

# 2009 Third-quarter results presentation

Results for the nine months January to September 2009

November 6, 2009

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**KIRIN**

KIRIN HOLDINGS COMPANY, LIMITED

# 2009 Q3 consolidated review

## ●Steady progress toward targets

In a tough environment, solid results from Kirin Brewery, Kyowa Hakko Kirin and others are helping the push to achieve sales and earnings targets for the year.

(Billion yen)	FY09 Q3 results	YoY change (%)	YoY change (¥)	FY08 Q3 results	FY09 full-year forecasts*	Progress on forecast
Sales	1,668.2	(1.6%)	(27.7)	1,695.9	2,300.0	72.5%
Operating income	93.9	(9.5%)	(9.9)	103.8	130.0	72.2%
Ordinary income	110.0	26.8%	23.2	86.8	143.0	76.9%
Net income	41.7	(56.4%)	(53.9)	95.6	45.0	92.7%

\*As revised at announcement of Q3 results

### Sales

On track to meet full-year target, supported by solid performance in domestic alcohol and pharmaceuticals, despite negative impact of exchange rates.

### Operating income

Qualitative increase on like-for-like basis excluding impact of exchange rate and change in accounting method.\*\* Performance at Lion Nathan has been good; domestic alcohol and pharmaceuticals also solid; full-year target upwardly revised from ¥125.0 billion to ¥130.0 billion.

\*\*Useful life used in depreciation of beer plant facilities has changed

### Ordinary income

Major increase, to record level, supported by exchange gain of ¥16.3 billion on Australian dollar (compared to ¥14.8 billion loss in 2008).

### Net income

Significant decrease due to impact of change in equity in affiliates in Q2 2008

\*\*\*Due to exchange of former Kyowa Hakko Kogyo shares

## 2009 full-year forecast revisions

### ● Comparison with full-year forecasts announced at Q2 results

(Billion yen)	Full-year forecast as revised at Q2	Revised full-year forecast as of Q3	Change
Sales	2,300.0	2,300.0	0
Operating income	125.0	130.0	5.0
Ordinary income	136.0	143.0	7.0
Net income	60.0	45.0	(15.0)

### ● Main reasons

#### 1. Operating income

- ✓ Upwardly revised to reflect October 22 upward revision at Kyowa Hakko Kirin along with expected increase at Kirin Brewery and decrease at Kirin Beverage.

#### 2. Ordinary income

- ✓ Upwardly revised to reflect increased operating income and exchange gains on Australian dollar, etc.

#### 3. Net income

- ✓ Downwardly revised to reflect impairment loss on fixed assets from restructuring of plant network and other factors, despite increase in operating income.

## Q3 review (1)

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### Kirin Brewery

#### ● Robust sales in beer, happo-shu and new genre: above market average in each category

- Outperformed market in total January-September taxed shipments for beer, happo-shu and new genre (Kirin down 0.1% YoY, market average down 2.0+), despite unseasonable weather negatively affecting demand
- Achieved sales of 2.5 million cases of non-alcohol beer taste beverage *Kirin FREE* since April launch—far in excess of initial target. Set a new annual sales target of 3.5 million cases (roughly 5.5 times initial target)
- Improved operating income by ¥3.1 billion YoY through cost reduction measures

### Mercian

#### ● Improved profitability through cost reductions, mainly in wine business

- Strong sales of inexpensive table wines
- Pursued cost reduction measures to improve profitability amid weakening sales for mid-range to high-end wines
- Net sales down ¥5.7 bn YoY; Operating income up ¥0.3 bn

### Kirin Beverage

#### ● Continued initiatives to reform earnings structure amid a business environment impacted by weak consumption

- Strengthened brands through selection and concentration of core brands such as *Kirin Gogono-Kocha*, *Kirin FIRE*
- Pursuing comprehensive reform of earnings structure: achieved approx. ¥8.2 bn reduction in A&P.expenses

## Q3 review (2)

### Kyowa Hakko Kirin

#### ● Maintained strong sales in leading pharma products

- Operating income increased due to several factors: growth in leading pharma products such as NESP and ESPO, lower in-licensing expenses and reductions in SG&A
- Tough business environment for chemicals business due to economic slowdown, but gradual improvements in sales volumes and sales price due to economy in recovery trend and price hike in naphtha from spring 2009

### Kirin Kyowa Foods

#### ● Began operating as new company; strengthening business foundations

- Smooth start since April launch of new company. Strengthened value proposal-based sales and development activities based on technical and proposal capabilities with aim of achieving specific integration synergies
- Launch in September new *Ippai no Zeitaku* series of freeze-dried products that can be easily prepared for eating by adding hot water

