

# *Consolidation of Schincariol*

**August 2, 2011**

**Kirin Holdings Company, Limited**

# Transaction Overview

**Kirin signed a share purchase agreement to acquire all outstanding shares of Aleadri, a company that holds 50.45% of the outstanding shares of Schincariol Participações e Representações S.A. Transaction was completed on August 2**

- Kirin Holdings Company, Limited (hereafter, “Kirin”) today signed a share purchase agreement to acquire all outstanding shares of Aleadri-Schinni Participações e Representações S.A. (Brazil; Representatives: Alexandre Schincariol and Adriano Schincariol; hereafter, “Aleadri”), a company that holds 50.45% of the outstanding shares of Schincariol Participações e Representações S.A. (Brazil; CEO: Adriano Schincariol; hereafter, “Schincariol”)
- Kirin acquired all of the outstanding shares of Aleadri from Alexandre Schincariol and Adriano Schincariol in a negotiated transaction. Schincariol will be consolidated after consummation of the transaction
  - ✓ Consolidation of a major beverage manufacturer with the 2<sup>nd</sup> largest share in the Brazilian beer market<sup>1</sup>, and a major soft drinks producer including 3<sup>rd</sup> largest share in the Brazilian CSD market<sup>2</sup>
  - ✓ Approximately 15%<sup>1</sup> market share in the Brazilian beer market in 2010
- Kirin acquired all of the outstanding shares of Aleadri for BRL3.95 billion (approx. ¥198.8 billion<sup>3</sup>)
  - ✓ Purchase price will be adjusted for Schincariol Group’s closing net debt as well as for 2011 financial performance. Maximum adjustment in connection to 2011 financial performance is BRL0.1 billion (approx. ¥5.0 billion<sup>3</sup>)
- Kirin funded the transaction through cash on hand and loans
- Transaction was completed on August 2, 2011

Source:

- 1 Euromonitor
- 2 Euromonitor. Off-trade basis
- 3 BRL1=¥50.35 (as of August 1, 2011)

**While Asia and Oceania remain Kirin's most important regions, this transaction provides us with a solid base in a promising emerging market and supports our international integrated beverages group strategy**

- Acquire an operational base in the large and high growth Brazilian beer and soft drinks markets
  - ✓ Brazilian beer and soft drinks markets are large and attractive markets estimated at BRL56.7 billion (¥2.8 trillion<sup>1</sup>) and BRL57.7 billion (¥2.9 trillion<sup>1</sup>) on value basis, 12.6 million kilolitres and 23.0 million kilolitres on volume basis, respectively. Also, these markets are expected to grow at approx. 10% and 12% on value basis, respectively, due to the population and personal income growth<sup>2</sup>
- Schincariol Group is one of a few companies with a strong nationwide business platform and a meaningful size both in the beer and soft drinks segments
  - ✓ Schincariol Group is the 2<sup>nd</sup> largest player in the beer market (approx. 15% share), and 3<sup>rd</sup> largest player in the CSD market (approx. 5%<sup>3</sup> share). In the beer segment, Schincariol Group covers a wide range of premium to economy products and has a strong presence in the fast growing North-East region
  - ✓ 13 modern production facilities in Brazil, most of which are built after 2000
  - ✓ Around 80% of total sales volume is covered by its own distribution network and exclusive distributors
- Leveraging our strengths (technological, research & marketing, and product development capabilities), Kirin will support the further expansion of Schincariol Group by strengthening its existing brands and introducing new value-added products. Sales are expected to grow at 10% per year

Note:

- 1 BRL1=¥50.35 (as of August 1, 2011)
- 2 Based on Euromonitor and other sources
- 3 Euromonitor. Off-trade basis

# Kirin's Global Expansion

While Kirin continues to implement its international integrated beverages group strategy in the Asia and Oceania regions, Kirin is also pursuing opportunities to expand its business platform to new profitable and high growth markets, and decided to invest in Brazil

