

2010—2012 Medium-term Business Plan

**Maximizing earnings from the new, truly
international Kirin Group**

KIRIN

November 2009

KIRIN HOLDINGS COMPANY, LIMITED

Kirin today is...

...much bigger, much better

- Consolidated sales more than **50% higher** than only three years ago
- **Back on top** of Japan's beer market Jan-September 2009
- **Balanced portfolio** of businesses
- Successfully **integrating acquisitions** in alcohol, pharma and foods
- Expanding in Asia and Oceania: now **Australasia's largest** F&B operation
- Making progress toward **ambitious 2015 targets**

Focusing on qualitative growth—in profit, portfolio and products

We are also engaged...

...in the first stage of historic negotiations for a merger with SUNTORY. However, the 2010-2012 Kirin Group medium-term business plan has been developed on a stand-alone basis, with no assumption or incorporation of the potential merger with Suntory

KV2015: Vision for a bold new growth trajectory

Our vision, articulated in 2006:

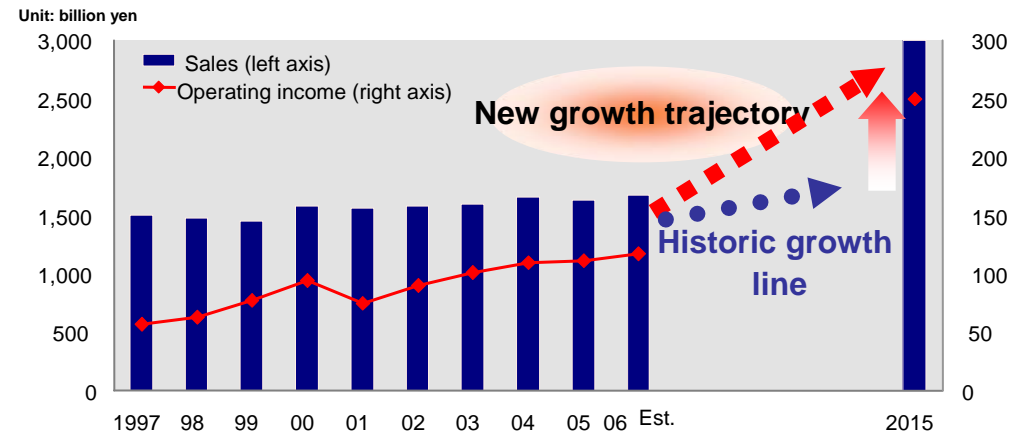
To be a leading food & health company in Asia and Oceania, with core businesses in alcohol beverages, soft drinks & foods, and pharmaceuticals

Revitalize and use domestic alcohol business as foundation for growth



- ◆ Pursue an integrated beverages strategy
- ◆ Internationalize the Group
- ◆ 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%



2007 MTBP review: Kick-starting growth

Achieved quantitative expansion

- Rapidly expanded business scale as a basis for long-term growth
- Strengthened domestic alcohol business as foundation for growth strategy
- Did not achieve sufficient growth in profitability

Strategic investment for scale	
Stronger domestic alcohol as earnings base	
Increase presence in Oceania	
More balanced business portfolio	
Higher profitability	
Group synergies	

