

## The BEK SE JU Story



Once upon a time, a noble and wise man was riding into a town when he ran into the most unusual sight. A young man was beating an old man!

The noble and wise man halted his horse in order to berate the young man.

"How dare you hit that helpless old man?"

The young man turned and replied,

"This is my son who was born when I was 80 years old. I told him to drink the wine but he didn't take my advice. Now he has grown older than I have."

The noble and wise man bowed down in humility before the young man, asking what the miraculous drink might be. He told about BEK SE JU and that it was made from 10 kinds of oriental herbs including Korean Ginseng.

# INDEX

Company Overview

Sales Trend in The Last 3 Years

Business Performance in 2001

Business Goal, 2002

General Liquor Market Size & Changes among Liquor Classes

Success Factors

Differentiated Competitiveness

Strategy, 2002

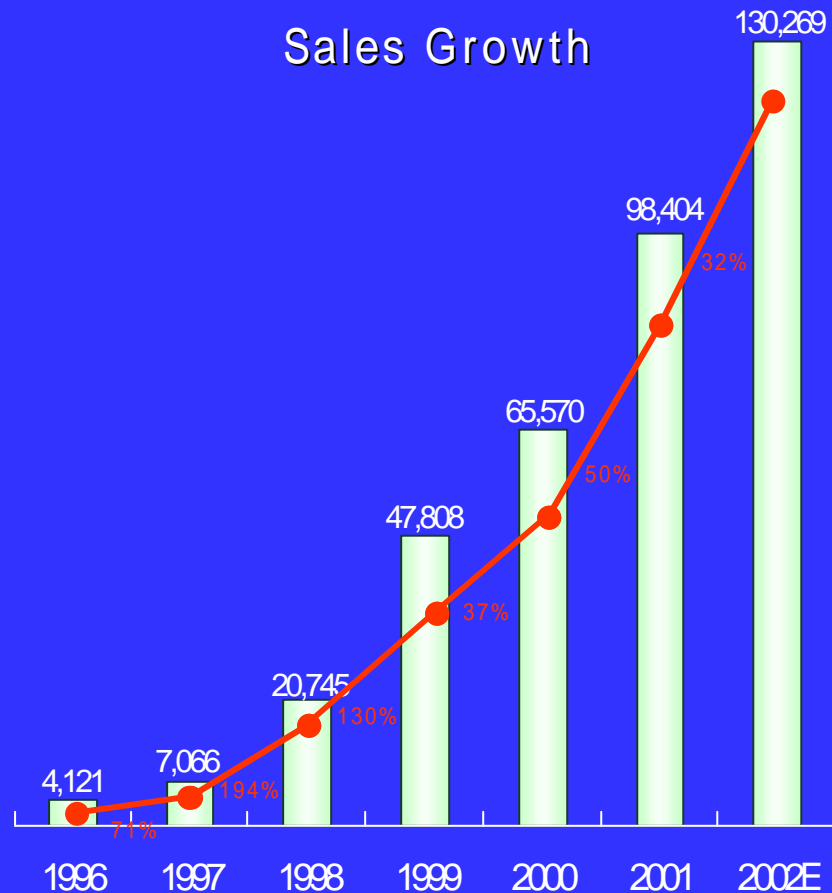
Bek Se Ju Village

The 2nd Factory Construction

Stock and Status

## Growth of Kook Soon Dang

### Sales Growth



### <History of Kook Soon Dang>

- 1952: Founded Gi Rin Brewery
- 1970: Founded Korea Microbial Research Laboratory
- 1986: Completed the construction of Suwon Plant
- 1992: Changed the company name to Kook Soon Dang
- 1994: Released Bek Se Ju
- 1999: Acquired an ISO 9002 Certification
- 2000: Registered on KOSDAQ in August