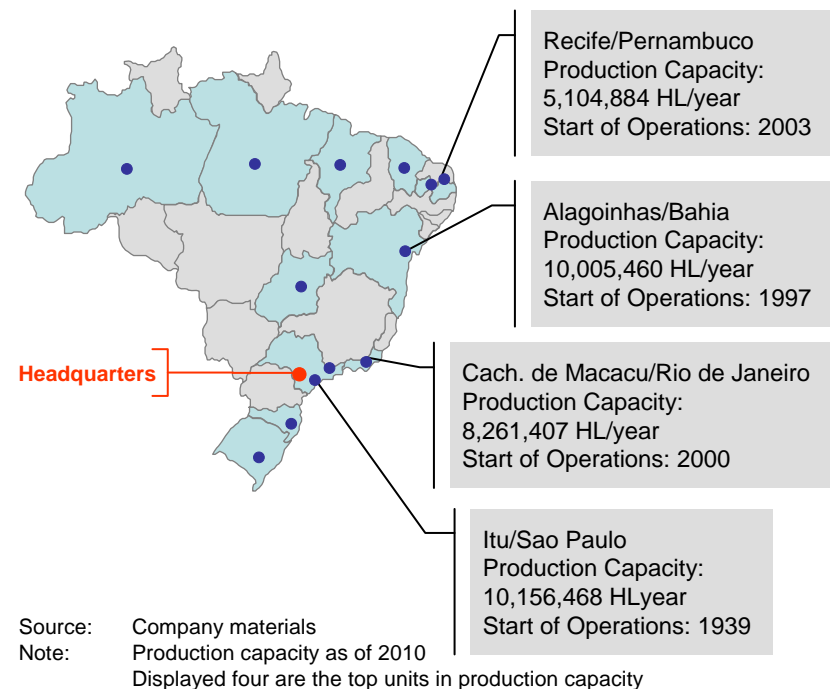


# Schincariol Group Overview

## Overview

Company Name	Schincariol Participações e Representações S.A.
Headquarters	Itu, Sao Paulo, Brazil
Establishment	1983
Capital	BRL 620 million (¥31.2 billion <sup>1</sup> ) (as of 12/2010)
Representatives	CEO: Adriano Schincariol
Number of Employees	Approx. 10,000 (as of 12/2010)
Business Description	Beer (81.6%); Soft Drinks (18.1%); Other (0.3%) <sup>2</sup>

## Geographic Footprint (13 Production Units)

















- Started soft drinks production in Itu, Sao Paulo in 1939, and in 1989 entered into the beer market. In 2003, launched Nova Schin, currently its main brand and created a new brand image. After 2006 acquired several local beer brands and expanded in the premium beer segment
- 2<sup>nd</sup> largest beer producer<sup>3</sup> in Brazil with 2010 production volume of 1.94 million kilolitres and in the soft drinks market, with 3<sup>rd</sup> largest share in the CSD market<sup>4</sup>, with 2010 production volume of 1.03 million kilolitres
- Owns the largest single manufacturing unit in South America (Itu plant), along with 12 other wholly-owned units. Except the Itu plant which operations since the establishment of Schincariol, and the Alagoinhas plant, the rests of the production facilities are very modern units which started operation in the 2000's
- Covers around 80% of total sales volume through its own distribution network and exclusive distributors
- Major beer brands include Nova Schin, Devassa Bem Loura, Glacial, Baden Baden, and Eisenbahn. Also Schin and Skinka soft drink brands

### Note:

- 1 BRL1=¥50.35 (as of August 1, 2011)
- 2 Numbers in brackets indicate revenues composition for the year ended December 2010
- 3 Euromonitor
- 4 Euromonitor. Off-trade basis

# Schincariol Group Key Products and Brands

Schincariol Group's major beer brands include Nova Schin, Devassa Bem Loura, Glacial, Baden Baden, and Eisenbahn. Schincariol Group's soft drinks business is centered around the Schin and Skinka brands

Beer		
Premium (2.1%)	Standard (90.8%)	Economy (7.1%)
<p><b>Baden Baden</b></p>  <p><b>Devassa Bem Loura</b></p>  <p><b>Eisenbahn</b></p> 	<p><b>Nova Schin</b></p>  <p><b>Devassa</b></p>  <p><b>Nobel</b></p>  <p><b>Primus</b></p> 	<p><b>Glacial</b></p>  <p><b>Cintra</b></p> 
Soft Drinks		
CSD (78.5%)	Fruit/Vegetable Juice (10.5%)	Bottled Water (10.9%)
<p><b>Schin</b></p>  <p><b>Itubina</b></p>  <p><b>Viva</b></p> 	<p><b>Skinka</b></p> 	<p><b>Schin</b></p> 

