizing the opportunities put forward by such shifts in our external business environment, we will look to concentrate investments on reenergizing our beer products—a core strength of the Group—and strengthening new value proposals. Furthermore, the consumption structure of the beer-type beverage market is undergoing a transformation characterized by the shift from the on-premise consumption to the off-premise consumption, the polarization of consumer preferences for premium products and lower prices, and diversifying consumption patterns. At the Asahi Group, we will engage in initiatives that anticipate and adapt to such changes by investing our management resources in not only our beer brands but also in *Clear Asahi* and *Asahi THE RICH*, two brands that have become a fixture in the new genre category. Moreover, in response to the increasing need for more convenient and health-conscious products in the Soft Drinks Business, measures are being undertaken to improve our sales channels, including vending machines—the role of which is currently undergoing changes—and to further enhance the added value of our small PET bottle products.

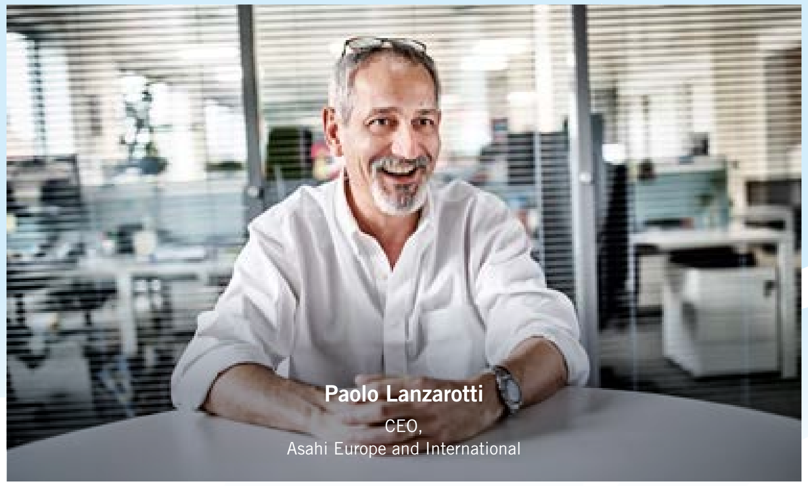
Meanwhile, the Group will continue to implement initiatives aimed at enhancing cost efficiency. Such initiatives include our continuous efforts to visually monitor and prioritize costs, which have been carried out for the past few years, revisions to management resource allocation in line with the aforementioned changes to the consumption structure, establishment of optimal production and distribution systems, and engagement in joint procurement. Through these measures, we will pursue cost reductions of JPY 35.0 billion or more over the next three years. A portion of the resources conserved through these cost-reduction efforts will be reallocated to digital transformation (DX) strategies, research and development, and human resource development—areas instrumental to the ongoing growth of the Asahi Group. Our DX strategies will play a critical role in not only advancing our operating model but also engaging in a variety of other activities, such as the creation of new value by utilizing the massive amount of consumer data obtained by each business, global joint procurement, and marketing based on data analytics. These strategies will also be directed toward the creation of our new business model. In addition, the resources will be proactively invested toward expediting open innovation with start-ups outside the Asahi Group and developing a digital employee training program.

Sustainability Initiatives of Japan Regional Headquarters

Sustainability is another matter of significance we continue to pursue at Japan Regional Headquarters. In Japan, we have focused on efforts to help resolve environmental and other ESG issues to date. In April 2021, 19 plants in the Kanto and Kansai regions adopted renewable energy to power their facilities, and we aim to follow suit for our remaining plants in Japan by 2025. Meanwhile, the Soft Drinks Business is working to increase the ratio of eco-friendly materials used in containers to 60% by 2030. Moreover, with respect to the use of water, which is a vitally important raw material in many of our products, a range of initiatives are being pursued by each business toward realizing the Group-wide targets for water resources, while the area of land managed in our company-owned Asahi Forest is undergoing expansion with a view to achieving water neutrality at our breweries in Japan.

In addition to its greenhouse gas reduction and water conservation efforts, the Group is proceeding with an array of measures including the development of sustainable containers and packaging, eco-friendly logistics, waste reduction and recycling, the elimination of food loss, the use of new by-products from brewing, and the application of microbial-use technologies. With the desire to spread awareness of our sustainability initiatives to as many people as possible, we will continue to strengthen our communication with all of our stakeholders as well as the information we provide to them.

Europe



Paolo Lanzarotti
CEO,
Asahi Europe and International

Strengths of AEI

Asahi Europe and International (AEI) is the custodian of many brands that have been commercialized for hundreds of years and loved by consumers for generations. With the reorganization efforts we carried out in November 2020, we transitioned to a structure under which the marketing development and management of the five global premium brands *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell*, and *Grolsch* are centralized within AEI. Through this transition, we now are responsible for markets in over 90 countries and regions around the world, primarily in Europe but also covering countries in Asia, North America, and South America. Going forward, rather than promoting expansion efforts specific to each brand, as we have done thus far, we will strive to expand these five brands as a portfolio, which will in turn allow us to greatly enhance our ability to access each market. Accordingly, I believe that the reorganization efforts we made represent a significant turning point in our global brand strategy. In addition, we take pride in the fact that we have achieved a level of profitability that exceeds the average Group-wide core operating profit margin. I therefore feel we have the responsibility to lead the Group's key priority of "strengthening earnings power."

Meanwhile, Europe is one region that has been significantly impacted by the spread of COVID-19. As the virus began to spread, all AEI employees took immediate action to respond to a wide range of risks. Looking back at February and March 2020, lockdowns commenced in Italy, and we quickly agreed to prioritize the health and safety of our employees and then made every effort we could to ensure that our business operations would continue. In response to this, our employees proactively collaborated with each other, coming up with various insights on how to overcome the hardships we faced. Thanks to this collaboration, we were able to concentrate our efforts on growth opportunities, such as facilitating communication with a view to enhancing brand value and creating medium- to long-term plans for sustainability. Our ability to work as a team in this manner represents one of AEI's greatest strengths.

Growth Strategies and Challenges to Overcome at AEI

Europe is still in the middle of a lockdown (as of March 31, 2021), and it is difficult to forecast when bars and restaurants will reopen and to what extent our sales levels will recover. Beer is a category of alcohol beverages that is deeply rooted in people's lifestyles. To that end, I firmly believe that there will once again be opportunities for people to enjoy beer at bars and restaurants. Also, as the outlook for the economic environment is unclear, over the last few years we have seen a flat-to-declining trend in demand and the choice to drink better, not more. The trend toward consuming premium brands is stable now and will remain over the medium to long term. Even if the structure of consumption changes temporarily, we possess robust brands in each market that span various categories, and this has allowed us to build a structure in which our businesses can complement one another. With our strong brand foundation, I am confident that, even if there is a slump in consumer demand, we will be able to once again spur demand through proposals for health-based value and other kinds of added value.

Our growth strategy emphasizes achieving stable top-line growth centered on premiumization and strengthening cost efficiency through rigorous management of the bottom line. AEI's premium strategy focuses on not only further enhancing our premium brands but also reinforcing our lineup of non-alcohol beverages, in consideration of how the heightened awareness of health and well-being around the world has accelerated innovation in the beer category. Currently, non-alcohol beverages account for roughly 6% of our total sales volume at AEI. However, we aim to raise this percentage to 20% by 2030. An example to accomplish this is the recently announced partnership of our non-alcohol beer *Peroni Libera 0.0%* with the Aston Martin Cognizant Formula One™ Team. Launched under the global premium brand *Peroni Nastro Azzurro* in 2019, *Peroni Libera 0.0%* is now sold in a number of countries in Europe, including the United Kingdom. Through this partnership, we have the opportunity to not only expand the global sales of *Peroni Libera 0.0%* but also make significant progress toward our goal of achieving a sales volume ratio of 20% for non-alcohol beverages.

The trend of premiumization is accelerating in other categories as well. In addition, consumer behavior and experiences are evolving due to the progression of digitalization. These trends will likely make our relationship with consumers more personal and more immediate going forward. Also, in terms of sales channels, we cannot ignore the presence of e-commerce. At the moment, the sale of alcohol beverages via e-commerce is prohibited in certain countries. Even though the sale is small, it is growing, and it is up to the consumer to decide the way they make their purchase. Therefore focusing on e-commerce is an absolute right thing to do as the channel is opening up new opportunities. While many hurdles are involved in establishing new sales channels, we are at a stage where we will work to accumulate insight through a trial-and-error approach while ascertaining and examining how the impact of internet-based sales differs from that of conventional sales channels.

ESG Initiatives at AEI

Among all the initiatives we have adopted under our management strategies, initiatives toward ESG are particularly important. At AEI, we have established Legacy 2030, an independent long-term strategy with a view to 2030. Under this strategy, we have set targets for important sustainability-related themes, such as carbon neutrality, responsible drinking, the use of sustainable resources (raw material procurement, water, and containers and packaging), and diversity and inclusion. While the Asahi Group Environmental Vision focuses on 2050, I believe it is also important to establish slightly more near-term goals in order to ensure that each employee views accomplishing the targets we have set as their own personal issue. For example, in terms of becoming carbon neutral, we aim to eliminate Scope 1 and Scope 2 CO_2 emissions and reduce Scope 3 emissions by 30% by 2030. In addition, by 2025 we plan to reduce CO_2 emissions at our breweries by 50%. I just mentioned our target of boosting the sales volume ratio of non-alcohol beverages to 20% by 2030, and this target reflects part of our specific approach to realizing our vision for responsible drinking. I believe we need to play a leading role in resolving alcohol-related issues, and we are therefore always prepared to take the lead when it comes to efforts toward responsible drinking. For diversity and inclusion, we aim to attain a 50:50 ratio of male and female in management positions by 2030. The Asahi Group must enhance its diversity to an even greater degree in order to achieve further growth. Legacy 2030 represents ambitious goals that are closely linked to the sustainable growth of AEI.

Speaking of our people, at AEI, we promote two major initiatives. The first is to provide growth opportunities to employees by ensuring mobility on a global basis. The second is offering opportunities for our employees to learn. For example, we send our young employees to the global youth summit One Young World Summit. At this summit, our young employees receive inspiration through discussions and networking activities with leaders of the next generation from around the world.

Oceania

Robert Iervasi
Group CEO,
Asahi Holdings (Australia) Pty Ltd

Strengths of the Australia Business

Asahi Holdings (Australia) Pty Ltd (AHA) oversees the Asahi Group's Oceania Business. AHA possesses three business divisions: the Australian alcohol beverage business, which combines AHA's existing businesses with the CUB business that the Group acquired in 2020; the Australian non-alcohol beverage business centering on Schweppes Holdings Pty Ltd., which was the first acquisition the Group made in Australia back in 2009; and the New Zealand beverage business, which comprises both alcohol and non-alcohol businesses. We are also responsible for corporate functions that help each business division achieve its targets. Going forward, we will strive to accelerate the overall growth of the Oceania business while evolving ourselves as a multi-beverage platform in the region.

In terms of AHA's core strengths, our No. 1 strength is our people. We invest a significant amount of time and costs in human resource cultivation and engagement. Our engagement score within Oceania is over 80%, and 90% of our workforce have expressed their optimism toward their future as AHA employees. The deep trust-based relationships we have with our employees are an essential part of securing outstanding human resources. When I look for staff, in addition to having the right skill set, I place emphasis on hiring people who can truly be team players. I also seek to hire individuals who are passionate about our brands and AHA as a whole. The second core strength of AHA is our portfolio of iconic brands in the Oceania region. This portfolio was strengthened even further with the integration of the CUB business. By utilizing the sales channels of the CUB business, we will further enhance this core strength. Looking at our competitors, they either possess strengths in alcohol beverages or non-alcohol beverages, which makes AHA the only company in the region that has a portfolio of strong brands in both categories. Our third core strength is our scale. With the integration of the CUB business and our existing businesses, we now boast the largest business scale and network in Oceania, and utilizing this significant competitive advantage allows us to implement a broad range of strategies.

Going forward, we will continue to proactively invest in our human resources, as I believe that enhancing employee engagement and motivation will enable us to deliver even greater results. Meanwhile, our management style emphasizes a thirst and drive for results, so while we will continue to greatly value our employees, we will not waver on this point. Under our medium-term plan, which we adopt on our own initiative, not only have we established sales strategies that focus on brands and marketing, we have also established strategies, initiatives, and KPIs from the perspectives of our values, vision, supply chain, and human resources. Through the execution of the medium-term plan, we aim to help realize the Asahi Group Philosophy (AGP). We strive to reflect our management strategies, which are anchored by our future vision, in our daily decision-making, and this is precisely what enables us to align our organization under the same approach and ensure that all our employees are working toward the same goal. By adhering to this basic management approach, we have delivered on our results each year, and we will remain committed to producing solid results as we go forward.

Growth Strategies and Challenges to Overcome in the Oceania Business

Every country experienced difficulty in 2020 due to the unprecedented crisis of the COVID-19 pandemic, and there are many reasons why we are continuing to struggle. Australia and New Zealand have done particularly well with their response to the pandemic, and we are starting to see the economy return to some semblance of normalcy. The pandemic has led to an increase in at-home consumption, and this has provided us with an opportunity to leverage our strengths. In particular, consumption has been concentrated on brands that consumers have been sentimentally attached to for many years. Due in part to this trend, the alcohol and non-alcohol businesses have been able to leverage their strengths centered on core brands, which have continuously been reinforced with an emphasis on brand value, thereby recording solid sales.

Australia and New Zealand are mature markets. Differing slightly from an emerging market, changes in consumer preferences in a mature market can present both risks and opportunities. For example, one major challenge we must tackle is deciding on the message we want to send with our brands to address consumers' heightened awareness toward health and the environment, including in terms of the sugar content of soft drinks, responsible alcohol consumption, and plastic containers. As a multi-beverage provider, our decision-making centers on bringing enjoyment to customers, responding flexibly to change, and leveraging our market-leading scale with speed. Furthermore, guided by our premiumization strategy, we are working to accelerate cost synergies and create top-line synergies in such ways as drawing on the integration of the CUB business to enhance the efficiency of our procurement, production, and logistics networks. At the same time, we are pairing these efforts with initiatives to enhance our operations through digital transformation. By doing so, we aim to realize profit growth over the medium to long term.

Additionally, in terms of human resource cultivation, the source of our competitive advantage, we value the careers of our employees and do everything we can to support their career development. We have partnered with LinkedIn, a solutions provider for human resource development, to commence online learning programs that help employees further enhance their knowledge and expertise. We also embrace diversity and inclusion. One of the assessment criteria we adopted for the success of the integration with the CUB business was the achievement of gender balance, and as a result of doing so, we have further enhanced the level of diversity across our entire organization.

Instilling the Asahi Group Philosophy and Realizing Sustainability

Based on the Asahi Group Sustainability Vision, AHA has endorsed clear and ambitious sustainability goals focusing on the four themes of climate change, containers and packaging, raw materials, and water. A new initiative we launched in 2021 is a sustainability think tank where we ask employees to participate in a program to come up with sustainability-related ideas. For our initiatives toward containers and packaging, we established a joint venture with a local packaging manufacturer and a local trash collection organization to build Australia's largest plastic recycling facility with the aim of accelerating efforts toward 100% recycled PET bottles, which to date have been used in a certain number of our beverage brands. This facility will recycle an amount of raw plastic material each year equivalent to around 1 billion PET bottles and will produce more than 20,000 tons of new recycled PET and food packaging. We are also on track to have 100% of our electricity coming from renewable power sources in 2025. During fiscal 2021, we intend to announce several initiatives geared toward achieving that goal. Furthermore, we have recently overhauled our supply chain to source barley direct from Australian farmers. In accordance with our strict quality program, we are monitoring the barley grown by the farmers we source from and are also tracking water use and other agricultural inputs to ensure that we are supporting sustainability targets.

With the integration of the CUB business and our existing business, it has been interesting to see two different cultures come together. There is some commonality in these two cultures but also some differences. Of course, having differences is certainly not a bad thing, because from these differences we can make various realizations. For that reason, we view this integration as an extremely important opportunity for us to further enhance our corporate culture. Going forward, we will work to incorporate the best aspects of each culture as we further promote our efforts to instill the AGP across our organization. In this way, we will create a corporate culture that better aligns with the direction of the strategies we aim to achieve.

Southeast Asia

Erwin Selvarajah
CEO,
Asahi Holdings Southeast Asia Sdn. Bhd.

Strengths of the Southeast Asia Business

The operations of Asahi Holdings Southeast Asia (AHSEA) are centered on its soft drinks and dairy products businesses, which the Asahi Group acquired in 2011 and 2014, respectively. Post-establishment of Southeast Asia Regional Headquarters in 2019, AHSEA succeeded in developing a robust structure for business expansion throughout Southeast Asia. Our main goal is to continue to grow our core businesses and eventually become an innovator of soft drinks and dairy products in this region. We have continued to grow from strength to strength in all of our markets despite the impact of the COVID-19 pandemic. From a regional perspective, Malaysia accounts for around 65% of sales in Southeast Asia while the remaining 35% is covered by the rest of the region. This is despite the fact that Malaysia represents a mere 6% of Southeast Asia's total population of around 650 million people. In other words, arguably, Southeast Asia as a whole boasts tremendous potential for further growth in the years ahead. Furthermore, the average age in Southeast Asia is 30, the youngest in the world. For that reason, we can expect significant growth in both the level of affluence, consumption and overall GDP of the region over the next 10 years. By leveraging our knowledge and presence in Malaysia and Indonesia, we also have high hopes for business opportunities with the Islamic community, which is said to represent 2 billion of the global population, as Asahi's halal hub.

Accordingly, AHSEA's greatest strength lies in its expansive business network with Malaysia at the core. In addition, we have boosted our vending machine network in Malaysia and Singapore into the industry's largest network through the acquisition of Advend Systems in January 2020, springboarding to a vending machine footprint of approximately 10,000 machines across both countries. From an R&D perspective, we've established a regional R&D and innovation hub with strong technical expertise and know-how in order to continuously innovate beyond consumers' expectations and for all consumption occasions. We not only develop soft drinks and dairy products but are also conducting research to develop products for the global halal market. With this R&D hub and the leveraging of our halal-certified plants in Malaysia and Indonesia, we are poised to be Asahi's global halal hub. On the marketing front, our employees are among the best in the industry, as exemplified by the best-in-class differentiated marketing campaigns and record-breaking activations.

Growth Strategies and Challenges to Overcome in the Southeast Asia Business

The greatest challenge facing the Southeast Asia Business at the moment is price range. As a bottler for U.S. beverage company PepsiCo, AHSEA markets the Pepsi brand in Malaysia and Singapore. However, despite the same brand, the selling price in Southeast Asia is low compared with Japan, Australia, Europe, or the U.S. A low selling price translates into comparatively lower profits as cost components remain similar across the globe. Furthermore, the Southeast Asia Business relies heavily on raw ingredients such as sugar and raw milk, and the impact of their market volatility on business performance can be considerable. With Southeast Asia's middle-income class projected to double from its existing 50 million people over the next 10 years, we will look to draw on our expertise in premium brands to continue to create and introduce high-value-added products that emphasize health and wellness with a view to overcoming this challenge. Amid the constantly diversifying needs of consumers, the expansion of our product portfolio and the reinforcement of premiumization will serve as key strategies.

The changes in consumer behavior influenced by the COVID-19 pandemic have sparked a dramatic increase in household consumption. People are spending more time at home, and this is expected to spur demand not only for takeout food but also for such products as coffee and milk powder. With this in mind, AHSEA has already begun the process of launching premium products by leveraging technology that enables products developed by the dairy products business, which remain fresh as they are delivered to the hands of consumers.

I stated earlier that AHSEA boasts the largest vending machine business in all of Malaysia and Singapore. As we move forward, in addition to placing greater emphasis on the expanding e-commerce market, we will look to boost sales at vending machines by partnering with convenience stores to drive further growth. There are currently 3,500 and 600 Japanese convenience stores in Malaysia and Singapore, respectively. However, as we currently operate over 10,000 vending machines in these countries, we will draw on this strength with our sights set on innovating the retail business.

Meanwhile, we are currently striving to reinforce our cost competitiveness by shifting toward a variable cost model, allowing for us to be more agile and dynamic—a critical need in the current VUCA world. This includes the contracting of external services for logistics functions and the outsourcing of human resources as well as accounting and other corporate functions in order to drive synergies and sustain good governance across AHSEA. Furthermore, the promotion of digital transformation, one of our key strategies, and the accelerated pace of decision-making will facilitate timely responses to changes in consumer behavior and opportunities for sales growth.

Instilling the Asahi Group Philosophy and Realizing Sustainability

At AHSEA, the elements of the AGP are reflected in all aspects of our everyday work life, including all forms of communication, such as the CEO message and frontline resources, with the aim of instilling such values in all of our employees as well as in our daily interactions both internally and with external parties. New employees joining the company must also take part in a program dedicated to raising awareness of the AGP. Accordingly, the AGP is inherent at every stage of our employees' learning process. The AGP serves as a foundation in all of our business activities, including our management strategies, our desire for innovation in product development, and our relationships with consumers, business partners, and suppliers. In order to ensure that the elements of the AGP are reflected in our products and their quality, we conduct surveys each year with consumers and our employees.

AHSEA constantly strives to foster a culture that embraces diversity and inclusion, evidenced by our diverse mix of employees and the fact that the majority of our employees and over one-third of our management are women. In addition, candidates for management positions can participate in the Asahi Group's Global Leadership Development Program, and AHSEA also has in place its own uniquely designed employee development programs and a highly competitive remuneration system. I take pride in the fact that with these various programs designed to not only cultivate but also retain our employees, we have an extraordinary team here at AHSEA. Meanwhile, we are also making great strides with our management succession plan. With respect to employee mobility, we have gradually begun transferring personnel within Southeast Asia, one of whom includes the current head of the Indonesia business who was formerly a member of the Malaysia business. In a nutshell, people are our single most valuable asset, and we place great importance on investing in our personnel and striving to bring more fun to life for every one of our employees.