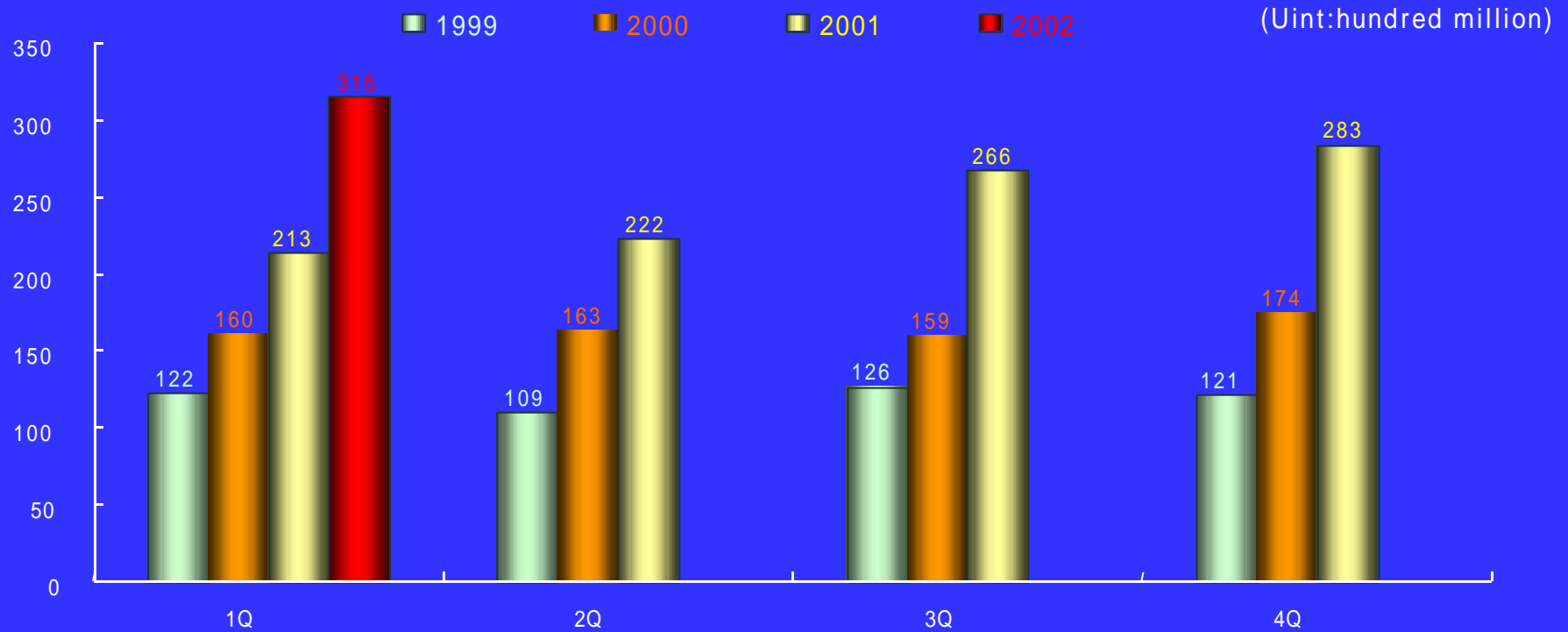
### <Major Awards for Kook Soon Dang>

- 2001: Selected as a hit product by major newspapers
- 2001: Selected as BEST CEO
- 2001: Awarded with Presidential Prize in Best 5 Korean Traditional Food Contest
- Mar. 2002.: Awarded with Iron Tower Medal on the Day of Tax Payers

(Unit: \ 1,000,000)

Year	1996	1997	1998	1999	2000	2001	2002E
Sales revenue	4,121	7,066	20,745	47,808	65,570	98,404	130,269

## Sales Trend in The Last 3 Years



(Uite : \ 1,000,000 )

	1999	2000	2001
1Q	12,248	15,961	21,282
2Q	10,852	16,333	22,213
3Q	12,631	15,917	26,632
4Q	12,077	17,359	28,276
Total	47,808	65,570	98,403

## Business Performance in 2001

(Uite : \ 1,000,000 )

Description	2000	2001	Increase/ Decrease	Increase/ Decrease(%)
Sales amount	65,570	98,404	32,834	50.1
Cost of sales	32,274	45,374	13,100	-
Gross profit on sales	33,296	53,030	19,734	59.3
Gross margin	50.8%	53.9%	-	-
Selling & general administrative expenses	16,588	22,333	5,745	34.6
Operating income	16,708	30,697	13,989	83.7
Non-operating loss	139	1,793	1,654	-
Ordinary income	16,847	32,490	15,643	92.9
Recurring margin	25.7%	33.0%	-	-
<b>Net income</b>	<b>12,545</b>	<b>22,914</b>	<b>10,369</b>	<b>82.7</b>

