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Kirin Group Business Approach for 2010

February 10, 2010

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キリンホールディングス株式会社

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First year of 2010 MTBP— targeting *implementation and qualitative expansion*

- ◆ Achieved strong start in Stage I (2007 MTBP) toward realizing the aims of Kirin Group Vision 2015 (KV2015)
- ◆ Achieved record-high ordinary income in 2009 results—Kirin Brewery enjoying extremely high customer support
- ◆ 2010 is the first year of the second stage of KV2015—targeting *implementation and qualitative expansion*
 - ⇒ Making Group-wide effort to pursue value propositions that meet customer needs
 - Offering customers new joy in food and health
 - ⇒ Targeting higher profitability and efficiency
 - KH leading operating companies in Group-wide measures in lean management and synergy strategies
- ◆ 2010 quantitative targets: Increase earnings without relying on sales growth

Kirin Group Vision 2015 (KV2015) (announced May 2006)

**Continuing Kirin's leap in growth outlined in KV2015 long-term vision
Moving to Stage II with the 2010—2012 Medium-term Business Plan**

KV2015 Group Vision

- Nurture close links with customers through products that provide the enjoyment of food and health
- Integrate our expertise in fermentation and biotechnology, manufacturing, and research and marketing to create value and offer distinctive products of the highest quality
- Be a leading company in Asia and Oceania, with alcohol beverages, soft drinks and pharmaceuticals as our core business

Strengthen foundations by achieving growth in domestic alcohol business

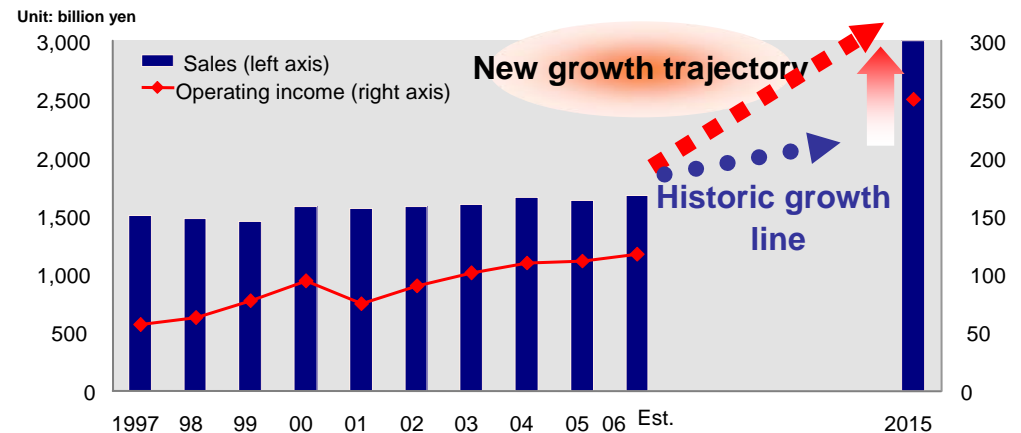


1. Pursue an integrated beverages strategy

2. Internationalize business

3. Establish health food & functional food business pillar to follow alcohol beverages, soft drinks and pharmaceutical businesses

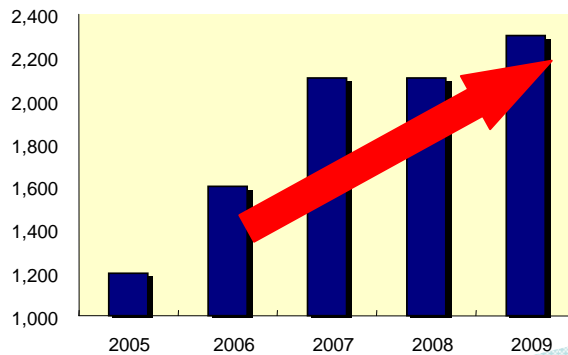
KV2015 targets		2006	2015
Sales (yen)	Incl. Liquor tax	1.68 trillion	3 trillion
	Excl. liquor tax	1.27 trillion	2.5 trillion
OP margin	Excl. liquor tax	9%	10% plus
Overseas composition	Sales excl. liquor tax	18%	Approx. 30%
	Operating income	27%	Approx. 30%



Kirin made a strong start in Stage I (2007 MTBP)

◆ Leap in growth

2009 sales: ¥2,278.4 bn
Up 36.7% on 2006



◆ Stronger core business

Improved earnings in domestic alcohol beverages business
Kirin Brewery earning extremely high customer support