While our awareness of ESG in Southeast Asia still has room for improvement, I believe that in the current age of the internet and social media coupled with the low average age of the region, such awareness will intensify quickly over a significantly short period. Both ESG and sustainability will undoubtedly be reflected in the consumer behavior of this region in the near future. With the strength of our sustainability strategy at Southeast Asia Regional Headquarters, which was formulated in line with the Asahi Group Sustainability Principles, we will seek to attract greater attention from consumers toward our ESG and sustainability efforts.

Message from the CFO

I will provide thorough support to management so that the Asahi Group can promptly return on a course for growth and tackle the issues facing management.

Ryoichi Kitagawa
Managing Director, Managing Executive Officer
of the Company, CFO

Overview of Fiscal 2020 Results

We projected that fiscal 2020 would be a year in which we would achieve further earnings growth centered on the Overseas Business, with expectations that the Europe and Oceania businesses would make significant earnings contributions. However, despite the positive impact of incorporating the CUB business in Australia into the scope of consolidation from June 2020, the negative impact from the COVID-19 pandemic was significant, resulting in a year-on-year decrease in core operating profit on a Group-wide basis of 21.2%, to JPY 167.8 billion. In addition to a global decline in consumer confidence, restrictions were placed on going to work and going outside, and this dealt a blow to our performance as each business was greatly affected in terms of the areas where they excel. For example, sales of the on-premise channel centered on beer declined significantly in the Alcohol Beverages Business, operating rates of the vending machines decreased in the Soft Drinks Business, and sales of the mainstay brand *MINTIA* were down in the Food Business. When COVID-19 first began to spread, our No. 1 priority was to ensure the safety of our employees and the continuity of our business activities and plant operations. At the same time, we reviewed our marketing strategies and resource allocation and accelerated reforms to our earnings structure to respond to the rapid change in demand. As a result of such measures, we were able to exceed the revised targets that we had for each business. Moreover, as for the balance sheet, we took steps to secure funding liquidity through such means as temporarily increasing the amount of cash on hand to twice its normal level. Additionally, we worked to reduce working capital and sell off non-operating assets. By promoting a wide range of measures in this manner, I believe the Group was able to demonstrate its ability to generate cash as well as its resilience and flexibility even amid the extremely challenging conditions of a rapidly fluctuating business environment.

Business Targets and Forecasts for Fiscal 2021

In fiscal 2021, we expect to achieve a 13.2% increase in revenue, to JPY 2,296.0 billion, and a 29.6% increase in core operating profit, to JPY 217.5 billion. While it is difficult to forecast a scenario in which the COVID-19 pandemic fully resolves itself, if the vaccination efforts currently underway in our areas of operation expand further, we can envision a scenario in which restrictions gradually ease and consumption realizes a certain level of recovery. Over the course of 2021, we aim to pursue cost-efficiency efforts that will have an impact of roughly JPY 16.0 billion on a Group-wide basis. These efforts will include realizing a recovery in sales volumes for core brands in each business centered on added-value proposals and working to improve our product mix. They will also include the generation of integration synergies in the Oceania Business and the promotion of earnings structure reforms focused on improving the productivity of each business. In the event that restrictions are extended to curb the spread of COVID-19 and growth in sales volumes becomes stagnant, we will implement cost-saving measures to an even greater degree to limit the risk of downward pressure on revenue to the greatest extent possible.

In fiscal 2022, we can expect that there will be differences in the progress of recovery for each business, not only due to the fact that the impact from the COVID-19 pandemic differs by business and by region but also because the growth trends in each business up until fiscal 2019 were different as well. With that said, by fiscal 2022 we aim to have Group-wide profits recover to the level attained in fiscal 2019 (including yearly estimated values of the CUB business), before the COVID-19 pandemic began.

Financial Strategies for Enhancing Our Assets and Asset Efficiency

We updated our financial and cash flow guidelines based on a variety of factors, including the acquisition of the CUB business, the identification and sale of nonperforming assets, and the increase in our cash-generating capabilities through the establishment of a global operating structure spanning three regions. In these updates, we upwardly revised the average yearly target level of free cash flow from 2021 on from JPY 170.0 billion to JPY 200.0 billion. By prioritizing the allocation of the cash we generate toward reducing debt, this revised level of free cash flow will give us room to make growth investments in the future. Net debt/EBITDA rose to the level of around 6 times at the end of fiscal 2020, and we will strive to improve this level to around three times or less by 2024, based on net debt after the deduction of 50% of outstanding subordinated bonds. For outstanding financial obligations, which increased due to the fund-raising for acquisitions, we were able to realize a significant decline in these obligations during fiscal 2020 through the accumulation of profits, the increase in cash-generating capabilities, and the issuance of common stock. During fiscal 2021, we expect to reduce debt by over JPY 150 billion by further increasing our cash-generating capabilities, which in turn will improve net debt/EBITDA to around 4.5 times.

Also, for shareholder returns, we were able to maintain dividend increases in fiscal 2020 even as our performance significantly worsened due to the COVID-19 pandemic. Based on the Medium-Term Management Policy, we will aim to achieve a dividend payout ratio of 40% in the future while referencing the dividend payout levels of other global companies. However, for the time being, we will strive to maintain stable dividend increases with around a 35% payout ratio as we prioritize the allocation of cash for reducing debt.

Reinvesting Funds Saved through Cost-Saving Measures with a Focus on Future Growth

In accordance with the Medium-Term Management Policy, which we revised in February 2021, over the next three years we aim to generate over JPY 50 billion from the impact of cost-efficiency efforts, which would be the largest amount we have ever generated through such efforts. While some of this amount will be put toward realizing a recovery in our business performance, we will also use this cash to reinvest in the key priorities of "enhancing management resources" and "reinforcing ESG initiatives," which are essential to achieving sustainable growth. Specifically, in Japan, we expect to create over JPY 35 billion from the impact of cost-efficiency measures, including allocating resources in a manner that responds to the structural changes occurring in the sales channels of the Alcohol Beverages Business and Soft Drinks Business as well as reviewing the functions of the operational bases for our three domestic businesses. Overseas, we plan to generate over JPY 15 billion by pursuing cost synergies through such means as consolidating logistics bases in Oceania and by enhancing the overall productivity of the

Guidelines from 2021 Onward

	Guidelines from 2021 Onward
Cash Flow	• FCF*: Above JPY 200 billion (annual average)
Investment for Growth / Debt Reduction	• Prioritize the allocation of FCF to the reduction of debt and work to enhance capacity for growth investments • Aim for net debt/EBITDA of around 3 times or less by 2024 (calculated after deducting 50% of outstanding subordinated bonds from net debt)
Shareholder Returns	• Stable dividend increases with the aim of achieving a dividend payout ratio of 35% (aiming for a dividend payout ratio of 40% in the future)

* Free cash flow = Cash flows from operating activities – Cash used in investing activities (excluding M&A and other business restructuring)

Message from the CFO

Europe Business. Efforts to create synergies in the Oceania Business are proceeding as planned, and by fiscal 2024 we expect to achieve revenue of around JPY 5.0 billion and generate over JPY 10.0 billion from the impact of cost synergies.

In addition, we will aim to further reduce working capital through such efforts as optimizing our global supply chain and reducing inventories utilizing DX. In terms of non-operating assets, in fiscal 2020 we sold off land that belonged to the Alcohol Beverages Business as well as the former site of a distribution center for the Soft Drinks Business and the reduction of cross-shareholdings along with the sale of the former plant of the Soft Drinks Business in fiscal 2021.

Turning to our reinvestment strategies, for "enhancing management resources," we will allocate funds to promoting R&D, human resource development, and DX. For "reinforcing ESG initiatives," we will invest in efforts geared toward realizing Asahi Group Environmental Vision 2050 and sustainable communities. We will also actively allocate funds toward enhancing our corporate governance.

Approach to Financial Management

Under our global operating structure spanning three regions, we are taking steps to establish fund management systems, involving the visualization of cash flows and cash pooling, so that we can leverage the cash we generate in each region on a global basis. We aim to complete the establishment of such a system within the next one to two years. We have already set up the necessary systems for the centralized management of funds and are realizing a reduction of fund surpluses within the Group. Going forward, we will work to further reduce fund surpluses and improve capital efficiency. We will also reduce risks by reorganizing our governance policies. While producing these results, we will work to further strengthen our cash-generating capabilities.

Furthermore, as part of our efforts toward "strengthening earnings power," a key priority laid out in the Medium-Term Management Policy, we have been working to enhance our assets and asset efficiency through the rigorous monitoring of return on invested capital (ROIC). Unfortunately, Group-wide ROIC worsened significantly in fiscal 2020, as the decrease in core operating profit due to the COVID-19 pandemic and the increase in invested capital to acquire the CUB business offset efforts to reduce working capital and sell off non-operating assets. However, in 2021 we expect to see a gradual recovery in ROIC, supported by not only a recovery in the profitability of each business and an increase in core operating profit following the full-year contributions from the incorporation of the CUB business into the scope of consolidation but also by ongoing efforts to sell off non-operating assets. By stepping up efforts to enhance capital efficiency underpinned by revenue growth in each business, we aim to continue to improve our ROIC and increase our cash-generating capabilities.

Meanwhile, to date we have made risk assumptions while mapping out various scenarios that could occur. However, the COVID-19 pandemic has caused us to completely change our approach to risk. We now need to enhance our ERM, including risk management, based on a scenario in which a risk occurs that is outside of our assumptions. At the same time, we need to improve our flexibility and resilience toward change through rigorous business management and optimal cash allocation. We also need to strengthen our ability to realize a recovery when such risk occurs. I believe that, above all else, these efforts are the most important.

Additionally, we recognize that we are faced with even more risks due to external factors, such as exchange rate and interest rate fluctuations, following our rapid overseas business expansion and increase in financial obligations. To that end, we are working to reduce these kinds of risks through exchange contracts and fixed interest rates. However, as we are unable to curtail the risk of fluctuations in our business performance when we convert the financial results of overseas subsidiaries denominated in foreign currency to yen, we are working to ensure appropriate and smooth communication with stakeholders through such means as disclosing our performance indicators based on constant foreign exchange rates. Moreover, as we continue to expand our businesses overseas, we are now subject to the tax systems of not only Japan but also of each respective country of operation. Accordingly, we are unable to deny the risk of a significant and unexpected increase in our tax cost burden.

While we cannot completely eliminate these kinds of risks, we will update our Group ERM on a regular basis to more keenly assess the level of impact when various risks materialize as well as the order of priority and importance of response measures that we must enact now. At the same time, based on the Asahi Group Risk Appetite Statement, we have clarified risks we should take and other risks we should avoid. All of these efforts will help us achieve the targets of the Medium-Term Management Policy and improve our corporate value.

Dialogue with Capital Markets

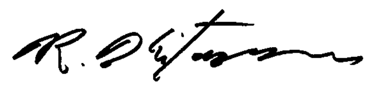
Dialogue with capital markets is an important initiative for gaining the confidence of shareholders regarding returns that exceed shareholder equity costs. In addition to providing explanations from our side, we also engage repeatedly in constructive dialogue with investors, from which we gain advice and various recommendations. Incorporating what we learn through these dialogues into our management is an essential part of enhancing our corporate value over the medium to long term. Going forward, we will strive to enhance investors' understanding of the Asahi Group by not only disclosing information on our management policies and financial strategies but also by engaging in direct dialogue with capital markets. Dialogue with overseas investors has unfortunately been limited to online meetings due to the pandemic. However, we will take steps such as increasing the frequency of these meetings in an effort to remain in even closer communication with these investors.

The Asahi Group uses weighted average cost of capital (WACC) for its cost of capital metric. However, as the D/E ratio will remain at a high level for the time being, our WACC is also expected to remain at its current level. We intend to use a certain amount of leverage to improve investment efficiency, but we are not aiming to maintain a high level of financial debt just to keep our WACC at a low level. In a similar manner, our priorities would be backwards if we were to adopt a strategy where we refrain from investing in emerging markets and only invest in mature markets for the sake of curtailing volatility. I believe it is important to realize continuous improvement in corporate value by lowering WACC through constructive dialogue with investors while achieving ROIC that exceeds WACC.

Future Vision for the Finance Department

Our finance department comprises a group of specialists with an extremely high level of knowledge and expertise and serves as the platform that underpins the Group's management and business activities. As speed is even more important than ever when it comes to management, we need to continue to be an agile department that can promptly provide not only financial information but also other valuable information, including sound advice to management. Moreover, our business foundation continues to expand across the globe. In light of this, the finance department must become an organization that has an even greater awareness of diversity. To that end, it is my hope that the finance department can turn out individuals who can provide in their own words a behind-the-scenes explanation of the changes in financial figures, no matter the location where they work.

I became the CFO in an environment where the impact of the COVID-19 pandemic remains profound. However, I have a positive outlook for fiscal 2021 as a year in which the Asahi Group will make a significant step toward the next stage for growth. Going forward, I will provide thorough support to management so that the Group can promptly return on a course for growth and tackle the issues facing management that I have explained in this message.



Ryoichi Kitagawa
Managing Director, Managing Executive Officer of the Company, CFO

Efficiency Improvement Plan in Profit Structure Reforms

	2021–2023 Three-year forecast	Initiatives
Alcohol Beverages	Over JPY 35 billion	• Improve efficiency of advertisement and sales promotion expenses and production efficiency by concentrating on core brands and new value products • Optimize production and logistics systems to respond to shifts in demand between containers and categories
Soft Drinks		• Optimize inventory levels by improving SCM efficiency, such as through more sophisticated demand forecasting • Improve total cost of goods sold and logistics costs by promoting in-house production
Food		• Improve productivity by automating manufacturing equipment and improving manufacturing processes • Reduce variable costs by improving the accuracy of supply and demand forecasts and optimizing inventory levels and the number of SKUs
Overseas	Over JPY 15 billion	• Reduce fixed manufacturing costs using automated warehouses and increase efficiency through organizational integration (Europe) • Create synergies through business integration, including integration of logistics bases and reduction of procurement costs (Oceania)
Consolidated total	Over JPY 50 billion	

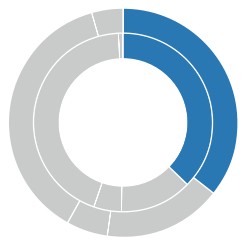
Targeting the efficiency of improving earnings structure (total for 2021–2023): Over JPY 50 billion for reallocation toward business performance recovery and investments in the enhancement of management resources and reinforcing of ESG initiatives

Business Overview

*1 The ratio of revenue in each business to total revenue is calculated by dividing the revenue in each business by total consolidated revenue, including adjustments (corporate/elimination).
*2 The ratio of core operating profit in each business to total core operating profit is calculated by dividing the core operating profit in each business by total consolidated core operating profit (excluding amortization of intangible assets occurring following acquisitions), including adjustments (corporate/elimination).

Alcohol Beverages Business

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.



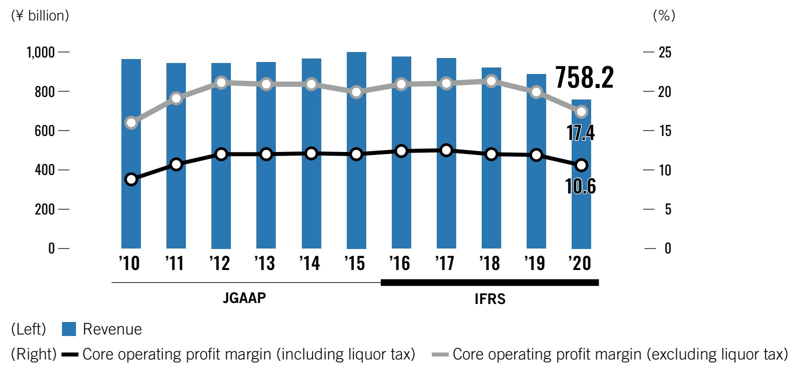
Revenue Breakdown by Business Segment (outside)*1

37.4%

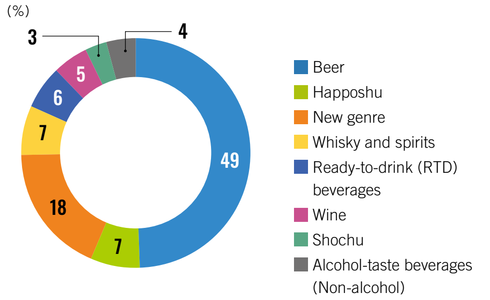
Core Operating Profit Breakdown by Business Segment (inside)*2

41.6%

Revenue and Core Operating Profit Margin



Revenue by Category in 2020



Soft Drinks Business

Centered on Asahi Soft Drinks Co., Ltd., the Soft Drinks Business offers such products as *MITSUYA CIDER, WILKINSON, CALPIS, WONDA, Asahi Juroku-cha,* and *Asahi OISHII MIZU.* 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.

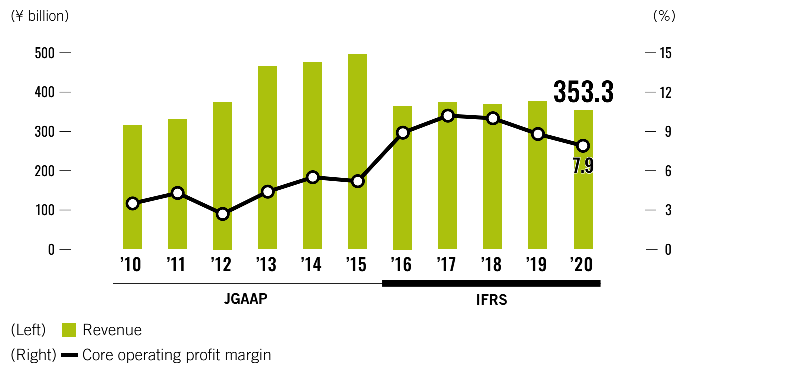
Revenue Breakdown by Business Segment (outside)*1

17.4%

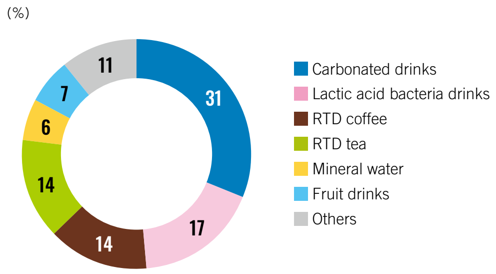
Core Operating Profit Breakdown by Business Segment (inside)*2

14.4%

Revenue and Core Operating Profit Margin

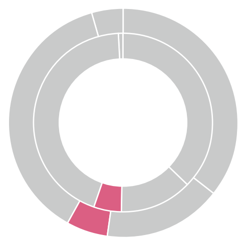


Sales Volumes by Category in 2020



Food Business

Centered on Asahi Group Foods, Ltd., the Food Business manufactures and sells confectioneries, health foods, supplements, 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.



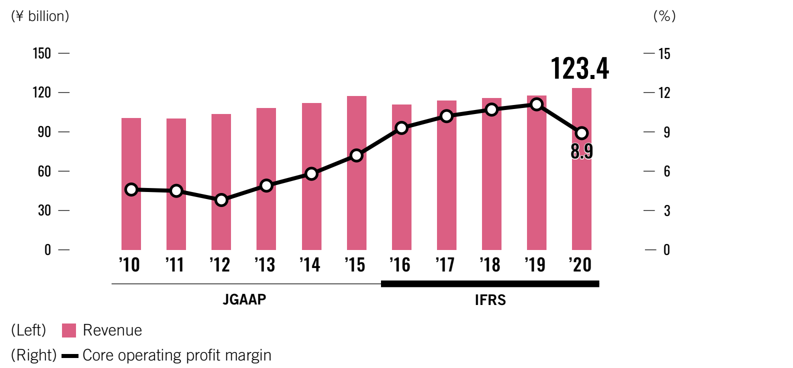
Revenue Breakdown by Business Segment (outside)*1

6.1%

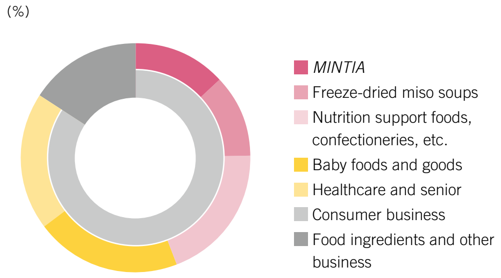
Core Operating Profit Breakdown by Business Segment (inside)*2

5.7%

Revenue and Core Operating Profit Margin

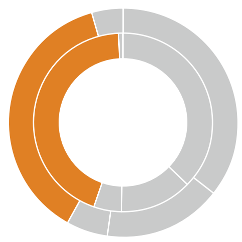


Revenue by Category in 2020



Overseas Business

The Overseas Business is making efforts to establish a growth foundation in Europe, Oceania, Southeast Asia, 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.



