In the past two integrated reports, I explained our management policies for improving the Group's corporate value and explained my personal approach to this effort from a medium- to long-term perspective, focusing particularly on the goals of “delivering on our great taste” and “becoming a Glocal Value Creation Company,” which are laid out in the Asahi Group Philosophy (hereinafter, “AGP”). Two years have passed since we commenced the full-scale globalization of our business foundation, and one year since we determined our new Group philosophy. During this period, we have been seeing the genuine evolution and transformation of the Group as a whole in more and more places. We have been moving forward with the true integration of sustainability within the Group’s management itself through such means as introducing frameworks in our business models, growth strategies, and business activities that place greater emphasis on sustainability. In this year’s integrated report, I will focus on the kinds of changes that have been occurring and the progress we are making with efforts to facilitate such changes.

In addition, the spread of COVID-19 across the globe has not only significantly impacted the economy and our business activities but also human life itself. Accordingly, we stated our forecasts as undetermined when we announced our financial results for the first quarter of fiscal 2020. However, we have left our dividend forecasts unchanged as we believe we can continue pursuing our growth strategies centered on premiumization over the medium to long term. Going forward, we will carry out a focused response to the COVID-19 outbreak in accordance with each phase of our “Novel Coronavirus Response,” which was announced in April. We will give first and foremost priority to ensuring the safety of our employees and their families. Upon doing so, we will then give priority to promoting the selection and concentration of our brands as well as ensuring sufficient cash flows and a sound financial position with a focus on the timeline from the recovery phase, where regulations and calls for self-restraint will ease, to the start of the “new normal” era. We will also promote efforts to enhance our overall cost-efficiency. Moreover, in the “new normal” era, rather than simply restarting the strategies we have thus far promoted, we will boldly push forward with various structural reforms and disruptions and further reinforce our strategies geared toward realizing the AGP. In these ways, we will aim to overcome this hardship and become an even more robust corporate group.

Efforts to realize the Asahi Group Philosophy are precisely what will lead us to sustainable growth. By integrating sustainability in our management, we will accelerate improvement in corporate value over the medium to long term.

In 2020, the spread of infection continued, and restrictions of self-restraint were maintained. In 2021, restrictions were relaxed in stages, but social distancing was maintained. The “new normal” era started in 2021 with the end of social distancing.

Focused Response to Each Phase of COVID-19 Outbreak

**Spread of infection**
- Restrictions and calls for self-restraint continue

**Recovery**
- Restrictions relaxed in stages, but social distancing maintained

**The “new normal”**
- The new normal; end of social distancing

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- Ensure safety of employees and their families
- Support for business partners and local communities
- Implement BCP (including SCM measures)
- Prioritize marketing strategy
- Ensure sufficient cash flow and sound financial position (curb capital expenditure, fixed costs, etc.)
- Implement strategies focused on strengths
- Rapid response to the new normal
- Take on the challenge of engaging in disruption

Focus efforts on regaining momentum by harnessing strengths such as brands, SCM, and human resources
Section 01

The Ever-Evolving Asahi Group

Akiyoshi Koji
President and Representative Director, CEO

Akiyoshi Koji
President and Representative Director, CEO
Transitioning from Instilling to Implementing the AGP—
The Further Evolution of the Asahi Group

The AGP has become instilled in the mindsets of our global personnel. In my conversations with the top management and employees of overseas Group companies, I have noticed that the speed at which my ideas are understood has been increasing remarkably. For example, when I was discussing the competitive strategy of “deliver on our great taste” with local personnel, I no longer needed to start the conversation explaining why we need to deliver on that taste, and I received more specific and constructive proposals on what we can do to realize this strategy. Additionally, I am seeing a greater number of employees both in Japan and overseas stating their desire to contribute to the Group’s development and considering ways in which they are able to do so. In these ways, the Groupwide response to the AGP has exceeded my expectations.