# Schincariol Group Financial Highlights

Consolidated bases (BRL millions / ¥ billions <sup>1</sup> )	12/2010 (Audited)	3/2011 LTM (Unaudited, Management accounting base)
Net Revenues	2,854 (143.7)	2,988 (150.5)
EBITDA (standardized) <sup>2</sup>	509 (25.6)	550 (27.6)
Net Income	54 (2.7)	—
Total Asset	4,463 (224.7)	—
Net Debt <sup>3</sup>	828 (41.7)	—
Net Asset	2,024 (101.9)	—

Note:

- 1 BRL1=¥50.35 (as of August 1, 2011)
- 2 Excludes one-time campaign expenses and founder's family expenses etc.
- 3 Calculated as Loans – (Cash and cash equivalents + Investments)

# Valuation and Funding

**Based on the purchase price of BRL 3.95 billion<sup>1</sup>, implied EV/EBITDA multiple (3/2011 LTM) is c. 15.7x. The multiple is in line with precedent acquisitions of beverage companies in emerging markets**

- Firm Value BRL 8.654 billion = Equity Value (100% base) BRL 7.825 billion + Net Debt BRL 0.828 billion<sup>2</sup>  
Based on 3/2011 LTM EBITDA (standardized) of BRL 550 million, this implies a multiple of 15.7x
  - ✓ In determining the equity purchase price, various methodologies, including Discounted Cash Flow (“DCF”) were used
  - ✓ Schincariol Group’s valuation fits into the multiple range of 9.6x-26.1x, observed in precedent acquisitions of beverage companies in emerging markets
  
- Transaction was funded entirely by cash on hand and loans
  - ✓ D/E multiple after the acquisition expected to be within 1.0x, which fits into Kirin’s financial strategies in the Medium-term Business Plan

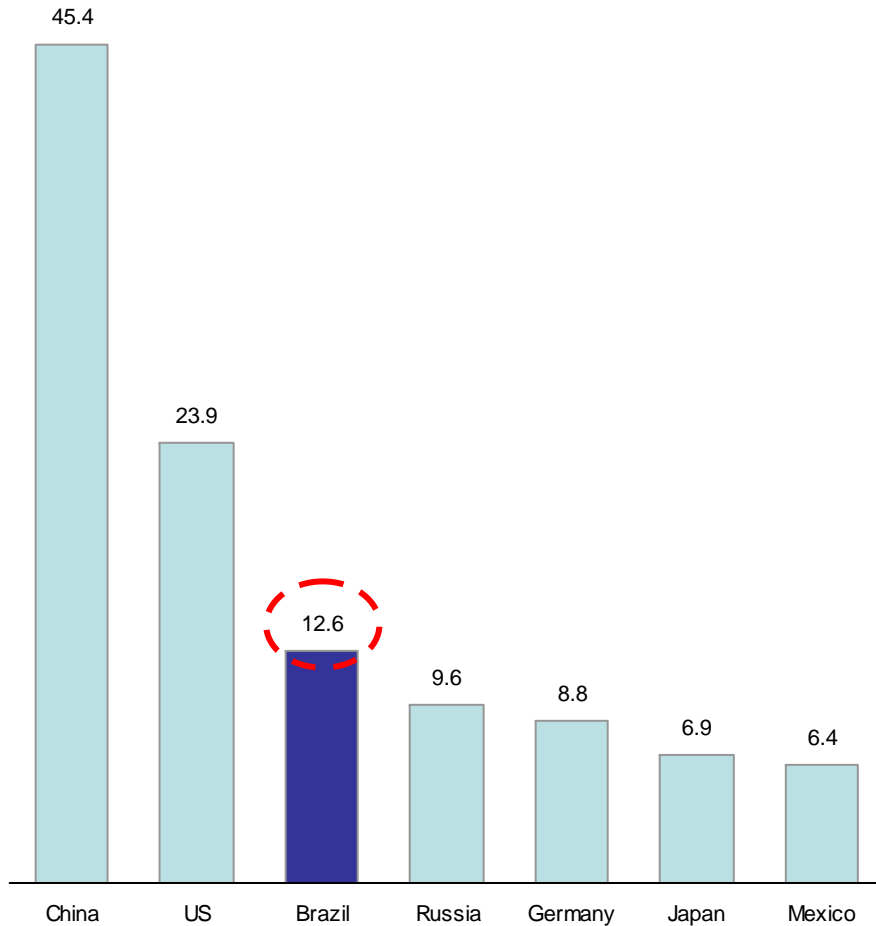
Note:

- 1 The transaction value may increase by a maximum of BRL 0.1 billion (approximately ¥5.0 billion<sup>3</sup>) subject to Schincariol Group’s FY2011 performance
- 2 Net Debt as of 12/2010
- 3 BRL1=¥50.35 (as of August 1, 2011)

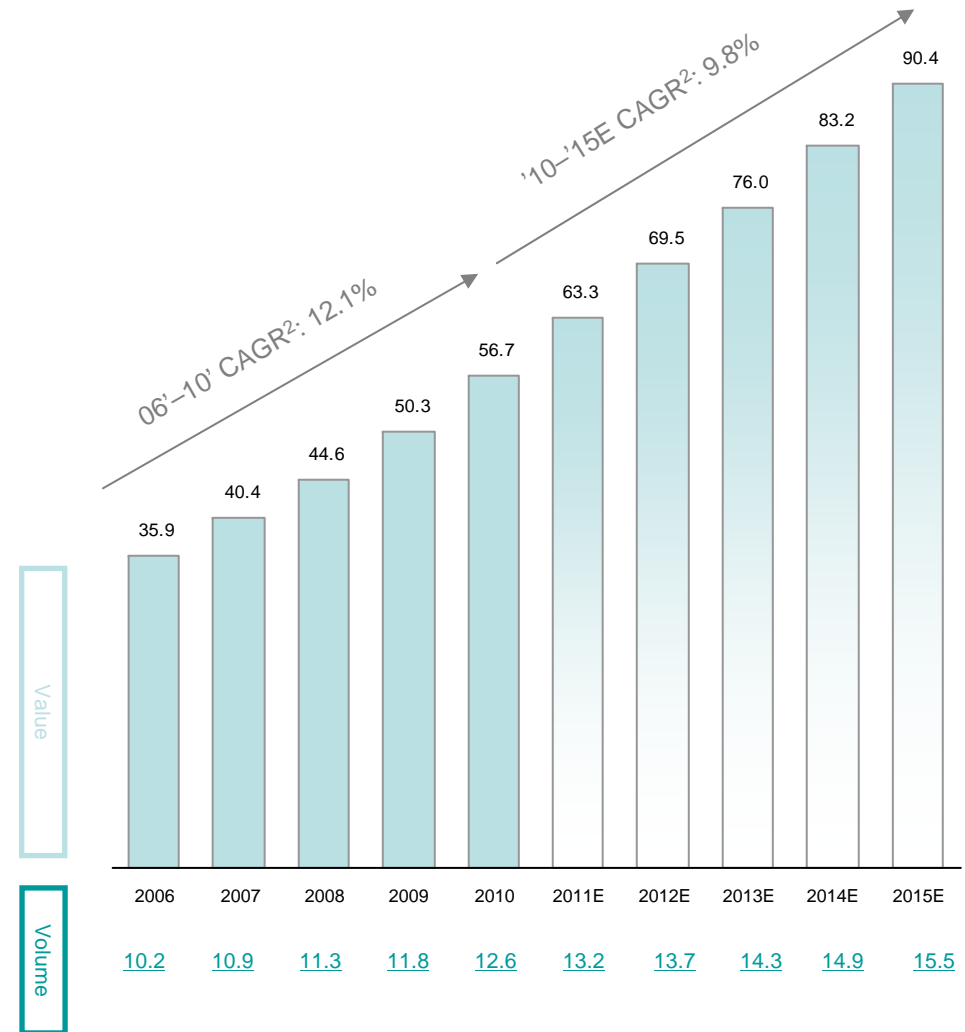
# Appendix

# Brazilian Beer Market (1)

Top Global Beer Markets (2010)  
(Million Kilolitres)



Brazilian Beer Market Size  
(Value in Billion Reais<sup>1</sup>, Volume in Million Kilolitres)



