Enhancing Management Resources

Expanding Our Business Foundation through the Acquisition of the CUB Business

Aiming to Establish a Global Platform Centered on Three Regions through the Acquisition of a New Business in Australia

Significance of the Acquisition

On June 1, 2020, Asahi Group Holdings acquired Carlton & United Breweries Pty. Ltd. (CUB), an Australian company belonging to Anheuser-Busch InBev SA/NV that operates a beer and cider business. Through this acquisition, we will further promote “strengthening earnings power” and “enhancing management resources” in the Overseas Business. By doing so, we will establish a firm global management platform centered on three regions of operation: Japan, Europe, and Australia.

Specifically, with this acquisition, EBITDA in the Oceania business, including existing business, now totals roughly ¥100.0 billion, which is on a par with that of the Europe business. Factoring in EBITDA of ¥200.0 billion in Japan, we now have in place a business foundation spanning three core regions. By integrating the strengths we have cultivated in each of these regions, including brands and human resources, we aim to realize sustainable growth and medium- to long-term corporate value enhancement with a view to becoming a Glocal Value Creation Company based on the AGP.

Business Overview

The CUB business serves as an operating company centered on the beer and cider business. The strengths of the CUB business include:

1. A diverse brand portfolio, including top brands such as Carlton and Great Northern
2. An expansive and robust sales network as well as the ability to cultivate new sales channels using technology
3. Product development and marketing capabilities that can respond to market changes
4. A firm earnings base with an EBITDA margin of over 40%
5. Outstanding human resources that underpin the above four strengths

With these kinds of sophisticated management resources, the CUB business has established a solid foundation in Australia.

In particular, in terms of beer categories, the CUB business offers a large number of domestic and overseas brands in the premium beer, craft beer, and mainstream categories, with a market share of 46%. Also, in the Australian market, the overall sales volume has been almost flat, with an annual growth rate of 2% over the past five years. Meanwhile the sales volume growth rate in the premium and super premium markets has been 1% and 5%, respectively, steadily expanding on an ongoing basis.

Going forward, while the spread of COVID-19 may potentially slow down the pace of premiumization, we anticipate that the trend toward premium brands will continue over the medium to long term.

Share by Company and Price Range in the Australian Beer Market (2019)

<table>
<thead>
<tr>
<th>Category</th>
<th>Asahi CUB Kirin Group Heineken Carlsberg Molson Coors Others</th>
<th>Market total: 19.0 mhl.</th>
<th>Asahi and CUB’s market share: 47%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Premium</td>
<td>5% CUB 40% Asahi 2%</td>
<td>2% 11%</td>
<td>34% 2% CUB + 5%</td>
</tr>
<tr>
<td>Premium</td>
<td>32% CUB 29% Asahi 9%</td>
<td>29% 9% 2% Asahi + 1%</td>
<td></td>
</tr>
<tr>
<td>Mainstream</td>
<td>51% CUB 27% Asahi 22%</td>
<td>22% 22% 2% Kirin Group - 3%</td>
<td></td>
</tr>
<tr>
<td>Discount</td>
<td>53% CUB 47% Asahi 47%</td>
<td>47% 47% 2% Others + 5%</td>
<td></td>
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</tbody>
</table>
Direction Going Forward

Going forward, we will first promote the integration of operations between the CUB business and the Asahi Group. This will involve the combination of strengths long-cultivated by the Group and the CUB business as well as the establishment of an even stronger business foundation in Australia. At the same time, we will aim to promptly realize synergies with the CUB business. Also, we will move forward with the sales process of certain brands we acquired through the CUB business.*2

In particular, we will expand the rollout of company brands such as Asahi Super Dry and Peroni Nastro Azzurro, making use of the CUB business’s expansive and robust sales network. In addition, we will work to further enhance our brand value, including brands owned by the CUB business. Through these efforts, we will create top-line synergies on a sustainable basis.

Additionally, from the perspective of costs, we will pursue synergies focused on cost reductions by enhancing the efficiency of logistics and other departments and engaging in joint procurement that leverages economies of scale. In this way, we will work to further improve our operating margin. At the same time, by securing outstanding human resources, we will further expand our pool of global talent as we work to enhance management resources from the perspective of personnel.