Major growth initiatives 2007-2009

2009 * 100% Lion Nathan
* 48% San Miguel

2008 * 100% Dairy Farmers

2007 * 100% National Foods
* Kyowa Hakko
* Mercian



LION NATHAN



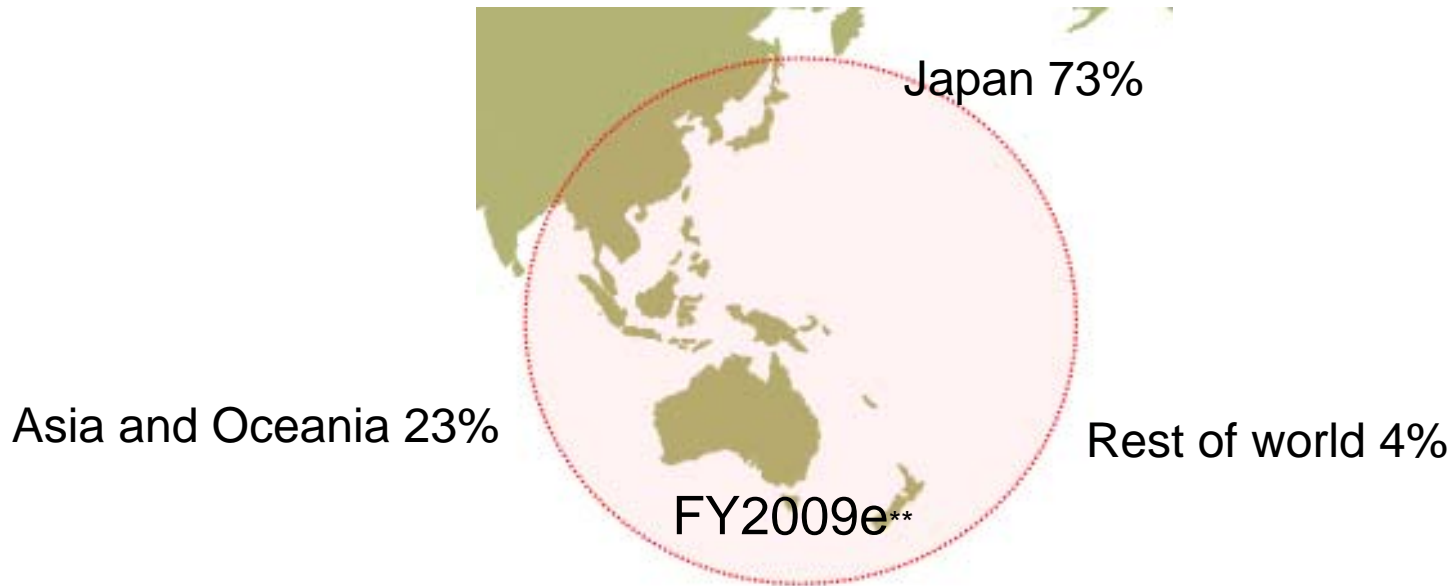
KYOWA KIRIN

Mercian

KIRIN

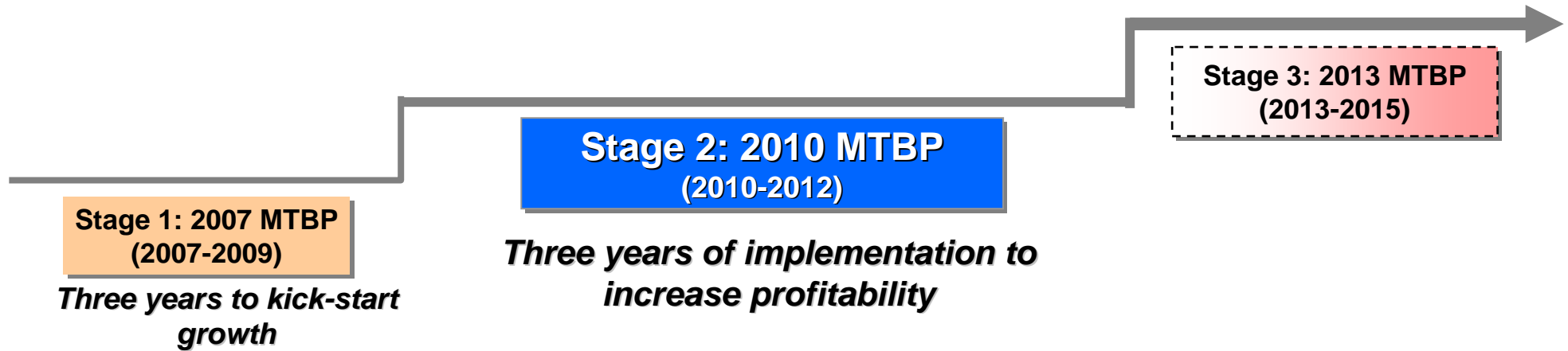
Becoming truly international

Focusing on Asia and Oceania

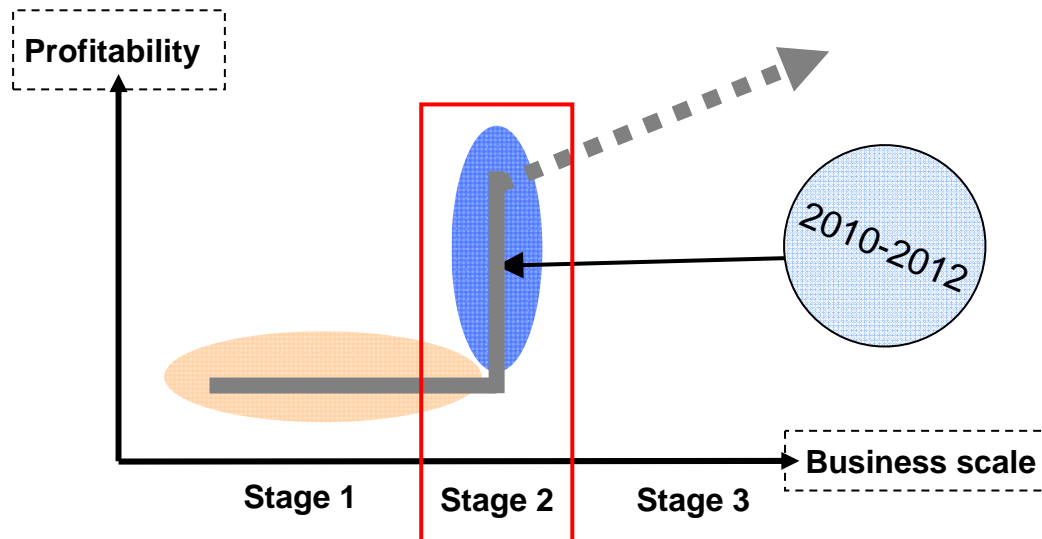


The world's economic engine

2010 marks start of new developmental stage

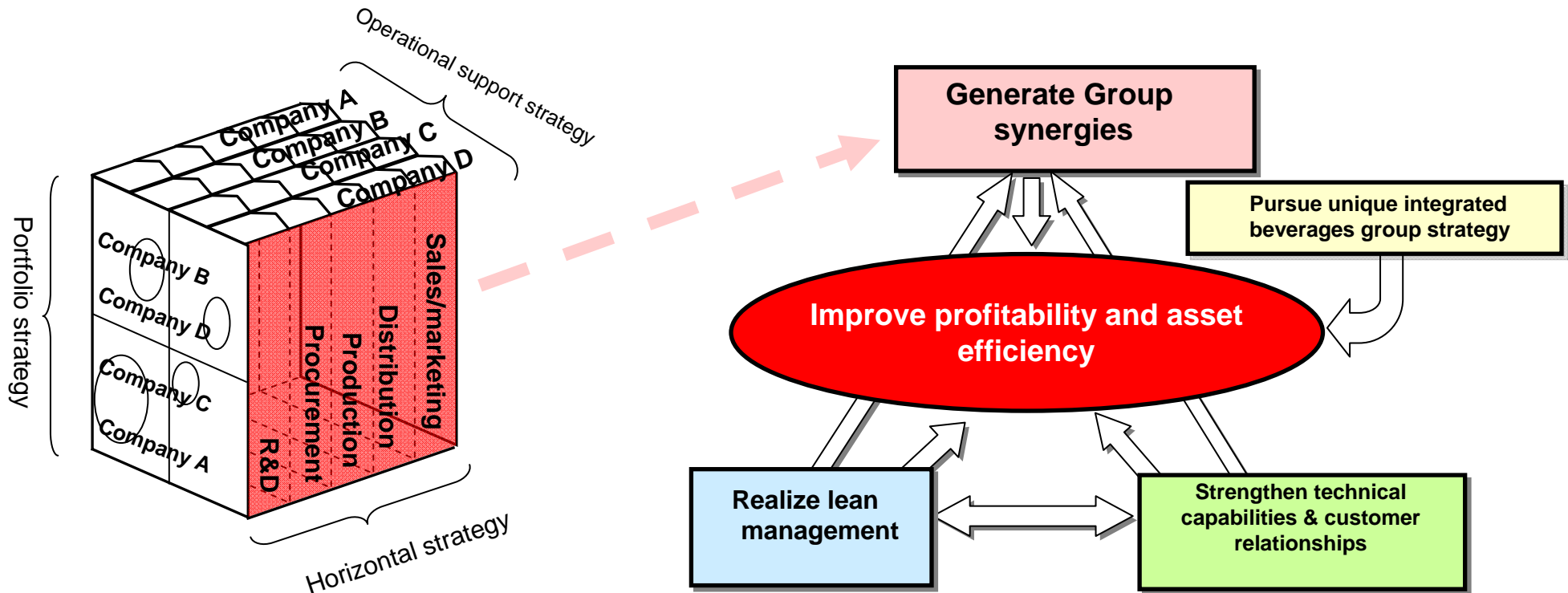


Shifting to qualitative expansion



2010 MTBP: basic strategic

Focusing on qualitative growth—in profit, portfolio and products



2012 target numbers

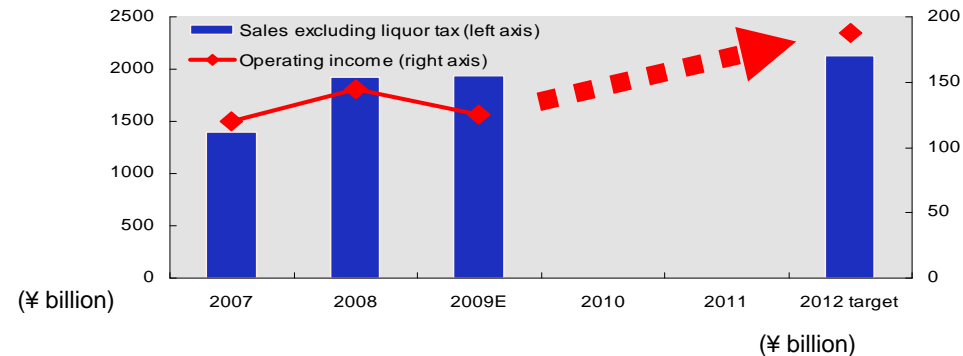
Targets		2009e revised	2012 plan	Change	2015 targets
Sales	Excluding liquor tax	1,930.0	2,130.0	200.0	2,500
