

# **Kirin Holdings**

**Nomura Investment Forum 2011**

**Tokyo - November, 2011**

# Vision for an ambitious new growth trajectory

## KV2015 Group Vision

- ✓ Nurture close links with customers through products that provide the enjoyment of food and well-being
- ✓ 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

### Key scenarios

Strengthen foundations by achieving growth in domestic alcohol business



- ✓ Pursue an integrated beverages strategy
- ✓ Internationalize business
- ✓ Establish Health food & functional food business pillar

| KV2015 targets       |                        | 2006          | Quantum leap in growth | 2015         |
|----------------------|------------------------|---------------|------------------------|--------------|
| Sales (yen)          | Incl. Liquor tax       | 1.68 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%  |

# Agenda

---

**Integrated beverage group strategy**

**Leveraging our strengths to go global**

**Financial performance and strategy**

## Japanese market remains very important for growth...

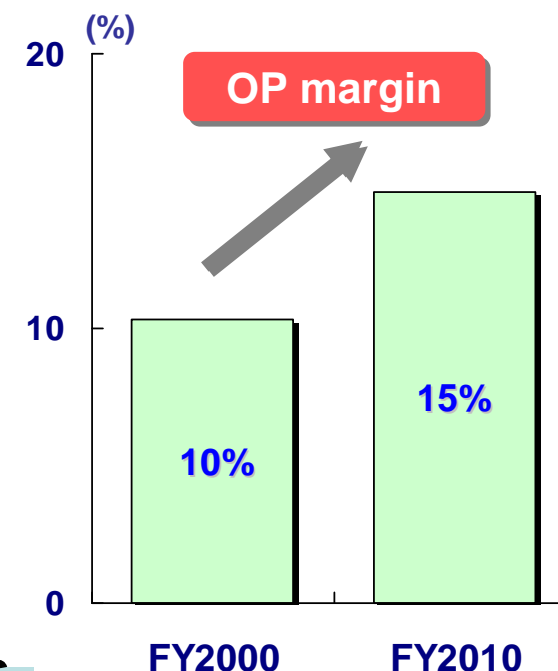
Japanese market offers strong, stable cash flow and is still the largest source of profit despite downward population trend.

### Kirin Brewery - Domestic Alcohol Beverages

- ✓ Cost competitiveness improved in the last 10 years
  - Site optimization: 11 sites→9 sites
  - Efficient A&P spending
- ✓ Maintained as the largest profit pool
- ✓ Brand management: Selection and concentration

### Kirin Beverage - Domestic Non-alcohol Beverages

- ✓ Fierce competition continuing among too many players
- ✓ Shift in strategy: Emphasis on profit growth rather volume expansion
- ✓ Brand management: Selection and concentration



...under our integrated beverages strategy.

