Dialogue: Chairman of the Board × Outside Director
Vision for the Group's Ever-Evolving Management

Naoki Izumiya
Chairman of the Board

Christina L. Ahmadjian
Independent Outside Director

To reinforce the practice of management for corporate value enhancement, the Asahi Group is actively incorporating outside opinions. To that end, a dialogue was held between Independent Outside Director Christina L. Ahmadjian and Chairman of the Board Naoki Izumiya. In this dialogue, the two discussed what the Asahi Group needs to do to achieve further growth as a Glocal Value Creation Company amid its rapid global expansion. They also discussed what steps the Group needs to take to strengthen its governance.

Medium- to Long-Term Opportunities and Risks for the Rapidly Globalizing Asahi Group

Izumiya: Ms. Ahmadjian, one year has passed since your appointment as outside director. During this year, what positive aspects have you seen from the Group and the Board of Directors and what issues do you feel need to be addressed?

Ahmadjian: There are not many corporate groups that have globalized in such a rapid and extensive way as the Asahi Group. Considering the industrial structure and changing demographics in Japan, this rapid and extensive globalization is an important initiative for improving the Group's corporate value over the medium to long term. Risks naturally come with globalization, and I have yet to see a corporate Group in Japan other than Asahi that has been able to engage in bold and strategic decision-making to globalize so quickly and efficiently.

On the other hand, I believe the Board of Directors needs to globalize even further in terms of the way it holds discussions and collects information. Each week, I am provided with newspaper articles on the Group's businesses, but these have primarily been articles related to domestic businesses. This is extremely helpful for deepening my understanding of such businesses. However, for the Board of Directors to hold deeper discussions that focus on medium- to long-term opportunities and risks from a worldwide perspective, there needs to be greater emphasis placed on more global information.

Izumiya: In 2019, we moved forward with a broad range of initiatives, including large-scale investments, to further promote our globalization. At Board of Directors' meetings, our outside directors asked many questions regarding these initiatives, which were often answered by relevant internal parties. Originally, we should be able to further invigorate Board meetings by repeatedly holding discussions from the perspective of global growth opportunities and risks. Though we have maintained a strong awareness of how to share relevant information, viewpoints, and opinions with the outside directors in a timely manner, we understand that there is still room for improvement in this regard.

When holding discussions only between internal personnel, the perspectives and information can become limited, which means that the strategies we are able to formulate become limited as well. I therefore have a strong desire to strategically establish highly transparent and objective corporate governance together with our outside directors. For example, in terms of global investments, there are times when we need to decide on refraining from making investments rather than taking risks. Amid these circumstances, could you tell us your opinion on how the Board should recognize and understand potential value and risk of impairment loss?

Ahmadjian: During examinations for acquiring Carlton & United Breweries (CUB), the Board of Directors was extremely swift in not only providing the outside directors with information but also answering our questions, and for that the Board deserves high praise.

I would say no to investments that do not align with the AGP and Group strategies and are carried out more or less for show. For the majority of investments, the pros and cons of refraining from making an investment are something we do not find out until after deciding to do so. This makes the decision to refrain from investing quite difficult. Accordingly, rather than focusing solely on the pros and cons, our investment decisions should be based more on our growth strategies and risk appetite and whether or not an investment falls within our tolerance level for taking risks. Furthermore, in addition to investment decision-making, post-merger integration after an acquisition is also extremely important. This means that the Board of Directors must follow up on an acquisition after it is made to ensure the entire process goes smoothly. I therefore believe the risk of impairment loss is also something that depends more on a company's efforts after an investment is made. One major issue I have found from observing many companies is that when a non-global company executes a global investment or acquisition, that company itself then must become globalized. I think it is wonderful that the Asahi Group has adopted a Group philosophy based on global perspectives. However, in light of this, it is essential that the Group globalizes its business execution and has in place a Board of Directors that can underpin that effort.
Strengthening Investment from a Long-Term Perspective and Striving for Appropriate Risk-Taking

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Vision for the Supervision of Business Execution

Izumiya: To date, we have had many discussions at Board meetings from the perspective of business execution. However, as chairman I am a bit concerned about whether or not all Board members have a sufficient understanding of the supervision of that business execution.

