Transformation Oriented Toward Ongoing Value Creation

Over the past two years, the scale of the domestic beer-type beverage market, excluding private brands, contracted to the extent that exceeded expectations as demand shifted toward other categories such as ready-to-drink beverages amid a rising emphasis on thriftiness. In response to this market contraction and diversification of needs, Asahi Breweries, Ltd. has begun implementing management reforms aimed at transforming toward value-focused management based on its long-term management policy, which was developed with an eye to 5 to 10 years down the line. Based on this policy, we will transform management to focus on value as opposed to volume and thereby improve profitability while creating new value and markets with the aim of realizing the vision—“be a value creator globally and locally, growing with high-value-added brands”—described in the Asahi Group Philosophy.

Overview of Value-Focused Management

1) Improve overall product mix
   Promotion of strategies for improving overall product mix by transitioning to key performance indicators for the Company and individual evaluations emphasizing profitability pertaining to product categories, brands, and containers and focusing on resource allocation accordingly

2) Realize leaner management not predicated on volume growth
   Realization of overall supply chain management in regard to areas such as sales, production, and distribution from a long-term perspective looking 5 to 10 years down the line

3) Create new markets and value
   Allocate funds produced through management reforms to the improvement of the value provided to customers and the creation of new markets to produce a virtuous cycle of continuous growth

Initiatives for Improving the Value of Asahi Super Dry

At the Asahi Group, the balance of management resource allocation will be geared toward invigorating the beer market in order to drive the improvement of product mixes throughout the industry. Accordingly, we will be rolling out marketing campaigns aimed at increasing the number of Asahi Super Dry consumers based on the clear brand message defined for this offering. These campaigns will include advertisements starring consumers based on consumer insights as well as the proposal of new drinking scenes and experiences.

In advertising Asahi Super Dry to younger age groups, women, and other new targets, we will solicit how this offering delivers the benefits that these groups seek from beer with the goal of going beyond simply recovering momentum in the short term to steadily expand the base of Asahi Super Dry fans.

Major Initiatives

- **New Brand Message**
  Beer tastes great. I always look forward to this moment!

- Ads starring consumers based on consumer insights
- Creation of new demand and expansion of demand for beer among younger age groups
- Expansion of Extra Cold tasting experiences
- Pursuit of excellence in the taste of freshly brewed beer
- Initiatives to build excitement surrounding the Olympic and Paralympic Games Tokyo 2020
Marketing That Moves Customers on an Emotional Level

I joined Asahi Breweries and became the senior general manager of the Marketing Headquarters in September 2018.

Ambition is something that has long been imbued in the DNA of Asahi Super Dry. However, when Asahi Breweries became the industry leader, its in-house atmosphere may have started to trend toward following past customs and success stories. At the time of my joining the company, this position gave rise to a sense of conservatism that drove people in the direction of following precedent in order to minimize the risk of failure. As an outsider to the alcohol beverage industry, I immediately recognized what my mission was: To create new value with fresh ideas unbound by industry conventions. The fundamental goal of marketing is to win the favor of consumers, who have the freedom to choose whatever products they please, for a company and its products and to thereby encourage ongoing purchases. Realizing that changes in the actions of consumers are prompted by changes in their attitudes, we aspire to conduct marketing that moves customers on an emotional level, believing that moving customers in this manner will stimulate changes in their actions.

The domestic beer-type beverage market continues to contract as the population of consumers including younger age groups declines and as tastes grow more diverse. However, we are also approaching a major opportunity in the revision of the liquor tax scheduled for October 2020. I am therefore convinced that we can invigorate the market through dedication to customer-focused marketing.

Initiatives and Successes at Asahi Breweries

The first step of this marketing transformation entailed realigning our marketing practices to position customers as the star, whereas our products had been treated as the star previously. This realignment took the form of a simple change in our overall message, from “please enjoy Asahi Super Dry” to “please have fun with Asahi Super Dry.” However, this simple change resulted in a clear transformation in the goal of our marketing activities, from promoting the excellence of our products to enriching the lives of customers, the star, with the value of our products.

Our next step was to research the moment at which the value of beer is most palpable to customers via a large-scale consumer survey. The results of this survey granted us new insight into the consumers through the realization that beer is viewed as a special beverage that envelops all of the emotions one experiences in everyday life and makes everything feel okay in the moment when one senses that beer tastes great. This realization shaped the new brand message of Asahi Super Dry—“Beer tastes great. I always look forward to this moment!”—based on which we have been rolling out brand advertisements since November 2019. These new advertisements, which are designed to sing the praises of our everyday lives, have had a clear benefit, winning the support of a wide range of ages and earning us our highest-ever rating in commercial favorability surveys. We have also been proposing value founded on new ideas in our attempts to approach younger age groups and women, which has been a challenge previously. Such proposals include Asahi Super Dry The Cool, which encourages customers to drink straight from the bottle, and BEER DROPS, beer cocktails made by inserting slow-melting frozen fruit juice into beer to let customers enjoy the ensuing changes in fragrance and taste.

At the same time, we hope to further refine the karakuchi taste and freshness that represents unique physical values of Asahi Super Dry not found anywhere else while establishing its brand value as being represented by a dominating presence in all customer touchpoints.

Vision for the Future

Our vision for the future is for Asahi Breweries to become the beer and alcohol producer that generates the most excitement in the world and for Asahi Super Dry to become the most beloved beer brand in the world.