### Optimize Group Synergies

Overall Management

Brand management  
Joint operations  
New business development

R&D

New Product & category development

Personnel

Human resource links

Procurement

Production

Distribution

Sales & Marketing

Services

Collaboration throughout the value chain

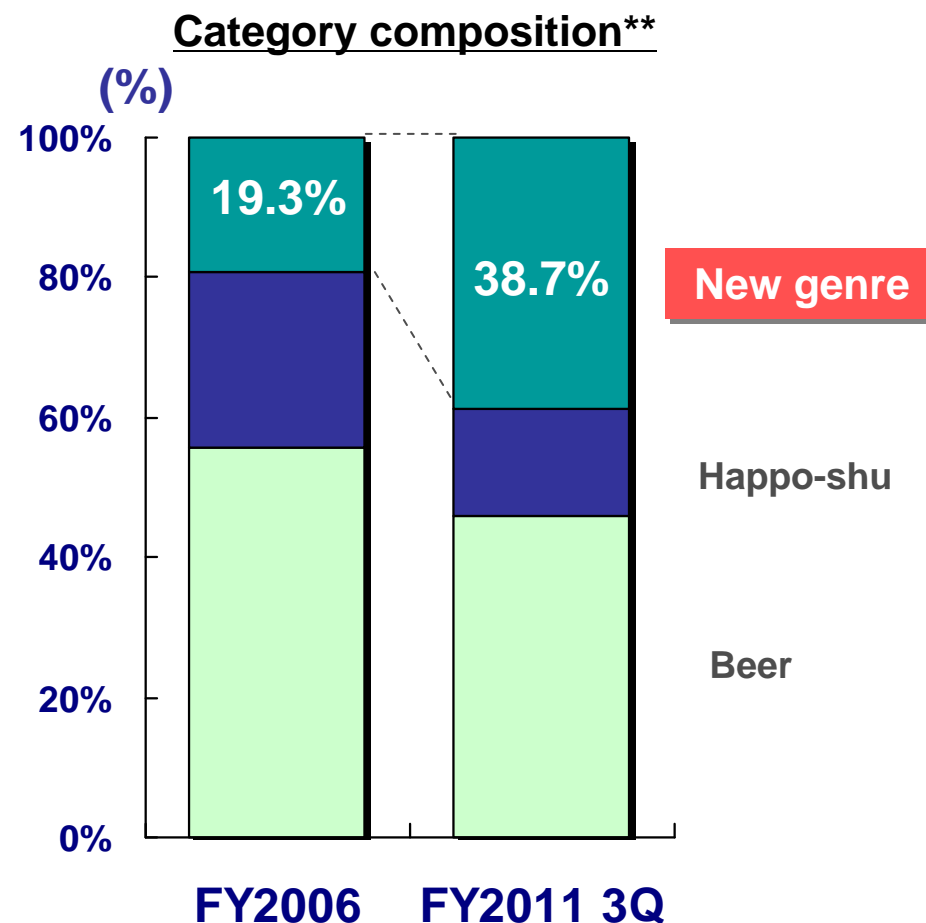


Alcohol Beverages

Soft drinks

# Success in key categories showcases our strengths

**Nodogoshi Nama No.1\*** in total sales for 6 straight years in the fast-growing New Genre market



\*According to the category definition by Liquor tax act: "Other miscellaneous liquors ②" in FY2005 and "Other liquors (Fermented) ②" from FY2006-2010

\*\*Component of New Genre in taxed shipment of combined beer / happo-shu / New genre (total 5 major companies)

## Market-changing innovation in RTDs

**Hyoketsu** has been a leading brand in the growing RTD category since its launch in 2001.



## Creating a new category in black tea with novel concept

Our innovative *Espresso Tea* is an entirely new concept that merges the black tea and coffee categories.



