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Company name: Asahi Group Holdings, Ltd.
President and Representative Director, CEO: Akiyoshi Koji
Securities Code: 2502
Stock Listings: Tokyo Stock Exchange, First Section
Contact: Osamu Ishizaka
Executive Officer, Head of Corporate Communications
Phone: +81-3-5608-5126

Revisions of Medium-Term Management Policy in Response to Changes in Business Environment

Asahi Group Holdings, Ltd. (Head Office: Tokyo; President and Representative Director, CEO: Akiyoshi Koji) has decided to partially revise its Medium-Term Management Policy in response to changes in the business environment. The revisions will include updates to some of the Key Initiatives in the Medium-Term Management Policy and withdrawing the existing Key Performance Indicator Guidelines, which will be replaced with new guidelines in 2022. The decision to make the revisions was made in response to changes to Asahi Group's business environment resulting mainly from the impact of the COVID-19 pandemic, the completion of the acquisition of the Carlton & United Breweries ("CUB") business in Australia.

In addition to flexibly responding to these changes in the business environment to facilitate a rapid recovery in business performance, the Group will continue to pursue "*Glocal* Value Creation Management" based on the "Asahi Group Philosophy"

◆Progress with the Medium-Term Management Policy and Reasons for Revisions

Under The Medium-Term Management Policy, which was last revised in 2018, the Group established three Key Initiatives as well as Key Performance Indicator Guidelines with Financial and Cash Flow Guidelines based on assumptions about the business environment three years into the future, with pursuing "*Glocal* Value Creation Management". The Group's performance progressed in line with key performance indicators such as EPS and ROE, as well as free cash flow and other metrics in the Guidelines until 2019. However, impacted by the COVID-19 pandemic, operating performance deteriorated significantly in 2020, and fell short of the Guideline targets. Meanwhile, in June 2020, the Group completed the acquisition of the CUB business, the largest player in Australian beer industry, and by building a global platform with three core pillars in Japan, Europe, and Australia, the growth foundation of the overseas business has been expanded dramatically.

With respect to the future external environment, as the business environment changes drastically on a global basis, there are a wide range of opportunities and risks that are expected to increase, including those stemming from diversification of working styles and structural changes in consumption leading to diversification of values. In addition, the company will be expected to increasingly bolster the ESG initiatives underpinning their value creation processes.

In light of these progress and the changes in the external environment, the Group decided to revise the initiatives listed under the three Key Initiatives and withdraw the existing Key Performance Indicator Guidelines, and will establish new guidelines in 2022, when the impact of the COVID-19 is projected to subside. Meanwhile, the Financial and Cash Flow Guidelines were revised in light of the expansion of the Group's cash generation capacity in conjunction with the acquisition of the CUB business.

The Asahi Group will continue to flexibly revise the Medium-Term Management Policy in response to changes in the business environment, and strive to engage stakeholders in constructive dialogue concerning the revised Key Initiatives as the Group works toward achieving sustainable growth and enhancing corporate value over the medium to long term.

Overview of Revisions to Medium-Term Management Policy

Enhancing "Glocal Value Creation Management" based on Asahi Group Philosophy

1. Strengthening earnings power by further enhancing added value and earnings structure reform

- Promoting the premiumization strategy by enhancing high- added-value brands in all businesses and expanding the five global brands*[1]
- Reforming the earnings structure in response to changes in the business environment
  - Targeting the efficiency of improving earnings structure (total for 2021–2023): over ¥50.0 billion for reallocating on business performance recovery and investments in the enhancement of management resources and reinforcing of ESG initiatives.

  *[1]: Asahi Super Dry, Peroni Nastro Azzurro, Kozel, Pilsner Urquell, Grolsch

2. Enhance management resources aimed at expanding new foundations for growth

- Bolstering investment in intangible assets (R&D, human resources, etc.) with the aim of boosting innovation and new value creation
- Constructing new operating model by accelerating DX (Digital Transformation)

3. Reinforce ESG initiatives supporting our sustainable value creation process

- Integrating sustainability into management strategy through such initiatives as "Asahi Group Environmental Vision 2050" and "Sustainable Communities"
- Enhancing risk management systems (enterprise risk management), strengthening global governance centered on the three pillars in Japan, Europe, and Australia

<Key Performance Indicator Guidelines>

- Withdrawing existing guidelines in light of the impact of the COVID-19 pandemic, planning to establish new guidelines in 2022
- Targeting a recovery to 2019 profit level*[2] in 2022

  *[2]: Based on 2019 operating performance with the inclusion of CUB business results (estimated figures from January to December)

<Financial and Cash Flow Guidelines>

	Guidelines from 2021 onward
Cash Flow	・FCF: above ¥200.0 billion or higher (annual average) (FCF = operating cash flow – investment cash flow) *Excluding M&A and other business restructuring.
Investment for Growth/Debt Reduction	・FCF will be allocated first to debt reduction to increase capacity for growth investment ・Net Debt/EBITDA: Around 3 times by 2024 (Calculated after excluding 50% of subordinated debt from Net Debt)
Shareholder Returns	・Stable dividend increases with the aim of a dividend payout ratio of 35% (aiming at dividend payout ratio of 40% in the future)

The Group will upwardly revise free cash flow in 2021 and beyond from ¥170.0 billion to ¥200.0 billion or higher (CAGR, compound annual growth rate), and will place priority on allocating free cash flow to debt reduction in order to increase the Group's future investment capability for the growth. The Group will stably increase dividends with the aim of a dividend payout ratio of approximately 35%, and aim for its 40% in the future.

End.