CFO's Message



We will further improve profitability through structural reforms and work to increase corporate value while simultaneously achieving increases in asset efficiency and financial flexibility.

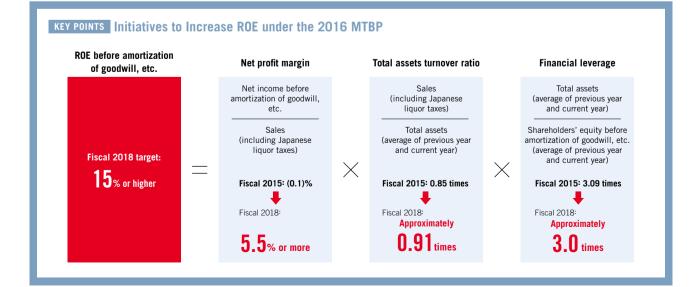
> Akihiro Ito Director of the Board Senior Executive Officer & CFO

The CFO's Mission

Targeting gains in ROE before amortization of goodwill, etc., and growth in normalized EPS, I am working as CFO to address three challenges. The first is raising profitability. Moving forward, we will strive to increase profitability by advancing measures to revitalize the Group through structural reforms. The second is increasing asset efficiency. To that end, we will take steps to streamline our balance sheet by reevaluating asset holdings and considering business portfolio optimization. The third is increasing financial flexibility. In that regard, we will provide stable dividends, and we will steadily advance repayment of interest-bearing debt, thereby optimizing the financial leverage balance.

Increasing Profitability (Profit and Loss Management)

Targeting gains in ROE before amortization of goodwill, etc., we are focusing on increasing the net profit margin. For subsidiaries, targets have been set for improvements in operating profit margin through brand strengthening and cost cut initiatives, and we are monitoring the status of the implementation of those measures. Progress has been favorable, and operating income in fiscal 2016, the first year of the MTBP, exceeded the planned level. At the Group Head Office, we are working to implement optimal allocation of resources among businesses, to reform headquarters functions, and to consolidate operations. In these ways, we are striving to increase administrative productivity.



Increasing Asset Efficiency (Balance Sheet Asset Management)

We are working to reevaluate low-profit assets and increase the total assets turnover ratio. Through asset reductions, such as the sale of the Macacu Plant at Brasil Kirin and the transfer of Lion's wine business in Australia, we worked to increase efficiency and implement the principles of selection and concentration in management resources.

Financial Optimization (Balance Sheet Liability/Equity Management)

We used cash flow to accelerate the reduction of interestbearing debt in order to enhance financial flexibility. We want to maintain our current ratings* so that we can continue to implement strategic investment in the future, and accordingly we will strive to reduce the net debt-equity ratio to 0.7 times or below by the end of fiscal 2018. The Company will consider M&A transactions that have clear objectives and appropriate pricing as one effective strategic option for increasing corporate value. * R&I: A+ (outlook: negative); Moody's: A3 (outlook: negative) (As of December 31, 2016)

Stable Dividends and Lower Cost of Shareholders' Equity

We implement shareholder returns based on a policy of stable dividends with a consolidated dividend payout ratio on normalized EPS of 30% or more. In fiscal 2016, we generated free cash flow exceeding the planned level, and accordingly we increased dividends by ¥1. In the future, through further increased profitability, we will strive to record growth in normalized EPS, thereby enhancing shareholder return. In addition, by conducting management in a way that enhances the trust of

Changes in Major Financial Indicators

	Fiscal 2015 (Results)	Fiscal 2016 (Results)	Fiscal 2017 (Plan)
Operating profit margin $^{\ast 1}$	8.4%	9.6%	9.5%
Net profit margin*2	(0.1)%	7.5%	5.0%
Total assets turnover ratio	0.85 times	0.87 times	0.89 times
ROE before amortization of goodwill, etc.	(0.3)%	21.9%	13.9%
Net debt-equity ratio	1.0 times	0.9 times	0.7 times
Financial leverage	3.09 times	3.35 times	3.10 times

*1 Excluding liquor taxes/Before to amortization of goodwill, etc.

*2 Including liquor taxes/Before to amortization of goodwill, etc.

shareholders and investors, and by continuing to implement appropriate information disclosure and constructive dialog, we will work to reduce the cost of shareholders' equity, which we believe is about 5% for the Company.

Sale of Brasil Kirin

The Company determined that selling Brasil Kirin was the best option to enhance Groupwide profitability, reduce liabilities on the balance sheet, and increase shareholder value. Currently, the timing of the completion of the sale has not been determined. Accordingly, the profit or loss on the sale is pending and will be disclosed when the decision is made.