# Active group-wide initiatives for top-line growth...

## Joint product developments



Kirin Brewery x Kirin Beverage



Kirin Brewery x Mercian

### Mercian x Lion



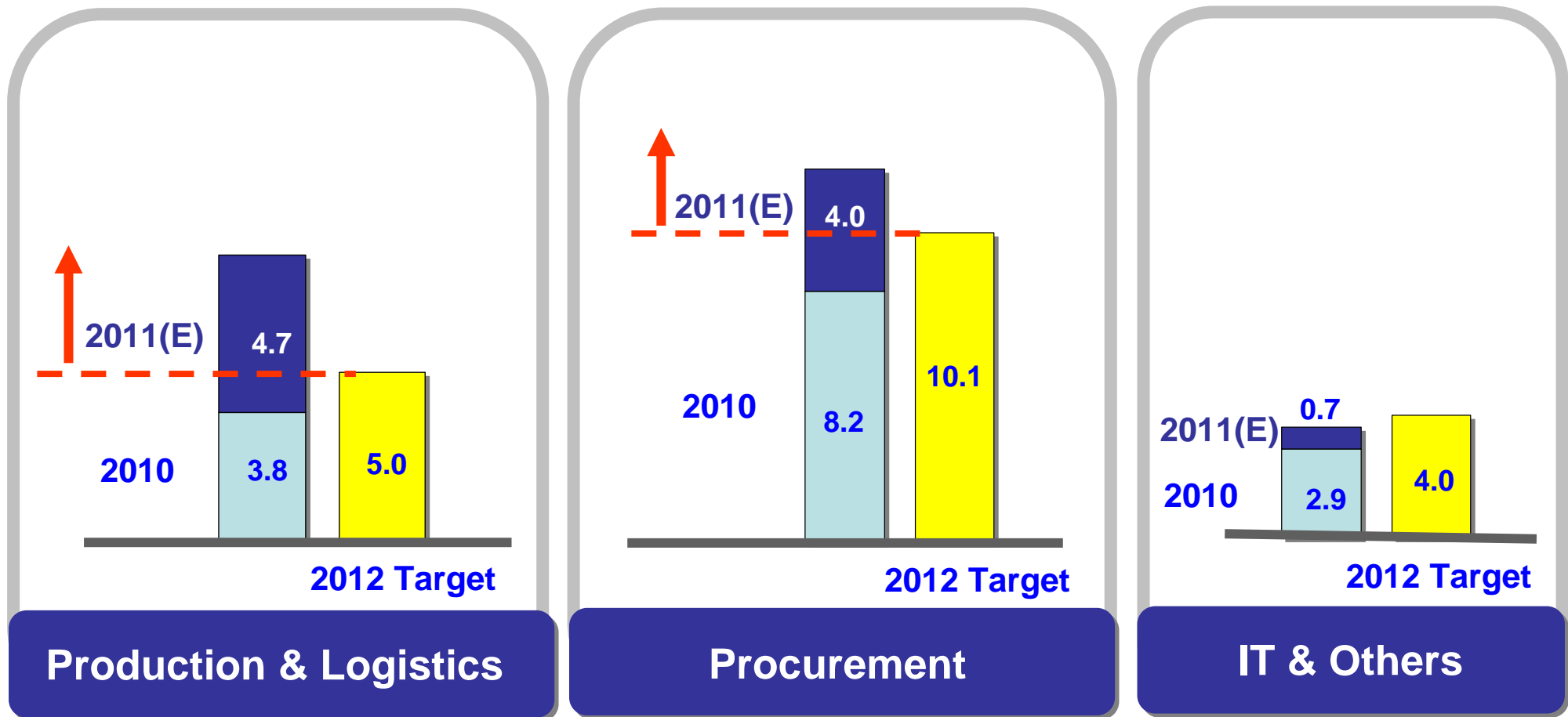
### Kirin Plus-i



...and bottom-line growth under our integrated beverages strategy.

Cost competitiveness has improved by integrating the value chain across group companies.

(Billion yen)



## We are also succeeding in pharmaceuticals

**Aiming to become a global specialty pharmaceutical company leveraging outstanding biotechnology**

- ✓ Strong presence in the ESA market with NESP® and ESPO®
- ✓ Outstanding core technology in antibodies
- ✓ Strong pipeline
- ✓ Substantial contribution to Kirin Group with high profitability
- ✓ Acquired ProStrakan to establish strong sales network in the U.S. & EU





