

Telephone Conference Q&A:

Results for the Third Quarter of the Fiscal Year Ending December 2010

Date and time: Friday, November 5, 2010, 17:00-18:00

Presenters: Akihiro Ito, General Manager of Finance and Accounting Dept., along with relevant department heads of Group companies

Company Abbreviations:

KH: Kirin Holdings, KB: Kirin Brewery, KBC: Kirin Beverage, LNNF: Lion Nathan National Foods, LN: Lion Nathan, NF: National Foods, DF: Dairy Farmers, KHC: Kyowa Hakko Chemical, F&N: Fraser and Neave

Performance in the Third Quarter and Prospect for the whole year :

1. What caused the extremely positive financial results through the third quarter? Also, why aren't you revising the projection for the whole year as a result?

Ito: An extremely hot summer and cost reductions were the primary contributing factors. Although there is a possibility that the 133 billion yen projection for the whole year may be exceeded, we determined that an upward revision was not warranted, given the current difficult market conditions in Japan and the risk of increasing raw material costs in the Australian soft drinks and foods business.

Regarding the Japanese business :

1. Having undergone reorganization, how is KBC planning to deal in the next term with issues such as current increases in raw material costs and the potential drop in sales following the heat wave? Can you tell us how much the heat wave helped?

KBC department head: We are currently developing a plan for the next term, but expect the market size to decline slightly compared with this year, partly due to an anticipated decrease in consumption following the heat wave. We believe that it will be necessary to take some measures to cope with sluggish consumption, softening product prices, and raw material cost increases, and we plan to continue working on strengthening our core brands (black tea, coffee, and green tea) and enhancing the value of national brands' unique products. As for the heat wave, its positive effect on KBC was limited because carbonated and thirst-quenching drinks as a percentage of its product line-up is small compared to other companies.

2. In the third quarter, the impact of a reduction in "Other expenses" was large for KB.

What other factors were involved besides the management fee? What is the projection for the whole year?

KB department head: Other factors included information system expenses. Although we have not revised the final projection, it most likely will not deviate that much from the plan.

Other issues in Japan :

1. The effects of cost synergy from the CCT (cross company teams) are appearing early, but will they also appear next year? Or, are you planning to accelerate the effects in the next term faster than previously?

KH department head: In the third quarter, the effects of cost synergy have appeared better than in the plan. The results are meeting the goals announced in the medium-term business plan. We do not expect the pace to slow in the future, and plan to add any overage above the plan to the total.

2. What will be the effects of the sale of KHC on sales revenue and operating income for the next term?

KH department head: The sale will reduce sales revenue and operating income proportionately.

Regarding overseas businesses :

1. The alcohol beverages business in Australia appears to be lagging behind the projected profit level for the whole year. What are the reasons?

LNNF department head: Although we do not publish quarterly figures, we expect to achieve the operating income plan for the whole year. While the sales environment is tough, we will make up for it by implementing various cost-cutting measures, such as reducing marketing expenses.

2. With regard to the alcohol beverages business in Australia, can you provide an update on the deflation concern raised in the analyst meeting for the second quarter?

LNNF department head: The weather this past winter was unfavorable, with many rainy and unusually cold days. The total beer market is looking to be smaller than last year due to the loss of the effect of last year's tax increase of the RTD making beer seem relatively inexpensive, the fact that the economy-stimulating measure has run its course, and an interest rate hike that has had a dampening effect on consumers' desire to spend. It is difficult to raise prices, especially on premium beers, and competition continues to

be stiff. The time it takes to convert beers to premium status is definitely taking longer than before.

3. Isn't the environment for the alcohol beverages business in Australia going to change drastically toward the next term?

LNNF department head: Although we do not expect the concern about deflation and the sluggishness of the entire market to worsen, we need to monitor the situation closely.

4. The results for the soft drinks and foods business in Australia for the third quarter were substantially below plan for this fiscal year. What were the causes?

LNNF department head: The shortfall from the plan was caused by high raw milk costs and low product prices.

5. What is happening to the raw material prices in the soft drinks and foods business in Australia? With regard to the soft drinks and foods business in Australia in the next term, will the synergy being counted on in the medium-term plan succeed in helping increase profits, even if the raw material cost increases (over and above any extraordinary factor such as a change in fiscal year)?

LNNF department head: The raw milk cost as revised on July 1 turned out to be higher than LNNF had predicted in its 2010 goals. We will create our 2011 plan taking the raw milk price into account.

The integration with DF is progressing according to plan and its benefits will begin appearing in 2012. There will be few synergistic effects in 2011, and the effects of raw material cost increases will persist through the end of 2010. Nevertheless, we believe we are in an environment in which we can increase profit from the previous year, over and above a change in fiscal year.

6. What is the status of cooperation with F&N? How is it incorporated into the 2011 business results projection?

KH department head: With regard to future cooperation with F&N, we have a dedicated local staff member and are hoping to actively pursue cooperation between the two companies. Specific areas of cooperation include mutual utilization of manufacturing facilities and marketing each other's products in respective areas. As for profit, we will begin applying the equity method in the next term, but at this point do not know what impact it will have on the overall financial results.