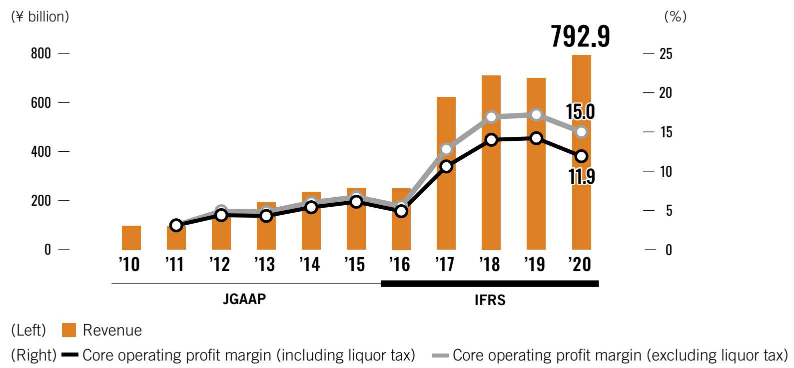
Revenue Breakdown by Business Segment (outside)*1

39.1%

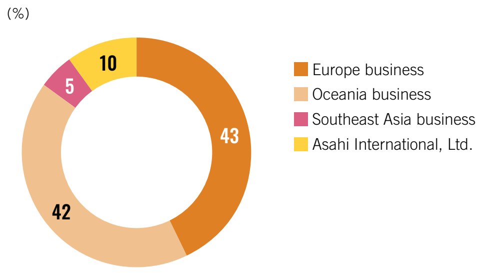
Core Operating Profit Breakdown by Business Segment (inside)*2

48.7%

Revenue and Core Operating Profit Margin



Revenue by Business in 2020



Reference: Revenue by business based on business portfolio restructuring from fiscal 2021 (fiscal 2020 results)

Europe business	52%	Southeast Asia business	5%
Oceania business	43%		

Strategy by Business

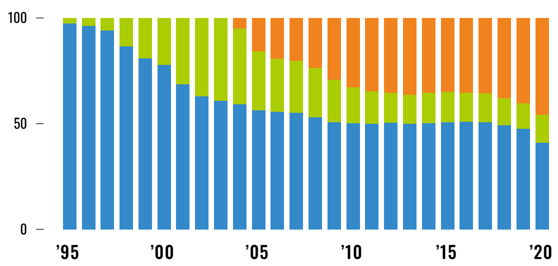
Alcohol Beverages Business

Operating Environment (Opportunities and Risks)

The domestic beer market has been declining since its peak in 1994 due to a myriad of factors including population aging, birthrate decline, and the diversification of alcohol consumption, and this trend is projected to continue going forward. Meanwhile, consumers have been returning to beer category beverages following the October 2020 revision of the liquor tax. We anticipate further changes to the structure of demand following the institution of a standardized tax rate for all beer-type beverages in October 2026, and these changes are projected to accelerate the invigoration of the beer market and the consolidation into strong brands.

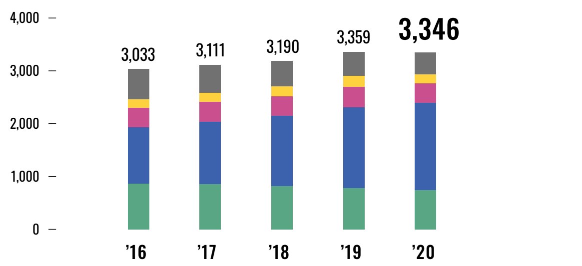
At the same time, the COVID-19 pandemic has been driving a shift in demand toward off-premise consumption while the increase in health consciousness has been stimulating growth in demand for products with reduced carbohydrates or other function claims. We are also witnessing lifestyle changes, such as the popularization of teleworking and the trend toward staying at home, which are resulting in the diversification of situations and ways in which alcohol is enjoyed. These trends are creating new growth opportunities for the Asahi Group.

Market Share of Beer, Happoshu, and New Genre*



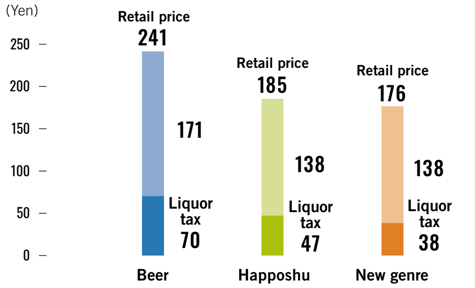
* Based on taxable shipment volumes of five major manufacturers in Japan. Figures have been estimated in-house since 2019, as the announcement of taxable shipment volumes by the Brewers Association of Japan and the Society to Consider the Happoshu Tax System stopped in 2018.

Size of Domestic Market for Other Drinks*



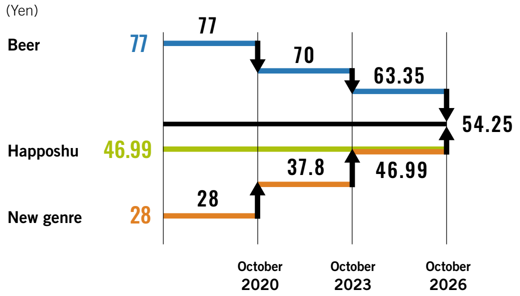
* Based on taxable shipment volumes, in-house estimation

Comparison of Liquor Tax (Tax per 350 ml)



Note: The top figures are the retail prices for a major convenience store chain (includes consumption tax, at the end of 2020).

Revision of Liquor Tax (Tax per 350 ml)



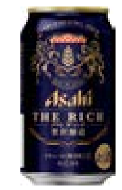
2020 Results

In beer-type beverages, we encouraged consumers to rediscover the value of beer and provided special drinking experiences based on the *Asahi Super Dry* brand message of "Beer tastes great. I always look forward to this moment!" Efforts were also made to increase our market presence in conjunction with the release of *Asahi THE RICH*, which offers the same sense of quality and luxury as a premium beer.

In alcohol beverages other than beer-type beverages, we stepped up efforts to solicit new proposals to customers. For example, we bolstered our lineup of core *Zeitaku Shibori* brand products in the ready-to-drink (RTD) beverages category and launched *Nikka Session*, a beverage that blends Scottish and Japanese malt liquors, in the whisky and spirits category. We also took steps to expand our user base in the non-alcohol beverages category by proposing various settings for enjoying *Asahi Dry Zero*.

As a result, despite year-on-year growth in sales of new genre beer-type beverages and RTD beverages, revenue declined 14.5% year on year, to ¥758.2 billion, due primarily to a drop in sales to restaurants as a result of the COVID-19 pandemic. Although we made efforts to reform our earnings structure, core operating profit also saw a decline, falling 23.8%, to ¥80.4 billion, owing to lower revenue and other factors.


Asahi Super Dry


Asahi THE RICH


Zeitaku Shibori


Nikka Session

2021 Targets

In 2021, we will concentrate investments on core brands in all beverage categories while also seeking to create new markets by bolstering our lineups of products matched to diversifying consumer needs and proposals of new consumption patterns.

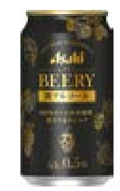
In beer-type beverages, we will begin developing our home server business and launch *Asahi Super Dry Nama Jokki Can* (Draft Beer Can), a new offering that responds to demand for an easy way to enjoy the draft beer available at bars and restaurants while at home. In addition, we will ramp up advertisement and sales promotion activities centered on core brands such as *Clear Asahi* and *Asahi THE RICH* as part of our efforts to enhance our brand value in the new genre beer-type beverage market.

In alcohol beverages other than beer-type beverages, we will focus efforts for cultivating RTD beverage brands on *Zeitaku Shibori*, *Taru Hai Club*, and *Asahi The Lemon Craft*. We look to foster new beverage categories by capitalizing on the launch of *Asahi BEERY*, a low-alcohol beverage (0.5%) that features the rich, flavorful taste of barley that is only made possible by using 100% beer ingredients. This new offering was shaped by the concept of smart drinking, which proposes a more diverse range of drinking patterns.

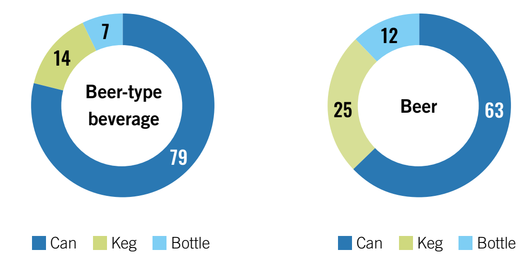

Asahi Super Dry Nama Jokki Can (Draft Beer Can)


Clear Asahi

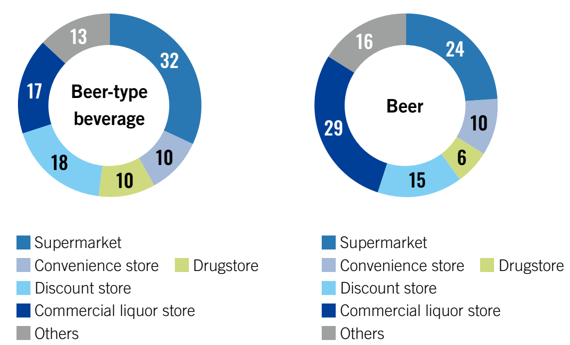

Asahi The Lemon Craft


Asahi BEERY

Sales Composition by Container Type (2020)



Sales Composition by Marketing Channel (2020)



Strategy by Business

Soft Drinks Business

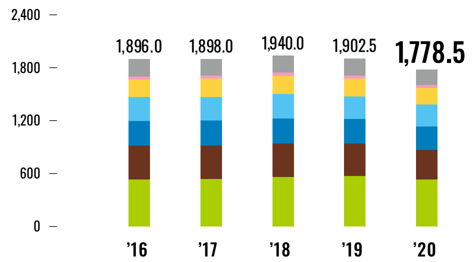
Operating Environment (Opportunities and Risks)

The domestic beverage market has grown by around 1% on average over the five years leading up to 2019. However, the market took a downturn in 2020 as a result of decreases in sales from vending machines stemming from the COVID-19 pandemic. The market is expected to undergo a gradual recovery going forward while consumption structures transform in conjunction with the diversification of lifestyles exemplified by such trends as the increases in sales of unsweetened carbonated beverages seen amid increasing health consciousness.

Meanwhile, social pressure is being placed on the beverage industry to ramp up efforts to reduce waste centered on PET bottles, labels, and other container materials in order to address environmental issues that are also becoming social issues, such as those related to plastic waste. We therefore anticipate that there will be new growth opportunities to take advantage of regarding the rising need for products with reduced environmental impacts including initiatives to recycle plastic resources.

Japan's Soft Drink Market by Category

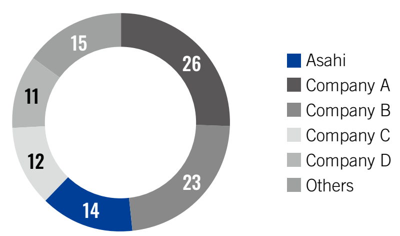
(Million cases)



Source: Inryo Soken

Market Share by Company in 2020

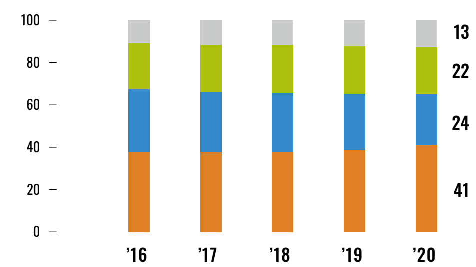
(%)



Source: Inryo Soken

Distribution of Soft Drink Market by Marketing Channel

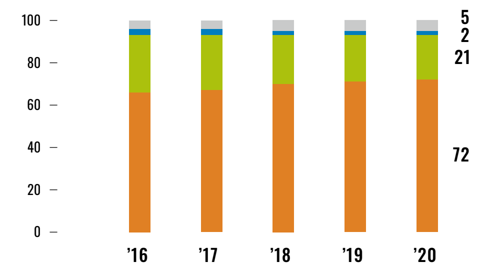
(%)



Source: Inryo Soken

Distribution of Soft Drink Market by Container Type

(%)



Source: Inryo Soken

2020 Results

We pursued increased brand value in relation to the carbonated beverages category, which is enjoying strong performance amid increased demand for household consumption, alongside aggressive marketing activities pertaining to core brands *MITSUYA* and *WILKINSON*. We also sought to build upon the *CALPIS* brand by actively promoting diluted versions of *CALPIS* products in response to demand related to staying at home. Meanwhile, marketing strategies tailored to changing consumer needs were advanced with regard to products that create new value. Specific examples of these strategies included the launch of *GREEN CALPIS*, a plant-derived product made by fermenting soy milk, and the deployment of label-less bottle products for the e-commerce market.

As a result, despite the strong performance of carbonated beverages, revenue declined 6.2% year on year, to ¥353.3 billion, as the COVID-19 pandemic caused sales from vending machines to drop. Core operating profit fell 16.9%, to ¥27.8 billion, due to the reduced revenue and the less profitable product and container mix that resulted from lower sales from vending machines. These negative factors outweighed the benefits of streamlined advertising and sales promotion costs and reduced manufacturing costs achieved through in-house production and improved capacity utilization.

MITSUYA HOUJUN RINGO

WILKINSON TANSAN MUSCAT

CALPIS

Asahi OISHII MIZU label-less PET bottle

2021 Targets

The brand value centered on core brands will be further heightened in 2021 as we seek to bolster our lineups of products matched to lifestyle changes and proposals for resolving social issues.

The brand value fostered over the course of more than a century with regard to *MITSUYA*, *WILKINSON*, and *CALPIS* will be leveraged in ground efforts to deploy new products matched to lifestyle changes and to conduct new sales promotion activities that employ digital technologies. In this manner, we will seek to heighten our ability to solicit our products to consumers. In addition, the *Juroku-cha* brand will be reinvented based on the theme of friendliness toward both people and the environment. By using new materials and manufacturing methods together with new, small-sized containers made from eco-friendly materials, we aim to improve the value of the *Juroku-cha* brand in the growing unsweetened tea category.

Efforts will also be made to help resolve social issues by expanding sales of label-less PET bottle products, which enjoyed impressive sales growth in 2020, to include vending machines. We thereby aim to create new value by reducing environmental impacts while improving customer convenience.

MITSUYA CIDER

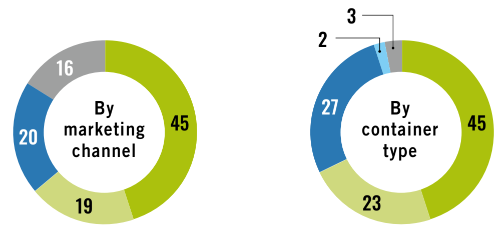
WILKINSON

CALPIS Light Blue

Asahi Juroku-cha

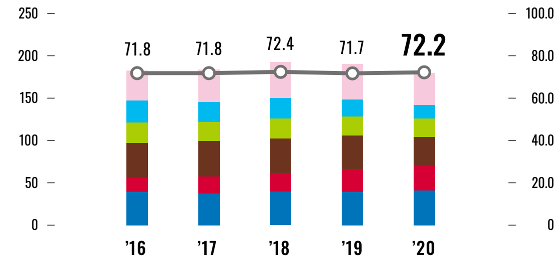
Sales Volume of Asahi Group Holdings (2020)

(%)



Sales Volume for Six Core Brands

(Million cases) (%)



Strategy by Business

Food Business

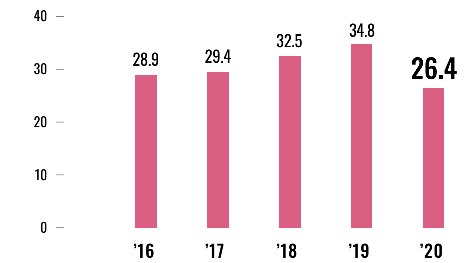
Operating Environment (Opportunities and Risks)

The domestic food product market is evolving in conjunction with the spread of new lifestyles as people increasingly stay home and engage in teleworking in response to the COVID-19 pandemic. These changes in consumer lifestyles are giving rise to diverse growth categories.

Demand for nutrient support foods, such as dietary supplements and protein-added products, is growing in the Asahi Group's business amid rising health consciousness. We are also witnessing growth in the freeze-dried food market due to rises in demand for convenient processed foods as people increasingly stay home. Meanwhile, the breath mint tablet market has been impacted by the reduction in demand associated with setting, such as that related to commuting to work and workplace environments. Nevertheless, we anticipate the rise of new growth opportunities for mint breath tablets as people seek sources of refreshment when wearing masks or when at home. The Group also projects growth in the market for products catering to senior citizens in conjunction with population aging and people remaining healthy for longer portions of their life. This market is expected to represent a new growth field.

Breath Mint Tablet Market Scale

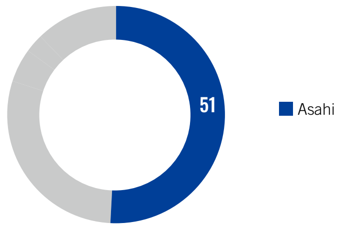
(¥ billion)



Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1, 2016–December 31, 2020, INTAGE Inc.

Share of Breath Mint Tablet Sales in 2020

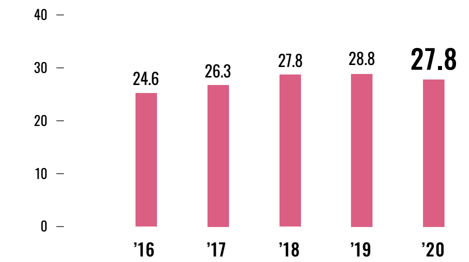
(%)



Source: *INTAGE Food SRI*, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1, 2020–December 31, 2020, INTAGE Inc.

Baby Food Market Scale

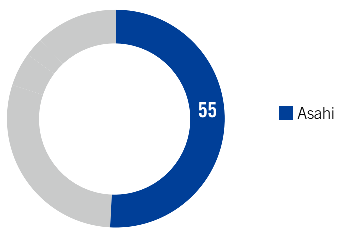
(¥ billion)



Source: *INTAGE Food SRI*, Baby Food, Nationwide (excluding Okinawa), All Industries, January 1, 2016–December 31, 2020, INTAGE Inc.

Share of Revenue in Baby Food Market in 2020

(%)



Source: *INTAGE Food SRI*, Baby Food, Nationwide (excluding Okinawa), All Industries, January 1, 2020–December 31, 2020, INTAGE Inc.

▶ 2020 Results

In regard to *MINTIA* breath mint tablets, we sought to stimulate demand by launching new products and proposing new use patterns in responses to changes in demand stemming from trends such as the popularization of teleworking. In freeze-dried miso soups, we solicited the value of freeze-dried foods, namely convenience and authentic flavors, with our *Itsumono Miso Soup* lineup by redesigning packages and stepping up advertisements and sales promotions.

We sought to improve the brand image and acquire new users of our *Dear-Natura* line of dietary supplements through enhanced advertising campaigns tailored to the rise in health consciousness. We also bolstered our lineup of baby food proposals by launching new product lineups in response to demand related to handmade snacks.

As a result, revenue fell 4.2% year on year, to ¥123.4 billion, as the decrease in sales of *MINTIA* products resulting from reduced rates of office attendance outweighed the benefits of year-on-year increases in sales of freeze-dried miso soups. Despite measures for streamlining fixed costs, core operating profit was also down, decreasing 19.9%, to ¥10.9 billion, reflecting the decline in revenue.

MINTIA Breeze

Itsumono Miso Soup

Ippon Manzoku Bar

Dear-Natura

▶ 2021 Targets

In 2021, we will work to build sustainable growth foundations by creating value tailored to new lifestyles and enhancing each category in response to market structure changes.

Improvements to the value of the *MINTIA* brand will be pursued by promoting new use proposals, such as products designed especially for use when wearing a mask, products that come in large-volume containers, and products with nutritional function claims that address rising health consciousness. As for freeze-dried miso soups, we will accelerate our deployment of high-end products using unique ingredients that respond to demand for eating at home and of products sold in large-volume packs that cater to demand for large-volume purchases. Meanwhile, our *Dear-Natura* product lineup geared toward self-care needs will be enhanced through the expansion of our lineup of products with function claims that employ lactic acid bacteria, vitamin D, and raw materials borne from research on *CALPIS* lactic acid bacteria.

Furthermore, Asahi Calpis Wellness Co., Ltd., which operates a mail-order health foods business, was merged with Asahi Group Foods, Ltd., to create a new organizational structure for growing sales of dietary supplements and other products.

Goo Goo Kitchen

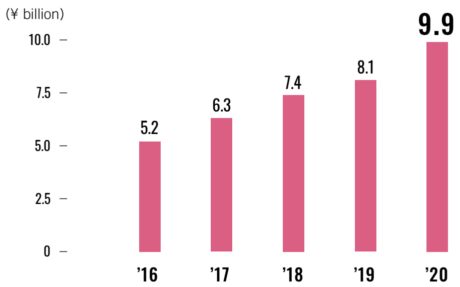
Wakodo Lebens Milk Hi Hi

Balance Kondate

Ebios

Freeze-dried Miso Soup Market Scale

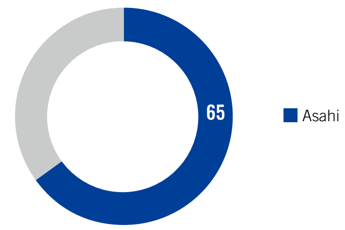
(¥ billion)



Source: *INTAGE Food SRI*, Freeze-dried Miso and Clear Soup, Nationwide (excluding Okinawa), All Industries, January 2016 to December 2020

Share of Revenue in Freeze-dried Miso Soup Market in 2020

(%)



Source: *INTAGE Food SRI*, Freeze-dried Miso and Clear Soup, Nationwide (excluding Okinawa), All Industries, January 2016 to December 2020

Strategy by Business

Overseas Business

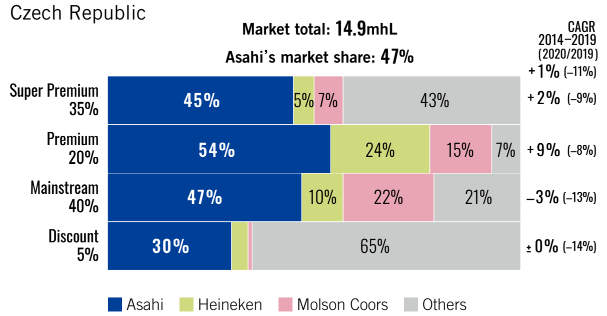
Operating Environment (Opportunities and Risks)

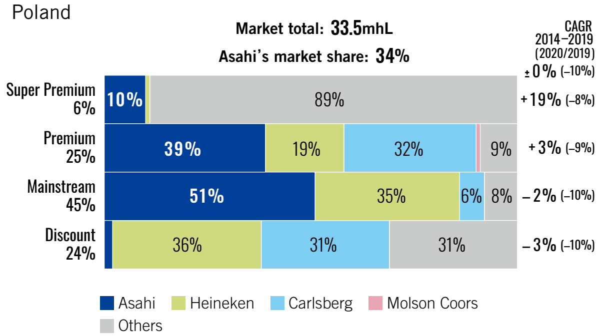
The global alcohol and non-alcohol beverage markets suffered a temporary decline in sales volumes in 2020 as a result of the restrictions imposed by countries around the world in response to the COVID-19 pandemic. Nevertheless, these markets are expected to experience ongoing growth centered on high-value-added beverage categories going forward as a result of economic recovery and the diversification of consumption patterns.

