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**Update the Medium-Term Management Policy  
based on the new group philosophy**

Enhance the “Glocal Value Creation Management” embodying Asahi Group Philosophy

Asahi Group Holdings, Ltd. (Head Office: Tokyo, President and Represent Director, CEO Akiyoshi Koji) has updated the Medium-Term Management Policy in light of the newly established group philosophy “Asahi Group Philosophy (AGP)”. We aim for sustainable improvement of corporate value driven by enhancing “Glocal Value Creation Management” in the new stage for growth.

● Overview of the management over past three years

Since 2016, we have been further developing management for corporate value enhancement based on the Long-Term Vision and Medium-Term Management Policy, the latter of which charts a course toward the Long-Term Vision’s realization. In 2018 in particular, we strengthened brand equities in the three domestic Businesses and made more progress than planned in reforming the earning structure. Even amid such progress, a number of challenges remain to be addressed. For example, with the domestic beer-type beverage market shrinking more than anticipated in 2018, we need to offer beer-type beverages with more added value. Overseas, we have dramatically expanded our foundations for growth in the premium market segment by acquiring European beer businesses while outperforming the guidelines for cash flow and key performance indicators (KPIs) such as ROE and EPS, largely by reconfiguring the business portfolio.

● Prospective external environment

The external environment is clouded by a thickening pall of uncertainty both in Japan and overseas. On the other hand, we find ourselves presented with an expanding set of diverse opportunities and

risks, such as global growth in the premium beer market and diversification of consumer values in the context of factors including various tax reforms and ongoing digitalization. Additionally, we comprehensively need to disclose information on governance, strategies, and business models rooted in the corporate philosophy in response to revision of Japan's Corporate Governance Code and the Ministry of Economy, Trade and Industry's publication of Guidance for Collaborative Value Creation. We also face the imperative of coupling constructive dialogue with all stakeholders with swift and decisive decision-making.

- **The Medium-Term Management Policy Update**

In light of these overviews and external environment, we established AGP for getting our employees worldwide to have the same goal towards creating our unique value. We also updated the Medium-Term Management Policy embodying the philosophy expansively. We are now in the new stage for growth equipped with the necessary competitive edge and foundation to challenge ourselves to becoming a truly global company. Based on this situation, we have enhanced the "Glocal Value Creation Management" with all group companies including a holding company uniting to work together. We also set the key priorities in the Medium-Term Management Policy as engagement agendas and enhance constructive dialogues for further sophisticating each initiative. We will aim to achieve sustainable growth and improve our corporate value in the medium to long term through these efforts.

## **1. Overview of the Medium-Term Management Policy**

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

#### **(1) Strengthening earning power driven by high added value enhancement and earning structure reform**

- Enhancing high added value brands in Japan and overseas and achieving revenue growth with expanding cross-selling
- Reforming the earning structure through introduction of zero based budgeting and optimization of procurement system

\*The target of earning structure reform impact including zero based budgeting (2019-2021 accumulated): over JPY30.0 billion

- Sophisticating business administration utilizing ROIC and improving asset and capital efficiency through cash flow maximization

#### **(2) Sophisticating management resources aimed at expansion of the new foundation for growth**

- Reforming corporate culture for realizing innovation and disruption and investing intangible assets (R&D and human resources)
- Promoting bolt-on type M&As complementing the existing businesses and expanding alliances with competitors and other industries' players
- Implementing business structure reform taking advantage of digital transformation and advancing business model

### (3) Reinforcing ESG initiatives supporting sustainable value creation process

- Formulating "Asahi Group Environmental Vision 2050", improving sustainable activities through value creation leveraging the unique strength
- Enhancing glocal talent management and HR diversity and fostering human rights management system
- Sophisticating risk management system (Enterprise Risk Management) and reforming governance system supporting group and global growth

#### <Key Performance Indicator (KPI) Concept and Guidelines>

|                       | 2017 Result         | Guidelines for next 3 years out  |
|-----------------------|---------------------|--|
| Revenue               | JPY 2,084.9 billion | Stable growth from core businesses – Business restructuring + New M&As |
| Core Operating Profit | JPY 196.4 billion   | CAGR : mid to high single digit  |
| EPS (adjusted*)       | 262.2 yen           | CAGR : mid to high single digit  |
| ROE (adjusted*)       | 13.7%               | Maintain 13% or above  |

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

Core operating profit = Revenue - (COGS + general administrative cost)

