Enhancing our structure for innovation and cost reduction and establishing our position as the leader in the domestic alcohol industry

Key Initiatives of the Medium-Term Management Policy

- Implement integrated marketing strategy for new market creation centered on future environmental changes and renovate core brand value
- Promote zero-based budgeting and minimize costs and create resources for investment toward growth by building optimal production and logistics systems
- Refine product development process, expand new drinking opportunities, and enhance business model utilizing digital transformation

Strengths

- Top share in beer-type beverage market centered on Asahi Super Dry
- Strong brand portfolio in all product categories
- High-quality manufacturing technologies and efficient supply chain management
- Co-creation capabilities based on strong relationships with business partners

Opportunities and Risks

- Maturity of beer-type beverage market and growing diversity of people’s needs and values
- Changes in demand structures and product portfolios following reduction in tax rate disparity between beer-type beverages
- Ability to stimulate demand by taking advantage of position as Gold Partner of the Olympic and Paralympic Games Tokyo 2020
- Ongoing increases in distribution, personnel, raw material, and other costs
- Diversification of consumption and competition trends arising from advancement of digital technologies


2019 Results

In beer-type beverages, we set out to enhance our market presence by establishing our brand theme of “THE JAPAN BRAND” for Asahi Super Dry and boosting its advertising appeal, while also launching Asahi Gokujo Kire Aji, which offers a clear, crisp finish and the satisfying taste of 100% barley.*

In alcohol beverages other than beer-type beverages, we launched the highly carbonated Wilkinson Highball within our ready-to-drink (RTD) beverages category and stepped up efforts to propose new settings for enjoying Black Nikka in the whisky and spirits category. Further, we sought to reinforce and cultivate our core brands in each category, such as by engaging in activities to create new demand for Asahi Dry Zero beer-taste (non-alcohol) beverages.

As a result, despite the favorable performance of the alcohol beverages other than beer-type beverages category over the previous year, revenue declined 2.9% year on year, to ¥886.8 billion, due primarily to the lower beer-type beverage sales volumes stemming from the contraction of the entire beer-type beverage market. Although we made efforts to reform our earnings structure, core operating profit also saw a decline, falling 3.6%, to ¥105.5 billion, owing to lower revenue and other factors.

* Created from the use of malt, barley, and spirits (barley); does not include the use of hops

2020 Targets

In 2020, under our newly established long-term management policy—transform toward value-focused management that seeks to create new markets and value for customers—we aim to create special value and experiences for our customers, centered on beer-type beverages.

In beer-type beverages, we introduced our new Asahi Super Dry brand message of “Beer tastes great. I always look forward to this moment!” and in line with this message, we will rediscover the value and create meaningful experiences for enjoying beer in our bid to invigorate the beer market. In addition, we will strengthen the Clear Asahi brand and launch the new Asahi THE RICH brand as part of our efforts to enhance our presence in the new genre beer-type beverage market.

In alcohol beverages other than beer-type beverages, we will reinforce our core brands such as Zeitaku Shibori RTD and Asahi Dry Zero non-alcohol beer taste beverages. At the same time, we will propose different scenarios for enjoying our alcoholic beverages through such efforts as the rollout of new, highly differentiated products.

Sales Composition by Container Type (2019)

Sales Composition by Marketing Channel (2019)
Soft Drinks Business

Aiming to be the leader in the soft drinks industry with industry-wide, top-class profitability

Key Initiatives of the Medium-Term Management Policy

• Enhance the six core brand values and improve profitability by building optimal production and logistics systems and reforming vending machines business
• Establish new foundations for growth by creating new categories and allocating business resources to health-conscious categories
• Strengthen corporate brand value by resolving social issues in the areas of health and the environment and expand alliances with partners

Strengths

• Multiple long-selling brands centered on growing categories
• Industry-leading profitability achieved through optimal production and logistics systems
• Synergy-creation capabilities leveraging business integrations and alliances
• Corporate culture of addressing health, environmental, and other social issues

Opportunities and Risks

• Diversification of consumption patterns stemming from maturity of soft drinks market and increasing health awareness
• Changes to consumption and competition trends driven by e-commerce and other examples of sales channel diversification
• Trend toward lower prices stemming from expansion of retailers’ private label products
• Ongoing increases in distribution, personnel, raw material, and other costs
• Increasing attention to plastic waste and other environment-related social issues

Japan’s Soft Drinks Market by Category (Million cases)

<table>
<thead>
<tr>
<th>Category</th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTD tea</td>
<td>1,849</td>
<td>1,896</td>
<td>1,898</td>
<td>1,940</td>
<td>1,902</td>
</tr>
<tr>
<td>RTD coffee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbonated drinks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mineral water</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Vegetable and fruit drinks</td>
<td></td>
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<tr>
<td>Sports drinks and energy drinks</td>
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<tr>
<td>Lactic acid bacteria drinks</td>
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<td></td>
<td></td>
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<tr>
<td>Other soft drinks</td>
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</tr>
</tbody>
</table>