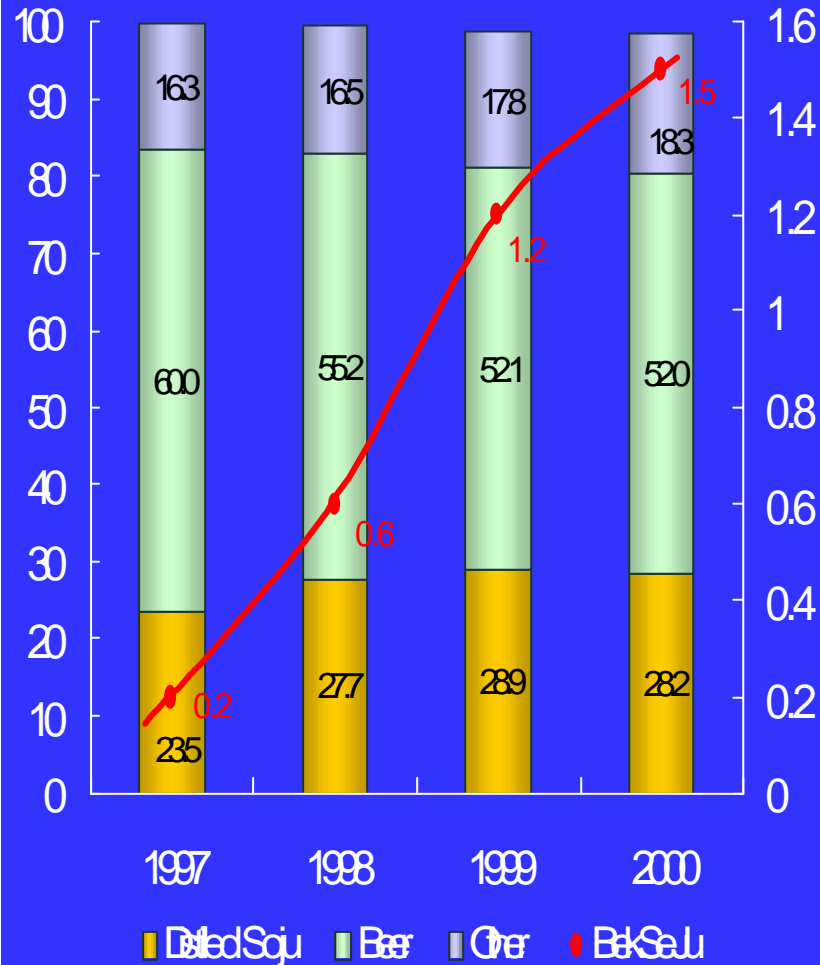
## Business Goal, 2002

(Unit: \ 1,000,000)

Description	2002 Estimated	2002.1~3	The rate of achievement
Sales amount	130,269	31,495	24.2%
Cost of sales	61,200	13,592	
Gross profit on sales	69,069	17,903	25.9%
Gross margin	53.0%	56.8%	
Selling & general administrative expenses	33,233	6,232	18.8%
Operating income	35,836	11,671	35.6%
Operating margin	27.5%	37.1%	
Non - operating loss	2,109	688	32.6%
Ordinary income	37,945	12,359	35.6%
Recurring margin	29.1%	39.2%	

## General Liquor Market Size & Changes among Liquor Classes ( including taxes )

(Unit: \ 1,000,000)



Description	1997	1998	1999	2000
Distilled Soju	1,183,408	1,386,311	1,602,132	1,678,658
Beer	3,020,365	2,771,615	2,896,196	3,097,784
Whisky	392,786	389,033	506,736	590,755
Chungju (Refined rice wine)	157,420	145,209	152,185	141,735
Takju (Unrefined rice wine)	138,063	177,827	159,327	147,031
<b>Bek se ju</b>	<b>9,017</b>	<b>28,030</b>	<b>66,715</b>	<b>91,357</b>
Others	135,791	114,087	171,439	207,169
Total Sum	5,036,850	5,012,112	5,554,730	5,954,489

< Estimated in 2001 >

General Liquor Market Size : About Won 6,100 Billion

Market share of Bek se ju : 2.3%(Won 1,379 hundred million)

## Success Factor of Bek Se Ju

### ◇ External Factors (Opportunity)

- Change of drinking culture to low alcohol preference
- Increase of consumer expectation and activation of functional health products
- Increase of women alcohol consumption volume alcohol
- O-Sip-Se-Ju

### ◇ Internal Factors (Strengths)

- Product development and marketing capability
- Wine that cares the body with 10 herbal medicine materials
- Independent sales network and one-to-one marketing
- Distribution of POP's, advertisement/promotion material
- Technology : 12 registered for patent, including pending
- Shared Vision “The enterprise leading culture of Liquors, food and beverages”
- Culture and system