### Asia, Oceania

#### ● Lion Nathan

- Strong beer sales due to shift to premium products and improved brand strength in key market of Australia

#### ● National Foods

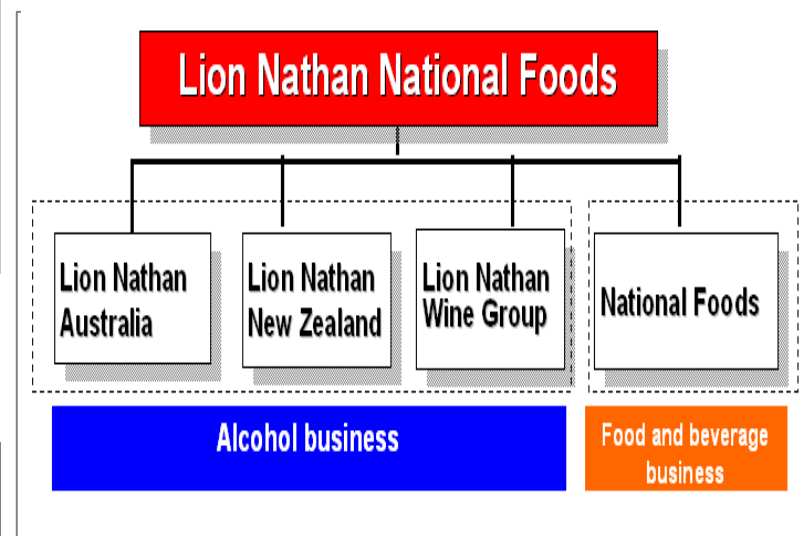
- Steady progress in cost reduction arising from integration, following 2008 acquisition of Dairy Farmers; substantial increases in sales and earnings in soft drinks and foods segment

# Initiatives to further strengthen Group governance

## ● Established holding company Lion Nathan National Foods

- Established new framework for further growth and synergy generation between operating companies
- Accelerating development of integrated beverages group strategy with Lion Nathan and National Foods

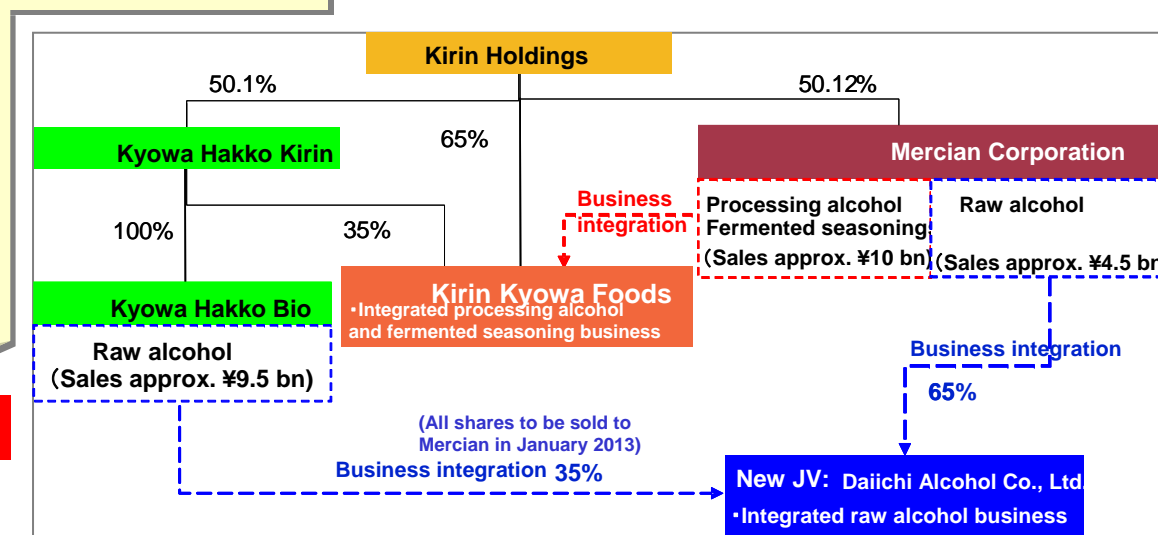
**New structure from October 2009**



## ● Decided on integrations of some businesses within Group to further improve governance

- Integration of raw alcohol businesses of Mercian and Kyowa Hakko Bio into newly established amalgamated company Daiichi Alcohol Co., Ltd.
- Integration of processing alcohol and fermented seasoning businesses of Mercian with Kirin Kyowa Foods