◆ Higher overseas sales ratio

2009 overseas sales composition: 27%
Up 9 percentage points from 2006



Business initiatives to create customer value

Trusted, cutting-edge brand



New joy of food and health



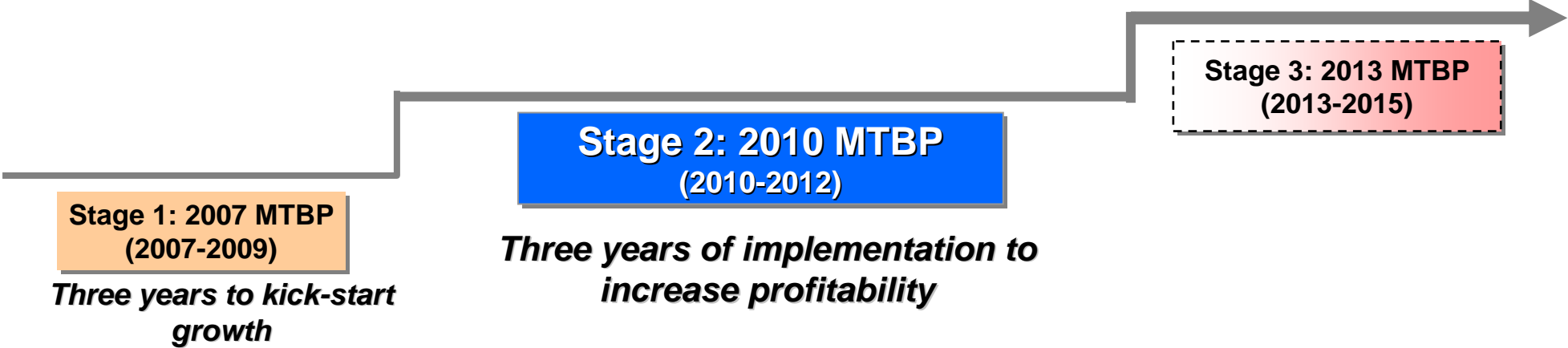
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Coexisting with society

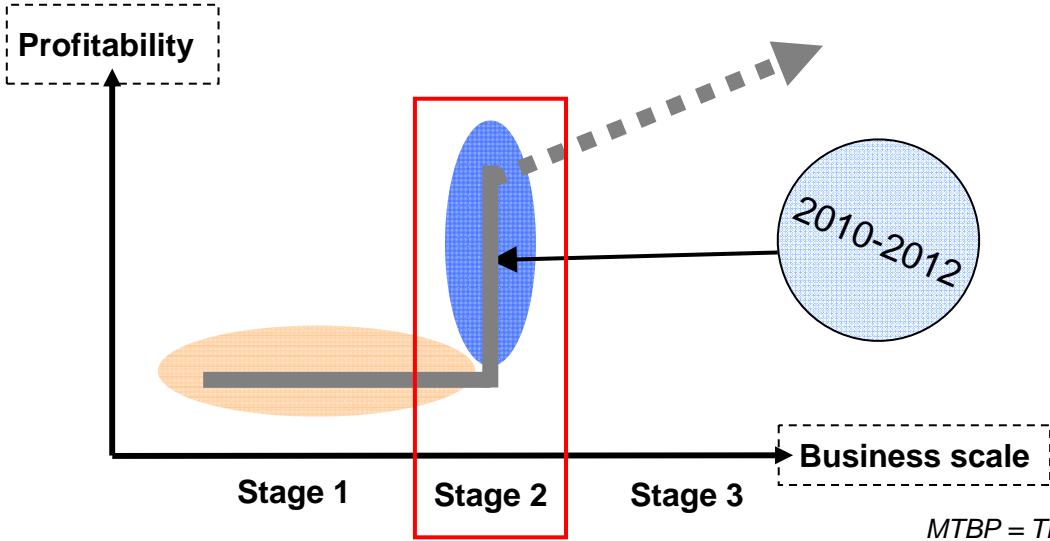


2010 MTBP—from quantity to quality

Address key issues through implementation-focused plan to further advance shift from quantity to quality ⇒ achieve long-term management vision (KV2015)