*1 Source: Global Data
*2 Brands to be sold: Two beer brands (Stella Artois and Beck’s) and three cider brands (Strongbow, Little Green, and Dromy’s)

Voice

Both CUB and Asahi are steeped in tradition. They are national icons—the most famous beer companies in Australia and Japan. They both have a deep emotional resonance with many of the people in their respective countries. CUB beers such as Victoria Bitter, brewed since 1854, are almost a by-word for Australianness. Our Cascade Brewery in Tasmania has been continuously operating since 1832, and it is Australia’s oldest manufacturing plant and older than Melbourne itself. Now we have this privileged opportunity to bring these great companies together—the best of Australia, and the best of Japan. We know that we are going to create something truly special with you.

Ambitions

Asahi now has a portfolio of beers that is the envy of every other brewer in the world. We have a beer for every beer drinker’s taste, and a growing portfolio of other alcohol beverages. We are committed to our plans to increase our market share. We are committed to meeting the increasingly diverse demands of our drinkers and customers as we grow market share and profits. With some of the best innovators, brewers, and marketing people in Australia, we continue to deliver what Australians want. Whether it is Australia’s most popular beer, Great Northern Super Crisp, created less than 10 years ago, or Carlton Zero, our first non-alcoholic beer, we are committed to staying ahead of our competitors.

Communities

We are a company that is deeply immersed in the communities in which we operate. We are committed to supporting local communities across Australia. Whether it is by providing drought and fire-affected communities with our free canned drinking water, or supporting local sporting clubs that are at the heart of their communities, CUB celebrates connecting people for a better Australia. We are also committed to ambitious sustainability targets. We have committed to sourcing 100% of purchased electricity from renewable sources by 2025, and we have almost achieved that goal, years before our target.

Looking Forward

We are looking forward to becoming an even better company as we learn from each other. I feel confident that this combination will be great for both CUB and Asahi. Our teams at CUB are very excited to have joined Asahi and look forward to our joint future with huge optimism.
Enhancing Management Resources

Strengthening Our Human Resource (Organizational) Capabilities
Promoting Our Redefined Human Resource Strategy Globally and Enhancing Its Effectiveness

The human resource strategy that the Asahi Group aims to achieve is a self-sufficient strategy where regional management can act on its own based on a sufficient understanding of globally shared policies. As we explained in last year’s integrated report, we positioned 2019 as a year in which we will make our glocal talent management approach visible to all employees so that they can gain a sense as to what that approach entails. To that end, we established and thoroughly enforced globally shared frameworks and carried out unique management initiatives at each Group company. With the addition of the Australia-based CUB business to the Group in June 2020, we will work to further strengthen human resources in such ways as offering employees opportunities for growth that span across regions. At the same time, through these kinds of global human resource initiatives, we expect to promptly realize synergies with the CUB business.

Holding Global Human Resources Conference 2019
Following up on the conference in 2018, we held Global Human Resources Conference 2019, where discussions were held with a focus on succession plans. The conference was opened to a broad range of personnel, including not just the CEOs of Group companies of each region but also management personnel as well. Specifically, the discussions covered various topics, including sharing information on the number and development status of successor candidates in each region to see if there were any personnel interested in pursuing a career in other markets or that could become successor candidates in a different region. In addition, there were discussions on how to best approach human resource evaluations.

New Human Resource Initiatives Going Forward
Following the introduction of a regional headquarters (RHQ) system in Japan, Europe, and Australia in April 2020, we established a structure that will transfer authority over human resource strategies to the RHQ, enabling them to draft and implement their own strategies. Through this new structure, we hope to accelerate the reshuffling of personnel in a way that transcends the business and functional boundaries within the RHQ. For example, in Japan we have the Alcohol Beverages, Soft Drinks, and Food businesses, but thus far our human resource systems differed by business. By standardizing these systems and removing business barriers, we have been seeing personnel transfers between businesses at a higher rate than ever before. One example of this is the transfer of employees who belonged to the marketing division of the Soft Drinks Business to the marketing division of the Alcohol Beverages Business. Such a transfer lets these employees combine their existing experience with brand-new perspectives, thereby enabling them to produce further results. We believe that limiting an employee’s capabilities to the perspective of just one business is wasteful, and we therefore work to unleash the full capabilities and potential of our employees by having them experience different perspectives.

