



February 9, 2016

FOR IMMEDIATE RELEASE

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Formulation of the Long-Term Vision and Medium-Term Management Policy

Aiming at further development of management for corporate value enhancement

Asahi Group Holdings, Ltd. (the “Company”), taking its Management Philosophy as the starting point, has updated the Long-Term Vision, which articulates foresight into the future for the entire Asahi Group, and formulated the Medium-Term Management Policy aimed at further development of the Group’s ongoing initiative of management for corporate value enhancement.

Summary of Medium-Term Management Plan 2015

In Medium-Term Management Plan 2015, launched in 2013, the Company adopted growth in ROE and EPS as key performance indicators (KPIs). Under the plan, the Company has worked to enhance corporate value through capital efficiency improvement to increase shareholder returns, while placing the highest priority on sales and profit growth.

In an tough business environment both in Japan and overseas during the term of Medium-Term Management Plan 2015, the Group undertook value creation focused on strengths, network expansion, earning structure reforms results exceeding targets, and substantial shareholder returns and was able to achieve its ROE and EPS targets.

At the same time, in an increasingly fierce competitive environment, issues that remain to be addressed include further high value addition and creation of new demand in the mainstay domestic alcohol beverages and soft drinks businesses. Overseas business, acceleration of growth for Oceania and Southeast Asia and expansion of the global foundations for growth are urgent priorities.

Future Changes in the External Environment

In the external business environment surrounding the Company, as the twenty-year struggle to escape from deflation reaches a crucial stage in Japan, an additional consumption tax increase and revision of the liquor tax are expected to result in further diversification of consumption. Overseas, at a time of slowing of growth in emerging economies, a wide variety of risks and opportunities are expected to emerge, including continuation of large-scale global industry realignment.

Furthermore, in response to formulation of the Japan's Stewardship Code and Corporate Governance Code, the management approach of Japanese companies and perspectives of shareholders and other stakeholders are likely to shift more toward sustained growth and enhancement of corporate value over the medium to long term.

Formulation of the Long-Term Vision and Medium-Term Management Policy

In light of the outcomes of the previous medium-term management plan and impending changes in the external environment, the Company has revised Long-Term Vision 2020, established in 2012, and formulated the new Long-Term Vision, which incorporates a vision of the future ten years or so while following the basis of the Long-Term Vision 2020. The Company has also revised the Medium-Term Management Plan and formulated the Medium-Term Management Policy, changing from the previous model of action plan focused to a format with emphasis placed on the medium-term direction for realizing the new business vision.

The Policy is to indicate guidelines for KPIs for the coming three years on a rolling basis in accordance with changes in the business environment, not set fixed quantitative targets with clearly defined deadlines.

Setting these policies will ensure strategic flexibility. The Company will deepen dialogue with stakeholders and aim at sustained corporate value enhancement by positioning the Long-Term Vision and Medium-Term Management Policy as a stakeholder engagement agenda.

1. Overview of the Long-Term Vision

Striving to be a corporate group trusted around the world through the *Kando* of food (deliciousness, happiness and innovation)

As a comprehensive beverage and food business group whose core business is alcohol beverages, aim to be an industry leader in Japan with high value addition as a key area of focus and establish a unique position as a global player that leverages strengths originating in Japan.

Seek “sustained corporate value enhancement” by pursuing satisfaction for all stakeholders.

< Vision for Stakeholders >

Customers: Continue to create new value based on strengths nurtured in Japan and achieve the No. 1 ranking for customer satisfaction in Japan and each region of the world.

Business partners: Develop relationships with our business connections and alliance partners that enable mutual growth through new value creation.

Society: Contribute to the resolution of social problems through the Group's businesses in areas such as development of a wholesome food culture.

Employees: Develop an environment in which employees experience both personal and corporate growth and can work vigorously.

Shareholders: Enhance corporate value (equity value) through sustained profit creation and shareholder returns.

2. Overview of the Medium-Term Management Policy

Further development of management to enhance corporate value in order to achieve sustained growth.