Source: Euromonitor

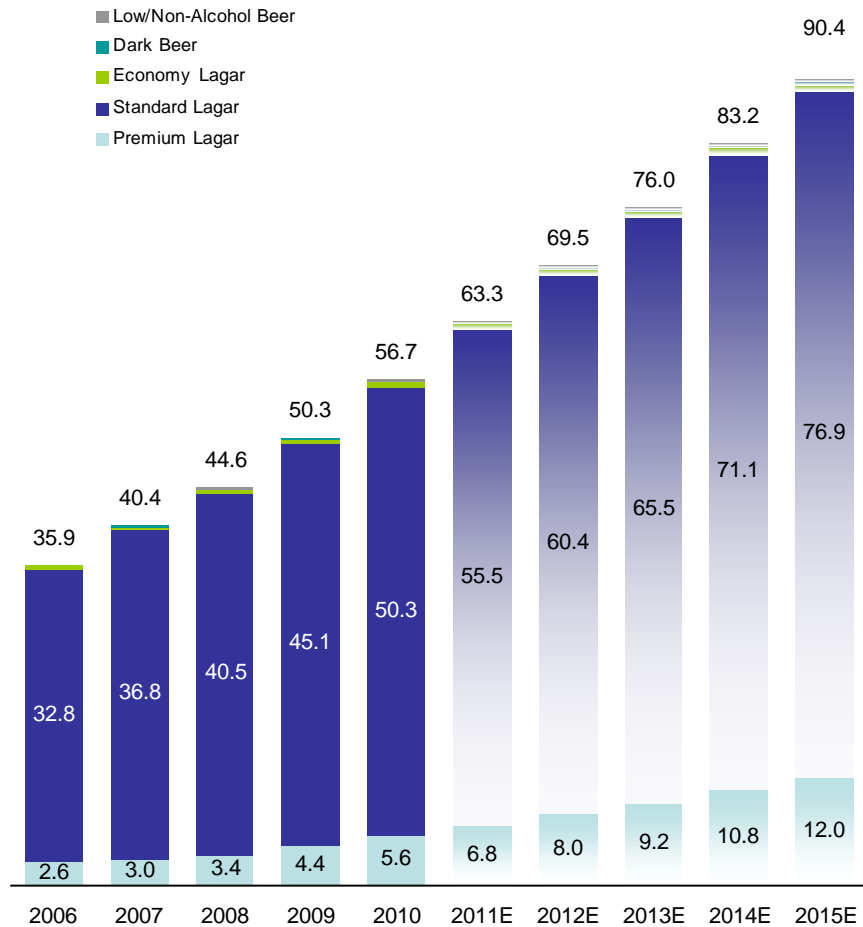
Note:

1 Before adjustment for inflation

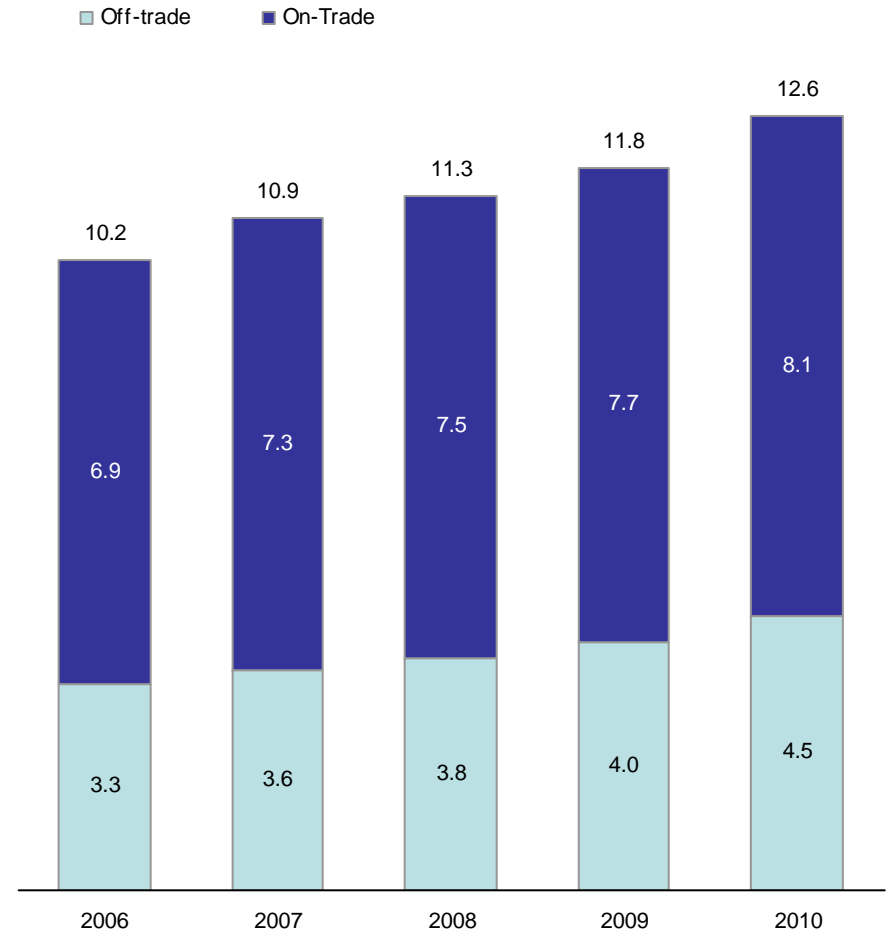
2 CAGR on value basis

# Brazilian Beer Market (2)

Brazilian Beer Market by Category  
(Billion Reais<sup>1</sup>)



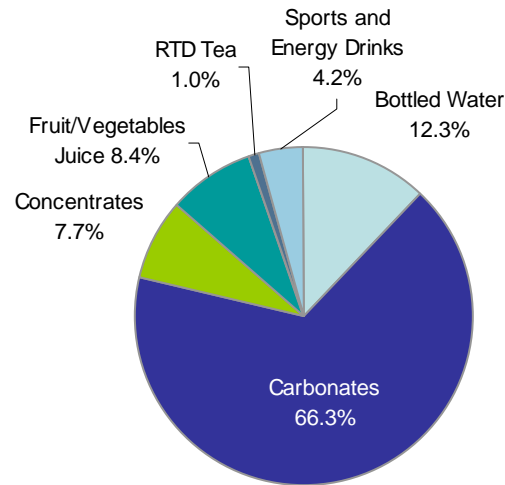
Brazilian Beer Market by Channel  
(Million Kilolitres)



Source: Euromonitor  
Note:  
1: Before adjustment for inflation

# Brazilian Soft Drinks Market

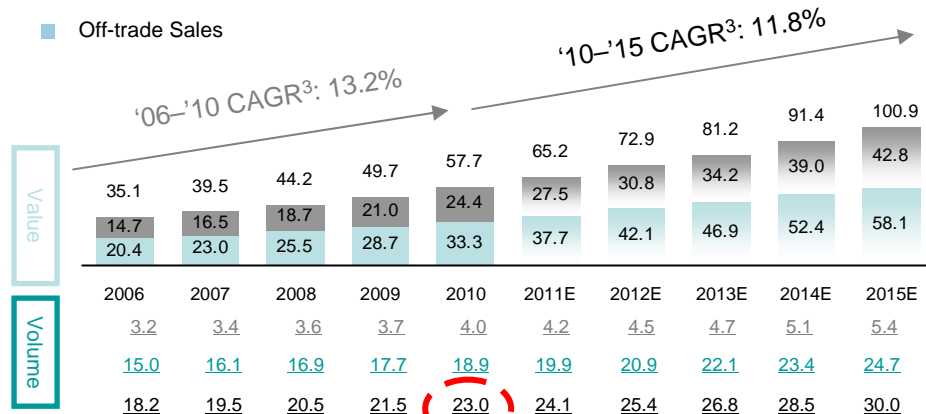
## Brazilian Soft Drinks Market (by Category) (Value Terms)



## Soft Drinks Market Size

(Value in Billion Reais<sup>1</sup>, Volume in Million Kilolitres)

- On-trade Sales
- Off-trade Sales

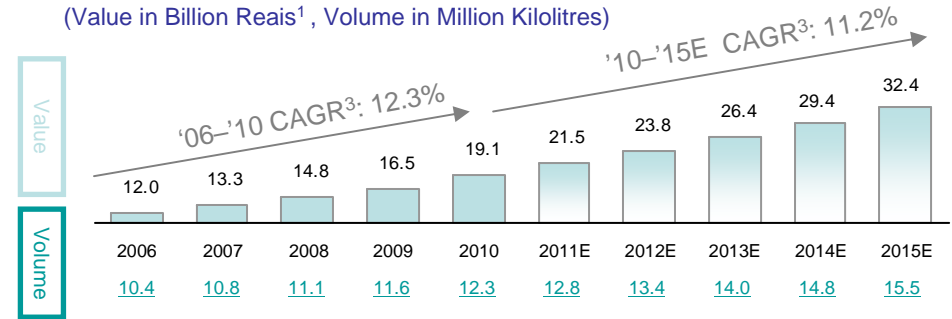


Source: Euromonitor

- Note:
- 1 Before adjustment for inflation
  - 2 Off-trade basis
  - 3 CAGR on value basis

