



Aiming to establish a new launchpad for sustainable growth and to maximize corporate value through proactive and disciplined investments

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Review of the 2016 Medium-Term Business Plan

Business restructuring successfully carried out and all quantitative targets achieved

Q To begin, how would you sum up the Kirin Group's achievements under the previous medium-term business plan (MTBP)?

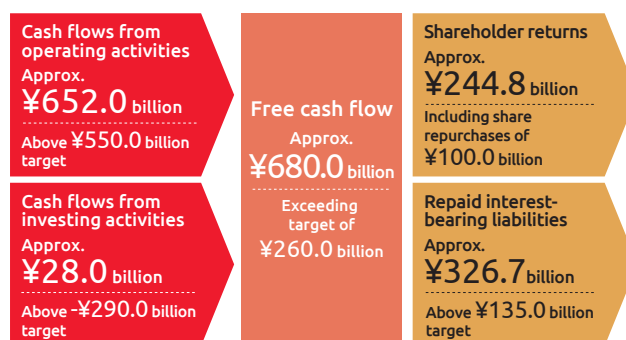
Under our previous MTBP, which spanned from 2016 to 2018, we carried out restructuring with the goal of revitalizing the Kirin Group.

We succeeded in bolstering the earnings platform of the beer business by shifting our approach from costs to investments, as well as concentrating investment in key brands and more efficiently allocating marketing expenses in Japan. In the pharmaceutical business, we made steady progress in releasing global products to the market and boosting their sales. Meanwhile, we decided to terminate certain low-profit businesses, and, accordingly, sold off Brasil Kirin as well as Lion Dairy & Drinks. We also sold off non-core assets and repaid interest-bearing debt in order to strengthen the Company's financial base.

As a result of those accomplishments, the profitability of our existing businesses improved and consolidated

cash flows increased substantially. Over the three years of the plan, cumulative free cash flows amounted to about ¥680 billion, far exceeding our original target of ¥260 billion. Consequently, we were able to greatly improve the Company's earnings structure. Before the plan in 2015, interest-bearing liabilities totaled around ¥750 billion and the gross debt-to-equity ratio was over 1.0, but in 2018, the final year of the 2016MTBP, interest-bearing liabilities had been reduced to about ¥415 billion and the debt-to-equity ratio came in at 0.45. The Company repurchased around ¥100 billion of its own shares in 2018, thereby boosting shareholder returns.

Three-year cumulative results from 2016 to 2018



The Company also beat its targets for all key performance indicators and profit guidance we gave priority to under the 2016MTBP. Specifically, by the final year of the 2016MTBP, return on equity reached 17.5%, exceeding our target of 15%, the compound annual growth rate of normalized EPS was 12.6%, beating our target of 6%, and consolidated operating profit totaled ¥199.3 billion, surpassing our guidance of ¥196 billion.

Financial strategies of the 2019 MTBP

Establishing a launchpad for achieving growth over the medium to long term

Q How does the Group intend to achieve growth going forward?

We formulated a new long-term management vision called Kirin Group Vision 2027, and as the first step toward realizing it, we intend to create a foundation for the Kirin Group aimed at achieving new growth under our 2019 MTBP. We succeeded in revitalizing the Group, but it will be necessary to make proactive investments for achieving continuous growth over the medium to long term. Our existing businesses are expected to generate substantial cash flows, so we plan to further invest in them.

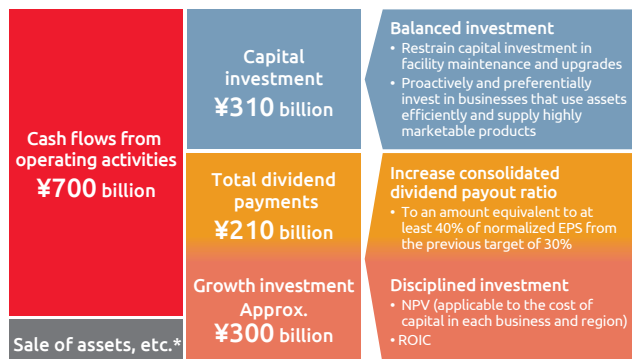
Q What does the Company plan to invest in?

Over the three years of our new plan, we have earmarked about ¥300 billion for growth investment and another ¥310 billion for capital investment. Furthermore, we plan to invest in initiatives for improving organizational capabilities in order to realize long-term growth.

We will work to maximize returns on the capital investment by proactively and preferentially allocating funds to

Three-year cash flow plan

Flexibly consider increasing shareholder returns after giving top priority to growth-oriented investment using cash flows from operating activities of growing existing businesses



* Total sum for sale of Lion Dairy & Drinks, other assets, etc. yet to be determined

businesses that use assets efficiently and supply highly marketable products, while restraining investment in the maintenance and upgrade of existing facilities to the extent possible.

With respect to growth investment, the highest priority will be given to existing businesses that have potential for earnings growth. Among them, we will give priority to the beer business, as its profitability is forecast to be very stable in the global market. With respect to these priority businesses, we are also interested in investing in mergers and acquisitions. Through a balanced variety of investments, including in new business areas, we will allocate resources to businesses that have strong potential to generate cash.

Q In the beer business, what specifically will the Company invest in?

We will invest in region and business domains that are growing. Among the regions, we are exploring opportunities primarily in Southeast Asia. Among businesses, we will continue to expand the Group's craft beer portfolio with a view to market it globally. Furthermore, in the Japanese market, growth is projected for product categories besides beer, such as RTD beverages and Japanese whisky, so we are looking to proactively channel capital investment in and expand those categories.