Operating income	Prior to amortization of goodwill	154.0	231.0	77.0	
	After amortization of goodwill	125.0	188.0	63.0	250
OP ratio (%)	Excl. liquor tax. Prior to amortization of goodwill	8.0%	10.8%	2.8% points	
	Excl. liquor tax. After amortization of goodwill	6.5%	8.8%	2.3% points	10.0% plus
Cash ROE (%)	Prior to goodwill amortization	9.3%	10% plus		
Guidelines					3,000
Overseas sales ratio	Excl. liquor tax	26%	29%	3% points	Approx 30%
EBITDA		252.2	341.0	88.0	
DER		0.95x	0.5x	(0.45)	
Asset turnover ratio		0.69x	0.8x plus		

(Unit: billions of yen)

Assumed exchange rates

	2009 at revision	2010 MTBP
US \$	¥96	¥91
A\$	¥73	¥78
A\$ (Lion Nathan)	¥70	¥78
Euro	¥132	¥133

Aiming for qualitative earnings growth without relying on top-line expansion



2012 target sales by segment and growth in operating income

Sales by segment

Guidelines		2009e 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	Incl. liquor tax	2,300	2,490.0	190.0	3,000
Overseas sales ratio	Excl. liquor tax	26%	29%	3% points	Approx 30%

Breakdown of change in 2012 target operating income versus 2009e

Area	Main operating companies	Operating income increase (¥bn)	Description
Domestic	KB KBC Mercian	20.0	1. Domestic growth through domestic integrated beverages and pharmaceuticals business, etc.
	KHK KKF	20.0	2. Cross Company Team cost synergies
Australia	LNNF	23.0	Australia growth including synergy effects (organic, synergy effects, forex, goodwill amortization concomitant with taking 100% ownership of LN)
Total		63.0	

CCTs: Generating synergies Groupwide

Horizontal teams have been created to identify and implement synergy initiatives across the entire Group

