

## **SINGAPORE BUSINESS AWARDS 2010 OUTSTANDING CHIEF EXECUTIVE OFFICER OF THE YEAR**

**EIJI KOIKE  
PRESIDENT & CEO  
CEREBOS PACIFIC LIMITED**

### **BACKGROUND**

Eiji Koike, 63, the CEO of Cerebos Pacific Limited (Cerebos), graduated from Hitotsubashi University with a Bachelor of Arts in Economics degree and also holds a Masters in Business Administration from the University of London's Post-graduate Business School.

Before joining Cerebos, the father of two was with the Suntory group for many years, stationed in New York between 1987 and 1992 as the chief financial officer of Suntory International Corporation. He later became the treasurer, and then president of Suntory International Corporation, where he was responsible for the group's business in North and South America. He also was instrumental in building up Suntory's water business in the US.

In March 1997, with his experience built up in finance, corporate planning and international business, Mr Koike joined Cerebos – which the Suntory group owns – as president and chief executive officer (CEO). He also has a board seat at Cerebos and its various subsidiaries. He personally holds 70,000 shares in Cerebos, and has 1,014,000 in share options as at 30 September 2009.

Aside from a keen business mind, Mr Koike shows keen interest in the physical well-being of his employees. In 2004, he was conferred the Singapore H.E.A.L.T.H Leader Award by the Health Promotion Board, for his exemplary efforts in promoting workplace health. He himself enjoys regular exercise like swimming, running and playing golf.

### **COMPANY BACKGROUND**

Cerebos, a subsidiary of Suntory Ltd, is a leading food and health supplements enterprise headquartered in Singapore. Cerebos has been listed on the Singapore Exchange since 1983. In September 2005, Cerebos was included as a benchmark component of the newly launched FTSE / Asean Index.

The Group manufactures, markets and distributes health supplements and food products in the Asia Pacific region. The 3 core areas of the company are: Health Supplement, Coffee, Sauces. Best known for its BRAND'S® Essence of Chicken, it also supplies a range of health supplements and food products such as coffee, seasonings, sauces, food mixes and salad dressing.

Cerebos' products have found a strong footing in Southeast Asia as well as in Australia and New Zealand. For its flagship BRAND'S® health supplement products, the main markets are Thailand, Taiwan, Singapore, Malaysia, Hong Kong and China. Apart from essence of

chicken, bird's nest and fruit-based essences, BRAND'S® also markets 25 different variants of health supplements in tablet form.

Coffee and sauces are mainly available in Australia and New Zealand. Coffee brands include Robert Harris, Riva, Gregg's and the recently acquired Toby's Estate. Sauces include Gravox, Fountain and Gregg's. Woh Hup sauces are available in South East Asia, while the Asian Home Gourmet sauces are available in South East Asia and exported internationally.

## **RECENT ACHIEVEMENTS**

Mr Koike was awarded the Leading CEO Award 2008 by Singapore Human Resources Awards for his outstanding leadership capabilities to oversee, conceptualise, initiate and implement innovative HR practices. His leadership helped to position Cerebos' HR function as an effective strategic tool that contributes to the success of business goals. He confidently leads Cerebos into expansion despite the crisis, having navigated the Asian financial crisis.

Through his leadership, Cerebos commenced its final year of a three-year strategic plan to position its core brands firmly in the minds of consumers and spur growth. A significant number of the group's brands scored impressive achievements.

For instance, BRAND'S® has been continuously voted by consumers as Asia's Most Trusted Brand by a Reader's Digest poll in the vitamins and health supplements category, which indicates a consistent engagement with consumers and company-wide efforts to enhance product and service quality. Cerebos continues in its key aim of building consumer confidence; among its recent efforts are the design of new packaging for BRAND'S® liquid products, which feature its innovative triple-safety cap. The company also shows unwavering commitment to being a "Health Partner for Life". In 2008, Cerebos clinched the Work-Life Achiever Award by the Tripartite Committee on Work-Life Strategy. Cerebos also received the Platinum Award at the Singapore HEALTH Awards in 2009 organised by the Health Promotion Board. The Platinum Award is only given to companies who manage to win 3 consecutive years of Gold Awards.