Market Share by Company in 2019 (%)

- Asahi: 15%
- Company A: 12%
- Company B: 12%
- Company C: 14%
- Company D: 22%
- Others: 26%

Source: Inryo Soken
2019 Results

With our core brands, we sought to enhance our lineup of MITSUYA and WILKINSON products and aggressively promoted their advertisements. We also focused on boosting the value of the CALPIS brand, which marked the 100th anniversary of its release, through such means as introducing limited-edition products and conveying the appeal of fermented foods. In the health function domain, we stepped up our efforts in high-added-value products with the launch of the HATARAKU ATAMANI series of foods with function claims containing lactononadecapeptide, which was derived from cognitive function research conducted on CALPIS SANNYU.

As a result, despite the impact of poor weather during peak season, revenue climbed 1.5% year on year, to ¥376.2 billion, on the back of WILKINSON's continuous growth in the sugar-free carbonated beverage market and the steady improvement of high-added-value products in the health function domain. Core operating profit dropped 10.8%, to ¥33.2 billion, in the wake of aggressive spending on advertisements and sales promotion and higher manufacturing costs associated with reduced utilization rates at our factories stemming from the impact of poor weather.

2020 Targets

In 2020, we will direct our attention to revitalizing the soft drinks market by way of reinforcing the carbonated beverages category and introducing products that create new value. We will also strengthen initiatives to improve our social value. Through these kinds of efforts, we will strive to establish a robust business foundation with a view to further growth.

In the carbonated beverages category, we will forge ahead with marketing activities that promote the value offered by the MITSUYA and WILKINSON brands, with the aim of raising our brand loyalty and increasing the number of new customers.

For products creating new value, we will look to generate new opportunities for the consumption of products that offer health value through the launches of GREEN CALPIS, the first plant-derived soft drink under the CALPIS brand made from fermented soy milk, and PLANT TIME, a latte drink consisting of plant milk.

As for our efforts to enhance social value, we will expand our lineup of products using label-less plastic bottles.
Food Business

Further enhancing our unique strengths and expanding our foundations for growth through new market creation

Key Initiatives of the Medium-Term Management Policy

- Further improve the value of core brands and categories that utilize core technologies and materials
- Nurture growth drivers in new categories and markets and develop overseas business
- Streamline overall value chain, improve productivity, and reinforce quality assurance system

Strengths

- Diverse portfolio of products tailored to various lifestyles and life stages
- High profitability achieved by cultivating numerous leading brands and categories
- Wide-ranging product development capabilities leveraging Group-wide core technologies and materials
- Strong partnerships with diverse sales channels and consumers

Opportunities and Risks

- Diversification of market needs in conjunction with demographic changes and work-style reforms
- Consumption by inbound travelers to Japan, consumption through spreading e-commerce venues, and changes in competitive environment
- Potential for overseas distribution of powdered infant formula and freeze-dried foods
- Ongoing increases in distribution, personnel, raw material, and other costs
- Growing social issues related to individuals caring for both children and elderly family members

Breath Mint Tablet Market Scale

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Scale (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'15</td>
<td>29.4</td>
</tr>
<tr>
<td>'16</td>
<td>28.9</td>
</tr>
<tr>
<td>'17</td>
<td>29.4</td>
</tr>
<tr>
<td>'18</td>
<td>32.5</td>
</tr>
<tr>
<td>'19</td>
<td>34.8</td>
</tr>
</tbody>
</table>

Share of Breath Mint Tablet Sales (2019)

- Asahi: 54%
- Company A: 12%
- Company B: 5%
- Company C: 3%
- Others: 26%

Source: INTAGE Food SRI, Candy (Candy Tablet Market), Nationwide (excluding Okinawa), All Industries, January 1, 2015–December 31, 2019, INTAGE Inc.
2019 Results

With MINTIA breath mint tablets, we sought to expand the customer base by updating their lineup of core products and releasing MINTIA Breeze Clear Plus, which offers a refreshingly cool and clear flavor from start to finish. With regard to Dear-Natura dietary supplements, we actively promoted sales, centered on their core products, and concentrated on expanding the product lineup. We also proposed new value for baby food with the release of the WAKODO GLOBAL series, which entails sampling 30 types of ingredients during the baby food stage with the intention of expanding babies’ sense of taste. As for freeze-dried food, we further expanded our market presence by launching Juhinmoku no Ippai, a new series of freeze-dried miso soup containing a range of ingredients, and opening two new Amano Freeze-Dry Station stores.

As a result, revenue rose 1.4% year on year, to ¥117.6 billion. Core operating profit also increased, rising 5.3%, to ¥13.0 billion, reflecting higher revenue and such measures as the streamlining of fixed costs.

2020 Targets

In 2020, we will gear our efforts toward creating a foundation for sustainable growth through the proposal of new value in the form of core brands that anticipate diversifying lifestyles.