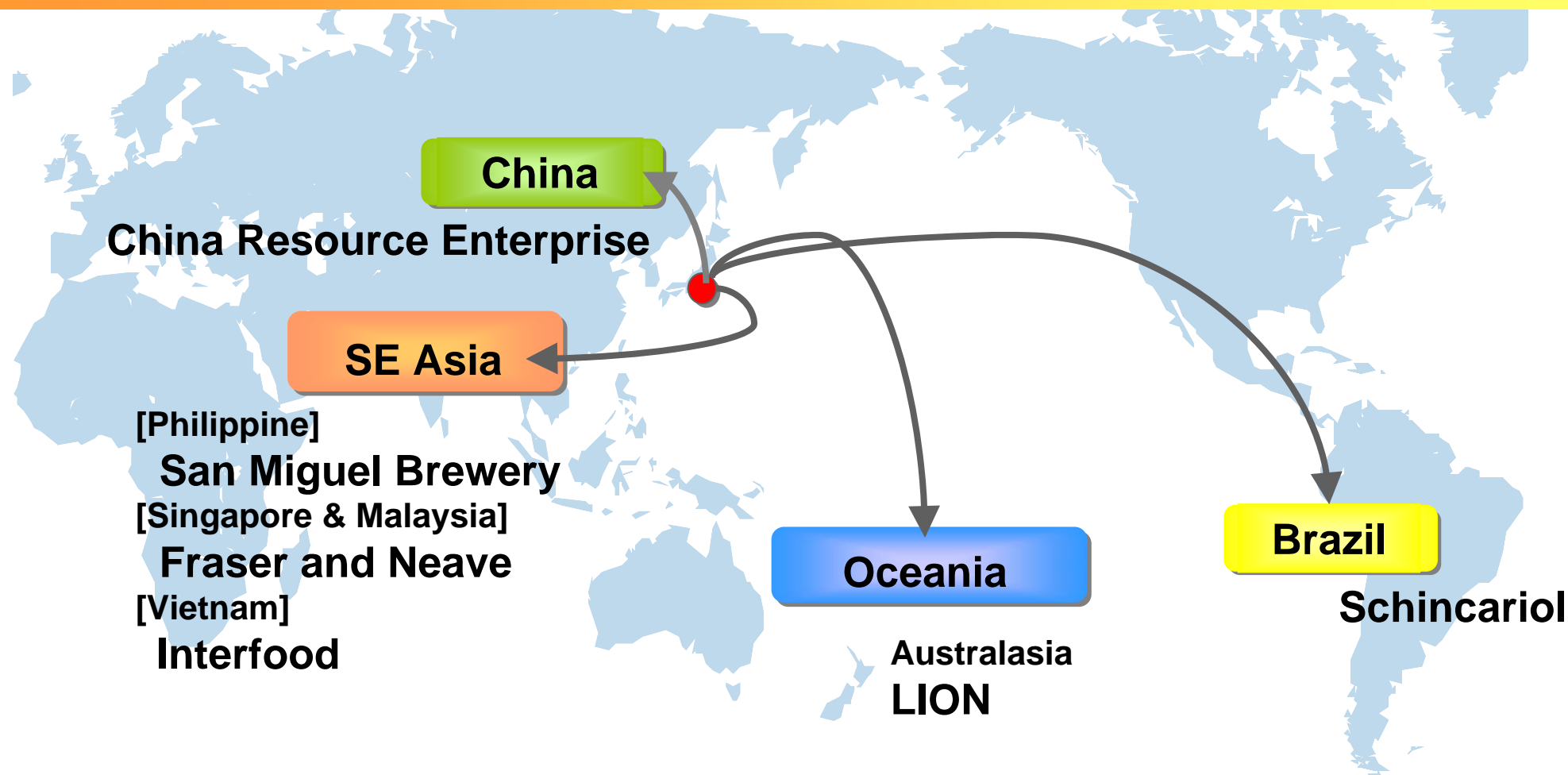
**Integrated beverage group strategy**

**Leveraging our strengths to go global**

**Financial performance and strategy**

## Using integrated beverage strategy to globalize

**Solid business foundation in Asia and Oceania, and now pursuing further growth by entering Brazil.**



# Working with excellent partners in Southeast Asia

## What are we aiming for?

- ✓ Sharing distribution channels
- ✓ Joint product development
- ✓ OEM arrangements
- ✓ Joint procurement

### Singapore

- ✓ Kirin Holdings Singapore
- ✓ Fraser and Neave



### Philippines



San Miguel Brewery

### Thailand

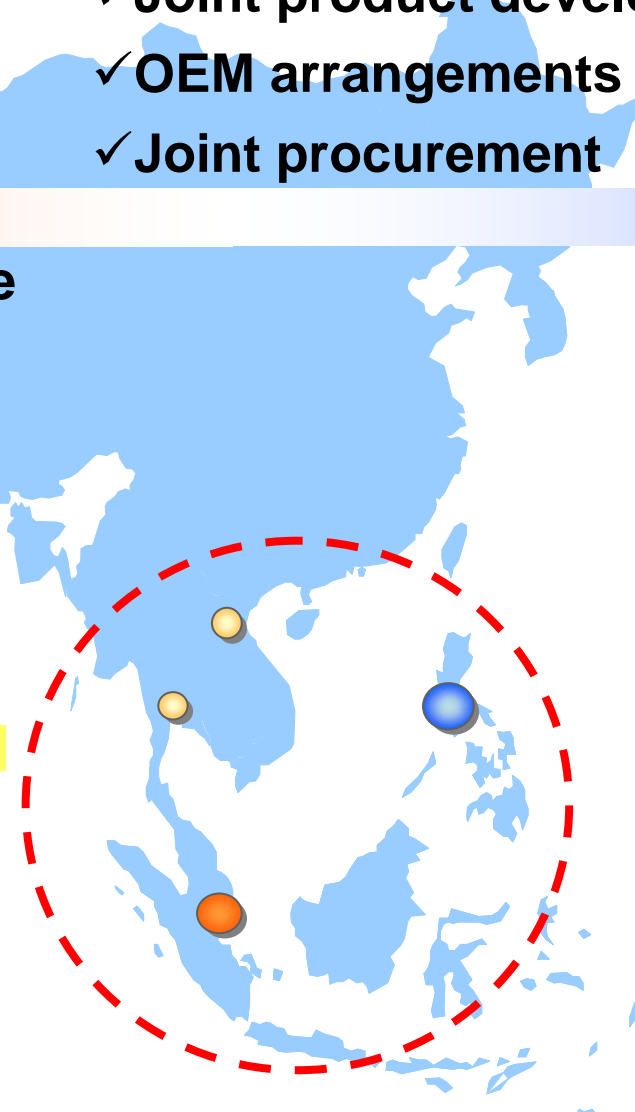


Siam Kirin Beverage

### Vietnam



Interfood



## JV with partner in China

### China Resources Enterprise

- ✓ Strong distribution network
- ✓ Low cost operation
- ✓ Earning a high margin in water market

