

Q&A at the Financial Results Presentation: Announcement of the Financial Results for 2013
and the Kirin Group Business Approach for 2014

Date and time: February 14, 2014, 10:00-11:30

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

Overall

Q. If sales volumes in each business segment are unable to reach the planned amounts in 2014, are there any measures in place to achieve the income plans?

Miyake: We of course have contingency plans, and even if our top lines are unable to achieve their sales volume targets, we will control expenses to generate income. I believe that it is our responsibility to conduct management in a way that avoids the surprises such as we saw with Brasil Kirin last year.

Q. Is there any possibility of share buybacks in the future?

Miyake: We are making steady progress towards achieving our target for free cash flow (at least 400 billion yen) under the medium-term business plan for 2013 to 2015. We will consider share buybacks in accordance with the financial policies of our medium-term business plan.

Japan integrated beverages business

Q. What is the outlook for unit prices in the beer market?

Miyake: It will be necessary to take into consideration market trends following the increase in consumption taxes this spring, but we believe that there are customers and consumption scenarios that can accept high added value or high price ranges. Rather than simply increasing the lineup of high-price products, we believe that it is important to propose products that are expensive for a reason as well as products that are inexpensive for a reason.

Business in Brazil (Brasil Kirin)

Q. What were the causes of Brasil Kirin not achieving the planned for operating income in 2013 ? What is the future outlook?

Miyake: In 2013, we undertook marketing activities with the aim of maximizing sales during the peak season, but consumption cooled in the second quarter and later, and our responses to fiercer competition were slow, and consequently, the target was not achieved. In 2014, we hope to achieve results by implementing rigorous cost controls while closely monitoring sales conditions.

Also, we are not pessimistic about the future outlook for the Brazilian market. Sporting events that can be expected to increase consumption are coming up including the FIFA World Cup in 2014 and the Olympics in 2016. In addition, the average age in Brazil is low and consumption by the middle income class is expected to grow. Inflation grew more than anticipated last year, resulting in insufficient beer and soft drink consumption, but we are confident that Brazil is a market where we can anticipate growth over the medium to long term.

Q. Can you explain about the current status of the soft drink business?

Miyake: In Brasil Kirin's soft drink business, we are making use of the knowledge that we accumulated in Japan, and we hope to build our own position in the functional beverage segment.

Sales of “KIRIN Fibz”, which was launched last year, will be expanded to Sao Paulo and Rio de Janeiro in 2014. We hope to develop it into a solid brand that will gain popularity in the mature south and southeast markets.

Business in Australia (Lion)

Q. Please explain about future measures in the soft drink business.

Miyake: First, we will steadily implement structural reforms that we have been undertaking for some time, such as the optimization of production sites. Second, we will create structures that are resilient to the volatility in milk prices. Third, we will consider expanding business from Australia to China or Southeast Asia.

Q. Please explain the breakdown of the 43 million Australian dollar reduction in income in the soft drink business during 2014.

Suzuki: It is almost entirely the result of higher milk prices.