

Telephone Conference Q&A:

Results for the Third Quarter of the Fiscal Year Ending December 2011

Date and time: Friday 4, 2011, 18:30-19:45

Presenters: Akihiro Ito, General Manager of Finance and Accounting Dept.,

Hirotake Kobayashi, Managing Director, along with relevant department heads of Group companies

Briefing on 3Q results from Akihiro Ito, General Manager of Finance and Accounting Dept

Briefing on the Schincariol Group becoming a wholly-owned subsidiary from Hirotake Kobayashi, Managing Director

Questions and answers are given below.

Abbreviations:

KB: Kirin Brewery, Lion: Lion Pty Ltd

Overseas Beverages Business

Q. Regarding the Australian business, what is the forecast for the next term in view of current conditions?

Lion department head: There is a sense that the volume of alcohol beverages sold has somewhat bottomed out. Price competition is also easing and headed toward normalization. Meanwhile, the soft drinks business continues to be embroiled in the excessive competition of \$1 per liter of milk. Looking at alcohol beverages for next term, we expect price normalization and improved sales volumes will help to push figures slightly up on this year. However, with soft drinks, the market environment will continue to be tough, and so we plan to achieve profit growth through cost reductions. We will explain in more detail at the same time we announce our plans for the next fiscal year.

Q. With the soft drinks business, what is the risk of impairment associated with the second quarter (2Q) downward revision?

Ito: An impairment test is currently underway. I am unable to give an answer at present, including even whether assets will be impaired or not.

Q. Regarding the analysis of profit increases and decreases in the soft drinks business on slide 7 of your presentation, what is the breakdown of the +AUD 122 million for “Other”?

Ito: It is the turnaround of last year’s high cost for surplus milk. It also includes an accumulation of cost reductions and so forth.

Q. Looking at the results for the soft drinks business up to the 3Q, further increases seems possible.

Ito: The impact of an increase in the cost of milk and the turnaround of a number of special factors from the previous year mean that profits will decrease. Although it would seem a slight upward shift is conceivable based on the progress of the 3Q, ultimately, the financial results should be on par with the revised mid-year budget.

Q. Results for the alcohol beverage business during the peak demand 1Q (Oct-Dec) fell about AUD 36 million. Adding in the rebound from this, won’t there be considerable growth during the next term?

LNNF department head: Although the Queensland floods did recede after a month, the decline in tourist

numbers remained even after that. The associated impact extended for several months, and so poor figures were recorded for the 2Q too. Because of the tough conditions attributable to the ongoing slump in consumer confidence, our target for next term will be a slight increase, even after including the rebound you mention. This may appear to be a somewhat harsh view, but this is how we see it. Nevertheless, with population growth of 1.5% and with the Australian economy (while a two-speed economy) continuing to grow, our medium and long-term view is not at all pessimistic.

Brazil, Schincariol

Q. What is your valuation based on the recent consolidation of Schincariol?

Kobayashi: The purchase price for 100% of the shares is BRL 6.30 billion. If we add to this net interest-bearing liabilities as of the end of 2010 of BRL 0.828 billion, we get a firm value of BRL 7.128 billion. Similar to the last announcement, if we divide this by the most recent 12-month EBITDA as of March 2011 of BRL 0.55 billion,* we get an EV/EBITDA multiple of approximately 13.0.

* Standardized (adjustments to include one-time campaign expenses and founder's family expenses, etc.)

Q. Are you positive that the annual growth rate of the beer market in Brazil will be 5%?

Kobayashi: On a volume basis, growth will be 4–5%. On a value basis, as shown in the presentation materials, we predict an annual average rate of increase of 9.8% (nominal basis) between 2010 and 2015.

Q. Is there any risk that market growth will suddenly slow down?

Kobayashi: Given that the Olympics and World Cup are due to be held here, I think that strong growth is possible.

Q. What are the current business results, and what are the forecasts for this term and next term?

Kobayashi: Recently, business results have been affected by confusion and delays in managerial decision-making at Schincariol Participações e Representações S.A. and by soaring input costs. Profits for the most recent 12 months to June look like swinging below those of March. The final estimates for this term's business results are currently being carefully examined, but it is likely that they will dip below our initial forecasts. Next term, the effects caused by confusion in decision-making will dissipate, and we expect to achieve a level of growth more appropriate for the Brazilian market.

Q. What will you do about the new management regime?

Kobayashi: The incumbent CEO will remain in office until January next year, after which, we expect the post to be filled by a new CEO who is either promoted from within or invited from outside the organization. We also plan to establish a board of directors like Lion in Australia, and with the introduction of experts, people experienced in business and personnel from Kirin, we plan to enhance governance over management.

Q. If the Brazilian real (BRL) continues to appreciate from the time of the initial 50.45% acquisition, the yen-equivalent of the investment amount would lose several tens of billions of yen in value. During the consolidation process, do adjustments like impairments need to be made? Also, how much will the amortization of goodwill be?

Ito: Any effects on the valuation of assets caused by currency fluctuations are reflected in foreign

currency translation adjustments, but do not amount to a loss in value. Regarding the amortization of goodwill, a decision will be made in consultation with the auditing firm. In total, approximately BRL 4.2 billion is expected, but the annual amortization amount will change depending on exchange rates and on the period of amortization.

Domestic Alcohol Beverages Business

Q. How have increases in costs (increases in sales promotion) been progressing during this second half ahead of the next term? Sales promotion expenses were in fact on the rise during the 3Q. Did this have a positive effect on sales?

KB department head: During the 3Q, we spent more money on sales promotion than last year. This is because, during the second half (2H), we have been conducting the sales promotion that we could not execute during the 1H. Rather than investments that lead to short-term figures, we conduct investment for the ongoing nurturing of our brands. We narrow down the introduction of new products and put effort into creating a base for our key products and core brands. Although the reaction to narrowing down new products in this term meant the decline in sales was greater than the market, as long as the nurturing of our brands goes well, next term, it should turn into a plus factor on a year-on-year basis.

Q. Is there any scope for reductions in sales promotion expenses?

KB department head: Competition in the market is intensifying, and while we will not compete against this head on, at present, we believe that it would be difficult to make significant cuts to selling costs.

Overall Consolidated Results

Q. A significant downward revision has been made to net income for this term. To what extent have special income and expenses been factored in? What is the effective tax rate?

Ito: In addition to 19.0 billion yen for the loss on devaluation of investment securities and 5.0 billion yen for the loss on impairment of fixed assets, about another 1.0 billion yen has been added to the figures that were revised mid-year. We expect net special income and expenses of 33.0 billion yen (loss). The effective tax rate will be about 59%.

Q. What will the balance of interest-bearing liabilities be at the end of this fiscal year?

Ito: The outlook for the D/E ratio is about 1.10 at most.