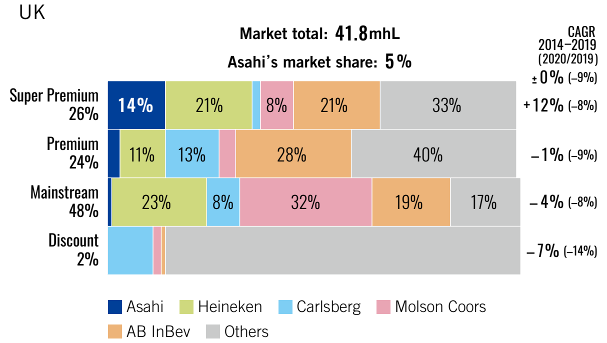
In the European market, the COVID-19 pandemic resulted in significant depressed demand from restaurants whereas sales of premium beers, non-alcohol beverages, and other premium category products are growing rapidly in the off-premise channel. In the Oceania market, the trend toward premium products is expected to continue against a backdrop of medium- to long-term economic growth and consistent increases in the price of goods.

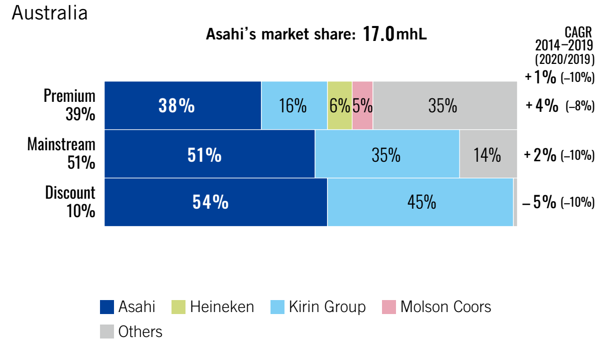
Regulations on alcohol and sugar content present risks in each region. However, the Asahi Group is expected to have access to an expanding range of growth opportunities as rising consumer health consciousness drives increases in demand for non-alcohol, low-alcohol, unsweetened, and low-sugar products.

Market Share by Price Segment and Composition by Channel (2020)









Notes: 1. The price of the leading brand in the most popular pack type = 100
Super Premium > 151 150 > Premium > 115 114 > Mainstream > 91 90 > Discount
2. Based on volumes, in-house estimation

2020 Results

In the Europe Business, we worked to bolster our brand image in response to diversifying customer needs. Specific efforts included enhancing marketing activities pertaining to *Pilsner Urquell* and other premium beers in the Czech Republic and broadening our range of flavor offerings for non-alcohol beverages like *Lech Free* in Poland.

In the Oceania Business, we began solidifying our sales structure by integrating the operations of the CUB business into our existing operations. We also redoubled efforts to solicit brands such as *Great Northern* and *Asahi Super Dry*. Non-alcohol beverage initiatives included deploying unsweetened products in the carbonated beverage and other categories to improve our market presence.

As for the Southeast Asia Business, we ramped up our efforts in Malaysia pertaining to high-value-added products such as *WONDA Zero Max*, a product that requires no sugar and which was launched in response to rising health consciousness. As a result, revenue increased 13.5% year on year, to ¥792.9 billion, despite the restrictions instituted by countries around the world in response to the COVID-19 pandemic, largely because of the benefits of the consolidation of the CUB business. Core operating profit was down 8.0%, to ¥94.1 billion, as the reduced profitability resulting from changes in the channel mix offset the benefits of streamlined fixed costs.


Peroni Nastro Azzurro (UK)


Pilsner Urquell (Czech Republic)


Asahi Super Dry

Lech Free (Poland)

2021 Targets

In 2021, we will advance premium strategies focused on core brands and non-alcohol beverages in local markets while strengthening global premium brand sales channels.

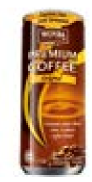
In the Europe Business, we will conduct aggressive marketing campaigns for *Pilsner Urquell*, *Peroni Nastro Azzurro*, and other premium beers in major markets of operation while boosting our brand value in the growing non-alcohol beverage market. In addition, our partnership with global events will be utilized to heighten awareness of our brands in the global market.

In the Oceania Business, we will redouble advertising campaigns for core brands such as *Great Northern* and *Victoria Bitter*; accelerate the growth of *Asahi Super Dry* and *Peroni Nastro Azzurro* using the reinforced sales structure built through business integrations; and pursue further cost synergies. Non-alcohol beverage initiatives will include the enhancement of our brand portfolio centered on unsweetened products. As for the Southeast Asia Business, we will grow non-alcohol beverages with health function in Malaysia.

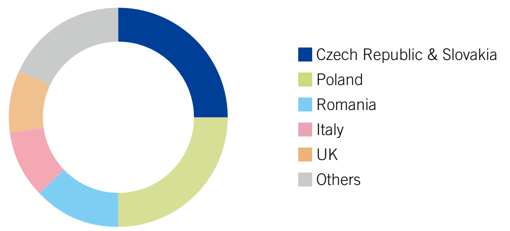

Great Northern (Oceania)

Victoria Bitter (Oceania)

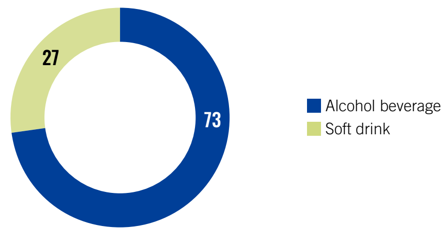

Cool Ridge (Oceania)


Wonda (Southeast Asia)

Revenue Composition by Country in the Europe Business (2020)



Alcohol Beverage/Soft Drink Revenue Composition in the Oceania Business (2020)



The Asahi Group's Management Team

(As of March 25, 2021)

In order to realize the Asahi Group Philosophy, the management of the Asahi Group comprises a diverse group of members with abundant experience, a high level of insight, and advanced expertise.

Guided by this management, the Group aims to realize sustainable growth and enhance corporate value over the medium to long term through ongoing efforts by the Board of Directors to conduct highly effective decision-making and business supervision.

Akiyoshi Koji
Chairman of the Board
As of March 2021
Significant concurrent positions
- Outside Director of Imperial Hotel, Ltd.

Atsushi Katsuki
President and CEO, Representative Director
As of March 2021

Ryoichi Kitagawa
Managing Director, Managing Executive Officer of the Company, CFO
As of March 2021

Taemin Park
Director and Executive Officer, CAO (Chief Alliance Officer)
As of March 2020

Keizo Tanimura
Director and Executive Officer, CHRO (Chief Human Resources Officer)
As of March 2020

Tatsuro Kosaka
Independent Outside Director
As of March 2016
Significant concurrent positions
- Representative Director, President of Chugai Pharmaceutical Co., Ltd.

Yasushi Shingai
Independent Outside Director
As of March 2018
Significant concurrent positions
- Outside Director of Mitsubishi UFJ Financial Group, Inc.
- Outside Director of Dai-ichi Life Holdings, Inc.

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.

Yoshihide Okuda
Standing Audit & Supervisory Board Member
As of March 2019

Naoko Nishinaka
Standing Audit & Supervisory Board Member
As of March 2020

Katsutoshi Saito
Independent Outside Audit & Supervisory Board Member
As of March 2014
Significant concurrent positions
- Adviser to The Dai-ichi Life Insurance Company, Limited
- Outside Director of Imperial Hotel, Ltd.

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

Yutaka Kawakami
Independent Outside Audit & Supervisory Board Member
As of March 2017
Significant concurrent positions
- Certified Public Accountant
- Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.

Noboru Kagami
Managing Executive Officer

Kazuo Matsuyama
Managing Executive Officer*

Yutaka Hemmi
Managing Executive Officer*

Yukitaka Fukuda
Executive Officer

Tomomasa Kanda
Executive Officer

Manabu Sami
Executive Officer

Tatsuhito Chiku
Executive Officer

Kazuma Kohno
Executive Officer

Kaoru Sakita
Executive Officer

Akira Tanaka
Executive Officer

Satoshi Akiba
Executive Officer

Kazutomo Tamesada
Executive Officer

Kazuhiko Nomura
Executive Officer

Shunjiro Sakano
Executive Officer

Osamu Ishizaka
Executive Officer

Wayne Angus
Executive Officer

Yoshinori Ito
Executive Officer*

Atsushi Kagaya
Executive Officer

Tatsushi Akita
Executive Officer

Yoshio Chikayasu
Executive Officer*

Masatoshi Ampo
Executive Officer*

Tomoyuki Negoro
Executive Officer*

Satoshi Mori
Executive Officer*

Hikaru Sato
Executive Officer*

* Appointed on March 25, 2021

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

Basic Policy

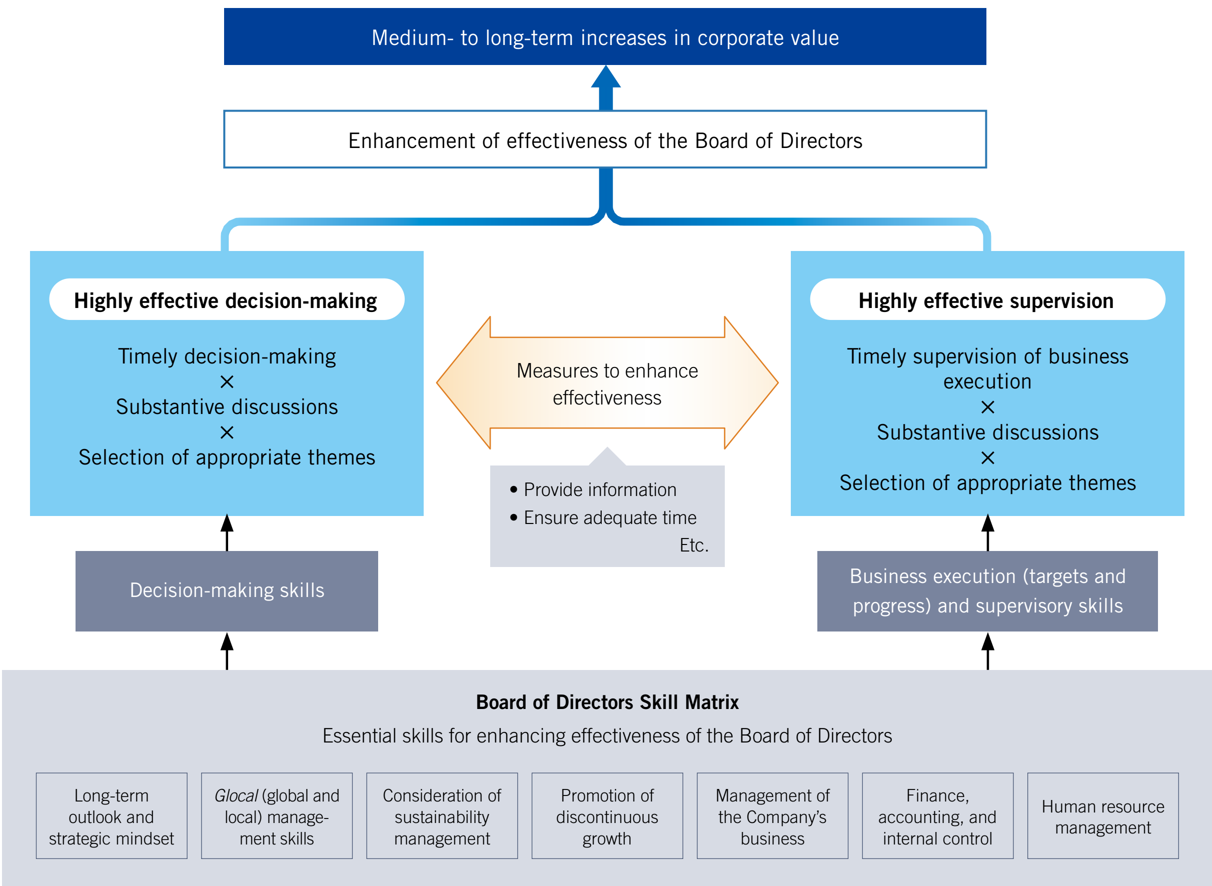
With the establishment of the Asahi Group Philosophy, Asahi Group Holdings is committed to realizing sustainable growth and medium- to long-term increases in corporate value. In order to bring such goals to fruition, we have been proactive in our efforts to strengthen Group management, build solid relationships of trust with society, and enhance our social presence and transparency, while positioning the reinforcement of the Group's corporate governance at the top of management priorities. Accordingly, we fully endorse the core concept of Japan's Corporate Governance Code of contributing to all stakeholders and, ultimately, to the growth of the economy as a whole.

Based on this policy, we are fully aware that enhancing the effectiveness of the Board of Directors and establishing more substantial corporate governance will be critical to realizing sustainable growth and medium- to long-term increases in corporate value. For that reason, we constantly strive to realize more substantial corporate governance by evaluating the effectiveness of the Board of Directors and the Audit & Supervisory Board and by analyzing these results as well as identifying and addressing issues to ensure further enhancement of their effectiveness.

Corporate Governance Policy and System (Asahi Group Holdings corporate website):
https://www.asahigroup-holdings.com/en/company/governance/policy.html

Framework for Enhancing Effectiveness of the Board of Directors

The Board of Directors at Asahi Group Holdings believes that a highly effective board is one that continues to pursue increases in corporate value over the medium to long term.



Board of Directors Skill Matrix

The Asahi Group works to ensure an overall balance of knowledge, experience, and ability as well as diversity of the Board of Directors, which are imperative to realizing sustainable growth and medium- to long-term increases in corporate value. Accordingly, the Company's Board of Directors is composed of persons suitable to serve as the Company's Directors, possessing a wealth of experience, extensive knowledge, and superior expertise based on the Board of Directors Skill Matrix, which specifies the requirements for Directors based on the Asahi Group Philosophy, the Asahi Group's Corporate Governance Guidelines, and management strategies of the Company.

	Name	Akiyoshi Koji	Atsushi Katsuki	Ryoichi Kitagawa	Taemin Park	Keizo Tanimura	Tatsuro Kosaka	Yasushi Shingai	Christina L. Ahmadjian
Decision-Making Skills	Long-Term Outlook and Strategic Mindset	○	○	○	○	○	○	○	○
	Glocal Management Skills	○	○	○	○	○	○	○	○
	Consideration of Sustainability Management		○			○	○	○	○
	Promotion of Discontinuous Growth	○	○	○	○		○	○	
Supervisory Skills	Management of the Company's Business	○	○	○	○				
	Finance, Accounting, and Internal Control	○	○	○			○	○	
	Human Resource Management	○				○	○	○	○

Decision-Making Skills

① Long-Term Outlook and Strategic Mindset	Ability to assess societal changes over the long term and manage business through a backcasting-focused strategic mindset
② *Glocal* Management Skills	Ability to comprehensively manage business at the global and regional level by taking a globally minded management approach and optimizing management locally
③ Consideration of Sustainability Management	Ability to manage business by viewing sustainability and management as one and the same and integrating medium- to long-term strategies with resolutions to social issues
④ Promotion of Discontinuous Growth	Ability to manage business by promoting discontinuous growth through technological innovation and business restructuring

Supervisory Skills

① Management of the Company's Business	Ability to accurately assess the status of business execution and raise issues in accordance with the Medium-Term Management Policy on the basis of the AGP
② Finance, Accounting, and Internal Control	Ability to perform finance and accounting duties from a managerial perspective and implement internal control that facilitates more substantial Group governance
③ Human Resource Management	Ability to manage diverse human resources and maximize the potential of each employee—key elements for *glocal* value creation

Members of the Nomination Committee and the Compensation Committee (for fiscal 2021)

Name	Directors							Audit & Supervisory Board Members	
	Akiyoshi Koji	Atsushi Katsuki	Ryoichi Kitagawa	Keizo Tanimura	Tatsuro Kosaka ◇	Yasushi Shingai ◇	Christina L. Ahmadjian ◇	Katsutoshi Saito ◇	Yumiko Waseda ◇
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

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 Tenure (as of March 31) 5 years Number of meetings attended Board of Directors 12/12	Tatsuro Kosaka has utilized his extensive experience, including as a CEO of a global company, to appropriately oversee business execution by actively providing opinions and recommendations. In particular, he has contributed to increasing the effectiveness of the Board of Directors by providing opinions and recommendations based on his experience and insight, and through dialogue from the perspectives of global management, Group governance, and ESG. Furthermore, as the chairperson of the Nomination Committee, he has played a leading role in making fair and transparent decisions on succession plans for the management team, including the CEO, and on personnel affairs of officers. He sufficiently possesses the high level of insight, expertise, and ability required as an Outside Director of the Company due to his extensive experience in corporate management over many years. Accordingly, we deem that Tatsuro Kosaka is essential to our organization and an indispensable member of the Board of Directors, mainly for his ability to provide a supervisory function from a management perspective based on his high level of corporate management skills.
Yasushi Shingai Tenure (as of March 31) 3 years Number of meetings attended Board of Directors 12/12	Yasushi Shingai has utilized his extensive experience, including as Executive Deputy President, Deputy CEO, and CFO of a global company and Deputy CEO of an overseas business headquarters, to appropriately oversee business execution by actively providing opinions and recommendations. In particular, he has contributed to enhancing the effectiveness of the Board of Directors by providing opinions and recommendations based on his experience and insight, and through dialogue from the perspectives of Group governance, ESG, and management strategies focused on the ultra-long term. Furthermore, as the chairperson of the Compensation Committee, he has played a leading role in making fair and transparent decisions in regard to verifying the appropriateness and effectiveness of the executive remuneration plan (determining bonus amounts, among other matters) as well as its implementation. He sufficiently possesses the high level of insight, expertise, and ability required as an Outside Director of the Company, due to his extensive experience in corporate management accumulated over many years. Accordingly, we deem that Yasushi Shingai is essential to our organization and an indispensable member of the Board of Directors, particularly for his ability to provide a supervisory function from a progressive and wide-ranging global management perspective.
Christina L. Ahmadjian Tenure (as of March 31) 2 years Number of meetings attended Board of Directors 12/12	Christina L. Ahmadjian has utilized her extensive experience as a university professor and an expert in the fields of corporate governance and organizational culture to appropriately oversee business execution by actively providing opinions and recommendations. In particular, she has contributed to enhancing the effectiveness of the Board of Directors by providing opinions and recommendations, and through dialogue from the perspectives of ESG, which encompasses all matters related to the environment, society, and governance, organizational culture, and global management. Furthermore, as a member of the Compensation Committee, she has contributed to making fair and transparent decisions in regard to verifying the appropriateness and effectiveness of the executive remuneration plan (determining bonus amounts, among other matters) as well as its implementation. She possesses the high level of insight, expertise, and ability required as an Outside Director of the Company due to her scholarly research into corporate governance and organizational culture and her experience serving as an outside director at multiple companies. Accordingly, we deem that Christina L. Ahmadjian is essential to our organization and an indispensable member of the Board of Directors, particularly for her ability to provide a supervisory function from the perspective of an expert on global organizational culture and other matters.
Katsutoshi Saito Tenure (as of March 31) 7 years Number of meetings attended Board of Directors 12/12 Audit & Supervisory Board 13/13	Katsutoshi Saito has a wealth of experience and wide-ranging knowledge from having served as a corporate manager of a global corporation and institutional investors for many years. He has actively provided opinions and recommendations at Audit & Supervisory Board and Board of Directors' meetings as an Outside Audit & Supervisory Board Member, along with appropriate auditing of the duties of the Directors of the Company. As a member of the Nomination Committee, he provides specific opinions and recommendations from a management perspective. Accordingly, we deem that Katsutoshi Saito is essential to our organization for his efforts in helping the Company promote global business management and realize sustainable increases in corporate value.
Yumiko Waseda Tenure (as of March 31) 6 years Number of meetings attended Board of Directors 12/12 Audit & Supervisory Board 13/13	Owing to many years as a practicing attorney, Yumiko Waseda possesses expert knowledge on corporate law and intellectual property, as well as a high level of insight into auditing management from the perspective of compliance. As an Outside Audit & Supervisory Board Member, she has actively provided opinions and recommendations at Audit & Supervisory Board and Board of Directors' meetings of the Company, and carried out appropriate auditing of the duties of the Directors of the Company. She has also provided specific opinions and recommendations and contributed to raising the level of transparency and objectivity of the remuneration structure for the Company's Directors as a member of the Compensation Committee. Accordingly, we deem that Yumiko Waseda is an indispensable member of the Audit & Supervisory Board, particularly for her ability to enhance its functions with the aim of helping the Company realize sustainable growth and medium- to long-term increases in corporate value.
Yutaka Kawakami Tenure (as of March 31) 4 years Number of meetings attended Board of Directors 12/12 Audit & Supervisory Board 13/13	Yutaka Kawakami has years of experience as a certified public accountant at global corporations and is an expert in accounting audits. He possesses expert knowledge related to corporate accounting—an essential skill for the Company's Audit & Supervisory Board Members—and a high level of insight into auditing management through his wealth of auditing experience both in Japan and overseas. As an Outside Audit & Supervisory Board Member, he has actively provided opinions and recommendations at Audit & Supervisory Board and Board of Directors' meetings and carried out appropriate auditing of the duties of the Directors of the Company. Accordingly, we deem that Yutaka Kawakami is an indispensable member of the Audit & Supervisory Board, particularly for his ability to enhance its functions with the aim of helping the Company realize sustainable growth and medium- to long-term increases in corporate value.

Note: The number of Board of Directors' and Audit & Supervisory Board meetings attended refers to those in fiscal 2020.

Succession Plan and Training

The Company regards the succession plan for its CEO and Directors as a matter of utmost priority, and accordingly formulates such succession plans pursuant to the requirements of the CEO and Directors and the composition of the entire Board of Directors.

Based on the succession plan, the Company makes appointments and assignments according to plan, conducts coaching of successor candidates, and carries out training, etc., for successors of future generations. Meanwhile, the Company arranges professional assessments by external organizations and makes use of such means as 360-Degree Feedback in-house. The Nomination Committee regularly monitors and reviews such plans as necessary.