Shifting to qualitative expansion



MTBP = Three-year Medium-term Business Plan

2010 Kirin Group Basic Policy

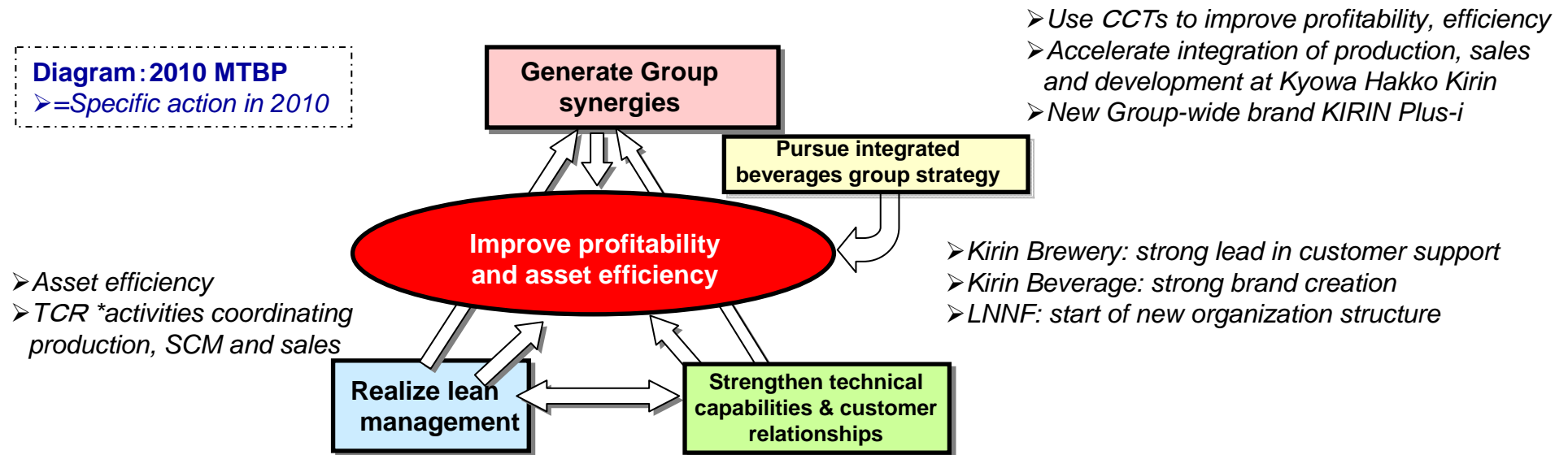
- Group-wide effort to make new value propositions in line with customer needs
- Pursue profitability and efficiency: implement lean management, eliminating strain, waste and irregularity

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

- (1) Pursue an integrated beverages group strategy
- (2) Accelerate growth in pharmaceuticals business
- (3) Develop the health food and functional food business
- (4) Generate growth through Group synergies
- (5) Realize lean management by eliminating strain, waste and irregularity

Diagram: 2010 MTBP

➤ = Specific action in 2010



2. Pursue financial strategy that supports higher enterprise value

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

2010 Kirin Group quantitative targets

- Target substantial increase in pre-goodwill operating income, EBITDA and other cash-based earnings indices
- Improve profitability (reduce costs) across Group and enhance resilience to changes in business environment

Targets		2009 actual	2010 plan	Change	2012 target
Sales	Excluding liquor tax	1,918.7	1,860.0	(58.7)	2,130.0
	Prior to amortization of goodwill	157.7	175.0	17.3	231.0
Operating income	After amortization of goodwill	128.4	133.0	4.6	188.0
	Excl. liquor tax. Prior to amortization of goodwill	8.2%	9.4%	1.2% points	10.8%
OP ratio (%)	Excl. liquor tax. After amortization of goodwill	6.7%	7.2%	0.5% points	8.8%
	Prior to goodwill amortization	8.3%	9.5%	1.2% points	10% plus
Cash ROE (%)					

(Unit: billions of yen)

Assumed exchange rates

	2009 actual	2010e
A \$ (National Foods)	¥74.57	¥80
A\$ (Lion Nathan)	¥70.04	¥80
PHP (San Miguel Brewery)	¥1.99	¥1.80

Guidelines		2009 actual	2010 plan	Change	2012 target
Sales by segment	Alcohol beverages	1,097.6	1,115.0	17.4	1,167.0
	Soft drinks and foods	735.0	672.0	(63.0)	815.0
	Pharmaceuticals	206.7	205.0	(1.7)	225.0
	Other businesses	238.9	228.0	(10.9)	283.0
Total	Incl. Liquor tax	2,278.4	2,220.0	(58.4)	2,490.0
Overseas sales ratio	Excl. liquor tax	27%	25%	(2%) points	29%
EBITDA		212.8	280.0	67.2	341.0
DER		0.91	0.72	(0.19)	0.5
Asset turnover ratio		0.70	0.67	(0.03)	0.80 plus

Breakdown of target increase in operating income

- Centering activities on CCT to reform earning structure (lower costs) and increase resilience to changes in business environment
- Targeting higher earnings in Australia (prior to amortization of LN 100% goodwill) with continued strong performance at LN and earnings recovery at NFL