**Business integration from July 2010**



## **Achieving KV2015: Stage II**

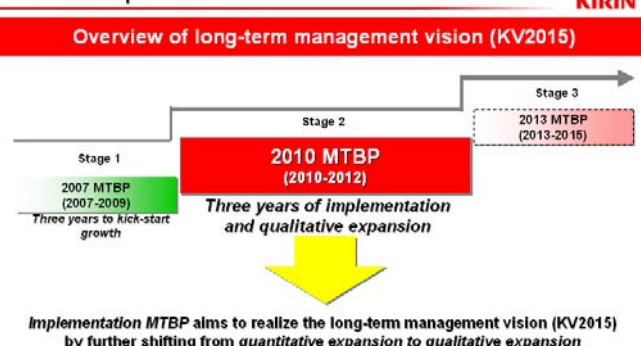
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# 2010 Medium-term Business Plan (KV2015 Stage II)

● New Medium-term Business Plan, Stage II in KV2015, announced on October 26

## 2010—2012 Three years of implementation and qualitative expansion

### 2010 MTBP priorities



### 2010 MTBP Basic policy

**2010 MTBP Basic policy**

1. Increase Group enterprise value by realizing growth and synergies at operating companies

Strategic priorities

- (1) Generate Group synergies: Pursue comprehensive cost synergies, which have a high degree of reliability, in addition to sales synergies. Outcome: Generate Group synergies, Pursue an integrated beverages group strategy.
- (2) Realize lean management: Eliminate strain, waste, and irregularity—obstacles to creating customer value—and increase adaptability to environment using PDCA cycle. Outcome: Improve profitability and asset efficiency.
- (3) Strengthen technical capabilities & customer relationships: Concentrate management resource investment and develop personnel training and deployment system with the aim of creating an organization with diversity and strong management capabilities. Outcome: Realize lean management, Strengthen technical capabilities & customer relationships.

Strategic scenario: Pursue an integrated beverages group strategy. Collaborate in activities/transfer of business skills between alcohol and beverages businesses to create value beyond reach of dedicated manufacturers.

2. Pursue a financial strategy to increase Group enterprise value

Increase cash flow by achieving qualitative expansion; emphasize returns to shareholders and maintenance of a sound financial position.

3. Engage in CSR activities that enhance Kirin Group's coexistence with society

Take further steps to become "Low Carbon Cooperate Group"

- CO2 emissions reductions targets: By 2050 reduce over entire value chain to 50% of 1990 levels
- By 2015 reduce at production, distribution and offices to 35% of 1990 levels

### Quantitative targets

Based on Japan accounting standards, with increased focus on cash based targets after considering impact of amortization of goodwill

In line with MTBP aim of increasing earnings across the board, targeting marked increase in operating income, OP ratio and ROE

Targets	2009 revised	2012 plan	Change	2015 targets
Sales	1,930.0	2,130.0	200.0	2,500
Operating income	154.0	231.0	77.0	250
OP ratio (%)	8.0%	10.8%	2.8% points	10.0% plus
Cash ROE (%)	9.3%	10% plus		

(Unit: billions of yen)

Estimated exchange rates	2009 revision	2010 MTBP
US \$	¥96	¥91
A\$	¥73	¥78
A\$ Lion Nifflan	¥70	¥78
Euro	¥132	¥133

Quadrants	2009 revised	2012 plan	Change	2015 targets
Sales by segment				
Alcohol beverages	1,103.0	1,167.0	64.0	
SD and foods	754.0	815.0	61.0	
Pharma	205.0	225.0	20.0	
Other	238.0	283.0	45.0	
Sales total	2,300	2,490.0	190.0	3,000
Overseas sales ratio	26%	29%	3% points	Approx 30%
EBITDA	252.2	341.0	88.0	
DER	0.95x	0.5x	(0.45)	
Asset turnover ratio	0.68x	0.8x plus		

**Theme:** Three years of implementation and qualitative expansion

**Policy:**

1. Increase Group enterprise value by realizing growth and synergies at operating companies
2. Pursue a financial strategy to increase Group enterprise value
3. Engage in CSR activities that enhance Kirin Group's coexistence with society

**Quantitative targets (FY2012)**

Sales (excl. liquor taxes)	¥2,130.0 bn
Operating income (after amortization of goodwill)	¥188.0 bn
Operating income ratio (excluding liquor taxes, after amortization of goodwill)	8.8%

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