In addition, the importance of promoting management with an awareness of sustainability has become a topic of great significance recently, and under our human resource strategy we will step up efforts based on sustainability themes. Examples of sustainability themes in terms of human resources are promoting diversity, embracing the LGBT community, protecting human rights, and ensuring occupational health and safety. We believe that these themes also include adopting an approach where employees can demonstrate their abilities in a sustainable manner and play an active role in achieving the Asahi Group’s mission.
Progress in Medium-Term Management Policy

Reinforcing Our *Glocal* Talent Management

In our promotion of *glocal* talent management, we have established and thoroughly reinforced approaches and policies to be shared on a global basis. While doing so, we have started to encounter the issue of drawing the line between ensuring global uniformity and maintaining local uniqueness. Establishing competitiveness in terms of compensation is a matter that differs between Europe, Australia, and Japan, and we essentially aim to maintain the unique nature of compensation in each area. However, if our compensation systems are too unique to a particular region, that can create an obstacle for global personnel transfers. Guided by the AGP, we are working to make our evaluation systems as uniform as possible around the world. Meanwhile, for human resource and career development, we will meet the needs for fostering diverse capabilities by combining globally shared initiatives spearheaded by our Head Office with unique efforts led by our RHQ. As part of this approach, we are implementing the Global Leadership Development Program (GLDP). The GLDP offers an opportunity for employees from different regions and with different capabilities to receive a ticket, so to speak, for realizing their career path within the Asahi Group. How these employees use that ticket depends on the individual, and we will closely observe how employees make use of the skills they learned through the GLDP in their actual work. To date, the GLDP has targeted general managers in each region, but going forward we aim to expand this scope to include three ranks of employees: directors, general managers, and junior managers. In this way, we will strive to further strengthen and expand our human resources.

How will the Group’s management change through the human resource strategy?

Mobility policies and all other human resource initiatives are in place based on an awareness of ensuring effective succession plans. Following the widespread promotion of our human resource strategy, we have come to recognize the importance of holding discussions at, for example, meetings of the Nomination Committee of Asahi Group Holdings regarding not only successors for the Company’s management but also those for local subsidiaries as well. Accordingly, we are now actually holding discussions at meetings of the Nomination Committee on developing management personnel and their successor candidates in Japan and all other regions of operation. The Nomination Committee is also gathering information on relevant personnel, which it uses to ensure swift and effective decision-making.

**Human Resource Development Structure**

<table>
<thead>
<tr>
<th>Development opportunities</th>
<th>Monitoring opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-the-job training</td>
<td>Assessments</td>
</tr>
<tr>
<td></td>
<td>Assignments</td>
</tr>
<tr>
<td>Managing directors in each region of operation</td>
<td>Support</td>
</tr>
<tr>
<td>RHQ general manager rank</td>
<td></td>
</tr>
<tr>
<td>RHQ manager rank</td>
<td></td>
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<tr>
<td>Assessments to gain mutual experience in Asia, Europe, and Australia</td>
<td>GLDP executive</td>
</tr>
<tr>
<td>GLDP advance</td>
<td>GLDP emerging</td>
</tr>
<tr>
<td>GLDP learning</td>
<td>Programs to improve foreign language skills</td>
</tr>
<tr>
<td>GLDP leadership development</td>
<td>Provision of online learning</td>
</tr>
<tr>
<td>GLDP emerging</td>
<td>GLDP conference</td>
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<tr>
<td>Leadership development</td>
<td>Residency in Japan for foreign personnel</td>
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<td></td>
<td>Global Human Resources Conference</td>
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</table>

**Notes:**
1. Development concentrated on manager ranks and above is carried out in consideration of personnel mobility overseas.
2. The period for holding the GLDP in 2020 is yet to be determined due to the impact from the spread of COVID-19.
Enhancing Management Resources

Research and Development
Promoting R&D Activities that Support the Ongoing Development of the Asahi Group through Initiatives in Focus Areas

