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Medium- to Long-Term Management Policy Updated by Backcasting from Megatrends

Contribute to sustainable society and responding to changing conceptions of well-being through delivering great taste and fun

Asahi Group Holdings, Ltd. today announced that it has updated its Medium- to Long-Term Management Policy. The policy update involved analysis of megatrends to formulate optimal strategies that will contribute to implementing the Asahi Group Philosophy (AGP). By steadily implementing these strategies, Asahi Group will strive to achieve sustainable growth and enhance corporate value over the medium- to long-term as it sets its sights on becoming a group that continues to earn the trust of stakeholders into the future.

◆ Overview of Group Management over the Past Three Years

Since revising its Medium-Term Management Policy in 2019, Asahi Group has pursued value creation management based on the AGP. Since 2020, the business environment has been adverse due to the impact of the COVID-19 pandemic, but the Group has continued promoting its premium strategies and has strengthened new value propositions in each of its operating regions. In addition to building a strong global platform through large-scale M&A in Oceania, the Group has created a clear path toward a stronger financial position through optimal financing and cash flow-oriented management.

◆ Analysis of Medium- to Long-Term Megatrends

Analysis of the megatrends shaping society indicate that about the next 30 years from now technological advancements will provide people with new technological capabilities and more free time, meanwhile global issues such as climate change and the depletion of natural resources are expected to spread. It is assumed that such circumstances not only bring about social and economic changes but also lead to new conceptions of human well-being. Backcasting from this view of the future, the Board of Directors have led efforts to engage in extensive analysis and discussions on megatrends and the issues expected to challenge the Group through 2030.

◆ **Update of Medium- to Long-Term Management Policy**

Based on a review of the past three years and analysis of megatrends, the Group's current Medium-Term Management Policy has been updated and converted into a Medium- to Long-Term Management Policy that incorporates long-term strategies. These strategies target the building of an ideal business portfolio capable of responding to risks and opportunities created by changing conceptions of human well-being. In addition to pursuing the sustainable growth of the existing businesses centered on beer category, the Group will leverage this business foundation to expand into adjacent categories and grow new businesses and services. Furthermore, by integrating sustainability into management and further bolstering the implementation of core strategies covering areas such as DX (digital transformation) and R&D (research & development), the Group aims to achieve sustainable growth, and enhance corporate value by promoting co-creation with all stakeholders.

1. Medium- to Long-Term Management Policy: Overview of long-term strategies

< Basic Concept behind Long-Term Strategies >

Contribute to sustainable society and respond to changing conceptions of well-being through delivering great taste and fun

◆ **Ideal Business Portfolio: Sustainable growth of existing businesses centered on beer category while expanding into new areas**

- Growth driven by global brands and premiumization in existing operating regions; expansion into new markets.
- Growth in adjacent categories to capture demand from trends such as increasing health consciousness; creation and development of new businesses that draw on the Group's capabilities.

◆ **Core Strategies: Promote core strategies aimed at achieving sustainable growth**

- Integrate sustainability into management in order to positively impact both society and the Group's businesses; contributing to solving societal issues.
- Achieve innovation in three key areas (processes, organization, and business models) by pursuing BX (business transformation) through DX (digital transformation).
- Increase the value of existing products and create new products and markets through bolstering R&D (research & development).

◆ **Strategic Foundation Strengthening: Consolidate the management foundations underpinning long-term strategies**

- Advance human resource for executing core strategies and building an ideal business portfolio.
- Enhance Group governance in order to create an optimal organizational structure; Group-wide sharing of best practices.

2. Key Medium-Term Strategies for Each Regional Headquarters

<Japan>

1. Expand the potential of the businesses through synergies and optimizing product portfolio to anticipate change.
2. Promote smart-drinking and other initiatives to meet diversifying needs; create high-value-added services.
3. Solve social issues such as carbon neutrality through business; optimize the supply chain across Japan.

<Europe>

1. Advance the premium beer strategy with expansion of the 5 global brands and focus on selective leading local brands.
2. Accelerate premium growth beyond core lager - such as non-alcohol beer, RTDs and crafted beer.
3. Promote initiatives to reduce environmental impact, which entail the active use of renewable energy and the adoption of recyclable containers and packages.

<Oceania>

1. Advance multi-beverage strategy through alcohol beverages and non-alcohol beverages with creating integration growth synergies.
2. Pursue health and well-being portfolio for our non-alcohol portfolio and innovations in growth areas such as non-alcohol beer, hard seltzers, and RTDs.
3. Propose new sustainability-focused value through introduction of new containers, packaging, etc. Advance supply chain management reforms.

<Southeast Asia>

1. Expand into growing markets of >600 million people in the region with the growth in Malaysia as the Cash Cow and using our own brand to expand into other markets.
2. Set up new segments such as the plant-based product segment to gradually diversify portfolio into more premiumization beverages and minimize dependency on Condense Milk.
3. Deliver sustainability agenda including rolling out eco-friendly packaging. Build value in partnership with local communities through raw material procurement initiatives.

3. Medium-Term Guidelines for Key Performance Indicators and Financial Policy

<Key Performance Indicator Guidelines>

	2021 Results	Guidelines from 2022 for Next 3 Years
Core Operating Profit	JPY 217.9 billion	•CAGR: High single digit*1
Earnings Per Share (Adjusted*2)	JPY 305.2	•CAGR: High single digit
Free Cash Flow*3	JPY 319.1 billion	•Annual average of JPY 200 billion or higher

*1 Constant Currency Basis in 2021

*2 The earnings per share guideline is on an adjusted basis excluding special temporary factors, such as business portfolio restructuring and impairment losses.

*3 Free Cash Flow = Cash flows from operating activities – Cash used in investing activities (excluding M&A and other business restructuring)

< Financial Policy >

	Guidelines from 2022 Onward
Investment for Growth / Debt Reduction	<ul style="list-style-type: none">•Prioritize allocation of free cash flow to the reduction of debt and work to enhance capacity for growth investments•Aim for Net Debt/EBITDA of around 3 times or less in 2024 (after deducting 50% of outstanding subordinated debt from net debt)
Shareholder Returns	<ul style="list-style-type: none">•Stable dividend increases with the aim of achieving a dividend payout ratio of 35% (aiming for future dividend payout ratio of 40%)