

Telephone Conference Q&A:

Results for the Third Quarter of the Fiscal Year Ending December 31, 2013

Date and time: October 31, 2013, 10:00-11:00

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

Brazil

Q. Please explain the factors affecting the YoY change in operating income of Brasil Kirin.

(Director of Corporate Strategy) Although the company's gross profit increased on higher sales and price increases, operating income after amortization of goodwill etc. declined by 132 million real due to higher selling, general and administrative (SG&A) expenses. The expenses increase, due in part to inflation, was brought about by increased strategic expenses to expand its presence in virgin regions and to bolster its brands, and measures to deal with intensified competition. In the current fiscal year, Brasil Kirin allocated a large amount of strategic spending to the third quarter, just before the peak demand period, and the result was that the company's sales surpassed the market growth due partly to sales growth in the south.

Q. It appears that Brasil Kirin will have difficulty to achieve its annual targets. What is the company's plan for the fourth quarter?

(Director of Corporate Strategy) Although the third quarter was impacted by unfavorable weather, the market environment is steadily improving. The fourth quarter is the peak demand period in Brazilian beer market, and with the postponement of a beer tax increase, we can expect good results. We will control SG&A expenses while closely monitoring our profit level and aim to meet the annual targets.

Japan Integrated Beverages Business

Q. Please explain why "Others" category contributed a large portion of the operating income.

(Business department head) Kirin Company, Limited, Japan regional headquarters, controlled expenses and reduced its costs to help shore up the profitability of the entire Japan integrated beverages business.

Q. Please explain Kirin Beverage's brand investment, the investment results, and the outlook for full-year operating income.

(Business department head) The ratio of variable sales and marketing expenses in the third quarter exceeded expectations due to the higher sales volumes and hot summer weather. The company bolstered its brands through advertising spending, resulting in higher sales volumes of *Gogo-no-Kocha*, *Salt & Litchie* and other brands. The company has already exceeded its full-year operating income target and will strive to surpass it.

Oceania

Q. Please explain the future impact of soaring raw materials costs in Lion's soft drinks business and the countermeasures to take.

(Director of Corporate Strategy) Rising milk prices have led to higher costs since July. Lion plans to take countermeasures in the coming fiscal year and strive to meet its overall financial targets,

as a whole including the alcohol beverages business.

Q. What is Lion's forecast for beer sales volume for the coming fiscal year? What is the company's area of strength amid an overall shrinking market?

(Director of Corporate Strategy) It will be difficult for Lion to post strong volume growth in 2014. We believe, however, that Lion's performance will at least exceed market performance due to its high market share in the International Premium and Craft Beer categories, which are demonstrating the highest growth. The strengthening of brands and the reinvestment of cash generated by strong brands into new products for the future represent the company's competitive advantage.

Other

Q. Free cash flow has increased this fiscal year due to booking of special income. How shall the increased free cash flow be used?

(Director of Group Finance) In accordance with the Medium-term Business Plan, we are prioritizing shareholder returns by increasing dividends, and also we conducted own-share repurchase this fiscal year. The remaining cash will be used to repay interest-bearing debt.