

Kirin Group Business Approach for 2012

During the final year of the medium-term business plan targeting *implementation and qualitative expansion*, the Group is committed to improving profitability and to turning sales around.

The Kirin Group kicked off 2012 as the final year in the 2010-2012 medium-term business plan, which marks the second stage in realizing the aims of Kirin Group Vision 2015 ("KV2015"), Kirin's long-term business framework.

In 2011, under the medium-term business plan targeting *implementation and qualitative expansion*, we made steady progress in implementing management focused on the generation of group synergies and the realization of lean management, and we worked to improve profitability and efficiency.

In 2012, we will carry the plan through to completion by using the combined resources of the entire Group. We will continue to promote measures aimed at improving profitability, and we will promote lean management through changes of corporate structure and the elimination of strain, waste and irregularity across the entire Group. At the same time, we will work to turn sales around through strengthening our brand and sales force and through providing new forms of value that meets the needs of customers. Furthermore, as a year connecting with the 2013 medium-term business plan, which will be the final medium-term business plan of KV2015, we will also promote initiatives aimed at growth in the medium- to long-term.

Outline of 2012 Business Plan

Basic policy

1. Promote a domestic integrated beverages group strategy based on brand-focused management
2. Pursue growth in the overseas integrated beverages business
3. Strengthen the domestic foundation and promote global expansion in the pharmaceuticals business
4. Strengthen group management capabilities accompanying the advance of globalization
5. Engage in CSR activities that enhance Kirin's coexistence with society

Quantitative targets for 2012

(Billion yen)

	FY2011 results	2012 target	Change
Consolidated sales including liquor tax	2,071.7	2,230.0	158.2
Consolidated sales excluding liquor tax	1,748.3	1,905.0	156.6
Operating income	142.8	162.0	19.1
Operating income rate excluding liquor tax	8.2%	8.5%	0.3%
ROE	6.9%	11.6%	4.7%

Note: ROE is prior to amortization of goodwill and brand

Initiatives during 2012

1. Promote a domestic integrated beverages group strategy based on brand-focused management

Under KV2015, Kirin Group is developing, as a unique business model, an integrated beverages group strategy based on greater collaboration between the alcohol beverages and soft drinks businesses, with the aim of increasing the corporate value of the Kirin Group in a competitive global environment.

In Japan, we will aim for growth across our entire domestic integrated beverages business, by continuing to make structural changes along the entire value chain at Kirin Brewery, Mercian and Kirin Beverage, and by strengthening our brand management through the realization of management that is centered on product brands. We will also continue to generate group synergies by promoting collaboration within the Group. We will promote an integrated beverages group strategy in Japan, by integrating the head office premises of the domestic Group companies around the three companies mentioned above after April 2013, and by accelerating the generation of synergies through more active communication and through stronger collaboration across departments and organizations.

At Kirin Brewery, in order to realize sustainable growth, we will aim to turn sales around, we will continue to strengthen our core brands through selection and concentration, and we will create new value for customers by matching new technology with their lifestyles and drinking situations. Under the new company, Kirin Beer Marketing, which was established in January as a result of integrating Kirin Merchandising with the sales division of Kirin Brewery, we will strengthen our orientation to the local community and implement the practice of responding swiftly, and we will advance solution-based value proposal marketing. Furthermore, in overseas markets as well, we will strengthen sales of the Kirin Beer brand centering on *Ichiban Shibori*.

At Mercian, we will concentrate management resources in the alcohol beverages business focusing on wine, and we will work to nurture and enhance our product brands with the aim of being number one in each category. Furthermore, we will seek to increase sales, through developing the quality of value proposal marketing and through our collaboration with Kirin Beer Marketing.

At Kirin Beverage, we will rebuild our competitive edge by strengthening our product competitiveness and sales force, and we will seek to boost earnings based on increased sales. In terms of strengthening our product competitiveness, in addition to further strengthening our core brands, especially *Gogo-no-Kocha*, we will bolster our efforts in the unsweetened tea category. We will also develop products that have new value beyond conventional categories, and we will further advance our product strategies specific to each sales channel. In terms of strengthening our sales force, we will promote value proposal marketing, and we will seek to boost sales and earnings in the respective sales channels of mass retailers, convenience stores and vending machines.

2. Pursue growth in the overseas integrated beverages business

Overseas, we will continue to expand business, primarily in the priority areas of Asia and Oceania, as well as in the Brazil market, which we recently gained as a new business basis supporting our next growth opportunities. In addition to strengthening our business foundations in each region, we will seek growth through collaboration that goes beyond businesses and borders.