\*Adjusted figures are calculated after the deduction of one off special factors including business portfolio restructuring and foreign exchange impact

#### <Financial and Cash Flow Strategy>

| Guidelines from 2019 onward             |  |
|---|--|
| Cash Flow                               | FCF : above JPY170.0 billion (annual average)  |
| Investment for Growth<br>Debt Reduction | Prioritize M&As for expansion of foundations for growth and promote debt reduction for enhancing investment capacity<br>Net debt / EBITDA : below 2 times by the end of FY2021 |

Shareholder Returns      Stable dividend increases with the aim of a dividend payout ratio of 35% \* (-2021)  
Note: aiming at dividend payout ratio of 40% in the future

\*Adjusted profit attributable to owners of parent is used for calculation

We have left the rolling three-year KPI guidelines unchanged from 2018 in response to favorable progress toward their attainment. Meanwhile, we have again updated the financial and cash flow guidelines after revising them in 2018. We did so in response to an increase in its cash-flow generation capacity, mainly in Europe.

The guideline for average annual free cash flow from 2019 onward is a minimum of 170.0 billion yen, revised upward from 140.0 billion yen previously. We will use the cash flow to invest in opportunities for growth and reduce the debt to increase the investment capacity. In terms of shareholder returns, we plan to raise the dividend payout ratio from 30% at present to 35% by 2021 as a major step toward the eventual dividend payout ratio target of 40%.

## **2. Key Initiatives by Business**

### **[Alcohol Beverages Business]**

**Sophisticating structure for innovation and cost reduction and establishing the position as a leading company in the domestic alcohol industry**

- (1) Implementing integrated marketing strategy for new market creation looking toward the future environmental change and renovating the core brands value
- (2) Promoting zero based budgeting, minimizing the cost through building optimal production and logistics system and creating resources for investments for growth
- (3) Sophisticating product development process, expanding new drinking opportunity and enhancing business utilizing digital transformation

### **[Soft Drinks Business]**

**Aiming at an leading company in the soft drinks industry with industry-wide top-class profitability**

- (1) Improving core 6 brands values and profitability driven by building optimal production and logistics system and reforming vending machines business
- (2) Establishing new foundation for growth through challenging new category creation and allocating business resources for health-conscious category
- (3) Strengthening corporate brand value driven by solving social challenges in the region of health and environment and expanding alliances with partners

### **[Food Business]**

**Enhancing the strength further and expanding foundation for growth through new market creation**

- (1) Improving core brand and category values further utilizing core technologies and materials
- (2) Nurturing growth drivers in new categories and markets and developing overseas business
- (3) Streamlining overall value-chain, improving productivity and reinforcing quality assurance system

### **[Overseas Business]**

**Leading sustainable group growth centered on promoting premiumization and expanding cross-selling of core premium brands**

- (1) Reinforcing premium portfolio in each country and expanding cross-selling of core premium brands with a central focus on Europe
- (2) Creating opportunity for growth driven by innovation in the region of non-alcohol beer taste beverages and functional drinks in light of consumption diversification
- (3) Promoting continuous zero based budgeting, reinvesting for growth and strengthening foundation for growth through bolt-on type M&As

### 3. Reinforcing ESG Initiatives

#### Reinforcing ESG initiatives supporting sustainable value creation process

**(1) Formulating "Asahi Group Environmental Vision 2050", improving sustainable activities through value creation leveraging the unique strength**

We aim to improve sustainable activities and expand CSV (creating shared value) initiatives that capitalize on our unique strengths, including yeast and lactobacilli technologies. Additionally, we intend to formulate "Asahi Group Environmental Vision 2050" as a medium/long-term target and step up efforts toward attainment of zero greenhouse gas emissions and 100% sustainable resource usage by 2050.

**(2) Enhancing glocal talent management and HR diversity and fostering human rights management system**

With non-Japanese personnel accounting for a majority of the workforce, we will promote human resource development and diversity in combination with optimal HR management on a local basis and deployment of global human resources on a "best fit for the job" basis. We also intend to further upgrade our human rights management through such means as revamping human rights due diligence.

**(3) Sophisticating risk management system (Enterprise Risk Management) and reforming governance system supporting group and global growth**

We will start conducting enterprise risk management (ERM) and build a global risk-management system that supports appropriate risk-taking. We will also move forward with governance reforms conducive to transparent, fair, swift and decisive decision-making, including monitoring-based governance upgrades and reform and further diversification of Boards of Directors.



# 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 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