For Directors and Audit & Supervisory Board Members, the Company provides the training required for their roles and responsibilities on a regular basis. The Company provides Outside Directors and Outside Audit & Supervisory Board Members with information relating to the overview of the Asahi Group including its businesses, financial affairs, and organizations, and implements measures, such as office visits, as necessary to facilitate their understanding of the Group and human resources.

Skill Set of the CEO

The Company has formulated its "Skill Set of the CEO," a list of essential and valuable skills required of the CEO, with the purposes of enhancing management sustainability and appropriately implementing the CEO succession plan through a fair and transparent process.

The Skill Set of the CEO consists of skills distinctive to the role of CEO of the Company, in addition to the skills required of CEOs in general, and specifies the skills necessary for the role of CEO from the perspective of assuming ultimate responsibility for business execution.

The chart below has been prepared in view of the Company's internal and external business environment as of now and five years into the future, and is therefore subject to review in the event of environmental changes and other factors.

The appointment, reappointment, and succession plan of the CEO are examined on the basis of the Skill Set of the CEO.

Necessary Skills of CEO

Personal Image
Ideal perceptions from inside and outside the Company, and ideal presence

- A leader who, as a representative of Asahi Group, thinks the most deeply about AGP, embodying a sense of mission and an ethical code
- A leader who, regardless of any business environment, always exhibits a clear vision that leads employees, and unshakeable code of values
- A leader who actively encourages different thinking and achieves growth of employees and the Company through maximizing the capabilities of employees

Personal traits	Capabilities	Performance record
Personality, attitude and stance conductive to serving duties	Knowledge, ability, expertise required to accomplish duties	Necessary experience and successes
• Sincerity and humility • Mental toughness • Open-mindedness	• Foresight, decisiveness, competency • Organizational leadership • Learning skills	• Experience as a top management of operating company or RHQ • Experience in international operations • Experience in addressing discontinuous growth

Skills Required as Director

Long-term Outlook & Strategic Mindset	*Glocal* Management Skill	Management of the Company's Business	Finance, Accounting & Internal Control

The Asahi Group's Governance
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Corporate Governance System (As of April 1, 2021)

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 2020 **12**

With its sights set on the ultra-long term, the Board of Directors is promoting discussions on long-term megatrends for the purposes of strengthening foresight with respect to medium- to long-term changes in the business environment and further reinforcing its proactive and decisive management. The Board of Directors has also established important corporate strategies, such as the Medium-Term Management Policy, and monitors its implementation. Regular meetings of the Board of Directors are held once a month, in principle, and special meetings are held as necessary. In fiscal 2020, the Board of Directors met 12 times and the rate of attendance by Outside Directors was 100%. 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 entire Board of Directors. 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, Directors are appointed based on their experience, insight, and professional background with reference to the Board of Directors Skill Matrix, which specifies the requirements for Directors based on the AGP, the Asahi Group's Corporate Governance Guidelines, and management strategies of the Company.

Audit & Supervisory Board Members and the Audit & Supervisory Board

Meetings in 2020 **13**

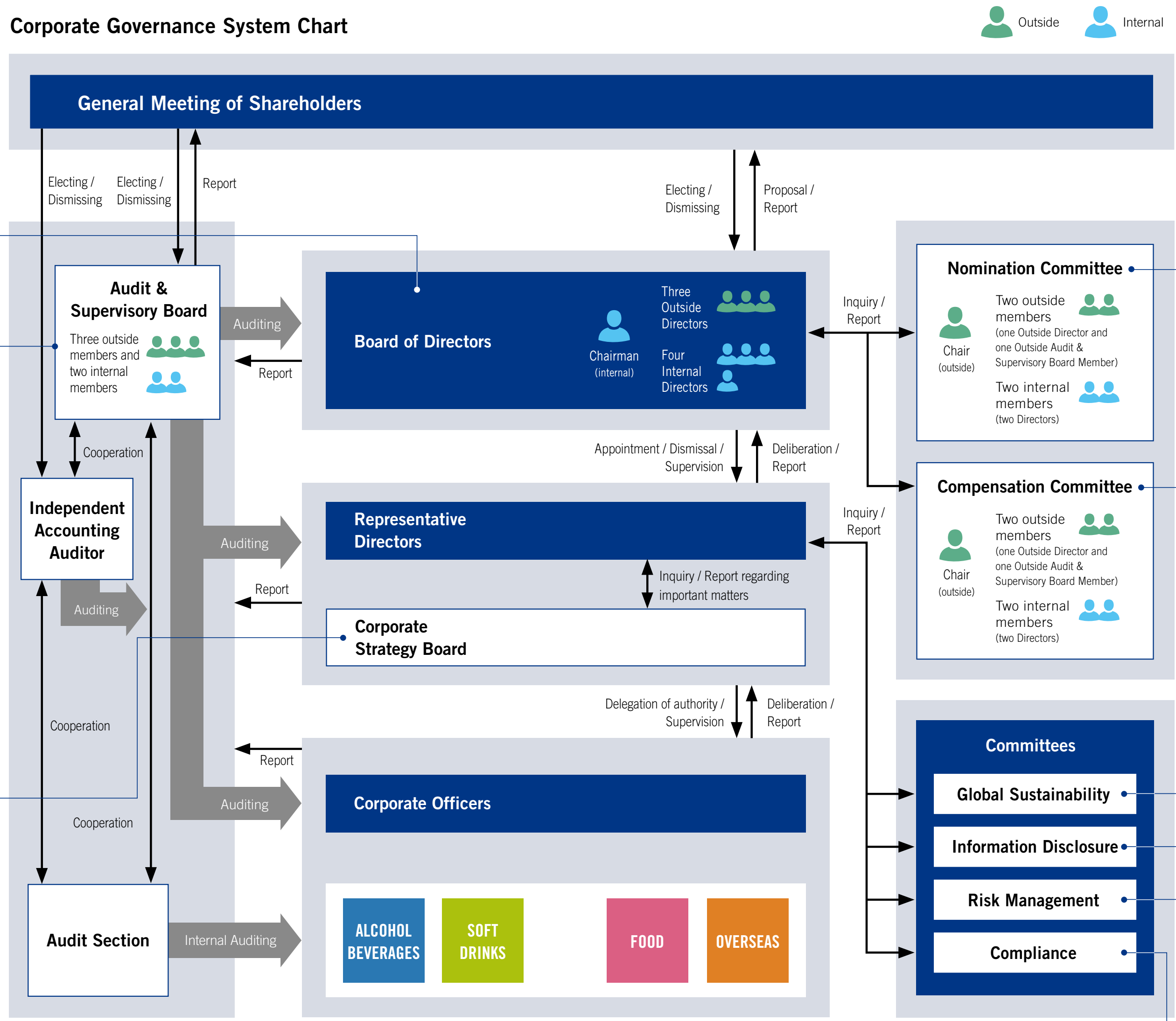
By combining the information held by the Standing Audit & Supervisory Board Members and the high level of expertise of the Outside Audit & Supervisory Board Members, the Company's system enables Audit & Supervisory Board Members to exercise their authority freely and decisively, making appropriate judgments and taking action from an independent and objective standpoint. In fiscal 2020, the Audit & Supervisory Board met 13 times and the rate of attendance by Outside Audit & Supervisory Board Members was 100%. To ensure balance in terms of knowledge, experience, and ability, as well as diversity for the entire Audit & Supervisory Board, the Company has decided that the Audit & Supervisory Board be composed of suitable members who fulfill the requirements of officers as based on the AGP, the Asahi Group's Corporate Governance Guidelines, and management strategies of the Company. Specifically, the Audit & Supervisory Board appoints at least one member with a sufficient knowledge of finance and accounting. Three 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 their respective fields and who fulfill the requirements for independent officers as stipulated by the Company. 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. The collected information is reported at Audit & Supervisory Board meetings, where discussions are held between the Standing Audit & Supervisory Board Members and the Outside Audit & Supervisory Board Members to enable the conducting of appropriate audits on management.

Corporate Strategy Board

Meetings in 2020 **48**

The Corporate Strategy Board discusses matters pertaining to the evaluations of the legality, objectiveness, and rationality of important issues related to business operations. The board comprises the president, other executive directors, and Standing Audit & Supervisory Board Members, with the president and representative director serving as the chair. The board met 48 times in fiscal 2020 and primarily discussed matters pertaining to the establishment of business strategies and operational execution at Group companies.

Corporate Governance System Chart



Nomination Committee

Meetings in 2020 **9**

The Nomination Committee discusses matters pertaining to the candidates for Directors and Audit & Supervisory Board Members. 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 nine times during fiscal 2020 and primarily reported to the Board of Directors on matters such as the appointment of officers based on the Board of Directors Skill Matrix, the Skill Set of the CEO, and succession plan and its planning, as well as officers and representatives of principal subsidiaries. The rate of attendance by committee members was 98%.

Compensation Committee

Meetings in 2020 **5**

The Compensation Committee discusses matters pertaining to the remuneration systems and amounts for Directors and Audit & Supervisory Board Members. 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 five times during fiscal 2020 and primarily reported to the Board of Directors on matters such as the individual evaluations of officers and bonus amounts based on such evaluations. The rate of attendance by committee members was 100%.

Global Sustainability Committee

Meetings in 2020 **1**

The Global Sustainability Committee was established on April 1, 2020 as an organization for discussions on matters related to the formulation and monitoring of sustainability strategies. The Global Sustainability Committee is chaired by the president and representative director and consists of officers in charge of sustainability at Asahi Group Holdings, CEOs of regional headquarters, and other members. The committee met once during fiscal 2020 and held in-depth discussions on strengthening measures against climate change, in addition to discussions on matters such as raising the 2030 interim target for Asahi Carbon Zero, an initiative aimed at achieving zero CO_2 emissions by 2050.

Compliance Committee

Meetings in 2020 **4**

The Compliance Committee discusses matters related to corporate ethics, compliance promotion, and business supervision. The Compliance Committee consists of the president and representative director, who also serves as the chairperson, and other executive directors, as well as corporate officers who are appointed by the committee chairperson. The Standing Audit & Supervisory Board Members also attend the meetings. The committee met four times in fiscal 2020 and held discussions on matters such as the statuses of compliance promotion plans and the Group's level of compliance and the operational status of internal whistleblower systems.

Risk Management Committee

Meetings in 2020 **4**

The Risk Management Committee holds discussions related to the promotion and oversight of ERM for the entire Asahi Group. The Risk Management Committee consists of the president and representative director, who also serves as the chairperson, and other executive directors, as well as corporate officers who are appointed by the committee chairperson. The Standing Audit & Supervisory Board Members also attend the meetings. The committee met four times in fiscal 2020 and held discussions on matters such as identifying and evaluating critical risks throughout the entire Group, including tail risk (a low-probability, high-impact risk), and formulating and assessing the status of action plans, as well as risk appetite initiatives for proposal to the Board of Directors.

Information Disclosure Committee

Meetings in 2020 **15**

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. The Information Disclosure Committee consists of the president and representative director, who also serves as the chairperson, and other executive directors, as well as corporate officers who are appointed by the committee chairperson. The committee met 15 times in fiscal 2020. 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.

The Asahi Group's Governance
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Evaluation of the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors in fiscal 2020 was evaluated based on actual evaluations by the Board of Directors itself, a formal evaluation by the Secretariat of the Board of Directors, and the opinions of a third party. This evaluation was carried out with a view toward enhancing the Company's corporate governance in a more substantive way in order to realize sustainable growth and medium- to long-term improvement in corporate value. An overview of the results and the issues recognized through the evaluation are as follows. Please refer to the following website for more details.

Overview of the results of the evaluation of the Board of Directors' effectiveness (March 25, 2021)
https://www.asahigroup-holdings.com/en/company/governance/pdf/210325_board_of_directors_result_en.pdf

I. Overview of the Results of the Evaluation of the Board of Directors' Effectiveness for Fiscal 2020

The evaluation concluded that the Company's Board of Directors was functioning effectively in fiscal 2020. Although many issues were pointed out in the evaluation, overall, the Board was evaluated highly, as it was deemed to have the necessary level of effectiveness to achieve sustainable growth and medium- to long-term improvement in corporate value.

Perspectives of the Evaluation

1. Identifying necessary themes and establishing them as the topics of discussions and targets of monitoring activities

In fiscal 2020, the Board of Directors made progress in terms of the introduction and discussion of important issues for improving corporate value over the long term, including megatrends, global governance, and sustainability, and other important matters that had not been sufficiently addressed in previous years.

2. Discussion and monitoring issues under the appropriate structure of the Board of Directors

In fiscal 2020, the Board of Directors put in place the appropriate structure for decision-making and monitoring (PDCA) through such efforts as establishing an agenda for priority initiatives. As a result, discussions on important matters proceeded in an appropriate and timely manner.

Conclusion

The Board of Directors concluded that the Board of Directors in fiscal 2020 has the effectiveness necessary for realizing sustainable growth and increasing the corporate value of the Company over the medium to long term, and continues to improve the foundation of that effectiveness.

Future Initiatives

The Board of Directors determined that it must make efforts to address the issues pointed out in the evaluation and ensure that those efforts lead to the further enhancement of its effectiveness.

II. Developing Issues to Address in Fiscal 2021

After considering the results of the evaluation, the Board of Directors recognized the following four items as issues to address. By responding to these issues under its annual activity plan for fiscal 2021, the Board of Directors will strive to further enhance its effectiveness.

Issues Identified for Fiscal 2020

i) Deepening discussions on strategies and business portfolios that anticipate ultra-long-term and long-term megatrends	• In addition to continuing to engage in discussions on ultra-long-term and long-term megatrends, the Board needs to promote discussions on management strategies from ultra-long-term and long-term perspectives. The Board must also promote discussions on its future business portfolio.
ii) Promoting discussions on further enhancing Group global governance and crisis management	• The Board must move forward with discussions on further enhancing Group governance. • The Board needs to promote discussion on establishing an operating structure that can anticipate the emergence of risks and other potential crisis situations.
iii) Promoting discussions and monitoring activities for integrating sustainability strategies and management strategies	• The Board must further promote the integration and unification of its sustainability strategies and management strategies. In addition, taking into account megatrends, it is imperative that the Board engages in discussions on integrating sustainability themes into management strategies as well as on activities to monitor the progress of such integration.
iv) Promoting discussions on enhancing the functions of the Board of Directors as a global company	• The Board needs to hold discussions on the future of Asahi Group Holdings as a global company originating in Japan. Furthermore, the Board must discuss its own vision for the future as a board of directors of a company at which the proportion of overseas businesses is expected to continue to increase.

III. Evaluation Method

The evaluation of the effectiveness of the Board of Directors in fiscal 2020 was carried out in a manner that shifted the focus from formalities to substance. From December 2020 to January 2021, three types of evaluations were carried out and opinions were received from a third party. Based on these evaluations and opinions, in March 2021 the Board of Directors held numerous discussions to finalize the evaluation of its effectiveness for fiscal 2020 and determine developing issues to be addressed in fiscal 2021.

Evaluation by Directors and Audit & Supervisory Board Members

In a survey, all Directors were asked to provide their opinions regarding a small number of evaluation items that focused on substantive matters. The Directors were also interviewed by a third party. A survey of the Audit & Supervisory Board Members was also conducted using the same evaluation items as the Director survey. The results of these surveys and interviews were compiled and subsequently analyzed by a third party.

Evaluation by the Secretariat of the Board of Directors

The Secretariat of the Board of Directors, together with a third party, assessed formal evaluation items pertaining to the Board's effectiveness.

Third-party opinion

The Company received the opinions of a third party based on the evaluation by Directors and Audit & Supervisory Board Members and the evaluation by the Secretariat, as well as on materials such as the minutes from Board of Directors' meetings.

The Board of Directors held discussions and carried out an evaluation based on these third-party opinions, thereby identifying issues to be addressed in order to further improve its effectiveness.

(Reference) Overview of Directors' Opinions on the Key Points of the Evaluation

- Beginning discussions on megatrends, and having a rolling annual plan, constitutes major progress.
- We need to commit more time to discussing the optimization of the business portfolio.
- There has been an increase in discussions related to governance, and things that were not seen before have now become visible.
- We need to return to the discussion of what constitutes optimal governance for a globalizing business.
- With regard to building long-term policies, discussions need to be even more closely integrated with management strategy.

IV. Issues Recognized in Fiscal 2019 and Status of Response

Through the evaluation of its effectiveness in fiscal 2019, the Board of Directors recognized the following five items as issues to be addressed, and worked to respond to these issues under its annual activity plan for fiscal 2020. As a result, the Board received a certain level of praise for the progress it made toward addressing all of these issues. However, the majority of evaluations stated that further efforts should be made toward each issue, and, as such, the Board recognized that it must continue to work toward addressing these issues.

Issues Recognized in Fiscal 2019

Issues recognized	Status of response
i) Deepening discussions that contribute to medium- to long-term improvement in corporate value	The Board of Directors held discussions in light of megatrends and other factors, and a certain amount of progress was made in these discussions.
ii) Monitoring activities that contribute to Group governance	The Board of Directors held discussions on global governance, and many opinions were expressed. Also, improvement was made toward individual risk management measures.
iii) Enhancing the transparency of the Nomination Committee and the Compensation Committee	The Nomination Committee and the Compensation Committee reported the results of their examination of the Board of Directors Skill Matrix, among other matters. The Board then held discussions based on this report.
iv) Accelerating ESG initiatives	The Board of Directors held discussions on various matters related to sustainability and made progress with efforts to address these matters.
v) Strengthening the provision of information to enhance the effectiveness of the Board of Directors	Due to the impact of the COVID-19 pandemic, there were fewer opportunities for dialogue and communication with investors and other stakeholders.

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Evaluation of the Effectiveness of the Audit & Supervisory Board

The Company's Audit & Supervisory Board has been evaluating its own effectiveness since fiscal 2018 as an ongoing initiative. In fiscal 2020, it conducted an effectiveness evaluation focusing on the status of efforts to respond to the matters that were identified in fiscal 2019 as needing to be addressed. The Company's Audit & Supervisory Board aims to become even more effective so that it can demonstrate best practices among companies in Japan in terms of playing its role in corporate governance to contribute to corporate value enhancement and support efforts to prevent harm to the Company.

Overview of the results of the evaluation of the Audit & Supervisory Board's effectiveness (March 25, 2021)
https://www.asahigroup-holdings.com/en/company/governance/pdf/210325_audit_and_supervisory_board_result_en.pdf

I. Summary of Results of Analysis and Evaluation

Conclusion

- The Company's Audit & Supervisory Board concluded that it functioned effectively in fiscal 2020.
  In conducting the evaluation of the Audit & Supervisory Board's effectiveness, each member of the Audit & Supervisory Board completed a survey regarding the board's effectiveness. In addition, the evaluation involved administering a survey and conducting interviews of standing Audit & Supervisory Board Members of Group companies and members of the internal audit section of the Company and conducting interviews of the accounting auditors, upon gaining advice from a third party. Opinions of the evaluation were received from a third party and the aforementioned results were obtained. From the results, the Audit & Supervisory Board identified items to be considered in order to further improve its effectiveness in fiscal 2021.

II. Initiatives Going Forward

After having engaged in discussions on the evaluation and analysis for fiscal 2020, the Audit & Supervisory Board recognized the following four points as issues to be addressed going forward.

1. Further strengthening of Group governance
2. Reviewing and enhancing the information collection system
3. Maintaining and strengthening the audit and supervisory board systems at all Group companies, including the Secretariat of the Audit & Supervisory Board
4. Examining long-term strategy for developing audit personnel

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

▶ Director Remuneration

Basic Policy

The Company's basic policy on Director remuneration has been established and operated 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 risks 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

Composition of Remuneration

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, which is a form of remuneration that shares benefits and risks with shareholders, is set at 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.

Remuneration Level

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 (a top 100 company in market capitalization) are used as benchmarks for determining remuneration levels.

Basic Remuneration

Basic remuneration is determined based on the significance of the position and role of the Director. Revisions to basic remuneration are determined based on changes in position or role, taking into account such factors as changes in business operations and the status of remuneration levels.

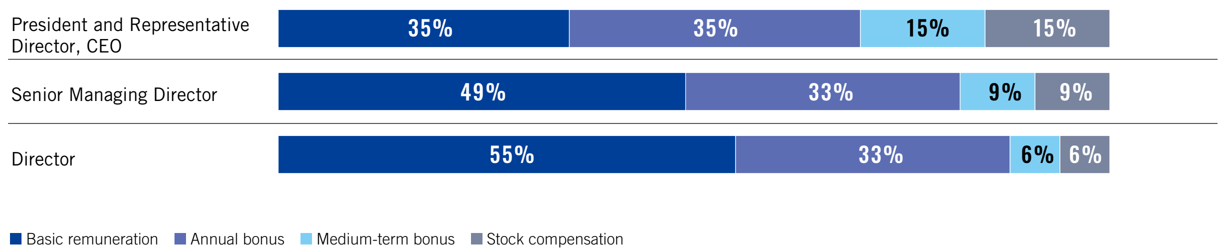
Variable Remuneration

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 in consideration of 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

Director remuneration is set in line with a resolution at a meeting of the Board of Directors and within the total amount for remuneration determined in advance at the General Meeting of Shareholders. When remuneration-related resolutions are being made by the Board of Directors, the Compensation Committee, which is made up of a majority of Outside Directors and Outside Audit & Supervisory Board Members, acts as an advisory body to the Board of Directors, evaluating the content of said resolutions in the interest of greater transparency and objectivity through fair processes. In addition, the Compensation Committee utilizes objective external data, when necessary, to ensure fair decision-making related to director remuneration.