Besides this, BRAND'S® goal to provide scientifically proven products for consumers has continued to receive official recognition and endorsement. BRAND'S® Essence of Chicken was conferred the Grand Prize by the international scientific panel of the International Physiological Anthropology Design Award, supporting the product's claim of efficacy in promoting mental alertness. In Taiwan, BRAND'S® Sesamin with Schisandra Extract received the Health Food Certificate from the authorities, certifying the product for liver support. Recently, BRAND'S® Xu Pei Clam Essence became the first product of its kind to obtain the Health Food Certificate for its ability to protect the liver.

The Economic Development Board of Singapore recognised Cerebos' efforts and awarded them a grant to support their continuous efforts in R&D. The grant went towards expanding the company's R&D facilities. Cerebos had in 2007 said it planned to double its R&D facilities in Singapore over the next three years, and make Singapore its regional research centre for health supplements. In other R&D news, the company discovered an active compound in BRAND'S® Essence of Chicken that helped it better understand the mechanism behind its flagship product.

Cerebos' coffee markets also did well, and the firm acquired boutique players like Atomic Coffee Roasters, Caffè L'Affare and Toby's Estate, all specialty gourmet coffee brands, boosting their expertise and share of the very high end coffee segment. For Asian sauces, the company continued brand building in selected territories, expanded into new markets, and also drove sales through better and more convenient packaging as well as leveraging on the growing popularity of authentic Asian flavours.

In 2007, Cerebos was recognised for its commitment to building an engaged workforce by the Singapore Human Resources Institute, winning the Leading HR Practices in Quality Work-Life Award and Leading HR Practices in Health & Employee Wellness Award. In 2008, for demonstrating its commitment in creating employee value, Cerebos was awarded the Leading HR Practice in Compensation & Rewards Management, making it the only company in Singapore to receive the award.

The company was ranked 55th on The Business Times' Corporate Transparency Index. In 2007, it was also ranked 48th for Public Listed Companies in the Top 1000 ranking of Singapore's most successful companies. Cerebos also ranked 26<sup>th</sup> out of 676 companies in the 2009 inaugural Governance & Transparency Index by The Business Times.

Besides this, as an established company in the Singapore healthcare products sector, Cerebos was acknowledged by IE Singapore as having contributed to the country's reputation as a premier healthcare hub in the region in its publication: Singapore healthcare for the world.

Finally, Cerebos was a Gold sponsor of the IE Singapore Global Forum 2007, a forum that aims to help local and Asian businesses become more globally competitive.

### **EXPANSION IN 2009**

Cerebos is expanding to two new emerging markets: Vietnam and Indonesia. At the groundbreaking ceremony of the new Thailand factory in August 2008, the company announced that it will be investing S\$75 million to expand production capacity to support this upcoming growth.

In February 2009, Cerebos announced a new BRAND'S® factory in Shah Alam, Malaysia. The investment for the new Malaysian factory is estimated to cost \$31.3 million, and expected to double current production capacity to 1.8 million bottles.

Cerebos Pacific's Australian subsidiary, Cerebos (Australia) Limited bought 60 per cent of Toby's Estate for A\$3.575 million (S\$3.548 million) via a share sale agreement. Toby's Estate is a gourmet coffee roaster and tea and chocolate merchant.

## FINANCIAL SUMMARY

\$ Millions	FY2004/ 2005	FY2005/ 2006	FY2006/ 2007	FY2007/ 2008	FY2008/ 2009
Turnover	\$ 605.4	\$ 610.5	\$ 697.5	\$ 774.1	\$775.2
Operating Profit	\$91.0	\$93.7	\$116.8	\$119.9	\$115.6
Net Profit	\$64.2	\$69.6	\$84.4	\$81.0	\$82.8
EPS (cents)	20.5	22.2	26.9	25.7	26.3
NAV (cents)	120.0	104.9	109.8	104.6	107.1
Shareholders' Equity	\$378.8	\$354.3	\$372.0	\$351.8	\$362.6

## FINANCIAL PERFORMANCE

### FY2005/ 2006

In FY2005/ 2006, the group achieved a respectable net profit of S\$69.6 million, 8 per cent higher than the S\$64.2 million in the previous financial year. This was done on a marginally higher turnover of S\$ 610.5 million. Group operating profit was up 3 per cent at S\$93.7 million compared to the previous year. Basic earnings per share (EPS) was 22.15 cents, while diluted EPS stood at 22.13 cents.