### KIRIN

#### Capabilities in:

- ✓ Product development
- ✓ Technical standards
- ✓ Research marketing



### JV: China Resources Kirin Beverages (Greater China) Company

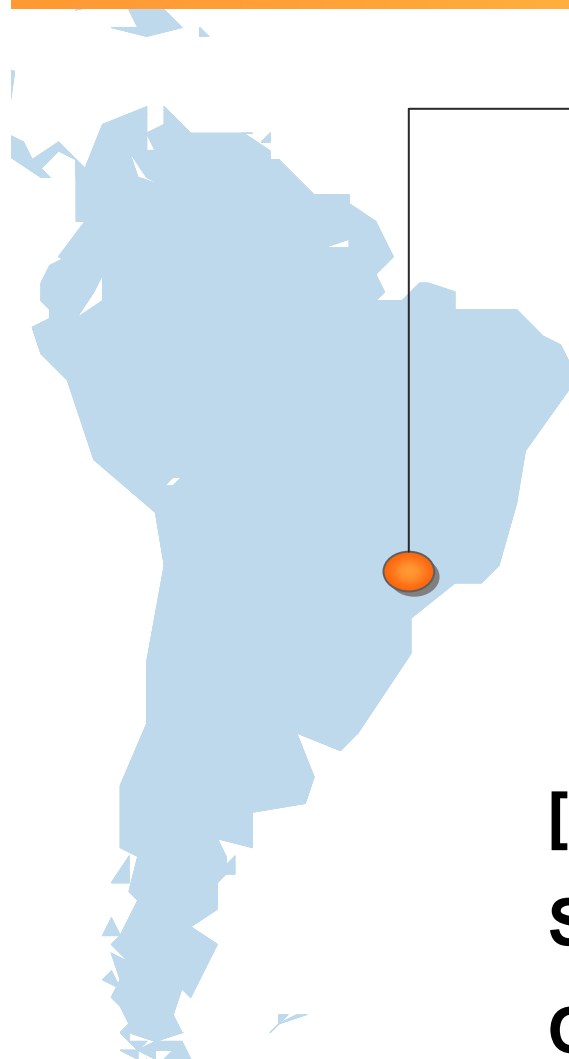
[Targets of JV for FY2015]

Sales: 6 billion RMB

EBIT margin: over 7%

## Entering a huge emerging market: Brazil

Taking the first step in Brazil as we look beyond Asia and Oceania for new sources of growth



### Beer



Market share: Approx.15%  
Market position: #2

### Soft drinks



Market share: Approx5%  
Market position: #3\*

**[Mid-long term targets]**

**Sales: Grow at more than 10% per year**

**Operating Profit: Grow more than sales growth**

## Pursuing sustainable growth in Oceania

**Strong presence in Australian market, which offers stable growth and further potential.**

### Beer



Market position: #2

### Soft drinks



Market position: #1\*

**Sustaining high profitability by:**

- ✓ Excellent management
- ✓ Driving innovation and the shift to premium
- ✓ Enhancing multi beverage strategy in NZ



**Taking drastic measures in adverse market conditions by:**

- ✓ Focusing on core 'power brands'
- ✓ Developing new categories e.g. flavored milk, NARTD
- ✓ Site optimization
- ✓ Establishing best value chain for future growth

**Integrated beverage group strategy**

**Leveraging our strengths to go global**

**Financial performance and strategy**

# Cash ROE target for 2012 has already been achieved

## Financial performance: Targets & Results

(billion yen)