Composition of Remuneration (Model remuneration set when business performance targets are achieved in 2021)



Note: Listed based on the expected amounts at the beginning of fiscal 2020

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Comparison of Director Incentives

	Annual bonus	Medium-term bonus	Stock compensation
Objective	Strengthen incentive to strive for the Company's sustainable and steady growth, enhancement of financial value, and achievement of targets	Strengthen incentive to strive for the Company's discontinuous growth and achievement of medium-term operating results	Strengthen incentive to strive for the Company's long-term sustainable increase in corporate value and align interests and risks with those of shareholders
Period	Single fiscal year	Three years	Three years
Payment method	Cash	Cash	Stock
Payment period	Every March	Following March after the end of period	Upon resignation
Individual evaluation	Yes	Yes	No
Clawback provision (return of incentive compensation)	No	No	Yes

KPIs and Formulas for Variable Remuneration

	Annual bonus		Medium-term bonus				
Reason for selection	Linked to KPIs in annual business plans, aims for steady and continuous improvement in financial value		Linked to KPIs in medium-term business plans, aims to enhance CF management and improve social value				
Percentage	50%	50%	60%		40%		
Item	Consolidated core operating profit	Profit attributable to owners of parent	Financial value indicators		Social value indicators		
			FCF	EBITDA	CDP (Climate change, Water)	FTSE4Good	MSCI sustainability rating
Target/Previous year	¥147.0 billion / ¥213.0 billion	¥80.0 billion / ¥142.2 billion	¥242.3 billion	¥315.7 billion	A List	Contiguous adoption	BBB
Results	¥167.8 billion	¥92.8 billion	—	—	—	—	—
Coefficient	84.94%		—				
Formula	Role-specific basic remuneration × (Target ratio for consolidated core operating profit × Coefficient + YoY change × Coefficient) × 50% + (Target ratio for profit attributable to owners of parent × Coefficient + YoY change × Coefficient) × 50% × Individual evaluation coefficient * Fluctuation of +/- 30% depending on individual evaluation		Role-specific basic remuneration × (Target ratio for financial value indicators × 60% + Target ratio for social value indicators × 40%) × Medium-term individual evaluation coefficient * Fluctuation of +/- 30% depending on individual evaluation				

Notes: 1. In consideration of the global spread of COVID-19, the 2020 target for annual bonus KPIs uses the figures announced in August 2020 (30% change in target ratio coefficient in accordance with this revision).
2. As the medium-term bonus is paid once every three years, there was no performance evaluation for 2020. Also, there are no KPIs for stock compensation as it is provided based on a fixed amount per specific role.

Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is set through discussions by the Audit & Supervisory Board Members and within the total amount for remuneration determined in advance at the General Meeting of Shareholders. Remuneration for Audit & Supervisory Board Members consists only of basic remuneration (a fixed monthly amount) and is determined through discussions by the Audit & Supervisory Board Members in accordance with job responsibilities and member status as inside or outside. Survey data from external professional organizations is also utilized in this process.

Reference: Amount of the Remuneration for Directors and Audit & Supervisory Board Members (2020)

(Millions of yen)

	Fixed remuneration		Variable remuneration						Total
	Basic remuneration		Annual bonus		Medium-term bonus		Stock compensation		
	Number of people	Total	Number of people	Total	Number of people	Total	Number of people	Total	
Directors (of whom, Outside Directors)	9 (3)	343 (51)	6 (—)	205 (—)	6 (—)	81 (—)	6 (—)	82 (—)	711 (51)
Audit & Supervisory Board Members (of whom, Outside Audit & Supervisory Board Members)	6 (3)	116 (40)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	116 (40)

Policy of Reducing Cross-Shareholdings

In consideration of its goal to pursue improvement in asset and capital efficiency, the Company refrains from holding shares that it deems as neither contributing to the sustainable growth of the Company nor increasing its corporate value over the medium to long term.

In addition, the Company gives thorough consideration to such factors as the appropriateness of the purpose of holding shares and the impacts of holding shares from the perspective of the level of contribution to business performance and risks. The Company also investigates specific elements such as how holding shares measures against capital cost. The results of the examinations of major shareholdings, including the significance of the holding, are reviewed every year by the Board of Directors.

In the event a shareholding is deemed not to contribute to the Company's sustainable growth or to increases in its corporate value over the medium to long term, the Company, as a shareholder, engages in the necessary dialogue with the counterpart entity. Shareholdings that are deemed not capable of being improved, even after engaging in such dialogue, are sold in a timely and appropriate manner.

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

For shareholdings during the period under review, strategic necessities such as maintaining and strengthening business relationships and facilitating smooth business activities were verified, and the appropriateness of holding shares in terms of risks and other factors was examined based on the above policy. The results of the examinations were reported to the Board of Directors, and the appropriateness of holding the shares was confirmed. The total amount recorded on the balance sheet and the ratio of total equity as of the end of fiscal 2020 are as follows.

Total equity (a)	¥1,517,816 million
Total amount recorded on balance sheet (b)	¥126,111 million
Ratio (b ÷ a)	8.3%

Also, in its efforts to accelerate the reduction of cross-shareholdings, the Company decided on the sale of shares held in Ting Hsin Holding Corp. (¥27,381 million recorded on the balance sheet, with a ratio of total equity of 1.8%). Accordingly, the Company signed a definitive sale and purchase agreement with Ting Hsin in the first quarter of fiscal 2021.

Measures for Enhancing Corporate Governance

2000	• Corporate Officer System was introduced. • Nomination Committee and Compensation Committee were established. • Number of Outside Directors was increased from one to three.
2007	• Terms of Directors were shortened to one year.
2011	• The Company transitioned to a pure holding company structure.
2013	• Takeover defense measures were abolished.
2015	• Corporate Governance Guidelines were formulated. • Evaluations of the effectiveness of the Board of Directors were commenced.
2017	• Performance-Linked Stock Compensation Plan was introduced for Internal Directors.
2018	• Title of CEO was transferred from Chairman of the Board to President and Representative Director to improve the effectiveness of management supervision from an operational execution perspective. • Third-party evaluations with respect to the effectiveness of the Board of Directors were introduced.
2018	• Evaluations of the effectiveness of the Audit & Supervisory Board were commenced and third-party evaluations were introduced. • Majority of officers appointed as members of the Nomination Committee and Compensation Committee are from outside the Company. Both committees are chaired by an Outside Director.
2019	• 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, and the clarification of terms of office for officers. • 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 an incentive to Internal Directors.
2020	• The CXO system was introduced to enhance global governance.

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

Risk Management

At the Asahi Group, we control overall risk effectively and efficiently through our enforcement of enterprise risk management (ERM), while promoting appropriate risk-taking by clearly specifying the risks to be accepted or minimized based on the Asahi Group Risk Appetite Statement. The Group has identified the following major risks as likely to have a significant impact on its corporate value over the medium to long term.

Risk Type	Details	Projected Impact on the Asahi Group	The Asahi Group's Response
1 Impact Associated with COVID-19	• Adverse effects on the global economy stemming from a downturn in the food service industry and government-imposed stay-at-home restrictions • Increasing tendency to save money • Increased focus on health and the environment and greater emphasis on trusted, secure brands • Extended use of digital services by standardizing the use of online channels	• Continuously sluggish sales centered on beer for on-premise market • Deterioration of profitability as a consequence of sales mix comprising products with relatively low profit margin • Decline in effectiveness of conventional strategies and competitiveness of the Group as a result of irreversible changes to consumers, markets, and society	• Strengthening of Medium-Term Management Policy from the standpoint of "reforming the earnings structure in response to changes in the business environment" • Timely responses to constantly changing consumer behavior • Planning and development of business strategies that anticipate changes to market landscape • Development of new operating model
2 Expansion of Business Operations	• Development of global management platform centered on the three core regions of operation: Japan, Europe, and Oceania, and expansion of growth foundation – 2009: Acquisition of Schweppes Australia – 2016: Acquisition of beer business in Western Europe – 2017: Acquisition of beer business in Central and Eastern Europe – 2020: Acquisition of CUB business in Australia	• Impairment loss resulting from changes in business environment and competitive landscape, a sharp rise in interest rates, and market contraction	• Continued use of management resources from external sources directed toward business growth • Pursuit of more-effective Group governance
3 Emergence of New Business Models via Technological Innovation	• Provision of new value through use of the latest digital technology incorporating IoT and AI • Streamlining of supply chain through utilization of AI • Emergence of alcohol-alternative products • Rapid growth in adoption of remote workstyles and use of e-commerce and other online channels	• Reduction of industry presence and competitiveness • Establishment of market dominance and creation of new markets through the Asahi Group's leadership in innovation	• Strengthening of investment in intangible assets (including R&D and human resource development) directed toward innovation and new value creation • Development of a new operating model by increasing investment in digital transformation • Creation of unique value via the establishment of Asahi Quality and Innovations, Ltd., a Group base for innovation • Creation of new value through customer experience incorporating open innovation and generation of ideas based on design thinking
4 Information Security	• Disruption to business activities as a result of power outages, disasters, defective software and devices, and cyberattacks; loss and leakage of confidential information; loss of personal information; fraud; and violation of the European Union's General Data Protection Regulation (GDPR) and other regulations in various countries	• Interruption of business • Cash outflow due to compensation and claims for damages, etc. • Imposition of fines due to GDPR violations • Decline in operating results, financial condition, and corporate brand value	• Monitoring of cyber security incidents through ASAHI-CSIRT and other IT systems • Development of system for timely and optimal prevention and protection against recurring incidents • Security measures associated with software and devices • Implementation of employee training and development programs
5 Social Values Pertaining to Alcohol Consumption	• Examinations regarding possible implementation of global alcohol sales regulations • Decline in alcohol consumption stemming from increased focus on alternatives and health worldwide	• Expenses associated with regulatory compliance • Deterioration in operating results of Asahi's core Alcohol Beverages Business • Impairment of reputation	• Collaboration with alcohol industry and industry groups such as IARD • Promotion of responsible drinking awareness campaigns and health-conscious products • Establishment of sales and marketing-related voluntary standards • Strengthening of employee training programs on responsible drinking
6 Operating Environment	• Market trends characterized by shifts in demand resulting from deteriorating economy, intensifying competition, changing consumer preferences, population decline, and declining birthrate and aging population	• Decline in sales due to drop in consumption of alcohol beverages, soft drinks, and food • Deterioration of profitability arising from intensifying competition and consequential decrease in unit sales prices	• Enhancement of value of high-value-added brands and creation of new markets • Acceleration of earnings structure reforms that anticipate future changes in business environment • Reinforcement of product lineup for all alcohol beverages • Pursuit of areas that address increased focus on health of consumers and aging society
7 Large-Scale Natural Disasters	• Rising number of risks related to earthquakes, tsunamis, typhoons, floods, and other natural disasters in Japan and overseas	• Halt to product manufacturing and deliveries • Inability to procure raw materials and resources • Interruption and halt to business activities • Decline in consumer sentiment	• Implementation of safety confirmation system and strengthening of emergency communications system • Prevention of secondary disasters by reinforcing production plants with earthquake-resistant construction, ensuring safety of equipment, etc. • Formulation of BCP by reflecting on past performance and experience in large-scale disasters • Establishment of backup facility at data center
8 Securing of Diverse Talented Personnel	• Decrease in domestic working population as a result of declining birthrate and aging population • Greater demand for personnel and changes in and enhancement of necessary skill set stemming from expansion of global business	• Further strengthening of business competitiveness • Lack of capability to achieve medium- to long-term targets in light of inadequate and unstable workforce	• Development of initiatives for cultivating candidates for future management positions to coincide with formulation of succession plan • Global promotion of optimal placement of personnel • Promotion of diversity through the revitalization of interaction between personnel across all regions and the hiring of personnel regardless of gender or nationality
9 Widening Supply–Demand Gap in Domestic Logistics	• Widening supply–demand gap of truck drivers as a result of declining working population associated with the declining birthrate and aging population and growth of e-commerce	• Stagnant supply of products • Increase in transportation costs	• Promotion of local-production-for-local-consumption logistics model • Reduction of logistics-related labor through introduction of logistics devices and systems • Establishment of modal shift and other new trunk transport schemes • Achievement of highly efficient transport through collaboration with companies in other industries • Improvement of workplace environment via measures to enhance logistics efficiency
10 Risks Related to Climate Change	• Rise in average temperatures, shift in precipitation patterns, and intensification of abnormal weather • Tightening of regulations associated with greenhouse gas emissions • Tightening of water resource-related regulations • Change in customer behavior	• Incurrence of losses from product waste, opportunity loss, and damaged equipment and facilities due to the intensification of abnormal weather • Higher operating costs reflecting rising cost of key raw materials • Higher operating costs associated with tightening supply and demand for water and increased water costs caused by severe droughts • Higher product prices reflecting implementation of carbon tax • Impact of water use regulations on business continuity • Impact of higher ethical standards on sales	• Reduction of CO_2 emissions by 50% in Scope 1 and 2 by 2030 (compared with 2019) • Reduction of CO_2 emissions to zero by 2050 in Scope 1, 2, and 3 and becoming carbon neutral • Curbing of basic water consumption to 3.2 m^3/kl or less by 2030 through streamlining of water usage and expansion of recycling system • Endorsement of TCFD recommendations, proactive efforts to analyze and respond to risks and opportunities presented by climate change that impact our business, and enhanced disclosure of such details
11 Compliance with Laws and Regulations and Soft Law	• Alcohol-related tax laws such as the Liquor Tax Act, Food Sanitation Act, Product Liability Act, Labor Standards Act, Anti-Bribery Act, Unfair Competition Prevention Act, environmental laws, and various other legal restrictions • Unexpected implementation of new laws and regulations • Boycott movements related to activities that violate human rights and other forms of corporate ethics	• Disciplinary measures and filing of legal action due to violation of laws and regulations • Social sanctions • Impairment of Asahi's reputation and brand value and resulting decline in sales stemming from loss of stakeholder trust	• Promotion and supervision of Group-wide corporate ethics and compliance by the Compliance Committee • Implementation of training programs to ensure strict adherence to and raise awareness of the Asahi Group Code of Conduct among employees • Formulation of Asahi Group Human Rights Principles in accordance with the United Nations Guiding Principles on Business and Human Rights • Implementation of human rights training programs for employees and business partners • Establishment of human rights due diligence to address human rights risks facing suppliers and employees • Development of mechanisms to provide access to remedy
12 Use of Plastics	• Strengthening of regulations on plastic waste and on imports of plastic products • Strict social views on products made from large amounts of plastic in light of plastic waste contribution to marine pollution	• Drastic decline in demand for products using large amounts of plastic materials in containers and packaging • Impairment of Asahi's reputation due to inadequate response • Higher recycling expenses and sharp increase in production costs through use of alternative materials	• Promotion of 3Rs • Effective use of plastic containers • Conversion to use of eco-friendly materials for plastic containers • Development of new eco-friendly materials and discussions on the adoption of sales methods that do not involve the use of plastic containers and packaging
13 Country Risks Associated with Global Business Development	• Political uncertainty, economic crisis, retaliatory tariffs, threats of boycott over treatment of refugees, racial discrimination, tightening of regulations, tax reform, natural disasters, and emerging infectious diseases	• Reduced cost competitiveness due to unfavorable conditions for foreign-capital companies, lower profits, business closures attributable to political, military, and social pressure, safety concerns of employees, failure to achieve management targets, recording of medium- to long-term losses, and business withdrawals	• Early detection and effective prevention of risks through collection of information at Group companies and appointment of external consultants • Formulation of BCP designed to cope with major incidents • Dispersion of revenue streams through continuous globalization
14 Risks Associated with Procurement of Key Raw Materials	• Increasingly severe market conditions for raw materials utilized in products • Bankruptcy and acquisition of suppliers and cornering of markets by competitors • Adverse impact of production of key raw materials on local environment and communities	• Higher prices of raw materials • Halt to operations stemming from inability to procure raw materials • Impairment of Asahi's reputation spurred by emergence of social issues along supply chain	• Procurement at stable prices through use of fixed rates, multi-year contracts, and financial products • Alleviation of impact of rising prices and dispersion of procurement risk through purchase of raw materials from multiple suppliers and establishment of competitive landscape • Prevention of procurement risk and curbing of costs by considering transition to alternative materials • Conducting of procurement activities that respect the global environment and local communities
15 Quality	• Potential threats to customers' health posed by quality-related accidents arising from contingencies	• Impairment of business results, company reputation, and brand value triggered by loss of customer confidence	• Promotion of efforts to identify, examine, and address matters requiring special attention and tasks that may impact quality throughout each process, from product design to sales • Advancement of quality assurance technology through introduction of AI and other leading technologies • Development of latest analytical technologies for ensuring food safety • Adoption of international approaches to quality and food safety management systems and acquisition of external certification
16 Other Risks	• Financial risk (including exchange rate, interest rate, rating, and asset price fluctuation risks) • Tax risk • Litigation risk	• Increased costs, increasingly severe competition, restrictions to business activities, and impact on operating results and financial condition	• Utilization of various risk-hedging strategies

Our History

Extensive Experience That Transforms Challenge and Innovation into Growth

The Asahi Group has achieved growth throughout the years by cherishing three values: “challenge and innovation” that creates new value, such as the release of *Asahi Super Dry*, which at the time completely changed the way people thought about beer, and the cultivation of brands loved by all generations; “excellence in quality” that the Group delivers to its customers; and “shared inspiration” that the Group enjoys with its stakeholders. Drawing on these values as its foundation, the Group will leverage strengths such as its long-cultivated brands and human resources in Japan and overseas to deliver premium value to an even greater number of customers around the world.

1884 • *Hiranosui* (now *MITSUYA CIDER*) is launched.
1889 • Osaka Beer Brewing Company is established.
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.

Trend in Revenue*1

1889–

The starting point for “the highest level of quality” and “challenge 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.

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.

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 establish its business foundation, centered on its whisky and spirits and soft drinks businesses, and worked to create new drinking opportunities, including the introduction of canned beer in Japan.

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–

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.

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 enhance the brand strength in each of its businesses by developing synergies across their entire range.

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.
2019 • The Asahi Group Philosophy (AGP) is enacted.
2020 • Asahi reorganizes its overseas beer businesses.
• Asahi acquires Australian business of Anheuser-Busch InBev.

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.

Group Revenue in Fiscal 2020

¥2,027.7 billion

*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

2018–

Fortifying our global business foundation in the pursuit of further growth

To establish its business foundation—which now spans the globe with the entry of the European business into the Group—as a driver for further growth, Asahi is striving for unique value creation underpinned by its newly formulated Asahi Group Philosophy (AGP). In 2020, Asahi acquired the Australian business Carlton & United Breweries Pty. Ltd. (CUB) of Anheuser-Busch InBev SA/NV, thereby establishing a structure focused on three core regions of operations: Japan, Europe, and Oceania. By combining its strengths such as the brands and human resources in these three regions, Asahi aims to become a *Glocal* (global and local) Value Creation Company.

Financial Highlights

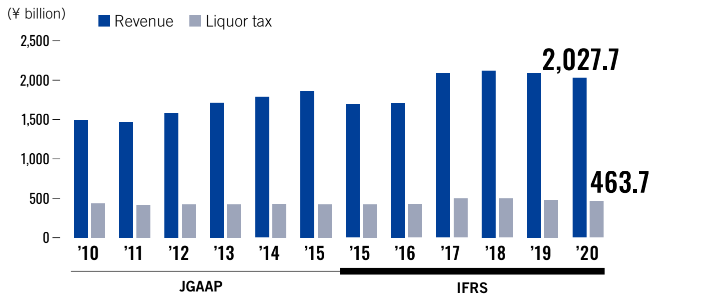
Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
Years ended December 31

Revenue / Liquor Tax

¥2,027.7 billion

Revenue

Total revenue, despite the benefits of the consolidation of Carlton & United Breweries Pty. Ltd. (CUB), was down as on-premise and other sales of beer dropped around the world due to the impacts of the COVID-19 pandemic. The amount of liquor tax paid declined in conjunction with revenue.

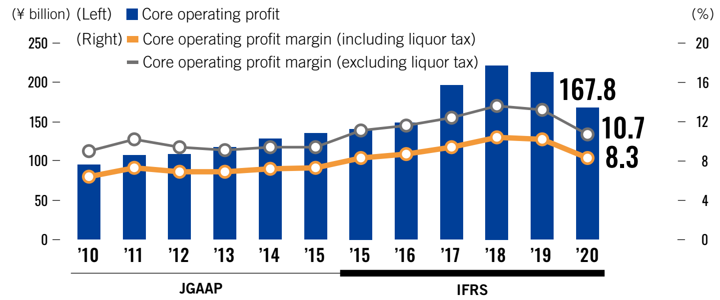


Core Operating Profit*1 / Core Operating Profit Margin

¥167.8 billion

Core operating profit

Despite reductions in fixed costs, core operating profit was down following reduced revenue in existing operations and a less profitable channel mix.

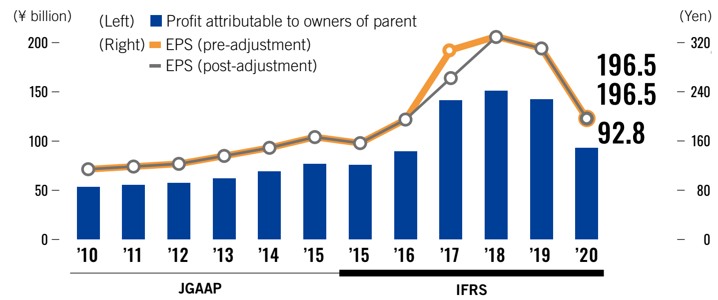


EPS*2 / Profit Attributable to Owners of Parent

¥196.5

EPS (post-adjustment)

Profit attributable to owners of parent decreased due to the lower core operating profit as well as one-time expenses incurred as a result of the COVID-19 pandemic. Post-adjustment earnings per share (EPS) also decreased.