### FY 2006/ 2007

In FY2006/ 2007, Cerebos' net profit grew strongly to S\$84.4 million, 21 per cent higher than the previous year, on a 14 per cent rise in turnover to S\$ 697.5 million. Operating profit stood at S\$116.8 million, a rise of 25 per cent. Basic EPS in FY2006/7 was 26.85 cents and diluted EPS was 26.82 cents. Cerebos paid its shareholders a generous dividend of 25 cents a share – comprising a first and final dividend of six cents a share and a bonus dividend of 19 cents a share in FY2006/ 2007.

This came as the company unveiled its highest earnings in recent memory, with full-year profit to end-September surging 21 per cent to \$84.4 million, from \$69.6 million a year earlier, thanks to the strong performance of its Health Supplement business.

All this was achieved on the back of a 14 per cent rise in turnover to \$ 697.5 million for the year, from \$ 610.5 million in FY2005/ 2006. This top line was boosted by strong sales growth at its three core businesses of Health Supplements, Coffee and Sauces.

Mr Koike said the results vindicated the company's strategy of transforming itself from a mere food producer to a lifestyle business. Going forward, the company was confident that its business would strengthen and grow even faster.

Sitting on a cash cache of \$202.9 million, Cerebos also wants to continue rewarding shareholders with generous dividend payouts.

### **FY 2007/ 2008**

In FY2007/ 2008, the group's net profit fell 4 per cent to S\$81.0 million (\$84.4 million in FY2006/ 2007). However, its operating profit improved by 3 per cent to S\$119.9 million. The basic EPS was 25.72 cents and diluted EPS was 25.69 cents.

Total revenue for the fiscal year ended up 11 per cent at \$774.1 million compared with \$ 697.5 million in FY 2006/ 2007.

Total cash in its coffers stood at \$128.4 million at end-September, down about 37 per cent from \$202.9 million a year ago.

The company declared a first and final cash dividend of 6 cents per share and a bonus dividend of 19 cents per share.

Cerebos said the full-year results reflected its strategy to invest in brand building, research & development and capacity expansion for long-term growth.

### **FY2008/ 2009**

Cerebos has shown strong growth in the past few years — results made possible by Mr Koike's passion, dedication and expertise. By focusing on its core businesses of health supplements, coffee and sauces, the group has continued to improve its profitability, delivering on its corporate vision of creating value for stakeholders and maintaining long-term sustainable growth. Despite the adverse economic conditions, the Group turned in a reasonable performance by maintaining and enhancing competitiveness through the year of 2009.

For the full year FY 2008/ 2009, Cerebos achieved a net profit of S\$82.8 million (S\$81.0 million in FY2007/8) on level turnover of S\$775.2 million. Excluding the translation loss of S\$59.9 million, the growth in full year turnover would have been 8%, driven by the growth from all three core businesses of Health Supplements, Coffee and Sauces. Group Operating Profit was 4% lower than the previous year.

Return on Shareholders' Funds was a respectable 22.8%. Overall the full year results were dampened by weaker performance in the 2nd and 3rd Quarters, due to the economic and financial crisis, exchange rate movement and the USA product recall.

Cerebos has consistently paid its shareholders a generous dividend of 25 cents a share — comprising a first and final dividend of 6 cents a share and a bonus dividend of 19 cents a share - for the past few years from FY2003/ 2004 to FY2008/ 2009.