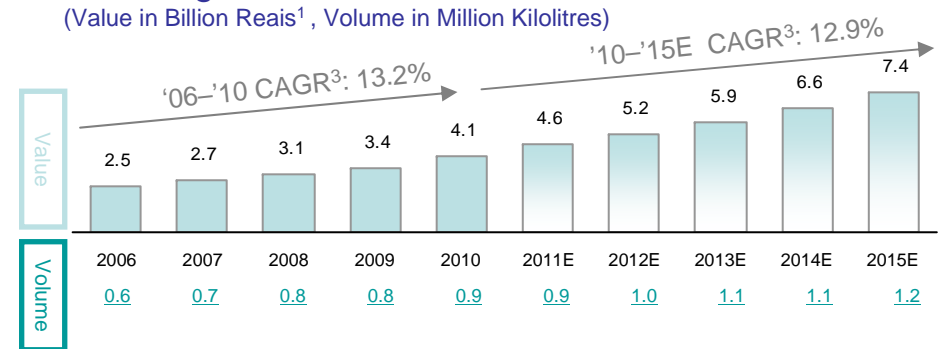
## CSD Market Size<sup>2</sup>

(Value in Billion Reais<sup>1</sup>, Volume in Million Kilolitres)



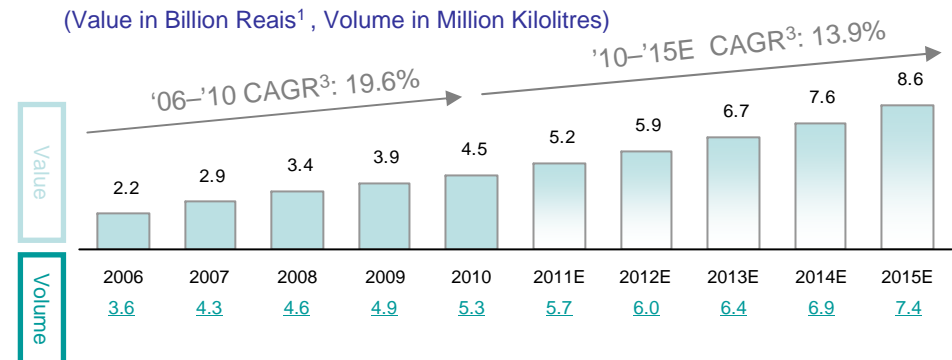
## Fruit/Vegetables Juice Market Size<sup>2</sup>

(Value in Billion Reais<sup>1</sup>, Volume in Million Kilolitres)



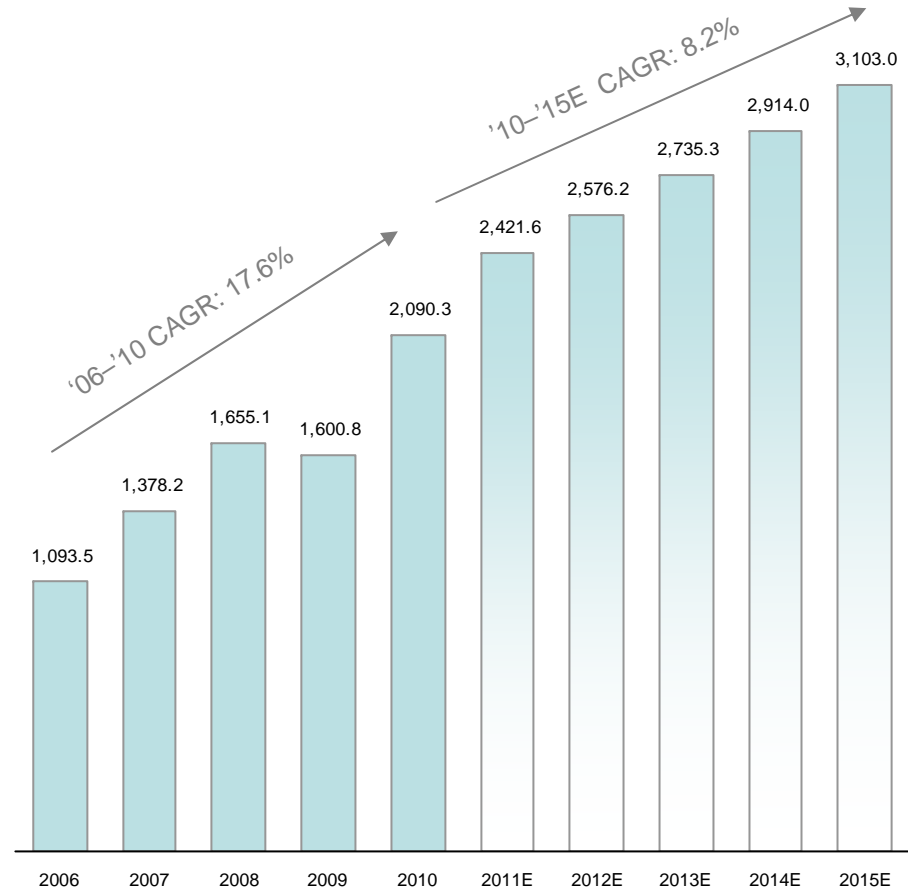
## Bottled Water Market Size<sup>2</sup>