We completed the acquisition of the Australia-based Carlton & United Breweries Pty. Ltd. (CUB) in June 2020. With the incorporation of CUB into the Group, we have transitioned to a management structure that spans our three major regions—Japan, Europe, and Australia. Accordingly, in April 2020 we took steps to reorganize the Group’s management structure. This reorganization positions Asahi Group Holdings as our global headquarters that will specialize in formulating global strategies and overseeing the management of the entire Group. It also establishes regional headquarters in each area of operation that will be in charge of maximizing local growth and value creation. Our most important task under this new structure is to achieve our aim of becoming a Glocal Value Creation Company while ensuring that we “deliver on our great taste” in each region. To that end, rather than promoting centralized management where the holding company and regional headquarters have control over the frontline operations, it is essential we pursue management that establishes a unifying force that brings together Our Mission, Our Vision, Our Values, and Our Principles, which we have adopted under the AGP. Through this unifying force, I believe we will see more creative ideas originating from our frontline operations in greater abundance on a Groupwide basis. Such ideas will enable us to “deliver on our great taste,” which in turn helps us move and satisfy our customers. Hearing about this customer satisfaction gives our employees joy and a sense of accomplishment. Additionally, if the process we use to “deliver on our great taste” is well received by our suppliers, shareholders, and investors, we will then gain an even greater sense of accomplishment. This joy and sense of accomplishment provides us with the motivation to pursue new challenges and innovation. Moving on from the stage of instilling the AGP, I believe a major theme for us going forward is to establish a cycle in which we implement the AGP and use the results of these efforts as our motivation to pursue the next stage of the Group’s evolution.

By instilling the AGP, we have greatly improved the speed of our discussions. The next step is to implement the AGP and achieve results.
Realizing a Strong Performance in Our Overseas Businesses and Clarifying Issues in Our Domestic Businesses

In the fiscal year ended December 31, 2019, core operating profit declined due to the decrease in profits in the Alcohol Beverages Business and the Soft Drinks Business, the negative impact of exchange rates, and other factors. The compound annual growth rate (CAGR) for core operating profit stood in the mid-to-high single-digit range of 5.4% based on a fixed exchange rate, thereby progressing in line with the guidelines we adopted under the Medium-Term Management Policy.

In our Overseas Business, we achieved solid results, including growth in profits due to the steady progress we made with premiumization centered on the Europe business as well as the further expansion of our overseas growth foundation, which accelerates our global premium strategy, further underpinned by the acquisition of CUB. From the perspective of sales, we continued our aim to globalize the three premium brands of Asahi Super Dry, Peroni Nastro Azzurro, and Pilsner Urquell, as I discussed in my message last year, by expanding cross-selling initiatives targeting large cities in Europe as well as in the United Kingdom, Japan, South Korea, China, Australia, and North America. As a result, excluding the impact of boycotts in South Korea, these three brands together achieved a total sales growth rate of 10% outside of their respective home markets, which was also in line with our guidelines. While we will need to closely examine the impact of the spread of COVID-19 going forward, we will leverage the organizational reforms we carried out in our overseas beer businesses in January 2020 to further accelerate the rollout of global cross-selling initiatives for our premium brands. At the same time, we will push forward with premiumization in local markets at a greater pace than ever before.

Meanwhile, turning to our existing businesses in Japan, efforts to revitalize the core brand Asahi Super Dry in the Alcohol Beverages Business achieved lower-than-expected results, and we experienced delays in establishing a competitive edge with our new genre product, although these results were partially impacted by external factors such as market contraction beyond our expectations and a deteriorating sales mix. As we take on these remaining issues, we will shift from a management approach that emphasizes volume to one that emphasizes value with a view to “be a value creator globally and locally, growing with high-value-added brands,” which we adopted as Our Vision under the AGP.

Additionally, in light of liquor tax revisions, which will be carried out in three stages spanning from 2020 to 2026, we are working to reform our organization so that our business performance is not reliant on a sales mix improvement contingent upon customers returning to beer as their drink of choice or on a rise in sales volume. As part of this reform, we are transitioning away from KPIs that emphasize sales volumes and share to evaluate the performance of Asahi Breweries and adopting ones that focus on the profitability of product categories, brands, and containers. Furthermore, we are undertaking efforts to streamline our supply chain, from production to distribution and sales, based on the medium- to long-term perspective of five to ten years in the future. These reforms do not represent a diminishing equilibrium. Rather, we will reinvest the resources created through these organizational reforms in initiatives to improve value for our k and create new markets. In terms of information disclosure, we have ended the announcement of year-on-year changes in sales volumes and instead disclose the sales amounts. What is important about this move is that we thoroughly adopt a mindset that emphasizes not only volumes but also value on a Groupwide basis, from upper management to sales personnel on the front lines, and that we focus on value creation over the medium to long term. While market share is certainly an indication of support from our customers, if being overly concerned with securing market share impedes our ability to create value over the medium to long term, then it is not something we should pursue. Market contraction is a reality, and in light of this, we will work to create new market trends aimed at transition to management that emphasizes value. Through the pursuit of selection and concentration in categories other than beer-type beverages, we will push forward with comprehensive strategies to improve our product mix.