For MINTIA, we will propose new value and ways of enjoying the breath mints in order to meet the need for instant refreshment, which has been rising through the diversification of work styles. Moreover, with regard to Dear-Natura dietary supplements, baby food, and freeze-dried food, we will amplify their brand strengths by expanding product lineups and promoting sales promotion activities, particularly for their core brands and categories. Our goal is to realize greater customer satisfaction by exercising our strengths for offering product lineups that closely reflect the needs of all generations and stages of life, from babies to the elderly, as well as all situations in our day-to-day activities and lifestyles.

Share of Revenue in Baby Food Market in 2019

Source: INTAGE Food SRI, Baby Food, Nationwide (excluding Okinawa), All Industries, January 1, 2019–December 31, 2019; INTAGE Inc.
Overseas Business

Driving sustainable Group growth centered on promoting premiumization and expanding cross-selling initiatives of core premium brands

Key Initiatives of the Medium-Term Management Policy
- Reinforce premium portfolio in each country and expand cross-selling initiatives of core premium brands centered on Europe
- Create opportunities for growth through innovation in the areas of non-alcohol beer taste beverages and functional drinks in light of consumption diversification
- Promote continuous zero-based budgeting, reinvest for further growth, and strengthen foundations for growth through bolt-on M&As

Strengths
- Historic European premium brands and strong product portfolio
- Expertise in cultivating premium brands and securing human resources
- Prominent network in Oceania and Asia
- Synergy-creation capabilities leveraging inter-regional network

Opportunities and Risks
- Ongoing growth of global premium and super premium brand markets
- Growth of non-alcohol beer taste beverages, functional beverages, and other high-added-value product categories
- Fierce competition with major global companies
- Ongoing increases in distribution, personnel, raw material, and other costs
- More stringent regulations regarding alcohol and sugar

Market Share by Price Segment and Composition by Channel (2019)

Czech Republic

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Super Premium</td>
<td>43%</td>
<td>+1%</td>
</tr>
<tr>
<td>Premium</td>
<td>45%</td>
<td>+3%</td>
</tr>
<tr>
<td>Mainstream</td>
<td>46%</td>
<td>+3%</td>
</tr>
<tr>
<td>Discount</td>
<td>37%</td>
<td>+2%</td>
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</table>

Poland

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Super Premium</td>
<td>10%</td>
<td>+19%</td>
</tr>
<tr>
<td>Premium</td>
<td>39%</td>
<td>+4%</td>
</tr>
<tr>
<td>Mainstream</td>
<td>42%</td>
<td>-1%</td>
</tr>
<tr>
<td>Discount</td>
<td>38%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

*1 The price of the leading brand in the most popular pack type = 100
Super Premium > 151 > Premium > 115 > Mainstream > 91 > Discount

*2 Source: Based on Company estimates (on a volume basis)

*3 Source: GlobalData (on a volume basis)
2019 Results

In the Europe Business, we pressed forward with premiumization and cultivated new growth drivers in the home markets of Western and Central Europe, where we fine-tuned our marketing activities centered on Peroni Nastro Azzurro, Pilsner Urquell, and other leading brands in each country and heightened our rollout of non-alcohol beverages.

In the Oceania Business, we strengthened proposals for creating added value by aggressively promoting sugar-free carbonated beverages and premium beer brands such as Asahi Super Dry.

Meanwhile, we ramped up our rollout of health-oriented soft drink products in the Southeast Asia Business while engaging in efforts to expand our premium beer brands in the China Business.

As a result, despite the favorable performances of the Europe and Oceania businesses, revenue fell 1.5% year on year, to ¥699.5 billion, due to the impact of yen appreciation on their respective regions as well as the effects of the deconsolidation of a subsidiary in the China Business in the previous year and the consumer boycott that took place in South Korea. On the other hand, despite the negative impacts stemming from the yen appreciation and lower revenue in the South Korea Business, core operating profit was up 1.8%, to ¥102.4 billion, owing to the recording of higher profits in the Europe and Oceania businesses.

2020 Targets

In 2020, we will focus our efforts on accelerating the establishment of growth engines by further expanding our premium beer brand in the global market and pursuing the premiumization of our brand portfolio in the respective local markets, among other measures.

In the Europe Business, we will carry out the investments to further promote premiumization and the branding of our products while being proactive in the rollout of non-alcohol beverages, in our bid to establish a solid earnings foundation.

In the Oceania Business, our efforts will focus on bolstering our lineup of RTD products and placing emphasis on high added value through the aggressive expansion of premium beer brands and functional beverages.

As for the Southeast Asia Business, we will strengthen our presence in the respective markets of the Philippines and Indonesia while fortifying our lineup of health-oriented soft drink products in Malaysia.

Meanwhile, at Asahi International, Ltd., our efforts will be geared toward expanding the rollout of our premium beer brand in all regions based on our portfolio strategy.