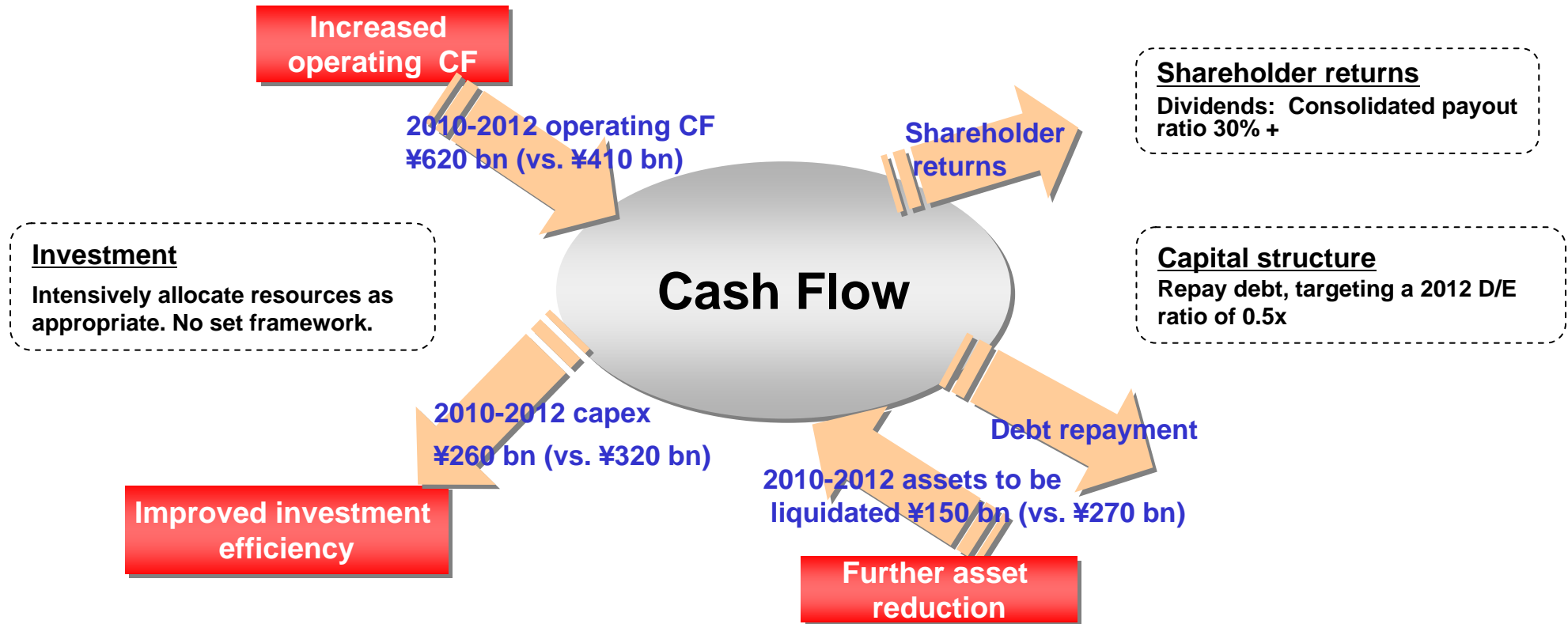
Targeting minimum of ¥20 billion in synergies

Cross Company Team	Target impact on operating income during 2010 MTBP
Production and distribution	¥5.0 bn
Procurement	¥11.0 bn
IT, etc.	¥4.0 bn
Total by 2012	¥20.0 bn plus

Specific initiatives along entire value chain

Area	Initiatives
Sales & marketing	Sharing of operations, skills transfer between KB and Mercian, and between KB and KBC
Production & distribution	Optimization, sharing of production and distribution operations and skills transfer between KB, KBC, and Mercian
R&D	Optimization of Group R&D locations
Procurement	Joint purchasing, integration of operations, standardization of IT systems
Asset reduction & CF management	Reduction of assets, review of budget control for investments
Business integration	Integration of overlapping Group operations
HR infrastructure	Foster personnel for international operations
IT	Integration of operational systems within Group; reduction of IT assets from service level down

Financial strategy to significantly increase cash flow



- Promote integrated beverages group strategy, generating synergies and cash flow
- Hold down capex to approximately ¥260 bn
- Aim to implement ¥150 bn of additional asset liquidation

2010 MTBP: Kirin Brewery

Maintain great momentum. Hit costs hard.

- ◆ Build on clear market leadership in core categories
- ◆ Keep the hit products coming (*Kirin FREE, Nodogoshi, etc.*)
- ◆ Create synergies from integrated alcohol and soft drink businesses
- ◆ Reform structure to increase profit: improve capacity utilization, consider separate sales company

Rationalize production network

Close Tochigi and Hokuriku plants, consolidating 11 production locations into 9.

Improve capacity utilization
91% (2009) → 98% (2012))

Eliminate demand-supply gap
(expected annual capacity excess
in 2009 of 200,000KL)

Reduce costs by around
¥4.0 bn

Effectively redeploy
personnel—our most
important resource

2010 MTBP: Kirin Beverage

Focus on profit with core brands.