In the Soft Drinks Business, although we were able to realize a revenue increase above the industry average, we still face issues such as controlling costs in response to severe changes in the operating environment, including the
sharp rise in costs that followed the poor weather in July 2019. The fundamental brands in this business—centered on brands that have over 100 years of history, such as MITSUYA CIDER, WILIKINSON, and CALPIS—continued to perform well by maintaining a sales growth rate that exceeded the market average. However, in light of the management issues caused by poor weather during the peak season in sales of our soft drink products, we began efforts to diversify risks in such ways as revising our product mix to become less reliant on summer sales and rebuilding our production and logistics structure so that we can respond flexibly to changes in demand. Going forward, in addition to enhancing the value of our core brands and allocating resources into health-related fields, we will work to optimize our overall supply chain and return to industry-leading levels of profitability.

Further Strengthening Risk Management—Boldly Pursuing Discontinuous Growth

The external environment that surrounds individuals, corporations, the economy, and the entire world is becoming increasingly more complex. In addition, with the worldwide outbreak of COVID-19, it has now become extremely difficult to predict the future. To realize medium- to long-term improvement in our corporate value based on the AGP in this so-called VUCA (volatility, uncertainty, complexity, and ambiguity) era, we need to be focusing not only on the short term but also about 10 years in the future so that we can clarify short-term, medium-term, and long-term management issues through backcasting and formulate specific initiatives to address such issues. As I explained when talking about the Alcohol Beverages Business, our decision to transition to management that emphasizes value was the result of revising our strategies through backcasting in light of the changes in the external environment and with a focus on our vision for the Group over the medium to long term. The key to achieving sustainable growth is clarifying the risks we should take and the risks we should avoid. Just because there is an increasing level of uncertainty in the external environments does not mean that we should excessively avoid taking risks. We therefore need to identify potential risks and opportunities on a Company-wide basis. To that extent, with the introduction of enterprise risk management (ERM) in 2019, we have determined the Asahi Group Risk Appetite, a policy that clarifies risks, at the start of 2020 and have already begun to put this policy into practice. Through appropriate risk taking and risk management in accordance with the Asahi Group Risk Appetite, we will boldly pursue M&A and innovation that supports discontinuous growth, thereby consolidating sustainable growth (see pages 70–73 for details).

In terms of innovation, we will focus more heavily on product development that leverages the Group’s long-cultivated fermentation and lactic acid bacteria technologies. We have adopted the sales ratio of innovative products as a KPI for the Alcohol Beverages Business, and for us such a move is unprecedented. Furthermore, the promotion of a digital transformation, which we already are engaging in, is another important management issue. To that end, we will work to move beyond our conventional policies so that we can accelerate our digital transformation to a greater extent than ever before. This includes establishing a department specializing in digital transformation and actively recruiting external talent. I truly believe that innovative ideas and disruptions are not something that can be achieved by analyzing our conventional value creation, no matter how hard we try. Personally, I will make every effort to analyze various information and data while actively making use of the IT tools we introduce through our digital transformation. At the same time, I will work to gain a firm grasp of changes in the awareness of our stakeholders, starting with customers, and social values to identify new value on my own initiative. Through these means, I will strive to further enhance the Group’s management and businesses.
Aiming for the Complete Integration of Sustainability in Our Management—Building a New Sustainability Framework

There is another important initiative I would like to talk about in terms of realizing sustainable growth, and that is to build a new sustainability framework. While we have thus far made concerted efforts to promote sustainability in line with our conventional material issues, we determined that we need to further enhance such efforts if we are to realize the AGP. Accordingly, we decided to establish a new sustainability framework that reaffirms our commitment to the AGP's realization. As part of this framework, we formulated the Asahi Group Sustainability Principles and the Asahi Group Sustainability Vision and revised our material issues. The details of our revised material issues do not differ greatly from our conventional ones. However, “Communities” and “Health” have become more prominent as necessary elements for realizing the AGP from the perspective of sustainability. While “Communities” and “Health” had yet to be identified as material issues up to this point, we believe that stepping up initiatives in these two areas is essential to realizing the AGP, and therefore added them as new material issues (see pages 64–65 for details).