Q What do you plan to invest in to "bridge" those main businesses?

There are various kinds of possibilities. For instance, in the context of providing better medical treatment and healthcare, which is an important challenge for society, we aim to "help people independently lead healthy lifestyles and support preventive healthcare." That is a major pillar of the Kirin Group CSV Commitment (see page 32 for more details). Accordingly, we will make the most of the Group's operational resources that span from food and beverages to pharmaceuticals in order to create new businesses that benefit society. For example, based on personal genetic characteristics determined via DNA tests, individually optimized healthcare and services are being offered in various countries of the world. In that context, Kirin Holdings acquired a capital stake in Thorne Research, Inc., which develops and sells personalized supplements in the United States. We plan to expand that company's business by supplying the Kirin Group's highly functional ingredients and products, and to develop our own business model for Japan. We will also take steps to acquire or enhance any capabilities that may be lacking.

Q How do you intend to enhance organizational capabilities?

Positioning issues facing society and the needs of customers

Interview with the Chief Financial Officer

as opportunities for growth, we are taking steps to improve the capabilities of our existing organizations involved in both existing and new businesses. Moreover, we are incorporating capabilities acquired from outside the Kirin Group to drive innovations that create value. Therefore, we intend to enhance the Group’s intangible value—namely brands, research and development, ICT, and HR and organization—as organizational capabilities that underpin growth.

Q **Concretely speaking, how do you intend to enhance those value?**

We intend to maximize the outcomes of investments earmarked as expenses in the financial statements. Among our initiatives in the past, investment was lacking in some respects, but now we are clearly specifying how much investment should be allocated for the capabilities we need and then taking steps to improve them. For example, we will install systems for utilizing AI and robotic process automation, and improve core databases used for digital marketing. Using the latest technology, the Group will quickly collect information on customers and drive new innovations aimed at providing high-value-added products and services to consumers. We are also proactively investing in programs for promoting the diversity of our human resources. Whether contributing to higher sales in the future or bringing down costs, these investments will lead to returns.

Key performance indicators and cash allocation

Maximizing corporate value through disciplined investment decisions

Q **Why were key performance indicators changed in the new business plan?**

Given that the Company will proactively invest, how to make disciplined investment decisions became an important issue. Interest-bearing liabilities are included under invested capital in the calculation of return on invested capital (ROIC), so we can more accurately determine the profitability of investments. Using ROIC and net present value (NPV) as indicators allows us to more effectively evaluate investment targets and maintain discipline when making investment decisions. As for quantitative key performance indicators, we are aiming for at least a 5% compound annual growth rate (CAGR) of normalized EPS with a view to increase shareholder value. We are also targeting a minimum ROIC of 10% in order to boost returns above the cost of equity.

Q **How do you plan to manage the balance sheet?**

We want to limit the combined amount of volatile assets and assets associated with growth investment within a range that

does not require dependence on interest-bearing liabilities. Instead of relying on easily available credit with interest for funds needed for future growth, we intend to carefully manage volatile assets with a view to create investment reserves. For example, we intend to continue reducing cross-shareholdings that are incommensurate with the cost of equity, and will aim to sell off assets worth a similar amount as those sold off over the past three years of the previous MTBP.

Q **Please tell us about your outlook for cash flows.**

The Company is expected to generate a cumulative total of over ¥700 billion in cash flows from operating activities over the next three years. Besides using it for growth investment and capital investment, we plan to allocate ¥210 billion for dividends, which will raise the consolidated dividend payout ratio from over 30% to more than 40%, a level commensurate with normalized EPS.

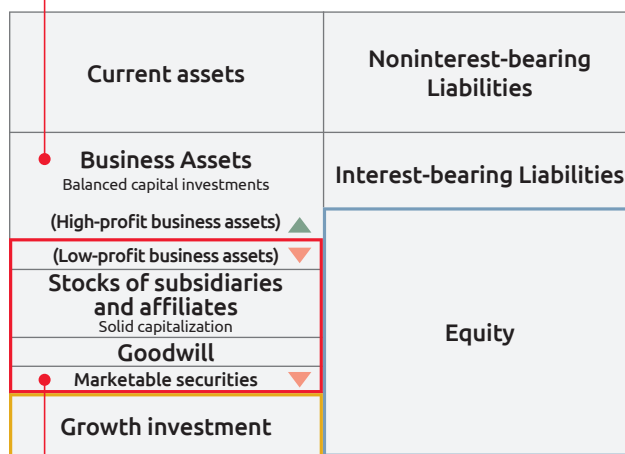
Q **Finally, what message would you like to give to shareholders and investors?**

Having revitalized the Kirin Group, management is now able to proceed to the next stage. Kirin Group will help communities take on challenges while bringing economic benefits by positioning “Creating Shared Value” at the heart of all business activities. While we plan to proactively invest under our current MTBP, we will maintain discipline when making investment decisions for the purpose of maximizing corporate value.

Ideal balance sheet composition by 2021

Limit the combined amount of growth investment and volatile assets to a level not requiring reliance on interest-bearing liabilities

Disciplined investment decisions to maximize returns



Sell cross-shareholdings to reduce non-business assets

- Volatile assets have relatively strong potential to generate cash and comparably high levels of volatility with respect to asset value
- Growth investment □ Equity

* Conceptual diagram