In Oceania, Lion will continue endeavoring to improve profitability and efficiency through marketing that is focused on strengthening our brands, both in the alcohol beverages business and the soft drinks business. In the alcohol beverages business, in addition to promoting further efforts for the creation of new categories and a shift in our merchandise mix to high-end products, we will make the most of a portfolio strengthened by adding newly acquired overseas brands. In the soft drinks business, with an aim of improving profitability, we will continue to take drastic measures, such as the optimization of production sites, and we will promote measures that strengthen our brands.

In Southeast Asia, Kirin Holdings Singapore, which is responsible for the entire region, will generate synergies with Fraser and Neave and with Interfood. In Singapore and Malaysia, the company plans to release products from the Kirin Beverage brand, utilizing the sales network of Fraser and Neave. In China, China Resources Kirin Beverages, a joint venture established last year together with China Resources Enterprise, will work to develop our soft drinks business through market expansion and putting products onto the market.

In Brazil, Schincariol Participações e Representações S.A., which was made a wholly-owned subsidiary of Kirin in November 2011, will, under a new governance structure, work to further increase sales by strengthening core brands and responding flexibly to structural market changes, and to improve profitability by drastically improving the procurement process, strengthening value chain functions and increasing the efficiency of promotional activities.

3. Strengthen the domestic foundation and promote global expansion in the pharmaceuticals business

In the Japanese market, which serves as the basis of our pharmaceuticals business, we will continue efforts to strengthen our sales force. In addition to increasing sales of *Nesp* and our other core products, we will strive for the early market penetration of our new products. We also plan to launch KW-0761, a humanized monoclonal antibody that uses proprietary antibody technologies. An application for approval to manufacture and sell this drug was already filed last year. Furthermore, with the establishment of a joint venture company with the Fujifilm Corporation around this spring, we will build a new business model in the biosimilars market.

Outside Japan, we will work to improve our sales force in China and other Asian markets, and we will strengthen our development systems. In Europe and the United States, we will promote global expansion more actively by strengthening our cooperation with ProStrakan and by improving development and sales structures.

4. Strengthen group management capabilities accompanying the advance of globalization

We will proceed to set in place the foundations for Group management structures designed to achieve global growth in the medium- to long-term. We will develop and strengthen the organizational structure of Kirin Holdings Singapore, which was established the year before last as the company responsible for the entire Southeast Asian region, and we will implement functional integration and business restructuring by having Kirin Holdings Singapore centrally coordinate Interfood (Vietnam) and Kirin Beverage's soft drinks companies, Siam Kirin Beverage (Thailand) and Vietnam Kirin Beverage (Vietnam). We will accelerate the generation of group synergies in Southeast Asia, such as by sharing sales channels and manufacturing bases and strengthening systems for product development attuned to local preferences.

Furthermore, we will maintain our efforts for the priority issue of hiring, training and positioning global personnel who underpin our advance to globalization. We will utilize training programs to develop talented overseas business managers, and we will boost personnel exchanges between domestic and overseas Group companies in order to facilitate the global transfer of technology and know-how, thereby accelerating the generation of synergies.

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

As a corporate group that provides new ways to enjoy food and health, we at Kirin consider CSR to be an important management issue within our Group. As such, we will actively address social challenges through our business based on a theme of "fostering bonds with all stakeholders."

With respect to support for reconstruction in areas affected by the Great East Japan Earthquake, under the Kirin *Kizuna* Project: Support for Rebuilding, we will contribute ¥6 billion over a three-year period,

and we will continue to advance our Group-wide efforts to meet the needs of the affected areas. Furthermore, we will also strengthen cooperation within the Group and communication with our customers for even greater safety in food and health, including with respect to the issue of radioactive substances.

With respect to the preservation of the global environment, we will continue to take Group-wide action to reduce our environmental footprint across product value chains, such as by means of procurement that is conscious to the reduction of CO₂ emissions and the conservation of biodiversity.

In addition, as one social responsibility of a business focused on manufacturing and selling alcoholic beverages, we will further promote the fight to prevent drunk driving by offering *Kirin FREE*, a non-alcohol, beer-tasting beverage, and by working to educate consumers on responsible drinking.

We will also strive to increase the effectiveness of our compliance and risk management systems, an integral part of any CSR mission.

In the spirit of its Group slogan, "*Oishisa wo Egao ni*" (Good taste makes you smile), the Kirin Group will seek to stand beside its customers, develop diverse bonds with them, and share the happiness of food and health.

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