

**Telephone Conference Q&A:**  
**Results for the First Quarter of the Fiscal Year Ending December 2014**

Date and time: May 1, 2014, 13:30-14:30

Presenters: Director of Group Finance, Director of Corporate Strategy, along with relevant business department heads

**Brazil**

Q. What is the background to Brasil Kirin's sales volume growth falling below the market rate?

(Director of Corporate Strategy) Demand grew in February and March, but price competition with our competitors also intensified. In the first quarter, we elected to avoid excessive price competition and secure a profit; on the other hand, we were not able to capture all of the growth in demand, but going forward, we will work to capture growing demand and also increase sales of top lines.

Q. What is the recent status of aggressive price strategies by competitors?

(Director of Corporate Strategy) Early this year, aggressive price strategies were excessive, but there has been some easing of those strategies since around the end of March, particularly in the on-premise market. The situation is improving in the second quarter, but only in a relative sense, and price competition is ongoing.

Q. As price competition eases, how will sales of top lines be increased?

(Director of Corporate Strategy) Demand is increasing in the run-up to the World Cup, and we are placing slightly more emphasis on sales volume. In order to increase sales volumes in the Brazilian market, it is necessary to reinforce sales of existing products rather than launching new products. The competitive market will remain fierce, but we will focus our knowledge to carry out effective brand strategies, packaging measures, and pricing.

**Japan Integrated Beverages**

Q. What measures will you take to improve the deteriorating change of product mix in the soft drink business?

(Business department head) The percentage of products sold in 500 ml PET bottles decreased as a result of the delay of the renewal of *Kirin Mets COLA* and the concentration on large containers of the extra demand in the lead up to the consumption tax rate hike. We are taking measures to make up for the delay concerning *Kirin Mets COLA* and will improve the product mix through 500 ml PET bottle products such as *Yasashisa Nama Cha* and the new product from the *Sekai-no-Kitchen-Kara* range to be launched in the second quarter.

Q. What is the status of the alcohol beverages and soft drinks following the consumption tax rate hike?

(Business department head) Demand fell back down from rush demand ahead of the consumption tax rate increase, and beer sales volume fell in April by approximately 20% year-on-year. Sales of *Kirin Ichiban Shibori*, however, remained firm, and the decline was in the 10 to 19% range. Sales of *Chu-hi* products were down slightly, and sales of *Kirin Honshibori* more than doubled again in April. The extra demand for soft drinks was not as substantial as that for beer products, and the decline in April was about 5% compared to the previous year. The extra demand for water products was high, and sales

were down in April, but *Kirin Sekai-no-Kitchen-Kara Salt and Litchi* and *Kirin Mets COLA* were both up as a result of product updates and other factors.

### **Oceania**

Q. Operating income in the Australian alcohol beverage business increased as a result of improvements to prices and the product mix, but was there also a decrease in costs?

(Director of Corporate Strategy) We undertake ongoing measures to control costs in order to maximize profits as much as possible. Selling costs did not decrease and were in line with plans.

### **Other**

Q. The financial results for the first quarter were positive overall; what is your assessment?

(Director of Corporate Strategy) First of all, Kirin Brewery Company, Limited was able to take vigorous action and, along with the rush demand ahead of the consumption tax rate increase, sales increased. Brasil Kirin prioritized profits in a growing market. As some expenses for first quarter activities will be recorded in the second quarter, first quarter profits exceeded plans at some companies, but results were generally in line with plans.