< Key Priorities >

1) **Strengthening of power of earnings generating by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine**

- Promotion of innovation and demonstration of leadership in the industry with high value addition and differentiation as key areas of focus
- Earning structure reforms and business model evolution through business integration and value chain sophistication
- Acquisition of foundations for growth, mainly in overseas markets, leveraging strengths originating in Japan

2) **Asset and capital efficiency improvement that takes into consideration capital cost**

- Capital efficiency improvement with an emphasis on equity spread (ROE - cost of

shareholders' equity)

- Business administration and business portfolio restructuring utilizing ROIC (rate of return on invested capital) as a performance indicator

3) **Reinforcement of ESG (environmental, social, and governance) initiatives to increase sustainability**

- Upgrading of “hidden capital assets” such as nature, social and relationship capital, and personnel and its development toward a CSV (creating shared value) strategy
- Implementation of “active corporate governance” that contributes to the practice of management to enhance corporate value

< Key Performance Indicator (KPI) Concept and Guidelines >

	FY2015 Results	Guidelines for FY2016 to FY2018
Net sales	¥1,857.4 billion	• Stable growth from main businesses – Business restructuring + New M&As
Operating income	¥135.1 billion	• Existing businesses (Average annual growth rate in the high single digits) + Impact of new M&As
EPS	¥166.3	• Average annual growth of approx. 10%
ROE	8.8%	• Maintenance and increase to 10% or higher

*The above indicators take into account the impact of IFRS transition at the end of FY2016.

*The calculation basis excludes special factors such as foreign exchange impact and one-off extraordinary items.

< Financial and Cash Flow Strategy >

FY2016 to FY2018 Cumulative Guidelines

Cash flow

- Generated cash flow: ¥470.0 billion or more (Operating cash flow + Maximization measures + Assets review)
- Capital expenditures: ¥180.0 to ¥220.0 billion

Growth investment

- Active investment in M&As and alliances to acquire foundations for growth (Maximum D/E ratio of approx. 1.0 time acceptable if major capital demands arise)

Shareholder returns

- Stable dividend increases with the aim of a dividend payout ratio of 30% (IFRS basis) by FY2018
- Flexible common stock buybacks taking into account an appropriate balance with growth investment

3. Medium-Term Key Priorities by Business

【Alcohol Beverages Business】

Maintain high profitability and improve profitability as the Group's largest cash cow business.

- 1) Demonstration of leadership in the industry in high value addition and increasing the profit pool of the industry as the No. 1 comprehensive alcohol beverages company
- 2) Strengthening of new value creation proposals through innovation and development of strong core brands in each category
- 3) Earnings structure reforms through value chain upgrading and collaboration, and business model evolution including e-commerce

【Soft Drinks Business】

Realize growth with profit by establishing a differentiated position as the Group's second mainstay business.

- 1) Establishment of a distinctive, prominent position centered on reinforcement of the brand power of key products
- 2) High value addition in response to consumer health consciousness and new value proposals through innovation, including in the chilled beverages business
- 3) Earnings structure reforms such as maximization of integration synergies, sales channel and container mix improvement, and SKU reduction

【Foods Business】

Develop the Group's next-generation foundations for growth by focusing on strengths and leveraging business integration.

- 1) Brand value enhancement and strengthening of high-value-added product proposals through focus on existing categories where our strength lies
- 2) New value and new demand creation through innovation that leverages business integration in areas such as foods with function claims
- 3) Business selectivity and creation of integration synergies, earnings structure reforms through value chain optimization

【Overseas Business】

Expand the global foundation for growth leveraging strengths and drive the Group's sustained growth.

- 1) Implementation of strategies for growth centered on brand reinforcement and development in existing businesses in Oceania, Southeast Asia, and other regions

2) Earnings structure reforms and business portfolio restructuring by region through means including expansion of integration synergies

3) Acquisition of new foundations for growth by leveraging strengths originating in Japan, such as brand power and cost competitiveness

*Aim for efficiency effects of ¥20.0 billion to ¥30.0 billion (2016 to 2018 cumulative) from profit structure reforms.