

Financial Results Q&A:

Announcement of the Results for the Second Quarter of the Fiscal Year Ending December 2015

Date and time: August 7, 2015 13:00—14:30

Presenters: Yoshinori Isozaki (President & CEO), Akihiro Ito (Director of Board, Senior Executive Officer CEO), other Directors

Japan Integrated Beverages Business

Q. In the domestic beer business, in which channels and brands did the company invest? Are there any indicators showing what results were produced for each brand?

(Isozaki) Based on market research data, we confirmed that the purchase intention regarding *Ichiban Shibori* increased in latter part of the first-half. We took measures addressing off-premise, on-premise, sales promotion, advertising and so on with regard to *Ichiban Shibori*, and we believed an increase in brand familiarity.

Q. Management has been concentrating on results, and has positive results in the first half. What organizational changes have occurred that will make ongoing positive results possible?

(Isozaki) The sales front line's morale has been boosted. When this is done, various ideas are generated. The sales front line has invigorated the organization and we are receiving an enthusiastic response now. We will continue making various proposals and reforms in the future.

Q. Have any results been achieved in the domestic soft drink business following the expenditure of sales promotion costs in such an amount?

(Isozaki) *Mets* has been attracting attention within the market for its triple-digit growth in the first half and other factors. It is not our understanding that sales promotion expenditures will greatly increase. The issue is the product mix. We need to focus on sales of high-profit products such as *FIRE*, *Gogo-no-kocha*, and *Sekai- no-Kitchen kara*,

Q. Looking at the plans for the domestic soft drink business for the full-year, the planned difference in sales volume exceeds the increase in sales expenses. What has changed from the first half to the second half based on circumstances during the first half?

(Director in charge) In the first half, selling expenses increased by ¥7.9 billion and sales of *Mets* were up sharply, accounting for more than half of the 7% increase, but sales of products such as *Gogo-no-kocha* and *FIRE*, which should be selling strongly, were flat year on year, resulting in the difference in earnings. In contrast, vending machine new business development is exceeding plans and will make a significant contribution in the second half. In addition, the decline in sales volume per vending machine following last year's consumption tax rate hike has finally improved, and we are proceeding with development of products exclusively for vending machines, so we believe that the percentage of sales accounted for by the vending machine channel will increase. Sales cost efficiency will increase as a result of the effects from investment in the first half.

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Q. Why was there a substantial decrease in sales volume in Brazil? What is your view of

current conditions?

(Isozaki) Brazil encompasses a large territory, and there was an impact on Kirin from its competitive stance as a result of implementing a uniform marketing strategy for the entire country. It is important that we increase our presence in regions where we are strong to raise earnings. Also, raising the level of implementation of plans is an issue, but I am confident that we will make a recovery starting in the second half under the Brasil Kirin's new CEO.

Q. Won't the ongoing depreciation of the Brazilian real make it difficult to increase profits in the next and following fiscal years?

(Director in charge) We engage in currency hedging and as a result we do not feel the full impact, but as long as the Brazilian economy does not recover, it will be unavoidable to increase COGS. We will take measures such as reducing the costs of support divisions and streamlining logistics divisions.

Q. With regard to alcohol beverages, which are a cash cow for Lion, it has been difficult to raise unit prices recently, and conditions have been adverse for sales volume as well. What is the outlook for the alcohol beverage business next year and later?

(Ito) The Australian market is contracting at 2% to 3% annually, and stopping the volume decline is an issue. As a leading company, Lion will invest from a medium-term perspective to reinvigorate the overall beer market.