### **SHARE PERFORMANCE**

Cerebos shares closed at its highest in 52 weeks at \$4.26 on 31st December 2009, with a market cap of \$1.341 billion, up 39.7% from the previous year. At its lowest 52 week, its shares traded at \$2.44.

### **CORPORATE SOCIAL RESPONSIBILITY**

Mr Koike is a strong advocate of corporate social responsibility (CSR), and plays a key role in initiating programmes that benefit not just Cerebos but also stakeholders all over the world. Cerebos believes that it is both possible and practical to include CSR in their business model

and the company is focused on cultivating their CSR programmes into the strategic fabric of their business.

Taking an innovative approach, the company has integrated elements of CSR in all work-life and wellness activities. For instance, employees participating in the company's activities earn charity points. Cerebos then donates \$5 for each point to their chosen charity, the Straits Times School Pocket Money Fund (STSPMF). Cerebos is a founding company of STSPMF since its inception in 2000. The charity points system has also been integrated into the Standard Chartered Singapore Marathon and JP Morgan runs, where Cerebos donates \$100 for every km completed. In September 2008 and 2009, Cerebos Charity sales was organised to raise funds for the Straits Times School Pocket Money Fund. In 2009, Cerebos also upped the donations from \$50,000 for the previous 5 years to \$100,000 for charity concert ChildAid, despite the economic conditions.

Cerebos' CSR programmes are not limited to Singapore and extend into the region. In Thailand, the company grants scholarships to Thai researchers to help them pursue studies in science and nutrition. It also runs longstanding programmes like the BRAND'S® summer camp that coaches students for university entrance examinations. The BRAND'S® Summer Camp is now into its 21<sup>st</sup> year in 2010. It also runs a BRAND'S® young blood programme, which encourages youths to donate blood.

In Taiwan, the company sponsored a campaign to improve children's eating and exercise habits in a bid to combat the phenomenon where the current generation of Taiwanese children is becoming shorter. Cerebos staff gave talks to about 2,000 elementary school students to teach them about physical improvement programmes and nutrition. The company also regularly donates BRAND'S® essence of chicken products to help the homeless elderly being treated in city hospitals.

In China, the company teams up with newspapers in events to help stressed-out students prepare for their university entrance examinations. Cerebos was commended for its efforts in these events, which were held under the purview of the Ministry of Education in Guangdong and Shanghai.

In Malaysia, staff actively supports the welfare of the less fortunate, working with the Beautiful Gates Foundation, a home for people with disabilities.

Cerebos also plays its part in Australia and New Zealand, contributing to Habitat for Humanity by donating money, the company's food and beverage products, as well as volunteering to help build affordable housing for low-income families. In conjunction with Habitat for Humanity, the company has helped fund a team of New Zealanders heading to one of the larger coffee growing areas in Ethiopia for a "building blitz". Cerebos also regularly contributes to Foodbank in Australia. It also funds worthy community projects via the GRAVOX Grants programme.

Cerebos also takes into account environment management as part of its corporate social responsibility. As one of the top 300 water users in New South Wales, the Cerebos Seven Hills factory site has worked very closely with the Department of Utilities, Energy and Sustainability (DUES) to reduce usage and increase recycling of this limited resource. In New Zealand, the East Tamaki Factory continues its goal of achieving health, safety, and environmental legal compliance, reducing environmental risk, increasing resource use,

improving status with stakeholders by demonstrating environmental commitment, and receiving the Enviro-Mark Silver status.

Cerebos is a member of the Singapore Compact for CSR and there is full buy-in and commitment by the executive management team to CSR. In fact, it is publicly stated that “CSR is a fundamental business principle for Cerebos. It reflects our efforts to achieve sustainable outcomes by committing to good business practices and standards.”

The inclusion of CSR policies in the business model is not merely about corporate reputation, but seeks to build positive goodwill through trust and partnership over time. Cerebos believes that staff should be made aware of the positive effects of SR and encouraged to engage responsibly with the community. This will be the best risk management approach for a healthy company which ensures that the business is sustainable and continually grows and develops in the years ahead.