Ahmadjian: Rather than methods of supervision, I believe it depends more on the composition of board members and the establishment of KPIs. In the United States, there are companies with clear KPIs and where every member of the board is an outside director other than the CEO. For companies in the United Kingdom, outside directors tend to comprise over half of board members. Compared to these kinds of companies, I feel that Japanese companies are not yet at the level they should be in terms of member composition and KPIs. At the very least, outside directors should make up half of the members of a board of directors. The chairman and CEO of the Asahi Group have an extremely high awareness of governance, and our governance therefore functions well. The Audit & Supervisory Board will play an important role in raising the Group's governance to a higher level than ever before, but I believe the Group could benefit from examining the adoption of Western-style committee systems. Such systems will become important because as we move forward with our globalization efforts, our stakeholders such as our investors and employees will become more global as well.

Izumiya: Personally, I feel that before we begin adopting new systems, we must first strengthen our monitoring activities under our current system. This starts first and foremost with our KPIs, as you commented on. Specifically, we need two types of KPIs: KPIs for monitoring our daily business execution and KPIs for monitoring the progress of our strategies. KPIs for monitoring day-to-day business execution can be determined through collaboration between members in charge of business execution. However, KPIs for monitoring the progress of strategies need to be formulated through repeated discussions led by the Board of Directors. In addition to KPIs, there is a need for more sufficient discussions on matters such as determining future skill matrices, securing and cultivating managerial talent, and further developing the Nomination Committee and the Compensation Committee. Improving our discussions on such matters is the most important issue for us this year.

In terms of structure, one of the issues with a Western-style company with a committee governance structure is that, for example, a company may change its CEO if it performs poorly in a single year. For a corporate group such as the Asahi Group, which is currently executing massive investments on an ongoing basis, such a structure could run the risk of creating an unstable situation for the Company. To that extent, a company with an audit and supervisory board structure allows us to monitor daily business execution while confirming risks from a separate angle. Of course, this does not mean that an audit and supervisory board structure will always be the best fit for the Group in the future, but I believe it is the most effective structure for the Group at this time.

The Asahi Group’s Sustainability

Ahmadjian: I believe that the Asahi Group is at the top of its class among Japanese companies when it comes to efforts toward sustainability, but of course there is still more the Group can do. I attended Davos 2020, and at the conference there was a great deal of discussion regarding various strategies centered on the Sustainable Development Goals (SDGs). What I came to understand from these discussions is that the SDGs are no longer something that is incorporated into corporate strategies, but are rather the essence of corporate strategies themselves. We find ourselves in an era where a company cannot expand profits if it is unable to create environmental value. I am quite fond of Eiichi Shibusawa, the “father of Japanese capitalism,” and I have read a great deal about the history of the Japanese economy. Eiichi Shibusawa himself was a social entrepreneur, and I believe that the concept of “economy and ecology in business” is deeply rooted in Japan, as represented not only by the actions of Eiichi Shibusawa but also by the Omi merchants, who held the philosophy that business should be “good for everyone.” Given this history, I feel that Japanese companies should show more leadership and initiative going forward. In addition to the environment, social issues pertaining to health and appropriate drinking habits have a major impact on our medium- to long-term strategies. Overseas, there has been an increasing...
amount of media coverage on alcohol. In addition, the demand for non-alcohol beverages has been rapidly increasing. For these reasons, I think it is important to consider management issues under a 10-year time frame, rather than the medium-term perspective of three years, and discuss strategies for turning these issues into business opportunities over the long term.