(Value in Billion Reais<sup>1</sup>, Volume in Million Kilolitres)

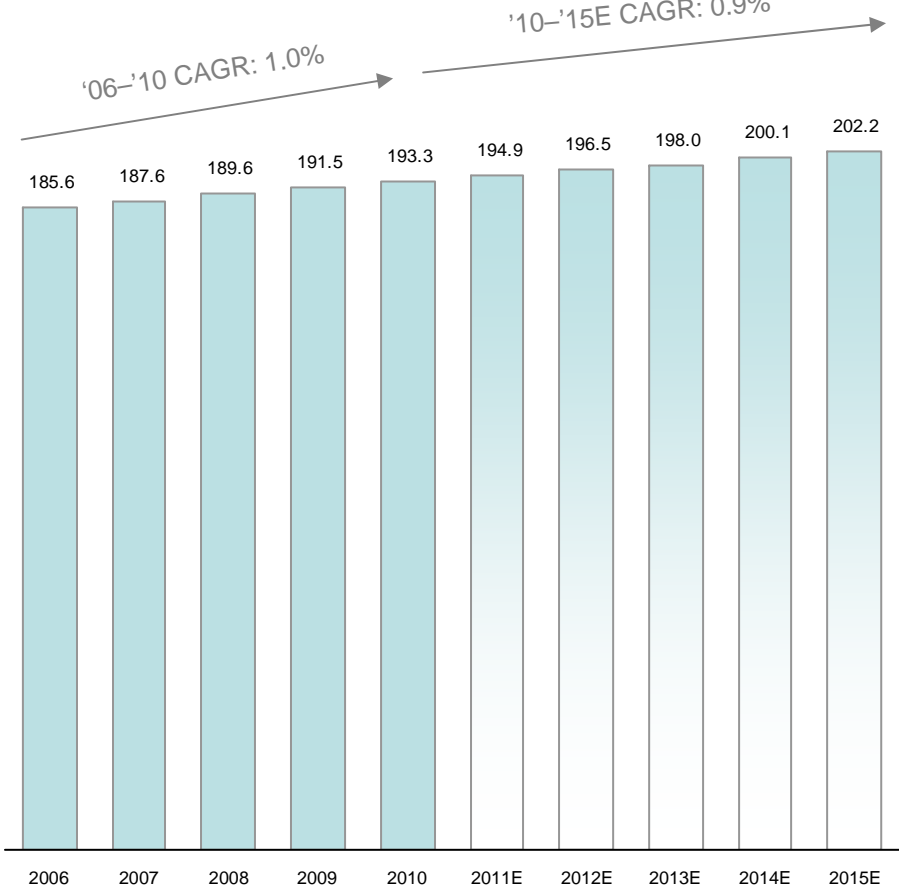


# Brazilian Economy: Overview

Nominal GDP  
(Billion USD)



Population  
(Millions)



Source: IMF, World Economic Outlook Database for GDP. EIU Forecast for population

おいしさを笑顔に

**KIRIN**

この資料は投資判断の参考となる情報の提供を目的としたものであり、投資勧誘を目的としたものではありません。  
銘柄の選択、投資の最終決定は、ご自身の判断でなさるようお願いいたします。

**This material is intended for informational purposes only and is not a solicitation  
or offer to buy or sell securities or related financial instruments.**