Having revised previous MTBP in 2008 to focus on profit-oriented strategy in a tough competitive environment, KBC will go deeper and narrower with core brands. The aims under the 2010 MTBP are to:

Rebuild competitive capacities

Use **brand strength** x maximization of **value-based sales** approach

Reform revenue structure

Create robust revenue infrastructure through lean management

Succeed overseas

→ Make existing overseas businesses profitable
→ promote overseas integrated beverages Group strategy by cooperation with KH

Seek new alliances

→ Pursue promising alliances that can enhance business infrastructure and improve profitability, e.g. vending machine business

2010 MTBP: Kyowa Hakko Kirin

Lead in core areas as a global specialty pharmaceutical company .

Business integration has progressed very well. We are making steady progress in realizing our vision for 2012 of having higher productivity throughout the organization and ongoing new drug development as a global specialty pharmaceuticals company.

Increase earnings

In **Pharmaceuticals**, expand sales of existing products and achieve early market penetration of new products to offset two downward NHI price revisions. In **Bio-Chemicals**, build presence in the API and health care areas. In **Chemicals**, maximize opportunities as market recovers.

Concentrate resources

Concentrate management resources in Pharmaceuticals and Bio-Chemicals to provide highly differentiated products and services

Globalize the business

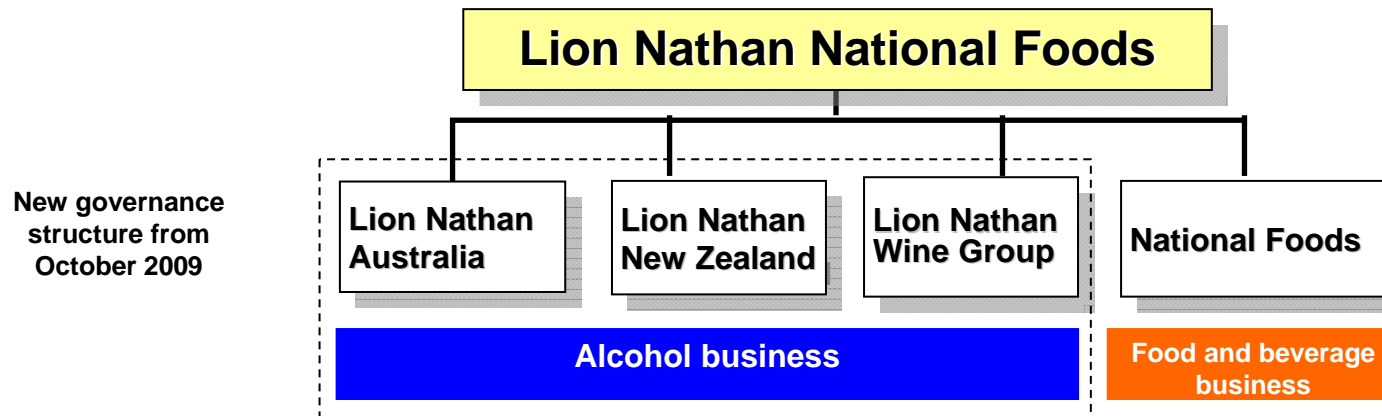
Establish strong business foundation in each overseas target market and provide high quality products and services

Improve cost structure

Improve margins by reforming operational processes, improving productivity and promoting cost structure reforms along the entire value chain

2010 MTBP: Lion Nathan National Foods Pty Ltd

Develop outstanding potential as Australasia's largest F&B corporation



- Leading the management of Lion Nathan and National Foods
- Aiming for organic growth of both Lion Nathan and National Foods and the early generation of synergies between the two companies
- 2012 quantitative guideline → Sales of over A\$6.0 bn, EBIT in excess of A\$1.0 bn
⇒ Aiming for cost synergies of about A\$30m to A\$40m in 2012 (procurement, back office, IT, etc.)

2010 MTBP: Targeting highly realizable qualitative growth

Using CCT synergies and other management-driven processes to improve performance, rather than relying on top-line growth

Targeting strong upside potential to increase profitability of business portfolio.
Pursuing measures that can be achieved largely independently of external operating environment, while ensuring close management of risk variables:

Key domestic variables:

- ✓ Liquor tax revisions
- ✓ Raw material prices
- ✓ Economic trends
- ✓ Product strategy progress and competitor initiatives
- ✓ Price competition from PB and other sources

Key overseas variables:

- ✓ Australian business → climate impact on milk costs, etc.
- ✓ Exchange rates → Mainly A\$