Target growth compared to 2009

*After amortization of goodwill

(Unit: billion yen)

Area	2012 operating income growth	2010 operating income growth	Main operating companies	
Japan	22.2	2.5	KB KBC Mercian KHK KKF	1. Domestic growth from integrated beverages strategy, pharmaceuticals, etc. KB, KBC: Cost structure reform KHK: Improvement of chemicals earnings
	19.1	7.5		2. CCT cost synergies (details on page 10)
Australia	18.3	Australia growth 12.1 NFL nine months (3.9) LN 100% goodwil (13.6)	LNNF	3. Growth in Australia, including merger benefits (incl. organic growth, integration effects, exchange rates, goodwill amortization expenses)
Total	59.6	4.6		

KB = Kirin Brewery; KBC = Kirin Beverage; KHK = Kyowa Hakko Kirin; KKF = Kirin Kyowa Foods; LNNF = Lion Nathan National Foods

2010 key strategies and action themes

Increase earnings by offering customers added value and lifting profitability without relying on top-line growth

Pursue integrated beverages group strategy (Kirin Brewery, Kirin Beverage, Mercian)

1. Build strong brands with customer-focused approach
2. Pursue value sales: dramatically boost proposal capability
3. Reform cost structure; strengthen and expand earnings base



Kirin Beverage Company, Limited



Research and Development (Kyowa Hakko Kirin)

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1. Swiftly develop pipeline; develop world's best standard antibody technology business
2. Efficiently invest management resources: select and concentrate business portfolio; reorganize manufacturing locations to maximize earnings

Pursue integrated beverages group strategy under new structure in Australia (Lion Nathan National Foods)

1. Grow earnings in Lion Nathan and National Foods operations
2. Accelerate business structure reform under new management structure



2010 synergy targets

- **Stepping up function-specific synergy initiatives by cross company teams set up horizontally across Group**

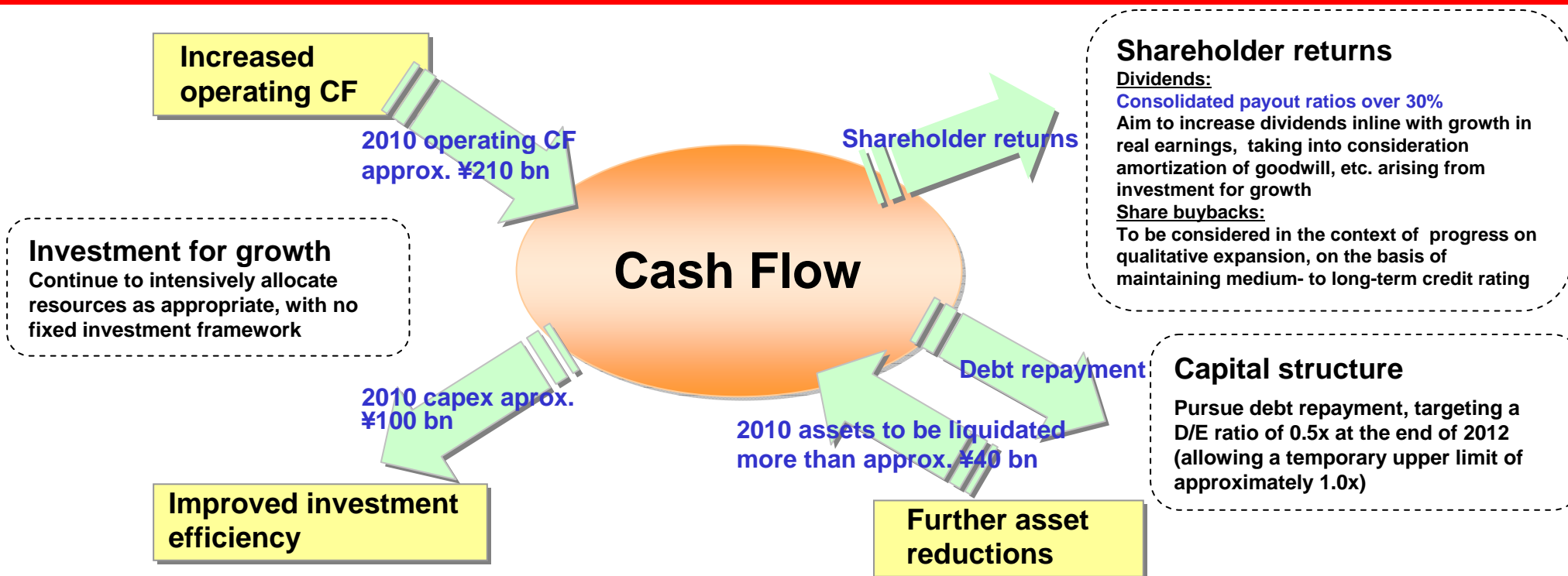
Main cost synergy initiatives targeted by CCT