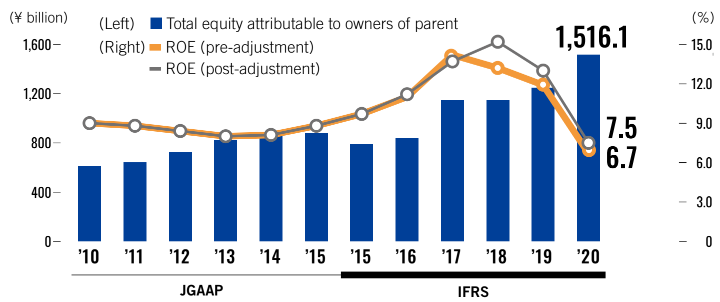


ROE*2 / Total Equity Attributable to Owners of Parent

7.5%

ROE (post-adjustment)

Return on equity (ROE) after adjustment decreased due to lower profit attributable to owners of parent coupled with a rise in total equity attributable to owners of parent, due to increased retained earnings and increased issued capital and share premium, which rose as a result of a public offering.



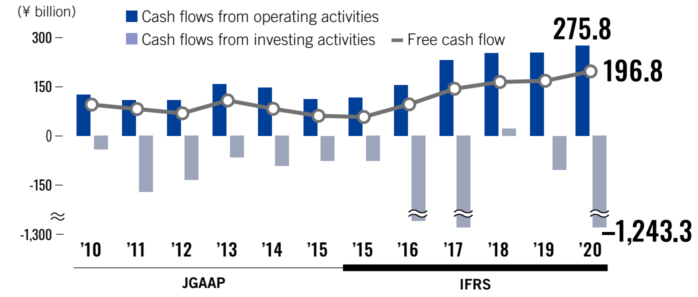
*1 Core operating profit is the reference indicator for normalized business performance.
Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)
*2 Both pre-adjustment and post-adjustment figures are provided for EPS, ROE, and the dividend payout ratio. Post-adjustment figures exclude one-time special factors such as the impacts of business portfolio restructuring and foreign exchange movements.

Cash Flows

¥196.8 billion

Free cash flow

Despite a decline in profit before tax that followed the decrease in core operating profit, free cash flow*3 rose as cash was generated through reductions in working capital and sales of non-business assets. Meanwhile, net cash flows used in investing activities increased due to the acquisition of CUB.

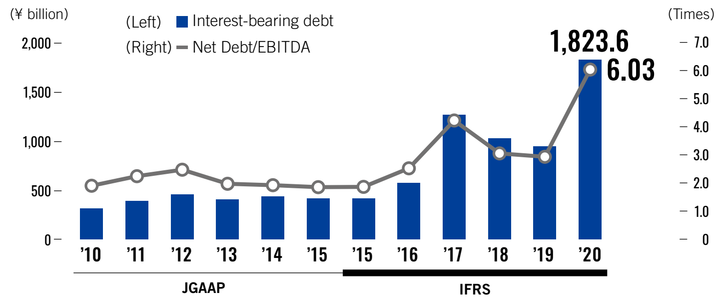


Interest-Bearing Debt / Net Debt/EBITDA*4

6.03 times

Net Debt/EBITDA

Interest-bearing debt increased due to bond issuances and a rise in short-term borrowings associated with the acquisition of CUB. Net debt/EBITDA increased due to higher interest-bearing debt and decreased EBITDA as a result of the COVID-19 pandemic.

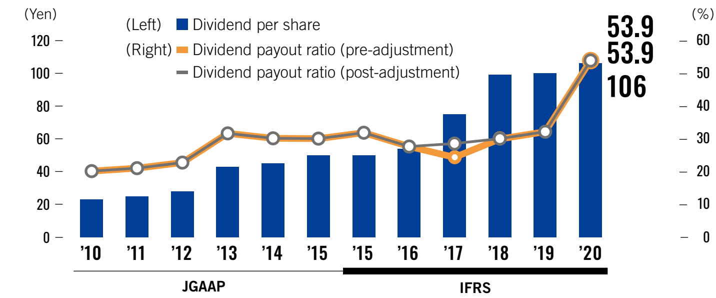


Dividend per Share / Dividend Payout Ratio*2

53.9%

Dividend payout ratio (post-adjustment)

The dividend per share was increased by ¥6 year on year, to ¥106 per share, based on the Company's shareholder returns policy of pursuing stable dividend increases. The consolidated dividend payout ratio rose in conjunction with the drop in profit attributable to owners of parent.

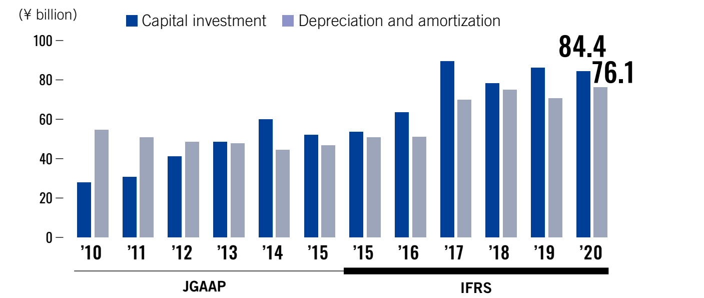


Capital Investment / Depreciation and Amortization*5

¥84.4 billion

Capital investment

Overall capital investment was down as the reductions in nonessential and nonurgent investments attributable to the COVID-19 pandemic outweighed the rise in investments associated with the acquisition of CUB.



*3 For 2020, Free cash flow = Cash flows from operating activities – Cash used in investing activities (excluding M&A and other business restructuring)
For 2019 and prior years, 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
Figures for 2020 have been calculated by excluding 50% of the amount of ¥300.0 billion for outstanding subordinated bonds from net debt.
*5 The above capital investment and depreciation and amortization amounts do not include lease assets or trademarks at the time of acquisition of subsidiaries.

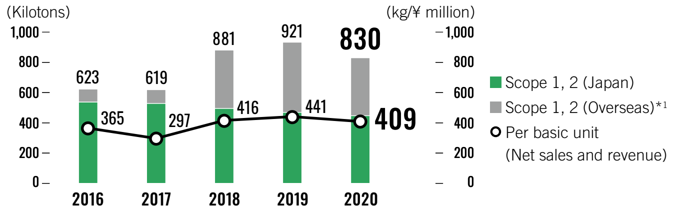
Sustainability Highlights

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

Environment

CO_2 Emissions / Per Basic Unit

We adopted Asahi Carbon Zero as a medium- to long-term target for reducing CO_2 emissions with the aim of achieving zero CO_2 emissions by 2050. We increased our CO_2 reduction target for 2030 from 30% to 50%, and acquired SBT 1.5℃ verification.



Usage Volume / Usage Ratio for Sustainable Energy

We joined RE100 in 2020. By 2050, we aim to have a renewable energy electricity usage rate of 100% and are promoting the proactive introduction of renewable electric power into our business activities.

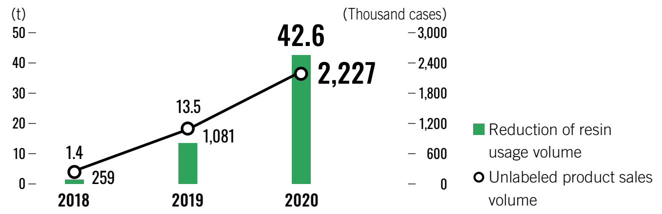
Rate of Sustainable Energy Use

12%


Photo credit: BayWa r.e. renewable energy

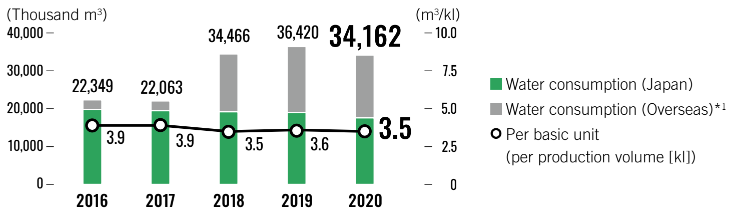
Sales Volume for Unlabeled Products / Reduction of Resin Volume

At Asahi Soft Drinks Co., Ltd., we are developing unlabeled PET bottle products. Through these products, we aim to eliminate the time and effort spent removing labels from PET bottles when disposing of them, while lessening the burden on the environment by decreasing the amount of waste.



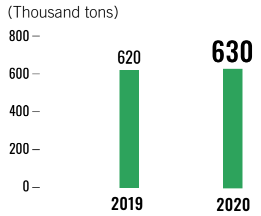
Water Consumption / Per Basic Unit

We have established the target of achieving a basic unit of water consumption of 3.2 m³/kl or less by 2030, and are working to reduce water consumption by cutting back on water use at manufacturing bases and promoting the reuse of water to achieve these targets. We are also working to minimize the environmental burden associated with water intake and exhaust.



Reduce Grain Usage through *CALSPORIN*®

Through the utilization of *CALSPORIN*®, a probiotic used for livestock production, Asahi Biocycle Co., Ltd. has improved the efficiency of feed grain and reduced the amount of feed grain needed to rear livestock.

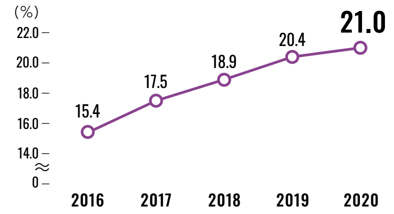


*1 The targets of overseas Scope 1 and Scope 2 are for Oceania for 2015–2017; Oceania and Europe for 2018; and Oceania, Europe, and Southeast Asia for 2019–2020.
*2 Asahi Holdings South East Asia
*3 Established standard of six grams or less per 100ml
*4 Applicable to employees with a company email address
*5 In 2018 and 2019, training targeted domestic alcohol beverage operating companies. In 2020, training targeted all Group companies in Japan.

People

Ratio of Female Managers

We have specific goals for promoting the success of female employees at each major operating company and are advancing initiatives for accomplishing these goals. As a result, the ratio of female managers has been steadily increasing. A new female auditor was appointed in 2020.



Attendance Rate for Human Rights and LGBT e-Learning

Executives and employees of operating companies in Japan took part in e-learning courses on human rights and the LBGT community, with a total of 9,974 people participating. Due to the impact of the COVID-19 pandemic, we were unable to reach our attendance rate goal of 90%. However, we will continue to promote employees' understanding of human rights and LGBT issues going forward.

Attendance Rate for Human Rights and LGBT e-Learning in Fiscal 2020

86.3%

Communities

Providing Hand Sanitizer for Healthcare Individuals

At The Nikka Whisky Distilling Co., Ltd. and Asahi Holdings (Australia) Pty Ltd, we produced hand sanitizer at our in-house manufacturing facilities and, as COVID-19 spread, we donated a total of 72.2kl to healthcare workers on the front lines.

Hand Sanitizer Provided to Healthcare Individuals

72.2kl

Health

Percentage of RTD Products with Reduced Sugar Content (AHSEA)*2

In RTD products in Malaysia, we achieved a rate of 82% for products with a sugar content of six grams or less per 100ml. By doing so, we greatly surpassed our goal of 70% by 2021, well ahead of schedule.

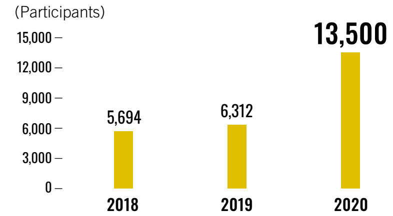
Rate of RTD Products with Reduced Sugar Content*3 (AHSEA)

82.0%

Responsible Drinking

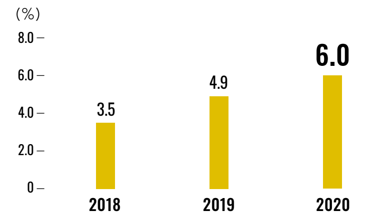
Number of Participants in e-Learning Sessions on "Responsible Drinking"

In 2020, we expanded the scope of our responsible drinking training from domestic alcohol beverage operating companies to all 35 Group companies in Japan, with a 97.5% attendance rate.*4 *5



Sales Composition of Non-Alcohol Beverages (AEI)

At Asahi Europe and International (AEI), 6.0% of our sales were for non-alcohol beverages. Due to the impact of the COVID-19 pandemic and the reduction in restaurant meals, which are a key NAB consumption occasion, we were unable to achieve our goal of 6.4%. Nevertheless, this maintains a positive share of mix growth versus 2019, and we are continuing to drive initiatives to achieve our goal of 20% by 2030.



Eleven-Year Financial and Non-Financial Summary

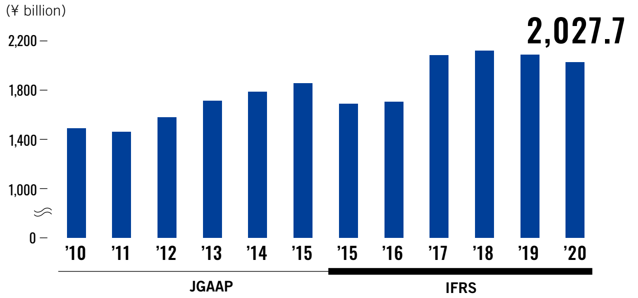
Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
Years ended December 31

Information about This Page
- 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."

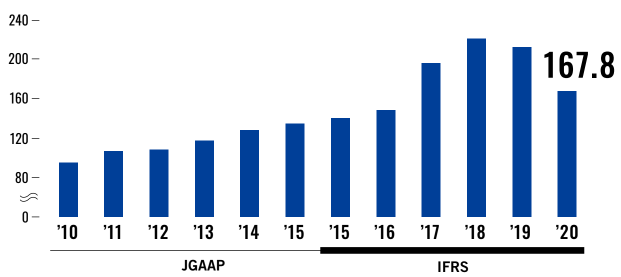
	JGAAP						IFRS						
						(Billions of yen)						(Billions of yen)	%
	2010	2011	2012	2013	2014	2015	2015	2016	2017	2018	2019	2020	YoY Change (2020/2019)
Operating Results (For the year):													
Revenue	¥ 1,489.4	¥ 1,462.7	¥ 1,579.0	¥ 1,714.2	¥ 1,785.4	¥ 1,857.4	¥ 1,689.5	¥ 1,706.9	¥ 2,084.8	¥ 2,120.2	¥ 2,089.0	**¥ 2,027.7**	–2.9
Cost of sales	943.3	907.2	974.7	1,032.8	1,073.4	1,100.5	1,102.8	1,098.1	1,295.3	1,303.2	1,297.3	**1,283.1**	–1.1
Selling, general and administrative expenses	450.7	448.3	495.9	563.9	583.7	621.7	445.9	460.2	593.1	595.6	578.7	**576.7**	–0.3
Core operating profit*1	95.3	107.1	108.4	117.4	128.3	135.1	140.6	148.4	196.3	221.3	212.9	**167.8**	–21.2
Profit attributable to owners of parent—pre-adjustment	53.0	55.0	57.1	61.7	69.1	76.4	75.7	89.2	141.0	151.0	142.2	**92.8**	–34.7
—post-adjustment*2									120.1	150.6	142.2	**92.8**	–34.7
EBITDA*3	157.6	166.8	170.9	183.6	192.3	197.9	197.2	205.8	285.3	318.4	304.8	**269.4**	–11.6
Capital investment	27.8	30.6	41.1	48.4	59.8	52.0	53.5	63.4	89.5	78.2	86.1	**84.4**	–1.9
Depreciation and amortization	54.6	50.7	48.5	47.7	44.5	46.6	50.8	51.0	69.8	75.0	70.6	**76.1**	7.7
Research and development expenses	9.3	8.9	9.6	10.8	10.7	10.3	10.3	9.5	11.6	12.3	12.8	**13.1**	2.8
Financial Position (At year-end):													
Total assets	¥ 1,405.3	¥ 1,529.9	¥ 1,732.1	¥ 1,791.5	¥ 1,936.6	¥ 1,901.5	¥ 1,804.6	¥ 2,086.3	¥ 3,346.8	¥ 3,079.3	¥ 3,140.7	**¥ 4,439.3**	41.3
Interest-bearing debt	311.4	390.0	456.2	403.7	434.7	414.9	414.4	570.3	1,261.9	1,027.3	943.2	**1,823.6**	93.3
Total equity	612.6	643.7	726.8	827.4	896.5	891.8	803.6	846.1	1,152.7	1,149.6	1,248.2	**1,517.8**	21.6
Cash Flows:													
Cash flows from (used in) operating activities	¥ 125.6	¥ 108.5	¥ 109.2	¥ 157.2	¥ 146.7	¥ 112.7	¥ 116.4	¥ 154.4	¥ 231.7	¥ 252.4	¥ 253.4	**¥ 275.8**	8.8
Cash flows from (used in) investing activities	(41.7)	(171.2)	(134.3)	(65.7)	(92.1)	(75.5)	(77.0)	(268.5)	(885.8)	22.5	(103.6)	**(1,243.3)**	—
Cash flows from (used in) financing activities	(90.8)	67.0	43.0	(84.9)	(35.8)	(73.0)	(75.2)	119.5	661.8	(270.5)	(158.8)	**956.7**	—
Cash and cash equivalents at end of period	10.8	16.1	34.3	41.1	62.2	43.2	43.2	48.4	58.0	57.3	48.4	**48.4**	–0.0
Per Share Data (In yen):													
Profit attributable to owners of parent—pre-adjustment	¥ 114.10	¥ 118.36	¥ 122.75	¥ 135.73	¥ 148.92	¥ 166.25	¥ 164.82	¥ 194.75	¥ 307.78	¥ 329.80	¥ 310.44	**¥ 196.52**	
—post-adjustment*2									262.23	328.95	310.44	**196.52**	
Dividends	23.00	25.00	28.00	43.00	45.00	50.00	50.00	54.00	75.00	99.00	100.00	**106.00**	
Equity attributable to owners of parent	1,315.51	1,378.19	1,553.35	1,772.47	1,904.64	1,916.69	1,723.97	1,825.57	2,499.62	2,502.67	2,720.76	**2,992.06**	
Financial Ratios:													
Core operating profit margin (%)	6.4	7.3	6.9	6.9	7.2	7.3	8.3	8.7	9.4	10.4	10.2	**8.3**	
ROE (Ratio of profit to equity attributable to owners of parent) (%)—pre-adjustment	9.0	8.8	8.4	8.0	8.1	8.8	9.7	11.0	14.2	13.2	11.9	**6.7**	
—post-adjustment*2								11.2	13.7	15.2	13.0	**7.5**	
ROA (Ratio of profit before tax to total assets) (%)	7.1	7.6	7.0	7.0	7.1	7.6	6.5	7.7	7.2	6.5	6.3	**3.3**	
Total asset turnover (Times)	1.05	1.00	0.97	0.97	0.96	0.97	0.93	0.88	0.77	0.66	0.67	**0.54**	
Equity attributable to owners of parent ratio (%)	43.6	41.9	41.8	45.7	45.5	46.2	43.7	39.9	34.2	37.2	39.7	**34.2**	
Net debt/EBITDA (Times)*3, 4	1.90	2.24	2.47	1.97	1.92	1.85	1.86	2.52	4.22	3.05	2.93	**6.03**	
ESG:													
Number of employees at year-end	16,712	16,759	17,956	18,001	21,177	22,194		23,619	30,864	28,055	29,327	**29,850**	
Number of directors (Total) (At year-end)	13	11	10	11	9	9		10	10	10	9	**9**	
Number of directors (Outside) (At year-end)	2	3	3	3	3	3		3	3	3	3	**3**	
Water consumption (Thousand m^3)*5	19,130	18,966	19,532	23,664	23,615	23,933		23,889	23,723	38,623	40,292	**37,673**	
CO_2 emissions (Kilotons)*5, 6	740	728	815	855	613	621		623	619	881	921	**830**	
CO_2 emissions (Scope 3) (Kilotons)*7	—	—	—	—	—	2,960		3,169	2,912	2,899	3,084	**5,497**	

*1 Core operating profit is the reference indicator for normalized business performance. Core operating profit = Revenue – (Cost of sales + Selling, general and administrative expenses)
*2 Post-adjustment figures exclude one-time special factors such as the impacts of business portfolio restructuring 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 In 2020, calculated based on net debt after the deduction of 50% of outstanding subordinated bonds (¥300.0 billion)
*5 Please refer to the following link for information on the scope of calculation regarding water consumption and CO_2 emissions.
Sustainability website: https://www.asahigroup-holdings.com/en/csr/editing.html
*6 Results up to 2013 are for Scope 1, 2, and 3 in Japan. Results from 2014 on are for Scope 1 and 2 in Japan and overseas.
*7 Applicable companies up to 2019 were Asahi Breweries, Ltd. and Asahi Soft Drinks Co., Ltd. Applicable companies in 2020 were Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Europe and International Ltd., and Asahi Holdings (Australia) Pty Ltd.

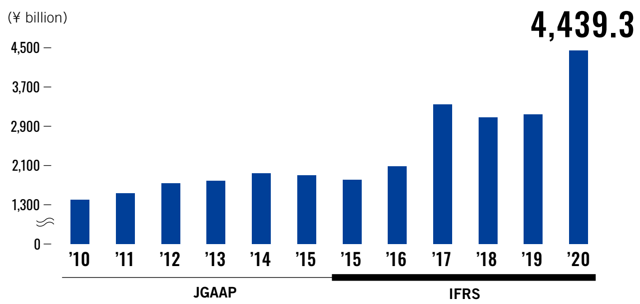
Trend in Revenue



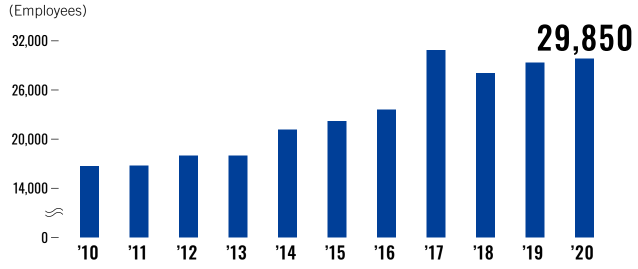
Trend in Core Operating Profit



Trend in Total Assets



Trend in the Number of Employees at Year-End



Discussion and Analysis of 2020 Business Results

Analysis of Business Results

Overview of Business

In 2020, although the global economy showed a gradual recovery at the start of the year, it deteriorated rapidly due in part to the impact of restrictions on economic activities following the global spread of COVID-19, and remained in an extremely difficult condition. The Japanese economy also experienced tough conditions as consumer spending and exports declined owing to the spread of COVID-19 in Japan and the worsening situation in the global economy.