## Differentiated Competitiveness of Kook Soon Dang

- \* Health-oriented concept using the oriental herbal medicine material
- \* Recognition of brand(Bek Se Ju)
- \* Prevention of hangover with the raw rice fermentation method(patented)
- \* Development capability of research institute

- \* Increase of acceptability of high quality and right(high) price of KSD products



- \* Independent sales network for whole country
- \* Information management of 130,000 restaurants
- \* Entry to most distribution premises (All discount stores, mid- to large superstores)

- \* Enhanced recognition of brand with POP to 130,000 restaurants
- \* Continuous investment for advertisement and promotion

# Strategy, 2002

Enlargement of Independent  
Distribution Network

VPN System

Reinforcement of Sales  
Promotion Service

**Business Strategy**

Actualization of  
Local Market

Bek Se Ju Village

The 2nd Factory

# Bek Se Ju Village

## The Effect Attained through Franchise Business

Expansion of drinking  
ages to the 20's and 30's

Increase of mania class  
of Bek Se Ju

Feedback survey for  
new products

Franchise  
Business

Improved recognition for  
KOOK SOON DANG

Creation of new  
drinking culture

Extension of distribution  
channel for Bek Se Ju



Contribution to the  
Achievement of Goals

VISION : Achievement of “The enterprise leading culture of  
Liquors, food and beverages”

## The 2nd Factory Construction

- 1. The period of construction : January 2002 – December 2003
- 2. The capacity of production : 400,000 bottles/day (based on 375Mℓ)
- 3. The amount of investment

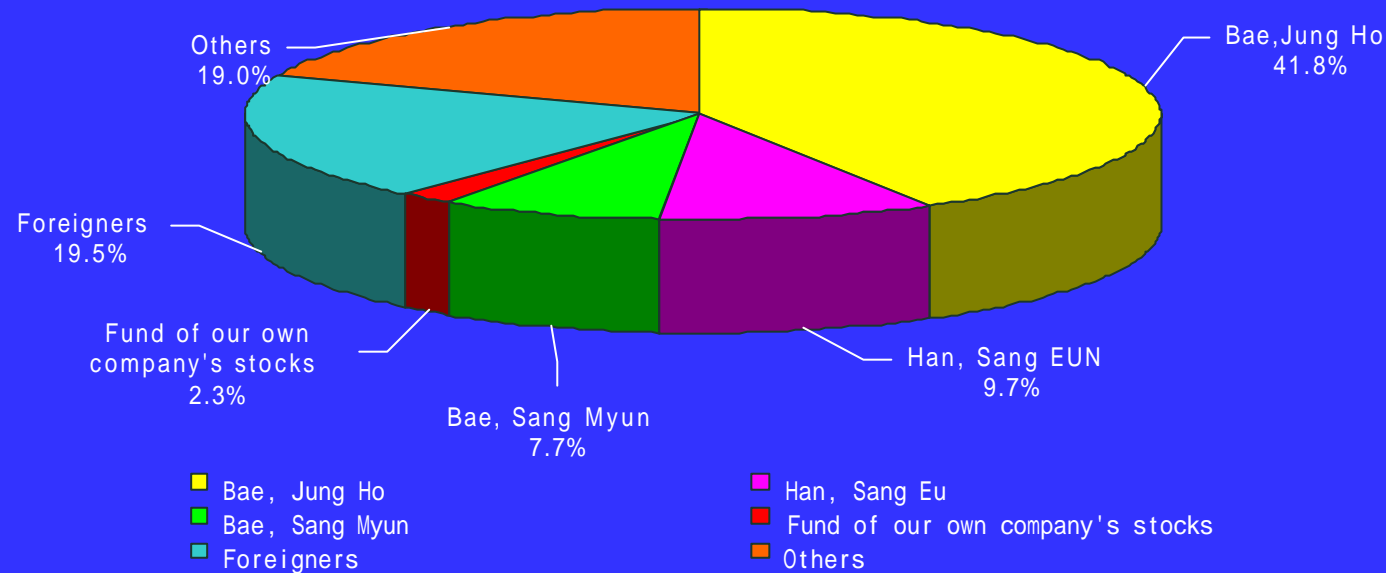
(Unit : \ 1,000,000)

Description	Amount
Building	7,000
Machinery	10,000
land	3,000
Total	20,000

- 4. The estimated depreciation cost for the 2nd factory : about 1.7Billion(Year)

