

Q&A at the Financial Results Presentation: Announcement of the Financial Results for the  
Second Quarter of the Fiscal Year Ending December 31, 2013

Date and time: August 2, 2013, 16:00-17:30

Presenters: Senji Miyake (President and CEO) and Masahito Suzuki (Director and CFO)

**Financial Results for the Second Quarter and Projected Results for the Fiscal Year**

Q. Why was the operating profit target for the fiscal year lowered from the initial year of the Medium-term Business Plan (MTBP)?

(Mr. Miyake) It may be possible to control costs in the short term and generate a profit, but we determined that in order to achieve the three-year MTBP targets, we need to continue brand investment so we can resume domestic growth. We will achieve this year's target for normalized EPS, a standard for shareholder returns.

Q. You indicated that the outlook for normalized EPS is an increase of about 2 yen. Why will normalized EPS increase even though operating profit and normalized EBITDA will decline?

(Mr. Suzuki) Normalized EPS is linked to EBITDA, but the effects of non-operating profit other than dividends subject to the equity method and taxes are adjusted for extraordinary profit or loss and a portion is not subject to taxation. Also, the number of shares, which is the denominator, decreased as a result of the share buyback. The calculation was performed based on the assumption that the number of shares at the end of June will remain steady until December.

**Japan Integrated Beverages Business**

Q. What has been the result in the first half of the first year of brand reinforcement?

(Mr. Miyake) It is necessary to undertake brand reinforcement from a medium- to long term perspective, but we believe that there have been modest results in the first year. We rejuvenated the *Kirin Ichiban Shibori Nama Beer* lineup with the proposals for new new style of drinking in forms of *Ichiban Shibori Frozen Kuro* and *Ichiban Shibori Two Tone Nama* beer cocktail, which followed *Ichiban Shibori Frozen Nama* introduced last year, and commercial kegs have had a positive impact. We conducted sampling of *Kirin Sumikiri* with individual employees, and it has become a hit product in the new genre category. We are making assertive resource investments in growing categories and working to expand RTD (ready-to-drink) brands and increase sales of *Kirin Mets Cola*. We will continue striving to increase sales and profit in 2015.

Q. Preference for *Kirin Nodogoshi Nama* is increasing and the Kirin brand value is also rising. It seems that Kirin has struggled of late, so what will you do in the second half to extend these results?

(Mr. Miyake) In the first half, there was a flood of new genre products, and sales volumes of *Kirin Nodogoshi Nama* were slightly below plans. We feel, however, that new communications are starting to achieve results. In the second half, we will conduct programs linked to advertising and displays in retail stores.

Q. In the Japanese soft drink business, volumes increased as a result of brand investment, but

why did the composition ratio of containers etc. deteriorate? Is it Kirin's policy to emphasize market share over profit?

(Mr. Miyake) The deterioration of the composition ratio of containers was in part the result of higher sales of large PET products. In the first half, we made brand investments including conducting campaigns and we were able to achieve sales volumes that exceeded the market average. Sales in July were also good. To maintain these results, we will continue our brand reinforcement measures as planned at the beginning of the year.

Q. When will results from brand investments start to be generated? Will you continue brand investment in the coming fiscal year as well?

(Mr. Miyake) We hope to achieve the results in the third year, as promised in the MTBP. To do this, we will continue brand investment in the coming fiscal year. We will indicate the specifics in the coming fiscal year's business plan. From an integrated beverage perspective, we hope to achieve the MTBP targets by distributing assets above our businesses and conducting marketing activities using new ideas.

## **Oceania**

Q. What is your understanding of the adverse conditions in the beverage business of Lion?

(Mr. Miyake) The changes in the market environment since we prepared our plans at the beginning of the year have exceeded our expectations. Although there is growth in some categories such as flavored milk, consumers have a growing preference for low prices and the business environment remains tough. Also, milk prices are rising. In addition to short-term cost reductions, we are also now looking into improving cost efficiency through structural reforms.

Q. Sales volumes in the alcohol beverage business increased during the first half. Will it be possible for the business to continue growing in the second half and later in spite of the fact that one year will have passed by the end of the third quarter since Lion acquired promising brands last year?

(Director in Charge of Strategic Planning) We believe that we can achieve continuous and stable growth by relying not solely on volume, but also by promoting premium brands and bolstering craft beers and functional products.

## **Brazil**

Q. What were the causes of Brasil Kirin's decline in profits?

(Mr. Suzuki) The primary cause was increased brand investment to generate growth of top lines. Also, as a matter of form, depreciation expenses increased by 40 million real from the previous year as a result of accounting procedures.

Q. What effects were produced from investment for reinforcing brands?

(Director in Charge of Strategic Planning) Investment is producing results in regions where our presence has been particularly low. Going forward, we intend to make use of an outstanding brand portfolio that includes premium brands.