

Driving Sustained Value Creation by Upgrading Value Chains



The objective of the Asahi Group's business model is to promote healthy living and the enrichment of society by upgrading value chains based on the Group's corporate culture and the strengths it has developed over the years. In this section, we introduce our basic principles for value creation and examples of specific measures in our value chains.

Research and Development

Procurement

Basic Principles for Value Creation

- Create new value and demand through innovation by leveraging our technology platforms
- Advance quality control technologies to strengthen our brand power
- Maximize Group synergies through the expansion of R&D technologies and know-how
- Utilize technologies and know-how and reinforce communication to reduce our environmental loads and address social issues

- Collaborate with business partners to drive stable procurement focused on cost competitiveness
- Establish a quality assurance system with suppliers as business partners
- Expand our supply chain to reinforce Group/global procurement functions
- Move toward procurement that considers our environmental loads and human rights

Examples of Specific Measures

- ▶ Successfully accelerated development of new products such as *Asahi Style Free Purine Body Zero* through the development of a highly sensitive purine-body analysis method with sensitivity approximately 10 times that of the conventional method.
- ▶ Developed *Asahi Mogitate*, a canned RTD low-alcohol beverage, by developing the Asahi Freshness Preservation Manufacturing Method, which employs treatment with materials that suppress the deterioration of citrus flavors, low-temperature sterilization and other techniques.
- ▶ Received Minister of Agriculture, Forestry and Fisheries' Award under the "The 24th Global Environment Award," in recognition of a circular agricultural process using the compost accelerator Thervelics, which was developed based on research into lactic acid and microorganisms.
- ▶ Received the 2016 Japan Bioscience, Biotechnology and Agrochemistry Society Award for Achievement in Technological Research from the Japan Society for Bioscience, Biotechnology, and Agrochemistry for research into the efficacy of *benifuuki* tea leaves for alleviating allergy symptoms caused by pollen, house dust and other sources, along with research into the commercialization of *benifuuki* tea leaf products.

- ▶ Executed stable procurement utilizing measures such as decentralized procurement from diversified production areas and long-term contracts, based on the implementation of periodic reviews of high-risk items in terms of stable procurement.
- ▶ Enhanced cost competitiveness, notably by attaining the target of reducing procurement costs by more than ¥10.0 billion over three years. This was achieved through measures to promote joint Group procurement and mitigate the risk of fluctuations in market prices.
- ▶ Established the Global Procurement Strategy Promotion Center within the procurement section of Asahi Group Holdings, Ltd. to promote inter-area collaboration overseas.
- ▶ Advanced CSR procurement aimed at solving social issues by formulating the CSR Principles for Asahi Group Suppliers focused on the three key themes of consideration for human rights, the environment, and compliance with laws and regulations.



Production and Logistics

- Enhance cost competitiveness by establishing optimal production and logistics systems across the Group
- Reinforce the quality control system to ensure the highest level of quality
- Share production technology and logistics know-how globally
- Contribute to a sustainable society through measures to reduce CO₂ emissions and eliminate waste

- ▶ Increased efficiency and reinforced the quality control system, mainly by establishing optimal production and realigning in light of the conversion of ENOTECA CO., LTD. into a subsidiary and the integration of the Soft Drinks and Food Businesses.
- ▶ Enhanced the productivity and quality of global operating bases by leveraging technologies and know-how developed in Japan, including switching to internal production of PET bottles and increasing logistics efficiency in Oceania.
- ▶ Expanded the installation of cogeneration systems at Group companies in Japan (private power generation capacity of the entire Group in 2015: 39,227 kW; private power generation ratio: 37.4%)
- ▶ Strengthened measures to reduce environmental loads, including expanding the use of long-distance transportation (500 km or more) by train and ship (modal shift ratio in 2015: 35.7%)



Marketing and Sales

- Strengthen our brand power and promote innovation aimed at creating new value and demand
- Strengthen solution-oriented marketing by collaborating with business partners
- Implement global marketing by leveraging our strengths
- Expand cause marketing and increase the number of health and environmentally conscious products

- ▶ Nurtured No.1 brands by strengthening proposals for comprehensive alcohol beverages, such as the imported wine *SANTA HELENA Alpaca* and the non-alcohol beer-taste beverage *Asahi Dry Zero*.
- ▶ Achieved substantial growth in mainstay food brands by nurturing high-value-added products such as *MINTIA Breeze* and *Dear-Natura GOLD* (foods with function claims).
- ▶ Enhanced global marketing by leveraging strengths originating from Japan, as highlighted by the launch of *Calpis* in Malaysia and the roll-out of *Asahi Soukai*, the Group's first beer brand in Australia.
- ▶ Expanded the use of green electricity for manufacturing of *Asahi Super Dry* and gift packages featuring beer-type beverages. (Accumulated sales volume of green electricity products from 2009 to 2015 surpassed 9.0 billion bottles.)