(Unit: billion yen)

CCT	Details	Contribution over period of MTBP	Contribution during 2010
Manufacturing, distribution	Restructure KB plants; reform distribution at KB, KBC Reduce CO ₂ emissions (reduce energy, water consumption; apply 3R principles, etc.)	5.0	0.8
Procurement	Organize Group procurement through newly established KBE procurement division (joint purchasing, consolidation of functions, standardization of IT systems)	10.1	4.6
IT, other	Integrate internal business process systems and optimize IT infrastructure and service levels, etc.	4.0	2.1
Total		19.1	7.5

2010 financial strategy: Increase cash flow

Significantly increase cashflow by realizing Group synergies, adopting lean management, improving investment efficiency and reducing assets



■ Operating cash flow approx. ¥210 bn (cf. approx. ¥189.9 bn in 2009)

- Realize synergies from integrated beverages group strategy and adopt rigorous lean management in each operating company

■ Investment cash flow outlay of approx ¥60.0 bn (cf. approx ¥321.6 in 2009)

- Hold capex to ¥100.0 bn (cf. ¥110.2 bn in 2009)
- Liquidate assets of approx. ¥40.0 bn, targeting total of ¥150.0 bn plus during MTBP

Engaging with society through CSR

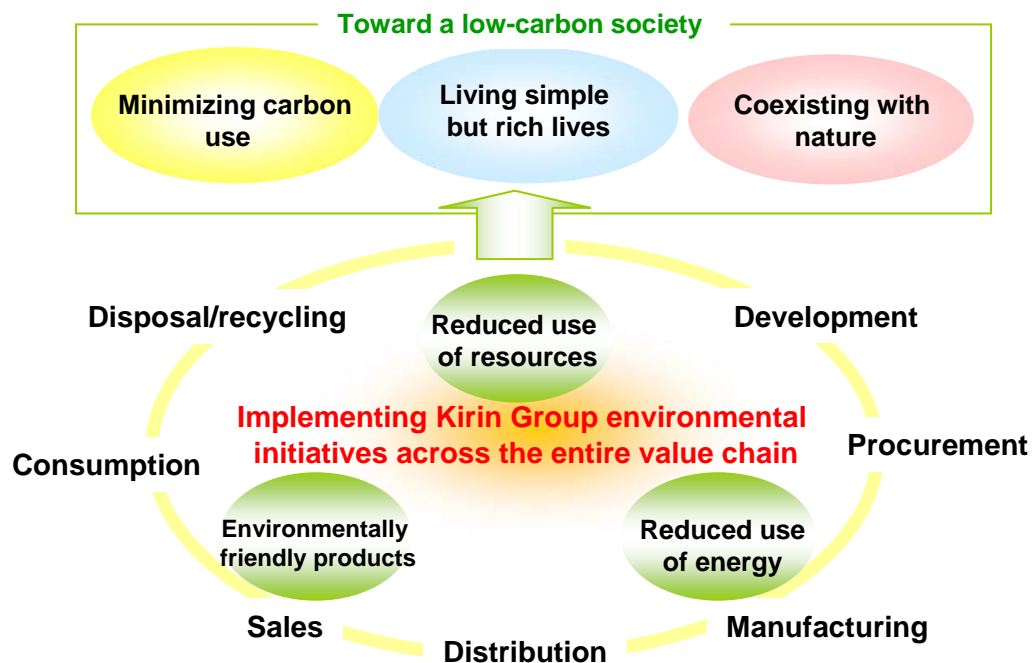
Kirin is helping realize a sustainable society with *CSR through business and CSR as a corporate citizen.*

Becoming a low-carbon corporate group

Kirin aims to become a low-carbon corporate group, based on a CSR theme of coexisting in harmony with nature.

Quantitative targets:

- 1) Halve total value chain CO₂ emissions by 2050 compared to 1990
- 2) Reduce CO₂ emissions from manufacturing, distribution and office activities by at least 1% per year through 2050
- 3) Reduce domestic CO₂ emissions from manufacturing, distribution and office activities by 35% by 2015 compared to 1990



Preventing driving under the influence

With the 0.00% alcohol *Kirin FREE* beer-taste beverage, Kirin is helping curb driving under the influence.



Sponsoring Japan's national soccer team

Kirin is joining with fans to support Japan's national team in the lead-up to the June 2010 FIFA world cup.



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Supporting the next generation with Kirin Soccer Field

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