Under these conditions, the Asahi Group continued to move forward with *Glocal* (global and local) Value Creation Management as described in the Medium-Term Management Policy while being guided by the Asahi Group Philosophy (AGP). The Group also worked to enhance the value of its core brands in each business and strengthen proposals for new value, while simultaneously implementing measures to combat the COVID-19 pandemic.

In terms of COVID-19 countermeasures, while prioritizing the safety of its employees and their families, the Group executed marketing strategies catering to the changes in the market environment and consumer needs. At the same time, the Group strove to secure financial soundness through such measures as curtailing capital investment and fixed costs and enhancing the efficiency of working capital. The Group also took steps to fulfill the responsibility it has to its stakeholders, including promoting efforts to support its business partners and local communities.

Despite these initiatives, the Group posted revenue of ¥2,027.7 billion, down 2.9% year on year, owing mainly to the negative impact of economic stagnation brought about by the downturn in the food service industry and the enactment of stay-at-home restrictions worldwide. Furthermore, core operating profit[*1] was ¥167.8 billion, down 21.2%, and operating profit came to ¥135.1 billion, down 32.9%. Profit attributable to owners of parent was ¥92.8 billion, down 34.7%.

When excluding the impacts of foreign exchange influences, revenue declined by 2.6% and core operating profit by 21.1%.[*2]

*1 Core operating profit is the reference indicator for normalized business performance. Core operating profit = Revenue – (Cost of goods sold + General and administrative costs)

*2 The figures in 2020 are converted by the previous year's local currency rate.

Major Trends in Business Performance

(¥ billion)

	2019	2020	YoY Change
Revenue	2,089.0	**2,027.7**	**(61.2)**
Alcohol Beverages	886.8	**758.2**	**(128.5)**
Soft Drinks[*3]	376.8	**353.3**	**(23.4)**
Food[*4]	128.9	**123.4**	**(5.4)**
Overseas[*3]	698.5	**792.9**	**94.4**
Other[*4]	97.7	**93.1**	**(4.5)**
Adjustment (corporate/elimination)	(99.9)	**(93.4)**	**6.4**
Core operating profit	212.9	**167.8**	**(45.1)**
Alcohol Beverages	105.5	**80.4**	**(25.0)**
Soft Drinks[*3]	33.4	**27.8**	**(5.6)**
Food[*4]	13.7	**10.9**	**(2.7)**
Overseas[*3]	102.2	**94.1**	**(8.1)**
Other[*4]	1.5	**1.3**	**(0.2)**
Adjustment (corporate/elimination)	(43.5)	**(46.8)**	**(3.3)**
Core operating profit margin (including liquor tax)	10.2%	**8.3%**	**(1.9pts)**
Core operating profit margin (excluding liquor tax)	13.2%	**10.7%**	**(2.5pts)**
Profit attributable to owners of parent	142.2	**92.8**	**(49.3)**

*3 Transfer of Calpis Beverage U.S.A. Inc., which was previously included in Other/elimination in the Overseas Business, to Asahi Soft Drinks Co., Ltd. in the Soft Drinks Business

*4 Transfer of certain businesses of Asahi Calpis Wellness Co., Ltd., which were previously included in the Other Business, to Other/elimination in the Food Business

Revenue

In the Alcohol Beverages Business, under the newly established long-term management policy—transform toward value-oriented management, aiming to create value for customers and new markets—we worked to create special value and experiences for our customers, centered on beer-type beverages. Although these efforts boosted sales of new genre beer-type beverages and sales of RTD beverages exceeded the previous year's sales by capturing demand for drinking at home, revenue in the Alcohol Beverages Business declined overall as a result of the significant decrease in sales of beer for restaurants due to the COVID-19 pandemic.

In the Soft Drinks Business, we aimed to establish a solid business foundation for further growth by revitalizing the soft drinks market via reinforcement of the carbonated beverage category and investment in products that create new value, and by strengthening initiatives to enhance social value, among other efforts. While these efforts led to a year-on-year increase in sales volumes of carbonated beverages, revenue in the Soft Drinks Business declined overall as vending machine sales decreased owing to the COVID-19 pandemic.

In the Food Business, we worked to build a sustainable growth foundation through new value proposals for our core brands in response to diversifying lifestyles. Although these endeavors led to year-on-year increases in sales of such products as health and beauty foods and freeze-dried miso soup, revenue in the Food Business declined overall due to the significant decrease in sales of *MINTIA* resulting from reduced work hours in the office.

In the Overseas Business, we accelerated our efforts toward further growth by expanding our premium beer brands in the global market and pursuing the premiumization of our brand portfolio in respective local markets, among other measures. As a result of these efforts, revenue from the Overseas Business rose mainly due to the effects of newly incorporating the CUB business into the scope of consolidation, which helped offset the impact of market contraction caused by restrictions in various countries during the COVID-19 pandemic as well as other factors.

As a result of the above, consolidated revenue, including the decline in revenue from the Other Business, amounted to ¥2,027.7 billion, down 2.9%, or ¥61.2 billion, year on year.

Core Operating Profit

In the Alcohol Beverages Business, core operating profit declined due to lower revenue, which offset such efforts as reducing manufacturing costs and reforming our earnings structure. In the Soft Drinks Business, core operating profit declined owing mainly to the impact of declining revenue and the deterioration in the mix of product type and container type caused by reduced sales via vending machines. Core operating profit was also down in the Food Business as a result of the decline in revenue, which outweighed an improvement in overall fixed costs. In the Overseas Business, despite the rise in revenue, core operating profit declined owing primarily to the deterioration of profitability caused by the changes in sales mix per marketing channel and the incurrence of one-time expenses resulting from the acquisition of the CUB business.

As a result of the above, consolidated core operating profit, which includes a decline in profit from the Other Business, decreased 21.2%, or ¥45.1 billion, to ¥167.8 billion.

Operating Profit

Operating profit decreased 32.9%, or ¥66.2 billion, to ¥135.1 billion, year on year, as a result of the decline in core operating profit and an increase in other expenses.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent was ¥92.8 billion, down 34.7%, or ¥49.3 billion, year on year, due to a decline in profit before tax.

Analysis of Financial Position

Total assets stood at ¥4,439.3 billion on December 31, 2020, an increase of ¥1,298.5 billion from a year earlier, due in part to an increase in goodwill and trademarks following the newly incorporation of the CUB business[*5] into the scope of consolidation.

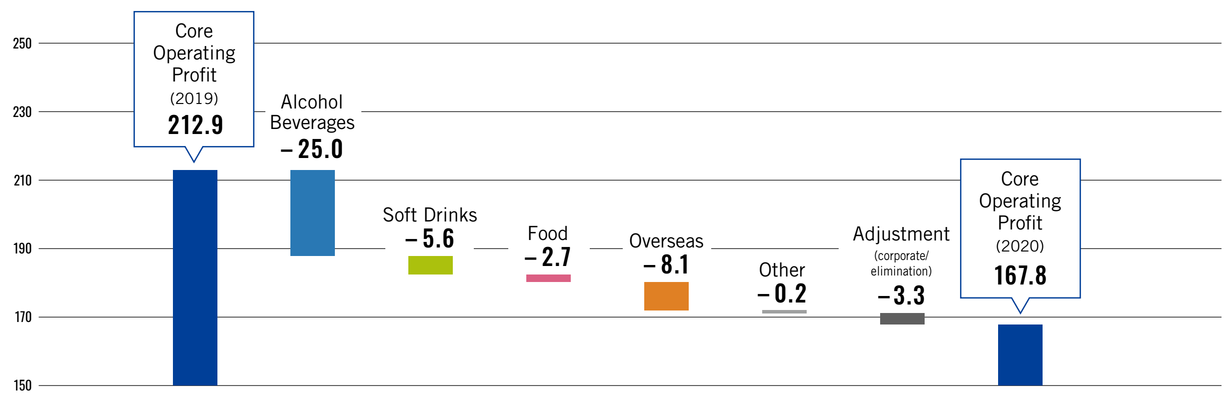
Total liabilities came to ¥2,921.5 billion, up ¥1,029.0 billion from the previous year-end, mainly as a result of an increase in financial liabilities centered on short-term loans that accompanied the acquisition of the CUB business.

Total equity at the end of the year stood at ¥1,517.8 billion, up ¥269.5 billion from the previous year-end. This outcome was a result of increases in issued capital and share premium due to the issuances of new shares through public offering, the disposal of treasury shares through public offering, and an overall increase in retained earnings owing to the recording of profit attributable to owners of parent. As a result, the equity attributable to owners of parent ratio declined 5.5 percentage points, to 34.2%.

Furthermore, the adjusted equity attributable to owners of parent ratio, which is calculated using profit attributable to

Factors Contributing to Change in Core Operating Profit

(¥ billion)



owners of parent and equity attributable to owners of parent ratio excluding one-off special factors including business portfolio restructuring and exchange rate influences, stood at 7.5% (compared with 13.0% in the previous year).

*5 Regarding the acquisition of the CUB business, the amount of goodwill and the assets acquired and liabilities assumed at the acquisition date are provisional as of the end of the year because the review to verify the identifiable assets and liabilities at the acquisition date is still in progress and the allocation of acquisition costs is yet to be completed.

Analysis of Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥275.8 billion, an increase of ¥22.3 billion from the previous year, resulting from the cash inflow of profit before tax of ¥125.3 billion, a rise in non-cash items such as depreciation and amortization, and an increase in working capital efficiency.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥1,243.3 billion, an increase of ¥1,139.7 billion from the previous year, due in part to the acquisition of the CUB business.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥956.7 billion, an increase of ¥1,115.6 billion from the previous year, resulting from the issuance of new shares and an increase in financial liabilities due to the procuring of short-term loans.

As a result of the above, cash and cash equivalents at the end of the period stood at ¥48.46 billion, a decrease of ¥29 million from the end of the previous year.

Cash Flow Indicators

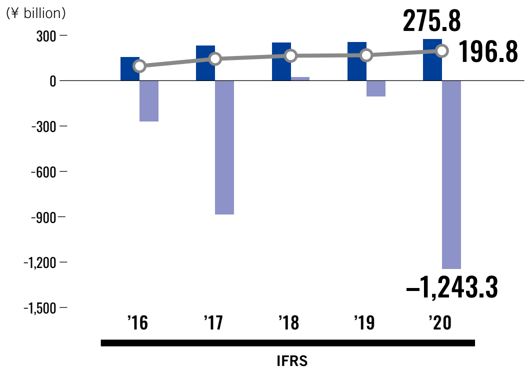
	2019	2020	YoY Change
Cash flow to interest-bearing debt ratio (annual)	4.1	**7.1**	3.0 percentage point increase
Interest coverage ratio (times)	36.9	**27.5**	9.4 percentage point decrease

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 investment to strengthen and streamline our business foundations and strategic investments such as M&As. In regard to the acquisition of the CUB business, which was completed on June 1, 2020, funds have been procured through a combination of debt financing, with the goal of minimizing interest costs, and equity financing, aimed at facilitating the quick recovery of the Company's financial position, maintaining current credit ratings, and minimizing refinancing risks. We are focusing on reducing overall capital and interest costs in this financing endeavor. Meanwhile, 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 excess funds of Group companies to the Company so that we can centrally manage these funds. This system enables us to both improve capital efficiency and minimize financing costs.

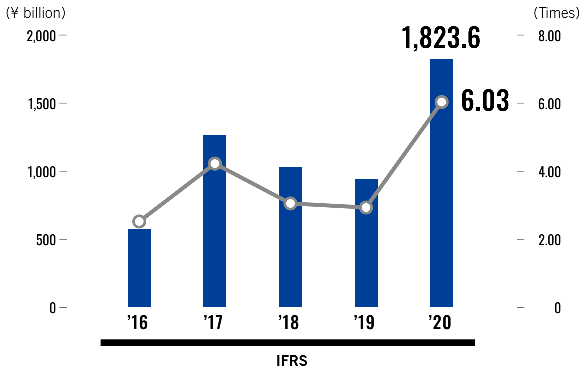
Cash Flows



Cash flows from operating activities Cash flows from investing activities
Free cash flow

Note: For 2020, Free cash flow = Cash flows from operating activities – Cash used in investing activities (excluding M&A and other business restructuring)
For 2019 and prior years, 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

Notes: 1. EBITDA = Core operating profit + Amortization of intangible assets + Depreciation
2. In 2020, calculated based on net debt after the deduction of 50% of outstanding subordinated bonds (¥300.0 billion)

Capital Investment

Capital investment during 2020 decreased ¥1.6 billion, to ¥84.4 billion. In the Alcohol Beverages Business, we focused on strategic investment to improve profitability as well as investments for bolstering whisky production capacity. 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 implemented strategic investments to boost production capacities with a view to expanding sales. In the Overseas Business, our focus was on a strategy of continuous profitability improvement, based on which we conducted capital investments for heightening efficiency as well as investments for increasing the production capacities of beer manufacturing facilities in Europe.

R&D Expenses

Group-wide R&D expenses in 2020 increased ¥0.3 billion, to ¥13.1 billion. In our R&D activities, we are promoting product development focused on creating unprecedented new value in the Alcohol Beverages, Soft Drinks, and Food businesses. At the same time, we are pursuing innovative technological development to realize a sustainable society that gives consideration to the environment and contributes to people's well-being. Furthermore, we are reviewing our R&D strategies in a swift and flexible manner so that we can better respond to the environmental changes caused by the COVID-19 pandemic. We are also working to establish a structure under which we can utilize remote workstyles in our R&D activities to the greatest extent possible. By doing so, we will achieve results that meet the needs of the new generation. To promote R&D activities that are not constricted by conventional frameworks, we are actively leveraging cutting-edge technologies and open innovation and harnessing Group-wide synergies.

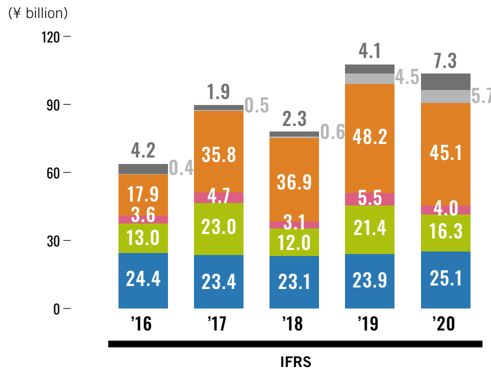
Profit Distribution Policy and Dividends

Regarding the use of free cash flow, we have given 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. From 2021, we will prioritize the allocation of funds toward reducing debt, which has increased following the acquisition of the CUB business in Australia, while enhancing our capacity to execute growth investments. Moreover, concerning shareholder returns, we will continue to aim for steady dividend increases with the goal of reaching a payout ratio of 35%.*2

For 2020, we paid a full-year ordinary dividend of ¥106 per share, up ¥6 from the previous year, based on our consolidated financial position and full-year results. For 2021, we plan to pay a full-year ordinary dividend of ¥109 per share, comprising an interim dividend of ¥54 per share and a year-end dividend of ¥55 per share, up ¥3 from 2020.

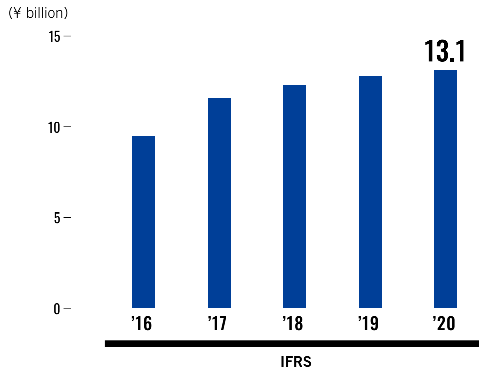
*2 The dividend payout ratio is calculated based on the figure for profit attributable to owners of parent, which excludes one-off special factors such as the impacts of business portfolio restructuring and foreign exchange influences.

Capital Investment by Business



Alcohol Beverages Soft Drinks Food Overseas
Other Other Adjustment (corporate/elimination)

R&D Expenses



Company Profile / Investor Information (As of December 31, 2020)

Promoting Engagement through IR Activities

Major IR Activities in 2020

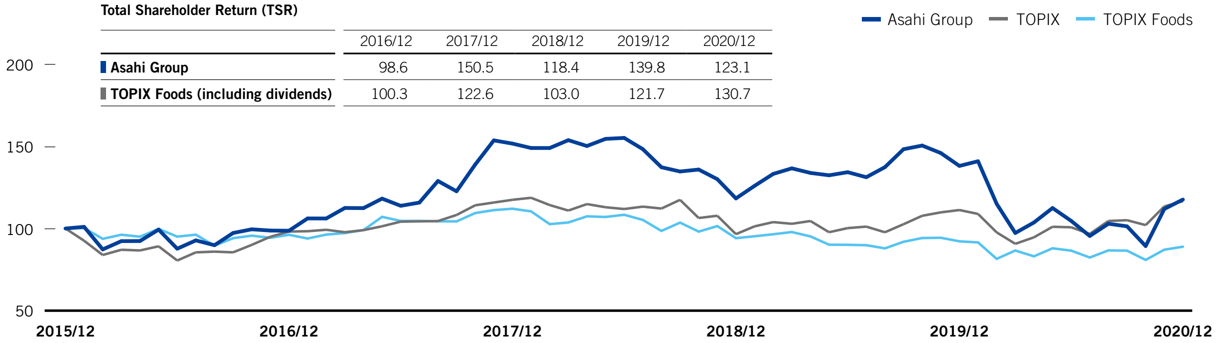
Activity	Frequency	Details
Financial results briefings for analysts and institutional investors	4 times	Quarterly briefing sessions (first-, second-, and fourth-quarter briefing sessions by the president and relevant officers and third-quarter session by the IR and finance sections)
IR interviews for analysts and institutional investors	Approx. 260 times	IR interviews, teleconferences, and online meetings for analysts and institutional investors
Interviews with institutional investors in Japan	Approx. 30 times	Interviews, teleconferences, and online meetings with shareholders and investors in Japan conducted by the president and other corporate officers
Interviews with overseas institutional investors	Approx. 80 times	Interviews, teleconferences, and online meetings with overseas shareholders and investors conducted by the president and other corporate officers

Stock Price

(Index)

Total Shareholder Return (TSR)

	2016/12	2017/12	2018/12	2019/12	2020/12
Asahi Group	98.6	150.5	118.4	139.8	123.1
TOPIX Foods (including dividends)	100.3	122.6	103.0	121.7	130.7



Note: The closing price on December 30, 2015 has been indexed to 100.

Corporate Profile

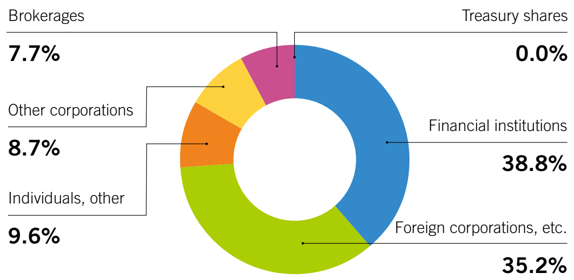
Date of establishment	September 1, 1949
Issued capital	¥220,044 million
Number of employees	313 (consolidated: 29,850)
Number of Group companies	Consolidated subsidiaries: 206 Equity-method affiliates: 25
Total number of issued shares	507,003,362
Trading unit	100 shares
Number of shareholders	129,324
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

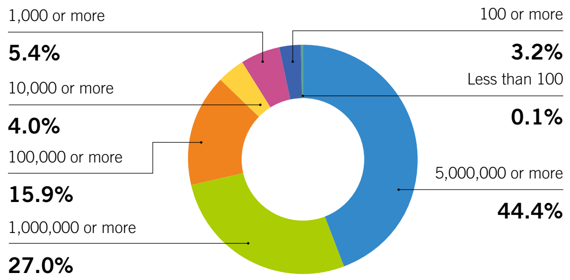
Name of shareholder	Number of shares held (in hundreds)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	544,610	10.7
Custody Bank of Japan, Ltd. (Trust Account)	222,510	4.4
The Dai-ichi Life Insurance Company, Limited	160,000	3.2
SMBC Nikko Securities Inc.	115,575	2.3
Fukoku Mutual Life Insurance Company	100,000	2.0
GIC PRIVATE LIMITED – C	96,399	1.9
Asahi Kasei Corporation	87,853	1.7
JPMorgan Securities Japan Co., Ltd.	84,289	1.7
Sumitomo Mitsui Banking Corporation	80,280	1.6
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	75,627	1.5
Total	1,567,143	30.9

Notes: 1. The treasury shares (177,512) exclude the Company's shares (110,442) held by Custody Bank of Japan, Ltd. as trust property of the stock compensation system.
2. 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



External Recognition

Inclusion in ESG Indices

Interest in investment focusing on environmental, social, and governance (ESG) factors has been rising in recent years. This investment approach, seen primarily in the asset management activities of domestic and overseas institutional investors, entails using both financial data and non-financial initiatives in evaluation standards for investment decisions. ESG evaluations are conducted by numerous domestic and overseas institutions. Asahi Group companies are included in a number of ESG indices.

FTSE4Good

ETHIBEL EXCELLENCE

ECPI Sense in sustainability

FTSE Blossom Japan

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX カーボン エフィシェント 指数

Note: The inclusion of ASAHI GROUP HOLDINGS, LTD in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of ASAHI GROUP HOLDINGS, LTD by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Evaluations of Environmental Initiatives

A survey by international NPO CDP placed Asahi Group Holdings, Ltd. on the A List, its highest rating, in the category of climate change, for the third consecutive year. Also, the survey placed the Company on the Supplier Engagement Leaderboard, the highest rating in the category of supplier engagement.

CDP A LIST 2020 CLIMATE

CDP SUPPLIER ENGAGEMENT LEADER 2020

Evaluations of Diversity and Employee Health Management Initiatives

The Asahi Group has long been aspiring to develop workplace environments that allow all employees to remain healthy and feel empowered in their work. These initiatives have been highly evaluated, resulting in the Group receiving several honors from external bodies.

2021 健康経営銘柄

NADESHIKO BRAND 2021