# The Distribution of Stocks

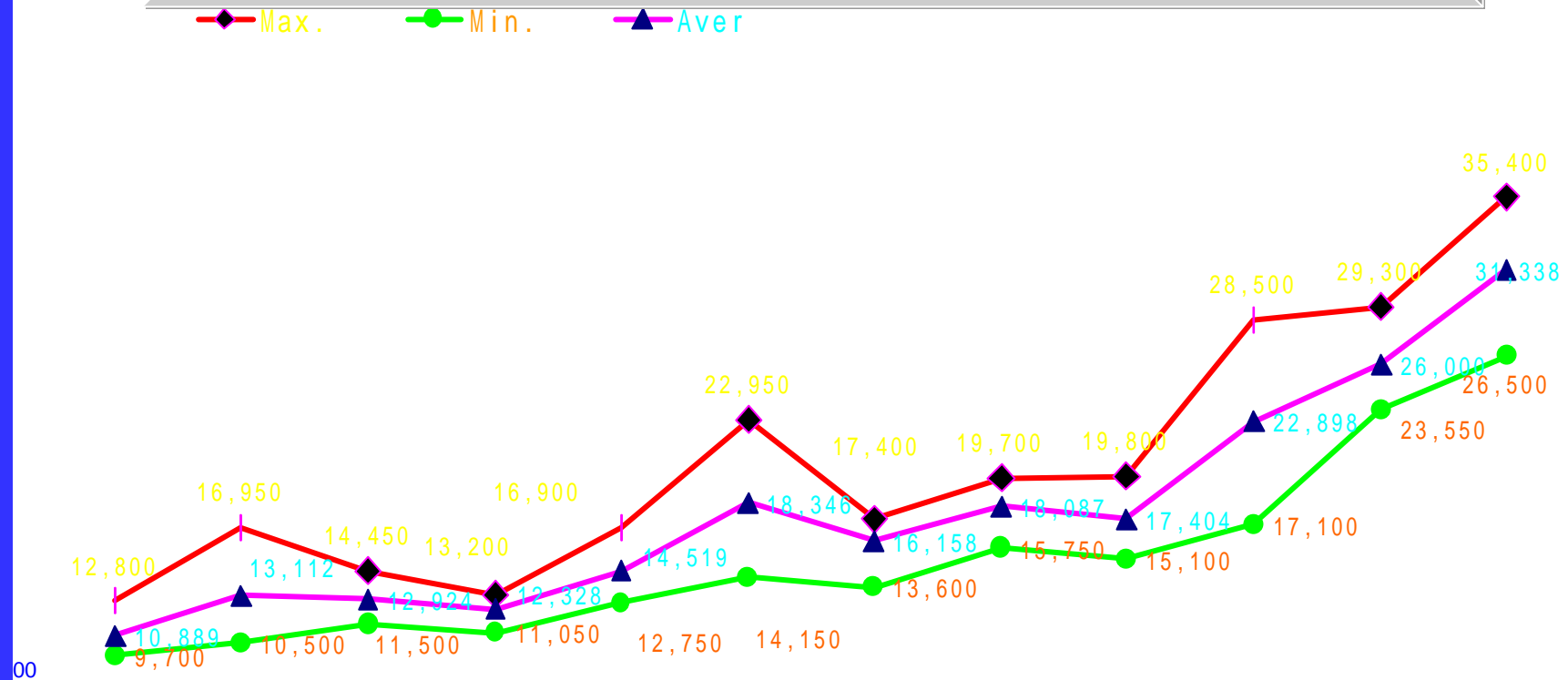
<Standard : February. 28, 2002>



( Unit : Stock)

Description	Bae,Jung Ho	Han,Sang Eun	Bae,Sang Myun	Fund of our own Company's stocks	Foreigners	Others	Total
Number of Stocks	3,450,039	796,892	639,044	190,302	1,606,872	1,566,851	8,250,000
Rate of Portion	41.8%	9.7%	7.7%	2.3%	19.5%	19.0%	100.0%

# Price Change of KSD Stocks



(Unit : \ , thousand stocks)

Description	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Max.	12,800	16,950	14,450	13,200	16,900	22,950	17,400	19,700	19,800	28,500	29,300	35,400
Min.	9,700	10,500	11,500	11,050	12,750	14,150	13,600	15,750	15,100	17,100	23,550	26,500
Average Price of Stock	10,889	13,112	12,924	12,328	14,519	18,346	16,158	18,087	17,404	22,898	26,000	31,338
Monthly Amount of Transaction	5,440	5,016	2,418	1,688	6,034	14,624	3,775	5,503	2,620	7,540	3,315	2,711