The Olympic and Paralympic Games Tokyo 2020, unfortunately, have been delayed until 2021. This delay is especially regrettable because, as Asahi Breweries is a Tokyo 2020 Olympic Gold Partner, this event was to be a chance for us to take a large step forward toward our vision. Regardless though, we will continue to move forward with preparations to ensure that we can fully communicate the appeal of Asahi Super Dry to the world when the event is eventually held.
Our Strategy and the Outline of Reorganization of Overseas Beer Businesses

To realize “driving sustainable Group growth centered on promoting ‘premiumization’ and expanding cross-selling initiatives of core premium brands,” which is a key issue for the Overseas Business adopted under the Medium-Term Management Policy, we carried out the reorganization of our overseas beer businesses in January 2020.

Specifically, this reorganization aimed to integrate and separate functions and achieve effective organizational management centered on our beer businesses in Europe, thereby reinforcing our glocal management structure. For our conventional business in Western Europe, we changed the name of Asahi Europe Ltd to Asahi International Ltd. Through this new company, we will strive to expand our global presence by centralizing export operations and marketing functions for global premium brands such as Asahi Super Dry and Peroni Nastro Azzurro, which had previously been dispersed across different regions. Additionally, we changed the name of our Central and Eastern Europe Business to simply the Europe Business. By transferring control of our businesses in Italy and the Netherlands, which belonged to our former Western Europe Business, to the Europe Business, we transitioned to a structure that enables us to specialize in local European markets and strengthen our foundation for sustainable growth through the premiumization of our entire portfolio.

Going forward, we will work toward accomplishing swift growth as a highly competitive, global premium beer manufacturer by building a structure for promoting business management optimized for both global and local markets.

Global Enhancing the Position of the Asahi Super Dry Brand in the United Kingdom

As an iconic international brand, our top priority for Asahi Super Dry is growing our super premium market presence and trade advocacy globally so that consumers can receive the perfect karakuchi experience wherever they are in the world.

In the UK, we undertook the challenge to upgrade the image and positioning of an established brand, with no previous premium credentials in the British beer market. We applied the knowledge from our experience with Peroni Nastro Azzurro and implemented the codified Super Premium brand-building approach. We knew we had to deliver on themes like provenance, consumption experience, brand story, and visual identity so that consumers would view Asahi Super Dry as a Super Premium beer.

To reposition Asahi Super Dry successfully we focused on:

- Pricing according to the new brand credentials into Super Premium segment; and
- Expanding into the broader market once we established the Super Premium proposition.

As a result, in Off-Premise, Asahi Super Dry distribution now leans toward premium retailers. The average price per litre is 30% higher,*1 delivering 37% more value*2 than in January 2018. In On-Premise, the distribution is 35% higher, but in more premium premises with a number of high-end outlets, it doubled. We are delivering a 21% higher price per litre*3 and 136% more absolute value*2 versus January 2018, adding nearly £20 million in brand value*2 in two years.

In terms of brand equity, Asahi Super Dry is building positive momentum in key funnel metrics (awareness/trial), with the target audience in London growing significantly versus last year: Awareness (81%, +6pts), Consideration (67%, +4pts), Trial (56%, +5pts).

Asahi Super Dry was recognized by Drinks International as the second best-selling and the fourth top-trending beer brand in the latest 2020 report. The brand also won the “Best Branded Content Series” at the Digiday Marketing and Advertising Awards Europe 2019.

*1 Based on Nielsen MAT to 25.01. 2020
*2 The figures are based on internal evaluation indicators.
*3 Based on TCGA OPMS data to 25.01. 2020
Local  Establishing a Local Presence in Poland (Kompania Piwowarska)

Kompania Piwowarska is a market leader in Poland, the second-largest beer market in Europe in terms of volume. Covering about a third of the total beer market in the country and with a very strong market position, Kompania Piwowarska is well set up for the journey to delight consumers and deliver on the great taste promise. Our strategy has been consistent for many years, building on a portfolio of strong local brands.

The two core brands *Zubr* and *Tyskie* operate in the mainstream segment and sell a total volume of about 10 million hectolitres, while in the premium segment, Kompania Piwowarska sells more than 3 million hectolitres through a diverse range of iconic brands.

The challenge in our portfolio is to continue the premiumization journey through the reshaping of our portfolio to further realize the premiumization of *Zubr* and *Tyskie*. We also must place a stronger focus on premium brands in high growth profitable segments. In 2019, the premium segment grew by 12% year on year.

*Tyskie* had been relaunched in 2018, with a new recipe and a completely renewed visual identity. The brand is now fully consolidated both from the sales and brand equity perspective.

In premium settings, the portfolio strategy aims to capture diverse drinking occasions. Among the core pillars of the strategy include:

- Growth of non-alcoholic portfolio with *Lech Free*, building on the trend of a healthier lifestyle;
- Development of Czech brands with *Kazel* and *Pilsner Urquell*;
- Growth in premium lagers with *Lech Premium*;
- Growing range of crafted products seeking to deliver craft experience for all with *Książęce*; and
- Capturing of spirited occasions with *Captain Jack* in the flavored segment.

In the NAB segment, growth in 2019 was driven by *Lech Free 0.0*, especially its flavored range, with two new flavors launched throughout the season. *Lech Free* doubled its volume in 2019 and reached the No. 1 position in the NAB segment.

The Czech portfolio in 2019 was driven mainly by *Kazel*, which delivered growth of 63% year on year.

Our crafted portfolio is represented by the *Książęce* brand, offering a range of beers inspired by traditional brews from different parts of the world, such as IPA, Porter, or Weizen.

The year 2019 for Kompania Piwowarska meant also strengthening its position in the spirit-flavored beer segment. In 2018, the company launched rum-flavored beer, *Captain Jack*, and in 2019 added a new orange flavor. Both of these flavors have been positively received by consumers.

Overall, the premiumization strategy resulted in strong NPR/hl growth both in 2019 and the year before.