Also, to work in tandem with this new framework, we ramped up our sustainability promotion structure. Aiming for the complete integration of sustainability in our management, we established the new Global Sustainability Committee, of which I chair. In addition to establishing a new sustainability framework based on the AGP, we will incorporate a sustainability promotion structure within our corporate governance framework. By doing so, we will accelerate the promotion of sustainability on a global and Groupwide basis. Until now, we have viewed corporate value as the combination of our financial value and social value, and our way of thinking regarding efforts toward sustainability is a means to improve our social value. However, we have now reached a point in time where we need to view sustainability as the basis of our management itself. ESG risks such as climate change are extremely important management issues that can jeopardize our management itself. Furthermore, the rising trend of people becoming more health and ethically oriented represents a tremendous business opportunity for a BtoC entity such as the Asahi Group.

Environmental risks are arguably the most urgent type of management issue in consideration of today’s society. Accordingly, we have positioned the response to climate change, starting with endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as one of our top risks. We have adopted Asahi Group Environmental Vision 2050, which focuses on the year 2050. To realize this vision, we have formulated Groupwide targets for each environmental issue we face, such as climate change, water resources, and containers and packaging. In addition, we determined milestones for the initiatives we are taking to address such issues. These kinds of environmental issues impact the continuity of our businesses themselves, as our businesses are only made possible thanks to the blessings of nature. Furthermore, these issues are important to the sustainability of both our businesses and our planet, and by tackling them head-on we will further accelerate our efforts to realize mutual creation together with our investors and other stakeholders.

We endorsed the recommendations of the TCFD in 2019, and this integrated report marks the first time we have disclosed the details of that endorsement. Also, we have been treating climate change as a top risk under ERM and have held numerous discussions at meetings of the Board of Directors regarding the details of analyses performed under the TCFD framework. For the time being, the recommendations of the TCFD will be applied to the Alcohol Beverages Business (including our overseas businesses), given its high ratio of sales. Going forward, however, we will extend these recommendations to cover other business fields and will hold more detailed discussions on how to tackle the issue of climate change (see pages 58–61 for details).

Furthermore, for issues pertaining to human rights and alcohol consumption, I believe that the goal of “building value together with all our stakeholders,” which has been adopted as Our Principles under the AGP, will become even more important in the future. In terms of human rights, we are currently taking steps to build a structure for human rights due diligence. After first analyzing human rights risks, which will involve ascertaining which of these risks exists and at what point do they impact our value chain, we will then devise measures to address these risks. Human rights risks exist throughout the entire supply chain of the Asahi Group, and it is therefore not suitable for us to analyze and promote efforts to address these risks based solely on the perspective of the Asahi Group. For this reason, we will hold repeated dialogues with our suppliers and other stakeholders while receiving the candid advice of experts so that we
are able to incorporate objective perspectives into our approach. In terms of alcohol-related issues, we have adopted “working in conjunction with a variety of stakeholders to reduce inappropriate alcohol consumption” as a part of our Asahi Group Responsible Drinking Principles. Alcohol regulations differ based on the laws and ordinances of each country and region, and as changes to these regulations occur in an inconsistent manner, it is extremely important that we promote a response to such changes on a local basis. To that end, it is crucial that we collaborate with local community members, NGOs, and other organizations in each region of operation.

In this way, we will take steps to accelerate the pace of each effort to promote sustainability. At the same time, it is important that we generate a massive overall movement to pursue sustainability on a Groupwide basis. Accordingly, I will show true leadership as the chair of the Global Sustainability Committee to ensure that we enhance the speed of our Groupwide efforts toward sustainability.