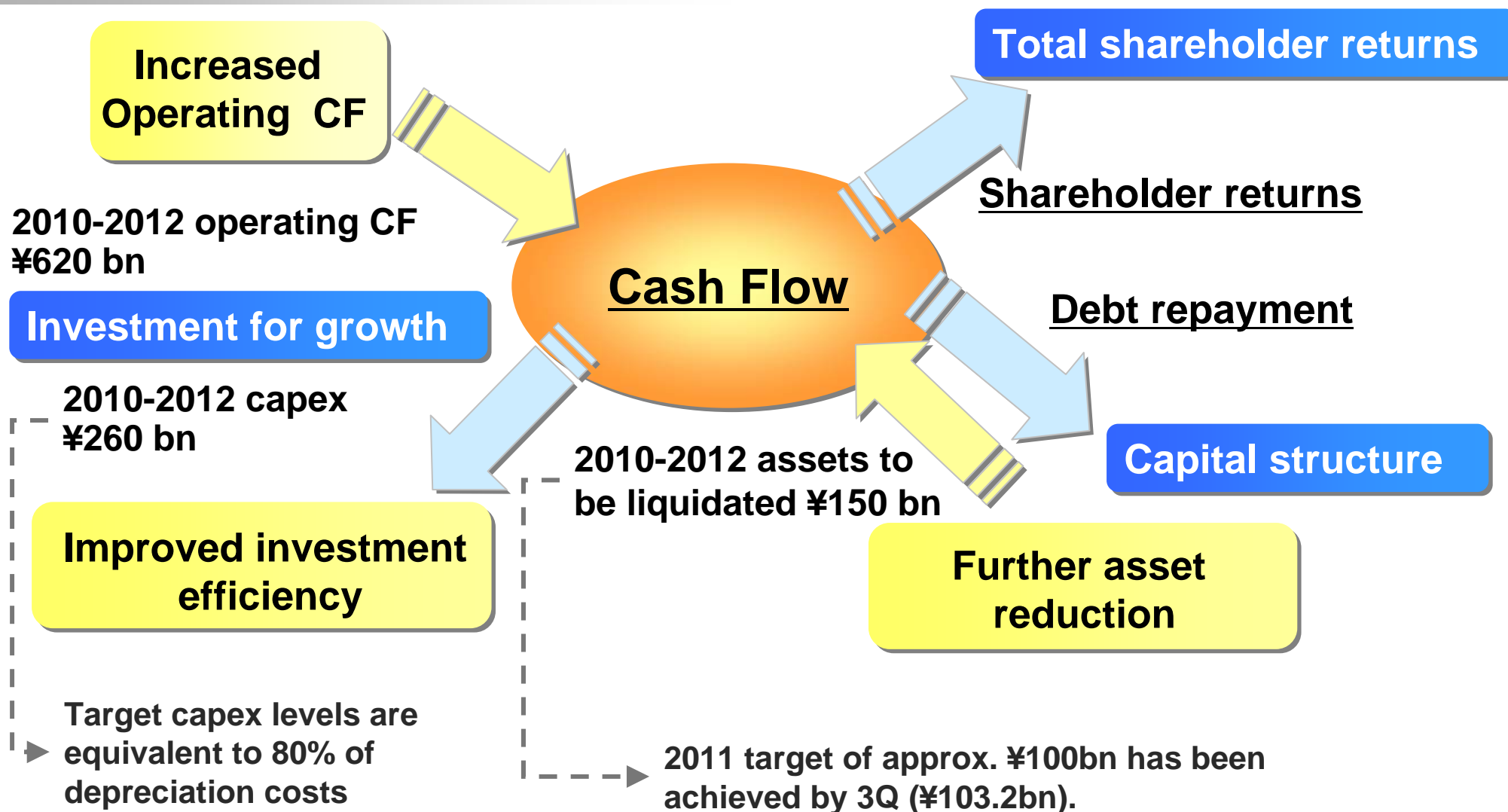
|                                | 2010 actual | 2011 plan ** | YoY change | Target<br>2012 |
|--------------------------------|-------------|--------------|------------|----------------|
| Net sales excluding liquor tax | 1,835.2     | 1,782.0      | (2.9)%     | 2,130.0        |
| Operating income               | 193.6       | 191.3        | (1.1)%     | 231.0          |
| Operating margin(%)*           | 10.5        | 10.7         | +0.2       | 10.8           |
| Cash ROE (%)                   | 8.8         | 10.4         | +1.6       | 10% plus       |
| Overseas sales ratio(%)        | 25.0        | 30.0         | +5.0       | 29%            |
| EBITDA                         | 269.3       | 294.0        | +9.1%      | 341.0          |
| D/E ratio                      | 0.81        | 0.94         | +0.13      | 0.5            |
| Total assets turnover ratio(%) | 0.67        | 0.64         | (0.03)     | 0.80 plus      |