**Izumiya:** Japanese companies are becoming increasingly more engaged in efforts toward ESG and the SDGs, including through the endorsement of the UN Global Compact and the Task Force on Climate-related Financial Disclosures. However, in order for these endorsements to amount to more than just token efforts, Japanese companies now need to indicate the approach they will take to ensure the success of such efforts and to hammer out the details of these efforts. Moreover, in addition to the environment and alcohol, risks pertaining to cyber security have been dramatically increasing in recent years. Ms. Ahmadjian, how do you view cyber security risks around the world?

**Ahmadjian:** In the report on risks provided at the Davos Conference, information security ranked among the top five risks alongside climate change and water. The report indicates that even world-leading cyberattack prevention systems still receive 90% of all attacks. In consideration of these circumstances, in the United States there have been calls for companies to appoint personnel specializing in cyber security as board members. I personally believe that while strengthening cyber security systems is obviously necessary, remedial measures after an attack has occurred, including efforts to realize a swift recovery, are also extremely important. I therefore feel that the approach to dialogue at Board of Directors’ meetings is the most valuable thing to consider in terms of cyber security. To that end, even more so than diversity of skills among Board members, it is crucial to consider how we can increase the time for dialogue within the limited time available for Board meetings. I believe we need to create more opportunities for discussions on how to respond to cyberattacks.

**Vision for the Asahi Group’s Board of Directors Going Forward**

**Ahmadjian:** We had originally intended to carry out an on-site inspection of our business in the Czech Republic this year. However, this has been delayed a year due to the spread of COVID-19. We will continue to closely monitor conditions in the region and, going forward, when visiting the Czech Republic I hope to observe market trends and local factories to further deepen my understanding of our business there. Additionally, as the Board of Directors possesses a symbolic presence as the head of the Asahi Group, I believe that holding Board of Directors’ meetings overseas will be of great significance. Holding meetings in other countries will certainly increase the motivation of employees in those countries.

**Izumiya:** I first would like our outside directors to visit our local businesses to not only observe but also hold meetings and engage in other activities with local management. In this manner, I hope that overseas visits serve as an opportunity for the outside directors to enhance their understanding of our overall business. As we are expanding our businesses extensively across the world, there are significant time restrictions when it comes to on-site visits. However, there are many aspects that can only be understood by actually visiting a region, and I therefore wish to examine possibilities for more on-site visits as well as overseas Board meetings.

**Ahmadjian:** At the same time, while the position of the Japanese market will change due to our globalization, it is still the mother market that should serve as a role model for each region within our global management. In addition, it remains the core market for the Group’s growth. As Japanese companies expand overseas, this process can sometimes make it difficult to understand what the significance of being a Japanese company is. Accordingly, I believe we should constantly hold discussions and share our opinions on this significance. If we lose sight of the significance of being a Japanese corporate group, then I believe we can no longer call ourselves the Asahi Group. As a corporate group originating in Japan, our core competence is being able to spread the positive aspects of Japan across the world, and to leverage those assets to compete on the global stage.

Also, social and environmental issues differ by region, and it is essential to share information and success stories between regions. The taste of local consumers and marketing methods also differ by region. There are regions where we are launching new products one after the other, and if we are able to share the consumer responses and opinions we receive in these regions, as well as the success stories, with other regions, then I feel we will be able to create new added value to a greater extent than ever before.

**Izumiya:** At the moment, the Asahi Group is considering strategies on a global basis and businesses on a local basis. With that approach, we are striving to succeed over the global competition by promoting our businesses in Japan, Europe, and Australia in a manner that caters to the local conditions in each region. Furthermore, looking back on our history, our predecessors have left us with the abundance of experience, knowledge, and insight that they have cultivated. As the times change, such experience, knowledge, and insight can decline in value, but over the span of 20 to 30 years there comes a time when their original value becomes apparent again. I therefore believe that reexamining our long-cultivated strengths to rediscover their benefits will lead to the success of our **glocal** strategies going forward. For that reason, I absolutely hope that we can share our long-cultivated strengths on a global basis.

From the perspective of global management, as Ms. Ahmadjian discussed today, we will hold greater discussion on the globalization of our business execution and the role that the Board needs to play to underpin that globalization.