Establishment of AQI and Reinforcement of Medium- to Long-Term R&D Capabilities
At the Asahi Group, R&D organizations have been set out in operating companies, and these organizations are responsible for R&D activities that make direct contributions to business activities through the development of new products, the enhancement of quality management, or other means. At the same time, medium- to long-term research themes connected to ongoing Group development are assigned to Asahi Quality and Innovations, Ltd. (AQI), an R&D subsidiary established in April 2019. R&D activities are advanced through coordination between R&D organizations in operating companies and AQI. In addition, five focus areas have been defined for AQI’s R&D activities with an eye to medium- to long-term changes in the social and competitive climates, and this company engages in research and development while monitoring the allocation of resources to specific themes. Research is being promoted in regard to yeast, lactic acid bacteria, and other areas based on the Group’s proprietary materials and technologies while we also introduce new technologies like artificial intelligence (AI) and take part in open innovation through collaboration with universities and venture companies.

Five Focus Areas for AQI’s R&D Activities

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Initiatives in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. R&amp;D to establish pillars for new businesses</td>
<td>• Research and development for creating new value with fermentation and yeast technologies</td>
</tr>
<tr>
<td>2. R&amp;D to provide outstanding ingredients for health foods</td>
<td>• Group-wide deployment of products using lactononadecapeptide as a functional substance</td>
</tr>
<tr>
<td>3. R&amp;D to spur development innovation</td>
<td>• Development of beverage package designs using virtual reality and AI</td>
</tr>
<tr>
<td>4. R&amp;D to improve social value, including reducing environmental burden</td>
<td>• Selection of baby food ingredients using AI-powered inspection equipment</td>
</tr>
<tr>
<td>5. R&amp;D to create new businesses through the incorporation of knowledge</td>
<td>• Development of crop frost damage reduction formulations using coffee by-products (collaboration with venture company)</td>
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</table>

Policies for Future R&D Activities at AQI
As the Asahi Group’s business domain expands, AQI is optimizing the allocation of R&D resources by defining clear development priorities. Looking ahead, we plan to advance research on the development of products with function claims with an even greater degree of efficiency while conducting balanced investments in the development of beverages that provide new value and in the reduction of environmental impacts. Meanwhile, we will move ahead with R&D activities aimed at supporting the ongoing growth of the Group, which will include reinforcing governance structures pertaining to investments in venture companies and stepping up basic research on alcohol beverages from a global standpoint.
Deployment of Products Using Lactononadecapeptide as a Functional Substance

The Asahi Group has long been researching and utilizing functional materials with the aim of contributing to people’s health through food.

Lactononadecapeptide is a substance the Group discovered in the fermented milk produced by lactic acid bacteria. Through clinical trials on middle-aged and elderly groups, it was found that lactononadecapeptide has benefits for concentration, memory, and information processing capabilities as a functional substance that heightens cognitive functioning.

In September 2019, Asahi Soft Drinks Co., Ltd. launched the HATARAKU ATAMANI series of foods with function claims. Products in this series are made using lactononadecapeptide. This substance is also being embraced for use in other Group products, such as the OISHIKU TOKERU Chocolat series of chocolate products offered by Asahi Group Foods, Ltd.

Going forward, the Asahi Group will continue to create high-value-added products through R&D activities oriented toward discovering unique materials with superior health benefits.

Development of Crop Frost Damage Reduction Formulation Using Coffee By-Products

Together with KUREi Co., Ltd., a venture company originating from Kansai University, AQI has succeeded in the development of a crop frost damage reduction formulation (product name: FROST BUSTER).

FROST BUSTER is a liquid formulation made using coffee grounds, a by-product from the canned coffee manufacturing process, that reduces the formation of ice crystals. Frost damage occurs when frost is produced as a result of the rapid drops in temperature seen at dawn and can have a negative impact on crops by destroying portions of flower bud cells. This phenomenon therefore can have a serious impact on the sustainability of agriculture operations by reducing the income of agriculture workers or causing them to leave the industry for other professions.

Verification tests at agricultural sites have confirmed that dusting crops with FROST BUSTER can significantly reduce frost damage on multiple types of crops.

We thus began offering FROST BUSTER on a trial basis in March 2020.

Such efforts to develop new products through the effective use of by-products will be continued into the future with the goal of helping resolve social issues by creating positive value for the environment via our business activities.