\*Before goodwill amortization

\*\*Revised on August 5,2011

# Comprehensive approach to maximize cash flow...

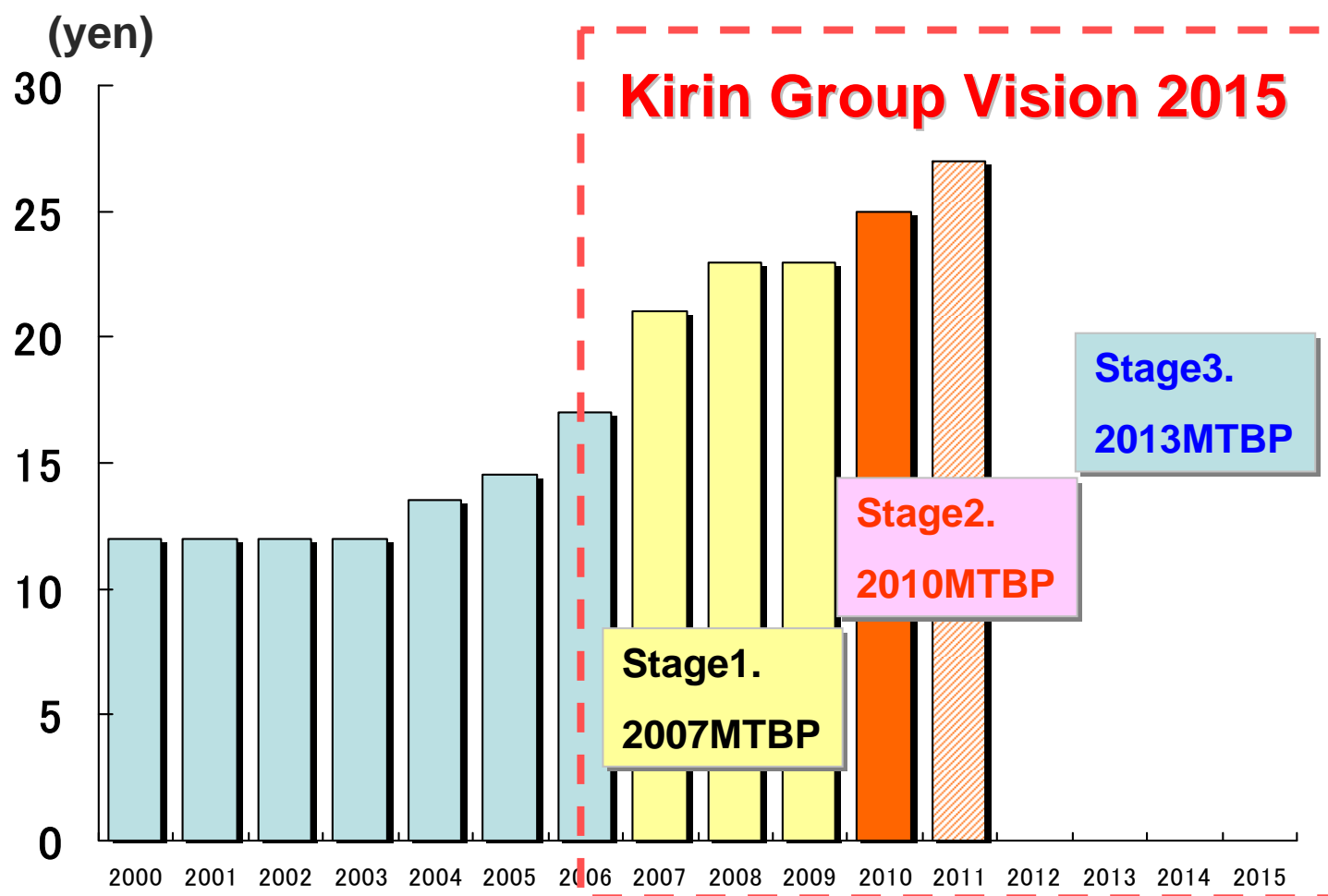
## Financial strategy for MTBP2010



...and improve shareholder returns.

Dividends have steadily increased since the start of KV2015.

Dividend policy in KV2015: Consolidated payout ratio over 30%



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.**