**Reaffirming Our Commitment to Realizing the SDGs—Establishing Our Specific Path Step by Step**

Under the newly formulated Asahi Group Sustainability Vision, we have reaffirmed our commitment to realizing the Sustainable Development Goals (SDGs). While we have shown our intention to accomplish this task through the sustainability initiatives we have pursued thus far, by once again declaring our commitment to the SDGs via the Asahi Group Sustainability Vision, we will establish a more specific path that details how each Asahi Group Initiative contributes to each target of the SDGs. For example, as part of our efforts to reorganize the Food Business, in April 2020 we integrated the animal feed business of Asahi Calpis Wellness Co., Ltd. with Asahi Biocycle Co., Ltd., which operates a fertilizer business that makes use of the cell walls of brewer’s yeast, to create a newly integrated company. Maintaining the name Asahi Biocycle, this new company has adopted the approach of contributing to the resolution of various environmental issues by leveraging the Group’s expertise and technologies related to yeast and microbes. In these ways, we will continue to examine measures to realize the SDGs through not only individual efforts in our frontline operations but also through major frameworks such as the Group’s reorganization.

**Evolving My Leadership—Shifting from Top-Down Management to “Community at the Top” Management**

Until now, I have more or less adopted a top-down approach in my decision-making and leadership style. With this style, I would first communicate my ideas and intentions to the personnel surrounding me and make a final decision after incorporating the various opinions of others. However, as we are working to expand our global business foundation and transition from the phase of instilling the AGP to the phase of implementing it, I would like to adopt a “Community at the top” style of management. “Community at the top” is a term I coined myself, and it involves first receiving the opinions of corporate officers and managerial personnel regarding each important management theme, rather than starting with my ideas and intentions. As both the times and the status of the Group change, I believe that having discussions after I have received opinions focused on risks and opportunities from our expert corporate officers and managerial personnel will lead to more appropriate decision-making. In an age where it is extremely difficult to predict the future, I believe that considering and determining everything from a top-down approach presents a risk to our operations. I have therefore instructed our corporate officers to not only consider issues from the perspective of Company-wide optimization and from a bird’s-eye perspective as a member of our top management but also to fully incorporate within their decision-making the expertise and analytical capabilities they possess in their respective areas of responsibility. My role will then be to make decisions in a comprehensive manner after holding discussions supported by outstanding expertise.
I hope that our stakeholders will evaluate how we will be able to enhance our corporate, financial, and non-financial value over the medium- to long-term period of five to ten years.

On the other hand, there may be concerns that the speed of decision-making will decline under this “Community at the top” style of management. However, by issuing reports and keeping in contact via e-mails and our intranet while only meeting face-to-face for consultations, we will ensure that this “Community at the top” management does not impact the speed of our decision-making.

Hoping for an Evaluation of Our Management and Business over the Medium to Long Term

It is my hope that we can thoroughly communicate to our shareholders, investors, and other stakeholders the mission and vision we have for our businesses at all times and that we can deepen their understanding of the AGP. I also hope that the sustainable growth and value creation we realize through the AGP can be evaluated under a slightly longer time frame. While we will obviously maintain our commitment to deliver results in the short term, I hope that our stakeholders will evaluate how we will be able to enhance our corporate, financial, and non-financial value over the medium- to long-term period of five to ten years. In terms of human resources, which provide the source of our value creation, we have put in place various systems such as global mobility policies and compensation schemes. In addition, we are working to appoint corporate officers from overseas companies as corporate officers at the holding company and are promoting personnel exchanges between our subsidiaries inside and outside Japan. In these ways, we are strengthening our framework for utilizing and developing global human resources. Furthermore, in 2020 we intend to hold the Global Talent Forum, an event where the CEOs of Group companies in each region gather together to discuss succession plans for local managerial personnel. We will also enhance our training programs to foster the managerial ranks of the next generation. Through efforts such as these, we will work to make more sophisticated succession plans that target a broader range of candidates.

The results of the various initiatives I have explained in this message will begin to materialize not in the short term but over the medium to long term. Even if we are not able to see the success of these initiatives right away, I truly believe they will be crucial to enhancing the competitiveness and growth potential of the Asahi Group in the future. I would like to once again ask our stakeholders for their continued support from a medium- to long-term perspective as we pursue these endeavors going forward.

July 2020

Akiyoshi Koji
President and Representative Director, CEO